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Application Proof of

LALATECH

LALATECH HOLDINGS LIMITED

拉拉科技控股有限公司

(A company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability)

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LALATECH

LALATECH HOLDINGS LIMITED

拉拉科技控股有限公司

(A company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the : [REDACTED] (subject to the
[REDACTED] [REDACTED])
Number of Hong Kong [REDACTED] : [REDACTED] (subject to reallocation)
Number of [REDACTED] : [REDACTED] (subject to reallocation and
the [REDACTED])
Maximum [REDACTED] : HK\$[REDACTED] per [REDACTED] plus
brokerage of 1.0%, SFC transaction levy
of 0.0027%, Stock Exchange trading fee
of 0.00565% and AFRC transaction levy
of 0.00015% (payable in full on
application in Hong Kong dollars, subject
to refund)
Nominal value : US\$[REDACTED] per Share
[REDACTED] : [REDACTED]

Joint Sponsors, [REDACTED]

Goldman Sachs 高盛

BofA SECURITIES

J.P.Morgan

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The [REDACTED] is expected to be determined by agreement between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and our Company on the [REDACTED]. The [REDACTED] is expected to be on or around [REDACTED] and, in any event, not later than [REDACTED].

The [REDACTED] will be not more than HK\$[REDACTED] and is currently expected to be not less than HK\$[REDACTED] unless otherwise announced. If, for any reason, the [REDACTED] is not agreed by [REDACTED] between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and our Company, the [REDACTED] will not proceed and will lapse.

The obligations of the Hong Kong [REDACTED] under the Hong Kong [REDACTED] are subject to termination by the [REDACTED] (on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the [REDACTED]. See “[REDACTED]”.

Prior to making an [REDACTED] decision, prospective [REDACTED] should consider carefully all of the information set out in this Document, including the risk factors set out in “Risk Factors”.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be [REDACTED], sold, pledged, or transferred within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The [REDACTED] are being [REDACTED] and [REDACTED] (i) solely to QIBs as defined in Rule 144A pursuant to an exemption from registration under the U.S. Securities Act and (ii) outside the United States in offshore transactions in accordance with Regulation S.

Our Company will be controlled through weighted voting rights upon [REDACTED]. Prospective [REDACTED] should be aware of the potential risks of [REDACTED] in a company with a WVR Structure, in particular that the WVR Beneficiary, whose interests may not necessarily be aligned with those of our Shareholders as a whole, will be in a position to exert significant influence over the outcome of Shareholders’ resolutions, irrespective of how other Shareholders vote. For further information about the risks associated with our WVR Structure, see “Risk Factors — Risks Related to the WVR Structure”. Prospective [REDACTED] should make the decision to [REDACTED] in the Company only after due and careful consideration.

[REDACTED]

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

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SUMMARY

This summary aims to give you an overview of the information contained in this Document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire Document before you decide to [REDACTED] in the [REDACTED].

There are risks associated with any [REDACTED]. Some of the particular risks in [REDACTED] in the [REDACTED] are set out in “Risk Factors”. You should read that section carefully before you decide to [REDACTED] in the [REDACTED].

OVERVIEW

We are a leading technology-empowered, data-driven logistics transaction platform with a global footprint. We have used “Huolala”/“Lalamove” as our brand names since our inception with the aim of making them synonymous with “smart mobility for goods.” According to Frost & Sullivan, we are:

- the world’s largest logistics transaction platform by closed-loop freight gross transaction value, or closed-loop freight GTV^{*}, with a market share of 44.0% in the first half of 2023;
- the world’s largest intra-city logistics transaction platform by closed-loop freight GTV in the first half of 2023;
- the world’s largest logistics transaction platform by average merchant MAUs in the first half of 2023; and
- the world’s largest logistics transaction platform in terms of number of fulfilled orders in the first half of 2023.

In 2023, our platform facilitated over 588.4 million fulfilled orders with a global freight GTV of US\$8,736.3 million. In 2023, we had approximately 13.4 million average merchant MAUs and 1.2 million average carrier MAUs.

We were founded in Hong Kong in 2013 and entered Mainland China and Southeast Asia in 2014. According to Frost & Sullivan, our market share in terms of closed-loop freight GTV in Mainland China was 61.0% in the first half of 2023. Since 2014, we have expanded our operations into additional cities in Mainland China and Southeast Asia, and have entered other overseas markets such as LatAm. As of December 31, 2023, we had operations in over 400 cities across 11 global markets, namely Mainland China, Hong Kong, Thailand, the Philippines, Singapore, Indonesia, Vietnam, Malaysia, Mexico, Brazil and Bangladesh. In 2023, the revenue generated from the overseas markets accounted for 8.8% of the total revenue.

* Closed-loop freight GTV refers to the gross transaction value of all freight transaction orders that are matched and paid for on the digital platform which charges the relevant users fees based on the value of such orders. A closed-loop transaction platform is able to facilitate the end-to-end process from order placement, pricing determination, prepayment, freight matching, and order tracking to confirmation of payment settlement. According to Frost & Sullivan, in 2022, 23.8% of online road freight GTV globally was attributable to closed-loop transactions.

SUMMARY

We have achieved robust operational and financial growth since our inception. Our global GTV increased from US\$6,763.4 million in 2021 to US\$9,414.3 million in 2023, representing a CAGR of 18.0%. Specifically, in 2023, we achieved a global GTV of US\$9,414.3 million, constituting a year-over-year growth of 28.8% compared to 2022. Our revenue increased from US\$844.8 million in 2021 to US\$1,334.2 million in 2023, representing a CAGR of 25.7%. We incurred adjusted losses (non-IFRS) of US\$651.0 million and US\$12.1 million, respectively, in 2021 and 2022, and recorded an adjusted profit (non-IFRS) of US\$390.6 million in 2023. For a more detailed discussion of the changes in our global GTV and financial performance during the Track Record Period, see “Financial Information — Our Key Operating Metrics” and “Financial Information — Description of Selected Items from the Consolidated Statements of Profit or Loss and Other Comprehensive Income”.

WHO WE ARE

Over the past decade, we have seen how digital mobility platforms have transformed the way people move globally. Despite technological advancements, the transportation of goods, represented by the multi-trillion dollar logistics market, still lacks efficiency and quality. In 2023, around US\$11.0 trillion was spent globally on logistics, including US\$3.7 trillion spent on road freight, according to Frost & Sullivan. However, millions of merchants around the world, regardless of their sizes, still face a myriad of challenges as they rely heavily on traditional offline approaches — phone calls, agent referrals and acquaintances, to procure transportation services from carriers. Valuable time is lost and unnecessary costs are incurred in locating carriers. For many merchants, it is economically inefficient to own a fleet of vehicles with low utilization rates. On the other hand, carriers are constantly looking for more shipping orders to reduce idle capacity, fill return legs on round trips, and increase income. Today, millions of merchants and carriers underserved by the traditional logistics industry are in dire need of online, digitalized logistics platforms that can drive their businesses forward.

We are an early mover and a major driving force of the digitalization of the road freight industry, especially in the intra-city freight segment, according to Frost & Sullivan. We launched our platform in Hong Kong in 2013, to digitalize the road freight industry where transactions had been conducted largely offline. In 2014, we expanded into the road freight market in Mainland China, a massive, fast-growing market with tremendous potential for digitalization, as well as Southeast Asia. Since 2014, we have expanded to additional cities in Mainland China and Southeast Asia. We also started to enter other overseas markets, such as the LatAm markets, in 2019.

Over the years, we have built a platform addressing all major logistics needs in intra- and inter-city freight transactions, while providing diversified logistics services and value-added services to both merchants and carriers. Through technology, we connect merchants and carriers online, digitalize the transaction process, and optimize efficiency. On our platform, merchants have access to convenient, reliable and cost-effective freight services provided by a large pool of carriers, to fulfill their on-demand or pre-scheduled shipping orders. On the other hand, our platform enables carriers, who are mainly individuals, to meaningfully increase their income by making available a vast reservoir of shipping orders constantly matched with their capacity, work schedules and personal preferences. By delivering compelling value propositions to both merchants and carriers, we are able to rapidly scale our business around the world and strengthen our leading position in Asia.

SUMMARY

OUR BUSINESS MODEL

We operate a marketplace model connecting and serving both merchants and carriers. Our platform facilitates closed-loop transactions from online shipping order booking to intelligent order matching, and automated dispatching to after-sale services. Pricing is largely determined upfront with full transparency to both merchants and carriers. Adopting an asset-light business model, we do not own the vehicles used by our carriers to deliver our digital freight services.



We offer (i) freight platform services, (ii) diversified logistics services to merchants; and (iii) value-added services to carriers. The following table sets forth the details of our service offerings, revenue model and revenue recognition methods:

Service Offerings

- **Freight platform services**

Revenue Model and Revenue Recognition

- Our freight platform services involve digitally matching and fulfilling intra-city and inter-city shipping transactions between merchants and carriers through our online platform. We generate revenues from our freight platform services using a hybrid monetization model, primarily from (i) carrier membership fees and (ii) commissions charged to carriers on the shipping orders they have fulfilled.
- Revenues from carrier membership fees are recognized on a gross basis. Revenues from commissions charged to carriers are recognized on a net basis.

SUMMARY

Service Offerings

- **Diversified logistics services**

Revenue Model and Revenue Recognition

- Our diversified logistics services include:
 - o integrated enterprise services where we generate revenues from the fees charged to large enterprise merchants for fulfilling their shipment orders and providing certain other ancillary services through our online platform;
 - o LTL services where we primarily generate revenues from the fees charged to individual users or enterprise merchants for fulfilling their LTL shipping orders, and to a lesser extent, we earn the fee differences between the fees charged to individual users or enterprise merchants for fulfilling their LTL shipping orders and fees paid to third parties who fulfill such orders; and
 - o home-moving services where we generate revenues by charging fees to merchants for such services.
- Revenues from integrated enterprise services and LTL services are primarily recognized on a gross basis. Revenue from home-moving services are recognized on a net basis.
- **Value-added services**
 - Revenues from our value-added services consist of revenues generated from vehicle sales and leasing services, as well as a range of other value-added aftermarket services that we provide to carriers, such as energy services and credit solutions.
 - Revenues from vehicle sales and leasing, where we act as a principal, are recognized on a gross basis, and revenues from other value added services are recognized on a net basis.

SUMMARY

The following table sets forth a breakdown of our revenue from different segments, in absolute amounts and as percentages of total revenue, for the periods indicated.

| | For the Year Ended December 31, | | | | | |
|--|---|--------------|------------------|--------------|------------------|--------------|
| | 2021 | | 2022 | | 2023 | |
| | US\$ | % | US\$ | % | US\$ | % |
| | <i>(in thousands, except for percentages)</i> | | | | | |
| Mainland China | | | | | | |
| Freight platform services | | | | | | |
| Commissions | 48,019 | 5.7 | 289,880 | 28.0 | 443,633 | 33.3 |
| Membership fees | 355,892 | 42.1 | 270,744 | 26.1 | 325,112 | 24.4 |
| Others ⁽¹⁾ | 5,427 | 0.7 | 5,296 | 0.6 | 9,719 | 0.6 |
| Subtotal | 409,338 | 48.5 | 565,920 | 54.7 | 778,464 | 58.3 |
| Diversified logistics services | 268,126 | 31.7 | 300,709 | 29.0 | 349,869 | 26.2 |
| Value-added services | 75,496 | 8.9 | 69,284 | 6.7 | 88,907 | 6.7 |
| Subtotal | 752,960 | 89.1 | 935,913 | 90.4 | 1,217,240 | 91.2 |
| Overseas | | | | | | |
| Freight platform services | 55,622 | 6.6 | 70,259 | 6.8 | 97,421 | 7.3 |
| Diversified logistics services | 31,760 | 3.8 | 26,618 | 2.6 | 17,251 | 1.3 |
| Others ⁽²⁾ | 4,438 | 0.5 | 2,996 | 0.2 | 2,301 | 0.2 |
| Subtotal | 91,820 | 10.9 | 99,873 | 9.6 | 116,973 | 8.8 |
| Total | 844,780 | 100.0 | 1,035,786 | 100.0 | 1,334,213 | 100.0 |

Notes:

- (1) Revenue primarily generated from sales of goods, including (i) new carrier packages purchased by carriers who newly join our platform, and (ii) accessories sold through our proprietary and third-party marketplaces.
- (2) Revenue primarily generated from sales of accessories customized for our two-wheelers.

For a detailed discussion of the components and historical changes of our revenue, see “Financial Information — Key Components of Results of Operations” and “— Period-to-Period Comparisons of Results of Operations”.

OUR STRENGTHS

- Leading logistics transaction platform with tremendous scale and network effects
- The preferred choice for local and digital freight with significant user mindshare
- Successful track record of service innovations driving a virtuous cycle of growth
- Proprietary and purpose-driven technology
- Relentless focus on capital efficiency and operational excellence
- Founder-led, visionary management team with strong execution capabilities

SUMMARY

OUR GROWTH STRATEGIES

- Continue to grow in the massive intra-city freight market
- Expand our service offerings
- Accelerate our global expansion
- Invest in technology and talent

BUSINESS SUSTAINABILITY AND PROVEN PATH TO PROFITABILITY

Following years of expansion and investment, we recorded a profit of US\$972.7 million in 2023. This demonstrates our ability to grow sustainably and profitably as a leading platform of scale.

Our historical loss-making positions in 2021 and 2022 were primarily due to our continued significant investments in scale and geographic expansion, user growth and engagement, and product innovations. As a result of these investments, we have built a vast network of carriers and merchants and established ourselves as the market leader and the preferred choice for digital freight services in intra-city freight markets, providing a solid foundation for our sustainable growth and profitability in the long run. These investments have also enabled us to achieve significant growth in GTV and revenue during the Track Record Period, solidifying our long-term market leadership. Specifically, in 2023, we achieved a global GTV of US\$9,414.3 million, constituting a year-over-year growth of 28.8% compared to 2022. Our global GTV increased from US\$6,763.4 million in 2021 to US\$9,414.3 million in 2023 at a CAGR of 18.0%. Our total revenue increased from US\$844.8 million in 2021 to US\$1,334.2 million in 2023 at a CAGR of 25.7%.

Our profitability on an adjusted basis in 2023 was mainly driven by our massive network effects, effective monetization strategies, increased revenue streams and improving operating efficiency.

- *Massive network effects:* During the Track Record Period, we experienced continuous growth in user base and level of user engagement on our platform. This was evidenced by our increasing global freight GTV, from US\$6.2 billion in 2021 to US\$8.7 billion in 2023.
- *Effective monetization strategies:* Our hybrid monetization model, where we generate revenues through a combination of carrier membership fees and commissions, has effectively allowed us to translate the GTV growth into revenue growth. While we historically generated a substantial majority of our freight platform services revenues through carrier membership fees, we have improved our profitability during the Track Record Period partially due to the gradual adoption of our hybrid monetization model which allows us to charge an increasing amount of commissions based on the closed-loop GTV of our freight services. During the Track Record Period, commissions as a percentage of freight platform services revenues in Mainland China increased from 11.7% in 2021 to 57.0% in 2023, and now we have a balanced mix of carrier membership fees and commissions generated from freight platform services in Mainland China. This contributed to our growing freight platform services monetization rate in Mainland China from 7.6% in 2021 to 10.3% in 2023.

SUMMARY

- *Increased revenue streams with improving gross profit margins:* We are constantly expanding our portfolio of service offerings, such as integrated enterprise services launched in 2017 and home-moving services launched in 2019, to address our users’ diverse needs. These efforts have enabled us to diversify and increase our revenue streams with improving gross profit margins and better monetize our massive user base.
- *Improving operating efficiency:* With our leading position and scale achieved through our initial investments in technology, branding and user acquisition and experience, we were able to manage our growth in a more cost-effective manner. As a result, our gross margin increased from 39.4% in 2021 to 61.2% in 2023, and our operating expenses as a percentage of our revenue decreased from 122.2% in 2021 to 40.5% in 2023.

Going forward, we will seek to continue to improve profitability by implementing the following strategies. For details, see “Business — Business Sustainability and Proven Path to Profitability”.

- Continue to grow our massive user base and GTV
- Enhance monetization potential through effective hybrid monetization model
- Expand product portfolio and increase revenue streams
- Increase operating efficiency to drive gross margins and operating margins
- Leverage our negative operating working capital and strong cash generating capabilities

OUR KEY OPERATING METRICS

Our business depends on our ability to attract, engage, or generally increase carriers’ and merchants’ use of our platform which is measured by global total GTV, global freight GTV, average merchant MAUs, average carrier MAUs and number of fulfilled orders. We also use “freight platform services monetization rate” to measure our ability to monetize the freight transactions facilitated through our platform.

SUMMARY

We regularly review a number of key operating data to evaluate our core business operations, identify trends, formulate financial projections and make strategic decisions. The following table presents certain of our key operating data for the periods indicated:

| | For the Year Ended December 31, | | |
|--|---------------------------------|---------|---------|
| | 2021 | 2022 | 2023 |
| Our Platform | | | |
| Global Total GTV (US\$ in millions) | 6,763.4 | 7,307.2 | 9,414.3 |
| Global Freight GTV (US\$ in millions) | 6,157.4 | 6,715.4 | 8,736.3 |
| Average merchant MAUs (in millions) | 9.6 | 10.4 | 13.4 |
| Average carrier MAUs (in thousands) | 820.6 | 916.5 | 1,212.3 |
| Fulfilled orders (in millions) | 403.8 | 427.5 | 588.4 |
| Mainland China | | | |
| Freight GTV (US\$ in millions) | 5,726.7 | 6,208.1 | 8,076.2 |
| Freight platform services GTV (US\$ in millions) | 5,394.4 | 5,850.9 | 7,572.3 |
| Diversified logistics services GTV (US\$ in millions) | 332.3 | 357.2 | 503.9 |
| Freight platform services monetization rate | 7.6% | 9.7% | 10.3% |
| Net freight platform services monetization rate | 0.3% | 8.9% | 9.7% |
| Overseas | | | |
| Freight GTV (US\$ in millions) | 430.7 | 507.3 | 660.1 |
| Freight platform services monetization rate | 13.9% | 14.6% | 15.2% |

Across the periods presented, these operating metrics generally increased, as the scale of our platform and business operations continued to grow. Our global freight GTV and global total GTV both continued to increase over the periods presented, as a result of increases in freight GTV in both Mainland China and overseas.

In Mainland China, our freight GTV generated from freight platform services increased over the periods presented due to the growth of our user base and increased user engagement in our existing markets as described in more detail below, as well as the continuous expansion of our platform into an increasing number of cities. Our freight GTV generated from diversified logistics services also increased over the periods, which was mainly driven by the continued organic growth of integrated enterprise services and home-moving services. As a result of the above, our freight GTV in Mainland China increased steadily across all periods presented.

Our average merchant MAUs and average carrier MAUs both increased over the periods presented, which was attributable to our continued further penetration in our existing markets and our expansion into more cities. As our user base grew over the periods, the number of our fulfilled orders increased over the same periods.

SUMMARY

The net freight platform services monetization rate is calculated by dividing the revenue generated from freight transactions, after deducting the merchant and carrier incentives included in selling and marketing expenses, by the corresponding GTV. Our net freight platform services monetization rate in Mainland China increased from 0.3% in 2021 to 8.9% in 2022, and further increased to 9.7% in 2023. After building a leading market position and achieving substantial scale through our initial investments in user acquisition and experience, we were able to manage our growth in a more cost-effective manner. As a result, the aggregated amount of merchant discounts and carrier incentives included in the selling and marketing expenses decreased significantly from US\$394.3 million in 2021 to US\$42.0 million in 2023, which has led to the increase in our net freight platform services monetization rate. See “Financial Information — Key Components of Results of Operations — Operating expenses” for details.

In the overseas markets, our freight GTV increased over the periods presented due to the increased transaction volume. Our freight platform services monetization rate in the overseas markets generally increased across the years, as we strategically focused on customers with higher monetization potential. During the Track Record Period, our freight platform services monetization rate in the overseas markets was generally higher than that in Mainland China, which was primarily attributable to favorable market dynamics in the overseas markets that contributed to better pricing abilities.

WEIGHTED VOTING RIGHTS AND OUR CONTROLLING SHAREHOLDERS

Our Company is proposing to adopt a WVR structure effective immediately upon the completion of the [REDACTED]. Under this structure, our Company’s share capital will comprise Class A Shares and Class B Shares. Each Class A Share entitles the holder to exercise ten votes, and each Class B Share entitles the holder to exercise one vote, on any resolution tabled at our Company’s general meetings, except for any resolution with respect to a limited number of Reserved Matters, in relation to which each Share entitles the holder to one vote.

Immediately upon completion of the [REDACTED] assuming the [REDACTED] is not exercised, Mr. Chow, the WVR Beneficiary, will be interested in [REDACTED] Class A Shares through [REDACTED] Class A Shares beneficially held by himself and [REDACTED] Class A Shares held by Lalatech Underscore, a company wholly-owned by Lalatech One, which is in turn wholly-owned by the Chow’s Family Trust that was established by Mr. Chow (as the settlor) for the benefit of Mr. Chow and his family, representing (a) approximately [REDACTED]% of our issued Shares; (b) approximately [REDACTED]% of the effective voting rights in our Company with respect to Shareholders’ resolutions relating to matters other than the Reserved Matters, on the basis that each Class A Share entitles the holder to exercise ten votes and each Class B Share entitles the holder to one vote; and (c) approximately [REDACTED]% of the effective voting rights with respect to Shareholders’ resolutions relating to Reserved Matters, on the basis that each Share entitles the Shareholder to one vote per share. For details, see “Share Capital — Weighted Voting Rights Structure”.

Therefore, immediately after the completion of the [REDACTED], Mr. Chow, Lalatech Underscore and Lalatech One will be our Controlling Shareholders. For further details, see “Share Capital — Weighted Voting Rights Structure” and “Relationship with Our Controlling Shareholders”.

SUMMARY

Our Company is adopting the WVR structure to enable Mr. Chow, the WVR Beneficiary, to exercise voting control over our Company. This will enable our Company to benefit from the continuing vision and leadership of the WVR Beneficiary who will control our Company with a view to our long-term prospects and strategy.

Mr. Chow founded our Company in 2013 and currently serves as the executive Director, Chairman of the Board and the Chief Executive Officer of our Company, spearheading our Company’s tremendous growth over the years. After graduating from Stanford University with distinction in 1999, Mr. Chow started his career at Bain & Company from 1999 to 2002, and subsequently engaged in investment and entrepreneurial endeavours.

Mr. Chow has been integral to the success of our Company and has been principally responsible for the founding and growth of our Company’s business since our inception until now, and will continue to lead the future development and operations of our Company as a global leading digital logistics platform going forward. Mr. Chow has continuously introduced innovation to our business model and technology through his visionary leadership. Mr. Chow has led the creation of our Company’s industry-pioneering “closed-loop” transaction platform, the constant product innovations to address diverse and evolving user needs, and the development of dynamic hybrid monetization model and diversified monetization channels at scale. Mr. Chow has also led our Company’s global expansion. In particular:

- (i) from the very beginning since our Group’s inception, Mr. Chow set a distinct vision for our Group to become the biggest logistics company in the world by using technology to improve logistics efficiency. Under his leadership, our Group first created our platform in Hong Kong in 2013 to digitalize the road freight industry where transactions had been traditionally conducted largely offline;
- (ii) under the leadership of Mr. Chow, our Group has continued its global expansion, entering the Southeast Asian markets in 2014, expanding into the inter-city market of the PRC in 2018 and the LatAm markets in 2019. Our footprint spanned across over 400 cities globally in 2023;
- (iii) Mr. Chow believes that the advantages of our closed-loop transaction platform are equally compelling in both intra-city and inter-city segments, and steered our Group into expanding our platform to serve the inter-city freight segment in 2017; and
- (iv) Mr. Chow has continued to lead our Group in product innovations to address diverse and evolving user needs, examples of which include launching a self-developed integrated decision-making system in 2020 and developing an intelligent transportation IoT system, *Anxinla* (安心拉), in 2021.

SUMMARY

Under the leadership of Mr. Chow, we are the largest logistics transaction platform in the world by closed-loop freight GTV in the first half of 2023, the largest intra-city logistics transaction platform globally by closed-loop freight GTV in the first half of 2023 and the largest freight transaction platform globally in terms of number of fulfilled orders in the first half of 2023, according to Frost & Sullivan. Mr. Chow has been and will continue to be responsible for our Company’s overall business strategies, building of our corporate image, business operations, R&D and financing, as well as setting a distinct vision to drive our Company’s long-term sustainable growth.

With the scale and leading position of our Company in the logistics industry globally, our Company must continue to innovate to further enhance our value propositions to all stakeholders, including the Shareholders. Under Mr. Chow’s vision and leadership, our Company will continue to innovate, and be at the forefront of providing the best logistics services to our users. Our Company considers the adoption of the WVR Structure to be an important element to our Company’s success and ability to continue to innovate in the future.

Prospective **[REDACTED]** are advised to be aware of the potential risks of **[REDACTED]** in companies with WVR structure, in particular that interests of the WVR Beneficiary may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR Beneficiary will be in a position to exert significant influence over the affairs of our Company and the outcome of Shareholders’ resolutions, irrespective of how other Shareholders vote. Prospective **[REDACTED]** should make the decision to **[REDACTED]** in our Company only after due and careful consideration. For further information about the risks associated with the WVR structure adopted by our Company, see “Risk Factors — Risks Related to the WVR Structure”.

OUR **[REDACTED] INVESTORS**

Since the establishment of our Company, we have entered into several rounds of financing agreements with our **[REDACTED]** Investors, which include, among others, Hillhouse, HongShan, Sequoia Capital, Mindworks, Shunwei and Crystal Stream. For further details of the identity and background of the **[REDACTED]** Investors, and the principal terms of the **[REDACTED]** Investments, see “History, Development and Corporate Structure — **[REDACTED]** Investments”.

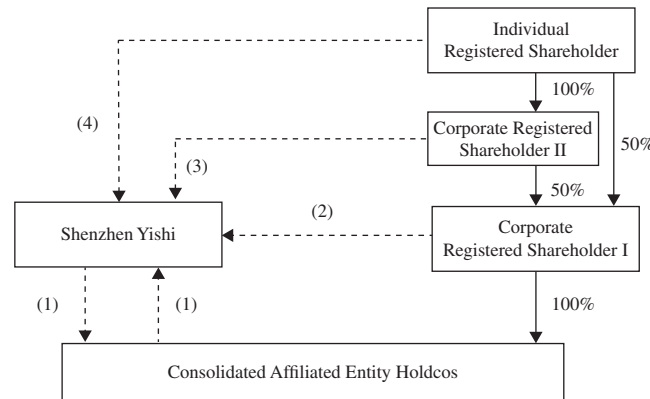
OUR CONTRACTUAL ARRANGEMENTS

Due to foreign investment restrictions under the relevant PRC and Indonesian laws and regulations, our Company is unable to own or hold any direct equity interest in the Consolidated Affiliated Entities conducting part of our businesses. As such, we operate such businesses in the PRC and Indonesia under the Contractual Arrangements we entered into with Consolidated Affiliated Entities and the Registered Shareholders in the respective jurisdictions.

SUMMARY

The following simplified diagrams illustrate the flow of economic benefits from the Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements in the PRC and Indonesia respectively:

The PRC



“—” denotes legal and beneficial ownership in the equity interest
“.....” denotes the PRC Contractual Arrangements

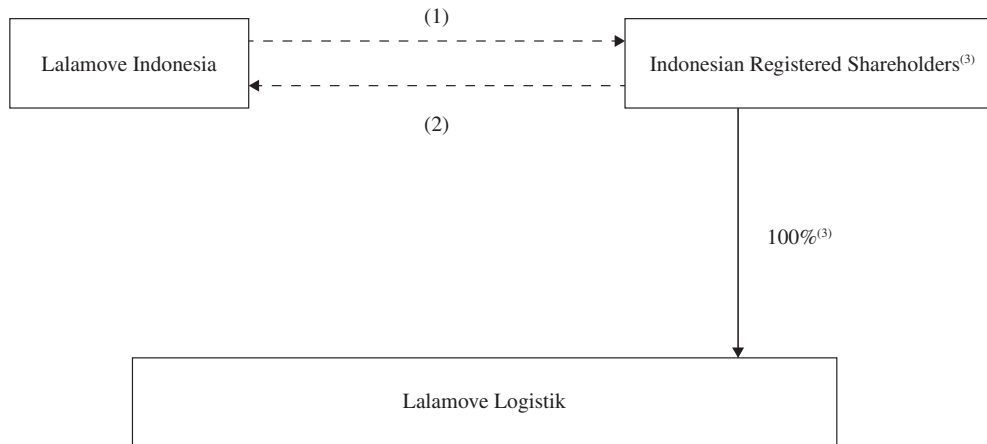
Notes:

- (1) Shenzhen Yishi provides several consultation services in exchange for service fees from the Consolidated Affiliated Entity Holdcos.
- (2) In respect of each Consolidated Affiliated Entity Holdco:
 - the Corporate Registered Shareholder I executed the Exclusive Option Agreement in favour of Shenzhen Yishi, for the acquisition of 100% of the equity interests and/or assets in the Consolidated Affiliated Entity Holdco;
 - the Corporate Registered Shareholder I pledged as first charge all of its equity interests in the Consolidated Affiliated Entity Holdco to Shenzhen Yishi as collateral security for any or all of its payments due to Shenzhen Yishi and to secure performance of its obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and the Powers of Attorney; and
 - the Corporate Registered Shareholder I executed the Powers of Attorney in favour of Shenzhen Yishi.
- (3) The Corporate Registered Shareholder II and the Individual Registered Shareholder pledged as first charge all of his/its (as applicable) equity interests in the Corporate Registered Shareholder I to Shenzhen Yishi as collateral security to secure performance of his/its (as applicable) obligations in maintaining the stability of the PRC Contractual Arrangements.
- (4) The Individual Registered Shareholder pledged as first charge all of his equity interests in the Corporate Registered Shareholder II to Shenzhen Yishi as collateral security to secure performance of his obligations in maintaining the stability of the PRC Contractual Arrangements. The spouse of the Individual Registered Shareholder has signed spousal consent letters, pursuant to which she unconditionally and irrevocably agrees that she is aware of the contractual arrangements, and have no objection regarding such PRC Contractual Arrangements.

See “Contractual Arrangements — The PRC Contractual Arrangements” for details of the PRC Contractual Arrangements.

SUMMARY

Indonesia



“—” denotes legal and beneficial ownership in the equity interest
“.....” denotes the Indonesian Contractual Arrangements

Notes:

- (1) Pursuant to the loan agreements between Lalamove Indonesia (as lender) entered into loan agreements with the Indonesian Registered Shareholders (as borrowers), Lalamove Indonesia agreed to provide a loan to each of the Indonesian Registered Shareholders to acquire the shares in Lalamove Logistik.
- (2) Pursuant to the pledge of shares agreements, each of the Indonesian Registered Shareholders pledged its shares in Lalamove Logistik in favour of Lalamove Indonesia. For the enforcement of Lalamove Indonesia’s rights under the pledge of shares agreements, each of the Indonesian Registered Shareholders has granted consent to transfer its shares in Lalamove Logistik. Each of the Indonesian Registered Shareholders granted an irrevocable power of attorney to Lalamove Indonesia, pursuant to which each Indonesian Registered Shareholder appointed Lalamove Indonesia as its attorney to, among others, to sell and/or transfer the shares in Lalamove Logistik, and to do and perform all acts which a shareholder is entitled and empowered to do. The Indonesian Registered Shareholders and Lalamove Indonesia entered into assignment of dividends agreements, pursuant to which the Indonesian Registered Shareholders assigned and transferred all of their rights and interests in all of the dividends or other distributions paid out by Lalamove Logistik to Lalamove Indonesia. Under the call option agreements entered into between the Indonesian Registered Shareholders and Lalamove Indonesia, the Indonesian Registered Shareholders further granted Lalamove Indonesia the option to require each of the Indonesian Registered Shareholders to sell its shares in Lalamove Logistik to Lalamove Indonesia. Further, the Indonesian Registered Shareholders and Lalamove Indonesia entered into an indemnity agreement, pursuant to which Lalamove Indonesia agreed to indemnify, protect and hold harmless each of the Indonesian Registered Shareholders against all losses incurred by the Indonesian Registered Shareholders resulting from or arising in connection with, among others, any loss or damage of Lalamove Logistik due to operational or non-operational activities.
- (3) Lalamove Logistik is held by the Indonesian Registered Shareholders, and specifically as to 50% by CUG and 50% by CUTG. CUG is held as to 99% by Marlissa Dessy Setyo Utami and 1% by Endang Susani Listyowati, both of which are Independent Third Parties. CUTG is held as to 99% by PT. Singa Biru Grup and 1% PT. Singa Biru Investama, both of which are companies incorporated in Indonesia and held as to 99% by Marlissa Dessy Setyo Utami and 1% by Endang Susani Listyowati, who are Independent Third Parties.

See “Contractual Arrangements — The Indonesian Contractual Arrangements” for details of the Indonesian Contractual Arrangements.

SUMMARY

Development in the PRC legislation on foreign investment

On March 15, 2019, the National People’s Congress approved the PRC Foreign Investment Law (中華人民共和國外商投資法) (the “**FIL**”), which came into effect on January 1, 2020. On December 26, 2019, the State Council of the People’s Republic of China published Implementation Rules of the PRC Foreign Investment Law (中華人民共和國外商投資法實施條例). The FIL grants national treatment to foreign-invested entities, except for those foreign-invested entities that operate in industries specified as either “restricted” or “prohibited” from foreign investment in the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021) (外商投資准入特別管理措施(負面清單)(2021年版)) (the “**Negative List**”) published by certain departments of the State Council on December 27, 2021. The FIL provides that foreign-invested entities shall not invest in “prohibited” industries and shall meet the investment conditions stipulated under the Negative List for any “restricted” industries.

Our PRC Legal Advisor confirmed that the FIL does not specify contractual arrangements as a form of foreign investment. In that regard, if there are no other promulgated national laws, administrative regulations, administrative rules or regulatory requirements prohibiting or restricting the operation of or affecting the legality of contractual arrangements, the FIL will not have a material adverse impact on the PRC Contractual Arrangements, and each of the agreements under the PRC Contractual Arrangements and the legality and validity of the PRC Contractual Arrangements would not be affected.

For the risks relating to the Contractual Arrangements, see “Risk Factors — Risks Related to Our Corporate Structure and the Contractual Arrangements” for further details.

RISK FACTORS

Our business and the [REDACTED] involve certain risks as set out in “Risk Factors”. Some of the major risks we face include:

- Our continued growth depends on our ability to cost-effectively attract, retain and engage merchants and carriers. If we fail to attract new or retain current merchants and carriers, or if merchants and carriers engage less with us, our business, results of operations and financial condition and prospects could be harmed.
- If we are unable to maintain and enhance our brands and increase market awareness of our platform and services, our business, operating results and financial condition may be adversely affected.
- We may not be able to compete effectively, which could materially and adversely affect our business, financial condition, results of operations and prospects, as well as our reputation and brands.
- We have incurred in the past, and may incur in the future, losses.
- We recorded net operating cash outflows historically and there can be no assurance that we will not have net operating cash outflow in the future.

SUMMARY

- If we are unable to introduce new or upgraded products, offerings or features that merchants, carriers and other groups of platform users recognize as valuable, we may fail to retain and attract these users to our platform and our operating results would be adversely affected.
- We cannot guarantee that our monetization strategies or our business initiatives will be successfully implemented or generate our anticipated revenues and profits.

OUR CUSTOMERS AND SUPPLIERS

We consider a customer as a person or entity from whom we generate revenues from the services we provide via our online platform. We have a broad base of customers including businesses of all sizes and individuals. Our top five customers, which primarily comprise enterprise merchants of our integrated enterprise services, accounted for 5.7%, 4.4% and 2.0% of our total revenue for each of the years ended December 31, 2021, 2022 and 2023, respectively. Carriers are the major customers of our freight platform services, and substantially all of our carriers are individuals with low revenue contribution. Our top suppliers primarily include online promotion agents, vehicle suppliers for sales and rental services and IT services providers. Our top five suppliers in the aggregate accounted for 15.2%, 19.9% and 20.8% of our total cost of services for each of the years ended December 31, 2021, 2022 and 2023, respectively. For details, see “Business — Our Customers and Suppliers”.

COMPETITIVE LANDSCAPE

We are the largest logistics transaction platform in the world by closed-loop freight GTV in the first half of 2023, and the largest intra-city logistics transaction platform in the world by closed-loop freight GTV in the first half of 2023, according to Frost & Sullivan. We are also the world’s largest logistics transaction platform by average merchant MAUs and the largest logistics transaction platform globally in terms of number of fulfilled orders in the first half of 2023, according to the same source. The online intra-city and inter-city freight markets are competitive and evolving, and our future operational results and prospects are therefore highly dependent upon our ability to effectively compete against our peers. We face competition from other logistics transaction and digital freight platforms in China and around the world, as well as players that focus on certain segments of the logistics market. We also compete with other companies, such as home-moving companies and automobile dealers, for value-added services that cater to diverse logistics service needs of merchants and carriers. In addition, we face competition from large established technology companies that are developing their own logistics transaction platforms. We believe we have been competing effectively against other industry players in China and globally due to a number of factors. These factors include scale and network effects, closed-loop transaction capabilities, brand recognition and user mindshare, operational know-how, technology and data capabilities, and diversified service offerings. For a detailed discussion of our industry and competitive landscape, see “Industry Overview”.

SUMMARY

We have cultivated an ecosystem around our platform to generate significant value for merchants, carriers and other stakeholders along the industry value chain across geographies, transforming the logistics industry with technology. This, together with our asset-light business model, allows us to clearly differentiate ourselves from competitors, positioning us as a market leader. Specifically, we deliver compelling value to our merchants by (a) offering instant access to a massive network of carriers that is incomparable by any of our competitors, (b) providing cost-effective solutions with transparent pricing upfront, and (c) delivering convenient, secure and hassle-free logistics experiences. Simultaneously, we extend significant value to our carriers by (a) offering a myriad of job opportunities with enhanced earning potential, (b) providing flexible work schedules for them, and (c) providing one-stop solutions for diversified services. We also offer compelling value propositions to other stakeholders, such as home-movers, auto manufacturers, dealers and financial institutions. We enable them to better serve other stakeholders along the logistics value chain in return for higher income potentials. For details, please see “Business — Value Propositions to Our Platform Participants” and “— Our Ecosystem”.

SUMMARY OF KEY FINANCIAL INFORMATION

This summary of historical financial information set forth below has been derived from, and should be read in conjunction with, our consolidated financial statements, including the accompanying notes, set forth in the Accountants’ Report set out in Appendix I, as well as the information set forth in “Financial Information”. Our financial information was prepared in accordance with IFRS Accounting Standards.

Selected Information from Consolidated Statements of Profit or Loss and Other Comprehensive Income

The table below sets forth selected information from our consolidated statements of profit or loss for the periods indicated, which have been extracted from the Accountants’ Report set out in Appendix I:

| | For the Year Ended December 31, | | | | | |
|---|--|---------------|----------------|-------------|----------------|-------------|
| | 2021 | | 2022 | | 2023 | |
| | US\$ | % | US\$ | % | US\$ | % |
| | <i>(in thousands, except for Share and per Share data)</i> | | | | | |
| Revenue | 844,780 | 100.0 | 1,035,786 | 100 | 1,334,213 | 100.0 |
| Cost of revenue | (511,881) | (60.6) | (479,983) | (46.3) | (517,214) | (38.8) |
| Gross profit | 332,899 | 39.4 | 555,803 | 53.7 | 816,999 | 61.2 |
| Other Income | 38,417 | 4.5 | 46,161 | 4.5 | 46,173 | 3.5 |
| Selling and marketing expenses | (673,441) | (79.7) | (198,199) | (19.1) | (179,192) | (13.4) |
| Research and development expenses | (176,228) | (20.9) | (196,834) | (19.0) | (174,788) | (13.1) |
| General and administrative expenses | (182,543) | (21.6) | (204,302) | (19.7) | (186,900) | (14.0) |
| Operating (loss)/profit | (660,896) | (78.3) | 2,629 | 0.4 | 322,292 | 24.2 |
| Finance income | 18,816 | 2.2 | 26,562 | 2.6 | 48,451 | 3.6 |
| Finance costs | (1,042) | (0.1) | (3,718) | (0.4) | (2,774) | (0.2) |

SUMMARY

| | For the Year Ended December 31, | | | | | |
|---|--|----------------|-----------------|--------------|----------------|-------------|
| | 2021 | | 2022 | | 2023 | |
| | US\$ | % | US\$ | % | US\$ | % |
| | <i>(in thousands, except for Share and per Share data)</i> | | | | | |
| Share of loss of an equity-accounted investee, net of tax | — | — | — | — | (741) | (0.1) |
| (Losses)/gains of financial instruments measured at fair value through profit or loss | (21,644) | (2.6) | (67,280) | (6.5) | 6,356 | 0.5 |
| Changes in fair value of redeemable convertible preferred shares | (1,420,131) | (168.1) | (5,345) | (0.5) | 605,801 | 45.4 |
| (Loss)/profit before taxation | (2,084,897) | (246.9) | (47,152) | (4.4) | 979,385 | 73.4 |
| Income tax expense | (1,439) | (0.2) | (1,939) | (0.2) | (6,704) | (0.5) |
| (Loss)/profit for the year | (2,086,336) | (247.1) | (49,091) | (4.6) | 972,681 | 72.9 |
| Other comprehensive income/(loss) for the year | | | | | | |
| Item that may be reclassified subsequently to profit or loss: | | | | | | |
| Exchange difference on translation of financial statements | 648 | 0.1 | (43,880) | (4.2) | (7,610) | (0.6) |
| Total comprehensive (loss)/income for the year | (2,085,688) | (247.0) | (92,971) | (8.8) | 965,071 | 72.3 |

Non-IFRS Measure

We use adjusted (loss)/profit for the year (non-IFRS), which is a non-IFRS measure, in evaluating our operating results and for financial and operational decision-making purposes. We believe that adjusted (loss)/profit for the year (non-IFRS) provides useful information about our results of operations, enhances the overall understanding of our past performance and future prospects.

Adjusted (loss)/profit for the year (non-IFRS) should not be considered in isolation or construed as an alternative to operating (loss)/profit, (loss)/profit for the year. Adjusted (loss)/profit for the year (non-IFRS) presented here may not be comparable to similarly titled measures presented by other companies. Other companies may calculate similarly titled measures differently, limiting their usefulness as comparative measures to our data.

We define our adjusted (loss)/profit for the year (non-IFRS) by adding back (i) share-based compensation expenses, (ii) changes in fair value of redeemable convertible preferred shares, and (iii) [REDACTED] expenses. Specifically, (i) changes in fair value of redeemable convertible preferred shares are non-cash in nature, because all of the foregoing preferred shares will be automatically converted into ordinary shares upon the completion of the [REDACTED], (ii) share-based compensation relates to the share-based awards that we grant to employees and Directors and is a non-cash expense, and (iii) [REDACTED] expenses relates to this [REDACTED], which are non-recurring in nature.

SUMMARY

The following table presents our non-IFRS measure for the periods indicated.

| | For the Year Ended December 31, | | |
|---|---------------------------------|-----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>(US\$ in thousands)</i> | | |
| (Loss)/profit for the year | (2,086,336) | (49,091) | 972,681 |
| Add: | | | |
| Share-based compensation expenses | 13,239 | 28,825 | 18,783 |
| Changes in fair value of redeemable convertible preferred shares | 1,420,131 | 5,345 | (605,801) |
| [REDACTED] expenses | [REDACTED] | [REDACTED] | [REDACTED] |
| Adjusted (loss)/profit for the year (non-IFRS) . . | (650,983) | (12,100) | 390,627 |

We recorded an adjusted profit (non-IFRS) of US\$390.6 million in 2023, as opposed to adjusted losses (non-IFRS) of US\$651.0 million and US\$12.1 million in 2021 and 2022, respectively.

The following table sets forth a breakdown of our cost of revenue by nature, in absolute amounts and as percentages of total revenue, for the periods indicated.

| | For the Year Ended December 31, | | | | | |
|---|---|-------------|----------------|-------------|----------------|-------------|
| | 2021 | | 2022 | | 2023 | |
| | <i>US\$</i> | <i>%</i> | <i>US\$</i> | <i>%</i> | <i>US\$</i> | <i>%</i> |
| | <i>(in thousands, except for percentages)</i> | | | | | |
| Fulfillment costs | 246,392 | 29.2 | 246,420 | 23.8 | 284,734 | 21.3 |
| Staff costs | 119,267 | 14.1 | 101,839 | 9.8 | 98,711 | 7.4 |
| Vehicle rental costs | 30,676 | 3.6 | 36,260 | 3.5 | 47,423 | 3.6 |
| Costs of vehicle and good sales | 23,428 | 2.8 | 8,003 | 0.8 | 4,880 | 0.4 |
| Others | 92,118 | 10.9 | 87,461 | 8.4 | 81,466 | 6.1 |
| Total | 511,881 | 60.6 | 479,983 | 46.3 | 517,214 | 38.8 |

During the Track Record Period, our cost of revenue consisted primarily of (i) fulfillment costs, representing the remuneration we pay to carriers that we source to fulfill merchants’ shipping orders in our integrated enterprise services and LTL services (for those LTL services where the revenues are recognized on a gross basis) where we act as a principal in sourcing the services of such carriers; (ii) staff costs, representing the payroll and related expenses for our employees engaged in the operation of our services; (iii) vehicle rental costs, representing the expenses in relation to our vehicle rental services; (iv) costs of vehicle and good sales, representing the procurement cost in connection with our sales of vehicles and other goods as a principal; and (v) others, mainly including travel expenses and office-related costs.

SUMMARY

The following table sets forth a breakdown of our cost of revenue from different segments, in absolute amounts and as percentages of total revenue, for the periods indicated.

| | For the Year Ended December 31, | | | | | |
|--|---|-------------|----------------|-------------|----------------|-------------|
| | 2021 | | 2022 | | 2023 | |
| | <i>US\$</i> | <i>%</i> | <i>US\$</i> | <i>%</i> | <i>US\$</i> | <i>%</i> |
| | <i>(in thousands, except for percentages)</i> | | | | | |
| Mainland China | | | | | | |
| Freight platform services | 168,623 | 20.0 | 145,159 | 14.0 | 150,984 | 11.3 |
| Diversified logistics services | 232,056 | 27.5 | 246,522 | 23.8 | 274,614 | 20.6 |
| Value-added services | 53,006 | 6.3 | 38,573 | 3.7 | 47,408 | 3.6 |
| Subtotal | 453,685 | 53.8 | 430,254 | 41.5 | 473,006 | 35.5 |
| Overseas | 58,196 | 6.8 | 49,729 | 4.8 | 44,208 | 3.3 |
| Total | 511,881 | 60.6 | 479,983 | 46.3 | 517,214 | 38.8 |

During the Track Record Period, the costs of our freight platform services revenues and diversified logistics services revenue represented a substantial portion of our costs of revenue. Specifically, such costs of our freight platform services revenue include (i) payroll and related expenses for employees engaged in the operations of our freight platform services, including our on-the-ground operation teams; (ii) fees paid to third-party vendors for processing payments for merchants and carriers; and (iii) other costs incurred in connection with facilitating shipping orders for merchants and carriers through our platform. The costs of our diversified logistics services revenue primarily include (i) fulfillment cost that represents the remuneration we pay to carriers that we source to fulfill merchants’ shipping orders in our integrated enterprise services and LTL services (for those LTL services where the revenues are recognized on a gross basis) where we act as a principal in sourcing the services of such carriers; and (ii) payroll and related expenses for employees engaged in the operation of our diversified logistics services.

The following table sets forth our gross profit and gross margins by segments for the periods indicated. Gross profit as a percentage of total revenue or revenue of each segment is referred to as gross margin.

| | For the Year Ended December 31, | | | | | |
|--|---|----------------------------|---------------------|----------------------------|---------------------|----------------------------|
| | 2021 | | 2022 | | 2023 | |
| | <i>Gross Profit</i> | <i>Gross Profit Margin</i> | <i>Gross Profit</i> | <i>Gross Profit Margin</i> | <i>Gross Profit</i> | <i>Gross Profit Margin</i> |
| | <i>US\$</i> | <i>%</i> | <i>US\$</i> | <i>%</i> | <i>US\$</i> | <i>%</i> |
| | <i>(in thousands, except for percentages)</i> | | | | | |
| Mainland China | | | | | | |
| Freight platform services | 240,715 | 58.8 | 420,761 | 74.3 | 627,480 | 80.6 |
| Diversified logistics services | 36,070 | 13.5 | 54,187 | 18.0 | 75,255 | 21.5 |
| Value-added services | 22,490 | 29.8 | 30,711 | 44.3 | 41,499 | 46.7 |
| Subtotal | 299,275 | 39.7 | 505,659 | 54.0 | 744,234 | 61.1 |
| Overseas | 33,624 | 36.6 | 50,144 | 50.2 | 72,765 | 62.2 |
| Total | 332,899 | 39.4 | 555,803 | 53.7 | 816,999 | 61.2 |

SUMMARY

Our gross profit increased by 67.0% from US\$332.9 million in 2021 to US\$555.8 million in 2022, which was primarily attributable to the increased gross profit generated from Mainland China, as a result of (i) our improved freight platform services monetization rate in Mainland China from 7.6% in 2021 to 9.7% in 2022, and (ii) decreased costs incurred for payroll and related expenses due to the reduced size of our on-the-ground operation teams to improve operating efficiency. Our gross profit further increased by 47.0% to US\$817.0 million in 2023, which was primarily attributable to the increased gross profit generated from Mainland China, as a result of (i) our increased revenue generated freight platform services by 37.6% from US\$565.9 million in 2022 to US\$778.5 million in 2023, driven by the increased demands for freight services after recovery from the COVID-19 pandemic, and (ii) the slight increase in costs of revenues incurred from freight platform services by 4.0% from US\$145.2 million in 2022 to US\$151.0 million in 2023, which was significantly outpaced by the increase in revenue.

Our selling and marketing expenses decreased by 9.6% from US\$198.2 million in 2022 to US\$179.2 million in 2023. The decrease was due to (i) a decrease in other selling and marketing expenses from US\$31.4 million in 2022 to US\$19.7 million in 2023, primarily as a result of reduced overseas advertising activities, including lowered sticker subsidies to overseas carriers and declined online advertisement, and (ii) a decrease in staff costs from US\$29.9 million in 2022 to US\$21.6 million in 2023, due to the streamlining of our personnel structure and our efforts to optimize our operational efficiencies.

After building a leading market position and achieving substantial scale through our initial investments in user acquisition and experience, we were able to manage our growth in a more cost-effective manner. As a result, the aggregated amount of merchant discounts and carrier incentives included in the selling and marketing expenses decreased significantly from US\$394.3 million in 2021 to US\$42.0 million in 2023.

For a detailed discussion of the historical changes in certain key items in our consolidated statements of profit or loss and other comprehensive income, see “Financial Information — Key Components of Results of Operations”.

SUMMARY

Selected Information from Consolidated Statements of Financial Position

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from the Accountants’ Report set out in Appendix I:

| | As of December 31, | | |
|--|----------------------------|------------------|------------------|
| | 2021 | 2022 | 2023 |
| | <i>(US\$ in thousands)</i> | | |
| ASSETS | | | |
| Non-current asset | | | |
| Property, plant and equipment | 37,405 | 29,891 | 26,312 |
| Intangible assets | 1,731 | 1,412 | 1,161 |
| Interest in an equity-accounted investee | 92,154 | 117,818 | 115,104 |
| Finance lease receivables | 2,973 | 6,253 | 10,785 |
| Total non-current assets | 134,263 | 155,374 | 153,362 |
| Current assets | | | |
| Inventories | 7,543 | 3,152 | 2,105 |
| Trade and other receivables | 82,705 | 108,635 | 146,257 |
| Finance lease receivables | 5,263 | 4,135 | 7,267 |
| Financial assets measured at fair value through profit or loss | 90,973 | 90,162 | 98,449 |
| Deposits with banks | 103,480 | 244,327 | 212,244 |
| Restricted cash | 144,851 | 203,657 | 246,048 |
| Cash and cash equivalents | 1,564,319 | 1,400,176 | 1,676,633 |
| Total current assets | 1,999,134 | 2,054,244 | 2,389,003 |
| Total assets | 2,133,397 | 2,209,618 | 2,542,365 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 503,132 | 582,367 | 651,458 |
| Contract liabilities | 14,428 | 11,874 | 16,184 |
| Lease liabilities | 11,710 | 11,233 | 10,769 |
| Financial liabilities measured at fair value through profit or loss | 6,474 | 834 | — |
| Total current liabilities | 535,744 | 606,308 | 678,411 |
| Non-current liabilities | | | |
| Lease liabilities | 15,090 | 9,653 | 9,184 |
| Redeemable convertible preferred shares | 5,188,705 | 5,274,050 | 4,673,030 |
| Total non-current liabilities | 5,203,795 | 5,283,703 | 4,682,214 |
| Total liabilities | 5,739,539 | 5,890,011 | 5,360,625 |

SUMMARY

| | As of December 31, | | |
|--|----------------------------|---------------------------|---------------------------|
| | 2021 | 2022 | 2023 |
| | <i>(US\$ in thousands)</i> | | |
| CAPITAL AND RESERVES | | | |
| Share capital | 86 | 86 | 86 |
| Share premium | 68,310 | 68,310 | 68,310 |
| Treasury shares | — | — | (109,358) |
| Reserves | 45,434 | 20,253 | 19,906 |
| Accumulated losses | <u>(3,720,036)</u> | <u>(3,768,745)</u> | <u>(2,797,737)</u> |
| Total deficit attributable to equity shareholders | | | |
| of the Company | (3,606,206) | (3,680,096) | (2,818,793) |
| Non-controlling interests | <u>64</u> | <u>(297)</u> | <u>533</u> |
| Total Deficit | <u>(3,606,142)</u> | <u>(3,680,393)</u> | <u>(2,818,260)</u> |

Our inventories decreased significantly from US\$7.5 million as of December 31, 2021 to US\$3.2 million as of December 31, 2022, as a result of our transition on vehicle sales from a principal basis to an agent basis. Our inventories further decreased to US\$2.1 million as of December 31, 2023, primarily because we decreased our inventory of vehicle stickers in 2023.

As of December 31, 2021, 2022 and 2023, we recorded net liabilities of US\$3,606.1 million, US\$3,680.4 million and US\$2,818.3 million. The fluctuations in our net liabilities throughout the Track Record Period were primarily due to the fluctuations in the fair value of redeemable convertible preferred shares. The redeemable convertible preferred shares will cease to be classified as liability, and will be reclassified as equity upon the completion of the [REDACTED], which will result in the change from a net liability position to a net asset position. For the risks related to our historical net liabilities position, see “Risk Factors — Risks related to Our Business and Industry — We had net liabilities position in the past and may not be able to achieve or maintain net assets and net current assets position in the future”.

Net Current Assets and Liabilities

The following table sets forth our current assets and liabilities as of the dates indicated:

| | As of December 31, | | | As of |
|---|----------------------------|---------|---------|--------------------|
| | 2021 | 2022 | 2023 | February 29, |
| | | | | 2024 |
| | | | | <i>(unaudited)</i> |
| | <i>(US\$ in thousands)</i> | | | |
| Current assets | | | | |
| Inventories | 7,543 | 3,152 | 2,105 | 2,366 |
| Trade and other receivables | 82,705 | 108,635 | 146,257 | 143,934 |
| Finance lease receivables | 5,263 | 4,135 | 7,267 | 7,841 |
| Financial assets measured at fair value | | | | |
| through profit or loss | 90,973 | 90,162 | 98,449 | 102,055 |
| Deposits with banks | 103,480 | 244,327 | 212,244 | 166,807 |
| Restricted cash | 144,851 | 203,657 | 246,048 | 197,383 |

SUMMARY

| | As of December 31, | | | As of |
|---|----------------------------|------------------|------------------|----------------------|
| | 2021 | 2022 | 2023 | February 29, 2024 |
| | | | | <i>(unaudited)</i> |
| | <i>(US\$ in thousands)</i> | | | |
| Cash and cash equivalents | 1,564,319 | 1,400,176 | 1,676,633 | 1,730,223 |
| Total current assets | 1,999,134 | 2,054,244 | 2,389,003 | 2,350,609 |
| Current liabilities | | | | |
| Trade and other payables | 503,132 | 582,367 | 651,458 | 571,499 |
| Contract liabilities | 14,428 | 11,874 | 16,184 | 18,276 |
| Lease liabilities | 11,710 | 11,233 | 10,769 | 9,543 |
| Financial liabilities measured at fair value through profit or loss | 6,474 | 834 | — | — |
| Total current liabilities | 535,744 | 606,308 | 678,411 | 599,318 |
| Net current assets | 1,463,390 | 1,447,936 | 1,710,592 | 1,751,291 |

For more details regarding changes in certain key items of current assets and current liabilities, see “Financial Information — Net Current Assets and Liabilities”.

Selected Information from Consolidated Statements of Cash Flow

The following table sets forth a summary of our cash flows for the periods indicated:

| | For the Year Ended December 31, | | |
|---|---------------------------------|------------------|------------------|
| | 2021 | 2022 | 2023 |
| | <i>(US\$ in thousands)</i> | | |
| Summary consolidated statements of cash flow data | | | |
| (Loss)/profit before taxation | (2,084,897) | (47,152) | 979,385 |
| Adjustments for non-cash items | 1,449,950 | 130,304 | (610,830) |
| Changes in working capital | 30,809 | 4,630 | (6,160) |
| Income tax paid | (436) | (2,706) | (3,253) |
| Net cash (used in)/generated from operating activities | (604,574) | 85,076 | 359,142 |
| Net cash (used in)/generated from investing activities | (117,950) | (220,896) | 67,806 |
| Net cash generated from/(used in) financing activities | 1,678,355 | 51,650 | (135,330) |
| Net increase/(decrease) in cash and cash equivalents | 955,831 | (84,170) | 291,618 |
| Cash and cash equivalents at the beginning of the year | 596,788 | 1,564,319 | 1,400,176 |
| Effect of movements in exchange rates | 11,700 | (79,973) | (15,161) |
| Cash and cash equivalents at the end of the year | 1,564,319 | 1,400,176 | 1,676,633 |

SUMMARY

We recorded net operating cash outflows of US\$604.6 million in 2021, primarily attributable to our loss before taxation. For the risks associated with historical net operating cash outflows, please see “Risk Factors — Risks Related to Our Business and Industry — We recorded net operating cash outflows historically and there can be no assurance that we will not have net operating cash outflow in the future.”

For more details of our liquidity, see “Financial Information — Liquidity and Capital Resources”.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates and for the periods indicated.

| | Year ended/As of December 31, | | |
|---|-------------------------------|-------|-------|
| | 2021 | 2022 | 2023 |
| Gross profit margin (%) ⁽¹⁾ | 39.4 | 53.7 | 61.2 |
| Current ratio (%) ⁽²⁾ | 373.2 | 338.8 | 352.1 |
| Adjusted (loss)/profit margin (non-IFRS) (%) ⁽³⁾ . . . | (77.1) | (1.2) | 29.3 |

Notes:

- (1) Calculated by dividing gross profit for the year by total revenue for the year and multiplied by 100%.
- (2) Calculated by dividing total current assets by total current liabilities at the end of the year and multiplied by 100%, if applicable.
- (3) Calculated by dividing adjusted (loss)/profit for the year (non-IFRS) by total revenue for the year and multiplied by 100%.

For a detailed discussion on the historical changes of these key financial ratios, see “— Period-to-Period Comparisons of Results of Operations”, “— Net Current Assets and Liabilities”, “Business — Business Sustainability and Proven Path to Profitability”.

SUMMARY

[REDACTED] EXPENSES

Our [REDACTED] expenses mainly include [REDACTED] fees and [REDACTED] and professional fees paid to legal, accounting and other advisors for their services rendered in relation to the [REDACTED] and the [REDACTED]. Assuming full payment of the [REDACTED], the estimated total [REDACTED] expenses (based on the mid-point of the [REDACTED] and assuming that the [REDACTED] is not exercised) for the [REDACTED] are approximately HK\$[REDACTED], representing [REDACTED]% of the gross [REDACTED] (based on the mid-point of the [REDACTED] and assuming that the [REDACTED] is not exercised) from the [REDACTED], of which an estimated amount of HK\$[REDACTED] is expected to be expensed through the statement of profit or loss and the remaining amount of HK\$[REDACTED] is expected to be recognized directly as a deduction from equity upon the [REDACTED]. The table below sets forth the breakdown of our [REDACTED] expenses.

| | |
|--|------------------------------|
| [REDACTED] (excluding Joint Sponsors' fee) | HK\$[REDACTED] |
| [REDACTED] | <u>HK\$[REDACTED]</u> |
| Total | <u><u>HK\$[REDACTED]</u></u> |

[REDACTED]

SUMMARY

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We are applying for [REDACTED] with a WVR structure under Chapter 8A of the Listing Rules and satisfy the market capitalization/revenue tests under Rule 8A.06(2) and Rule 8.05(3) of the Listing Rules such that (i) our revenue for the year ended December 31, 2023 exceeded HK\$1 billion and amounted to US\$1,334.2 million (equivalent to approximately HK\$10,435.1 million) for such period; and (ii) our expected market capitalization at the time of [REDACTED], which, based on the low-end of the indicative [REDACTED], exceeds HK\$[REDACTED].

We have applied to the Listing Committee for the [REDACTED] of, and permission to deal in, (i) the Class B Shares in issue, (ii) the Class B Shares to be issued pursuant to the [REDACTED] (including any Class B Shares which may be issued pursuant to the exercise of the [REDACTED]), and (iii) the Class B Shares that may be issued upon conversion of the Class A Shares on a one to one basis. Our Class A Shares will remain [REDACTED] upon our Company’s [REDACTED] as required under Rule 8A.08 of the Listing Rules.

NON-COMPLIANCE INCIDENTS

During the Track Record Period, we had certain non-compliance incidents with respect to carriers’ use of passenger vehicles in freight services. We do not believe any of such incident will, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations. For details, see “Business — Compliance with Laws and Regulations”.

[REDACTED]

DIVIDEND

As advised by our Cayman Islands legal advisor, under Cayman Islands law, a position of accumulated losses and net liabilities does not necessarily restrict our Company from declaring and paying dividends to our Shareholders out of either our profit or our share premium account, provided this would not result in our Company being unable to pay its debts as they fall due in the ordinary course of business. As advised by our legal advisor on Cayman Islands law, Maples and Calder (Hong

SUMMARY

Kong) LLP, under the Cayman Islands law, a position of accumulated losses does not necessarily restrict us to declare and pay dividends to our Shareholders as dividends may be declared and paid out of our share premium account notwithstanding our profitability, provided that this would not result in the Company being unable to pay its debts as they fall due in the ordinary course of business.

As we are a holding company incorporated under the laws of the Cayman Islands, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries, including our PRC subsidiaries. As advised by our PRC Legal Advisor, according to PRC laws and regulations, our PRC subsidiaries are permitted to pay dividends out of their accumulated after-tax profits, if any, as determined under PRC accounting standards, upon approval of their respective shareholders; provided that (i) our PRC subsidiaries shall make up their losses of previous years when conducting outward remittance; and (ii) PRC subsidiaries shall make appropriations from their after-tax profits as determined under PRC accounting standards to non-distributable reserve funds. Therefore, our PRC subsidiaries with positive accumulated after-tax profits, having offset losses from previous years and made requisite appropriations to reserve funds, may declare dividends to their respective shareholder(s).

Any dividends we pay will be determined at the absolute discretion of our Board, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. Our Shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by our Board. No dividends have been paid or declared by our Company since its incorporation. We plan to adopt a formal dividend policy upon [REDACTED].

FUTURE PLANS AND USE OF [REDACTED]

See “Business — Our Growth Strategies” for a detailed description of our future plans.

Assuming the [REDACTED] are completed and based on an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the stated range of the [REDACTED] of between HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED]) and assuming the [REDACTED] is not exercised, we estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] from the [REDACTED] after deducting the [REDACTED] and other estimated [REDACTED] in connection with the [REDACTED]. We intend to use the net [REDACTED] from the [REDACTED] for the following purposes and in the amounts set out below, subject to changes in light of our evolving business needs and changing market conditions:

- approximately [REDACTED]%, or HK\$[REDACTED], will be used over the next three to five years to drive growth in our core business and expand service offerings in Mainland China;
- approximately [REDACTED]%, or HK\$[REDACTED], will be used over the next three to five years to further accelerate our global expansion to capture the massive opportunity in the global logistics market;

SUMMARY

- approximately [REDACTED]%, or HK\$[REDACTED], will be used over the next three to five years to further invest in research and development to continue developing and enhancing our technology infrastructure, as technology is at the core of our Company and drives elements essential for the transportation of freight;
- approximately [REDACTED]%, or HK\$[REDACTED], will be used for working capital and general corporate purposes.

RECENT PRC REGULATORY DEVELOPMENTS

Cybersecurity, Data Privacy and Personal Information Protection

Recently, the PRC Governmental Authorities promulgated, among others, the PRC Personal Information Protection Law (the “**Personal Information Protection Law**”) (《中華人民共和國個人信息保護法》) and the PRC Data Security Law (the “**Data Security Law**”) (《中華人民共和國數據安全法》) to ensure cybersecurity, data and personal information protection, which demonstrates that relevant laws and regulations governing such areas have been developing along with the heightened regulatory supervision.

The Measures for Cybersecurity Review (《網絡安全審查辦法》) (the “**Review Measures**”), published on December 28, 2021 and effective from February 15, 2022, set forth the cybersecurity review mechanism for critical information infrastructure operators, and provide that critical information infrastructure operators who procure internet products and services that affect or may affect national security shall be subject to a cybersecurity review. The Article 7 of the Review Measures stipulates that a network platform operator that holds personal information of more than one million users, prior to applying for [REDACTED] abroad (國外), must apply to the Cybersecurity Review Office (網絡安全審查辦公室) for a cybersecurity review. On May 22, 2023, our PRC Legal Advisor and the PRC legal advisor of the Joint Sponsors made a telephone consultation with the China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心) (the “**CCRC**”), which is delegated by the CAC to accept applications for cybersecurity review. During the consultation, our PRC Legal Advisor informed the CCRC of our proposed [REDACTED] and the CCRC confirmed that (i) a [REDACTED] in Hong Kong does not fall within the scope of the term “[REDACTED] abroad” (赴國外[REDACTED]) under Article 7 of the Review Measures; and (ii) our proposed [REDACTED] does not fall within the scope of “seeking a [REDACTED] abroad” and therefore the cybersecurity review requirement under Article 7 of the effective Cybersecurity Review Measures is not applicable to the Company. Our PRC Legal Advisor is of the view that: (i) CCRC is the competent authority to receive applications for cybersecurity review submitted by enterprises according to Article 7 of the Cybersecurity Review Measures, conducting initial examination of the application materials, and coordinating the review process in accordance with the Cybersecurity Review Measures, and (ii) such mandatory requirements of cybersecurity review are only applicable to companies which are seeking a [REDACTED] abroad, and we are not required to submit an application for a cybersecurity review in connection with the [REDACTED] under the Article 7 of the Review Measures, because the [REDACTED] which will be in Hong Kong is not a “[REDACTED] abroad”.

SUMMARY

The Administration Governing the Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “**Draft Data Security Regulations**”), published on November 14, 2021, which provides cross-border data transmission security and cybersecurity review standards for [REDACTED] abroad and in Hong Kong and the protection of important data and personal information rights. If the [REDACTED] in Hong Kong of a data processor affects or may affect national security, or any other data processing activities of a data processor affect or may affect national security, the data processor shall, in accordance with relevant state provisions, apply for a cybersecurity review. However, the Draft Cyber Data Security Regulations does not provide the standard to determine the circumstances that would be determined to “affect or may affect national security”. As of the Latest Practicable Date, the Draft Data Security Regulations were released for public comments only and its final version and effective date are subject to further changes. We cannot predict the impact of the Draft Data Security Regulations, if any, at this stage, and we will closely monitor and assess any development in the rulemaking process. Our Directors are of the view that we will be able to comply with the Draft Data Security Regulations, if implemented in their current proposed form, in all material aspects, on the basis that (i) we have implemented comprehensive measures to ensure privacy protection and data security and to comply with applicable cybersecurity and data privacy laws and regulations as disclosed in “Business — Cybersecurity and Data Privacy”, (ii) as of the Latest Practicable Date, we had not been subject to any material investigation, inquiry, notice, warning, or sanction in relation to cybersecurity or data privacy or any cybersecurity review from the CAC or any other relevant PRC Governmental Authority, (iii) during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or other material penalties due to non-compliance with cybersecurity or data privacy laws or regulations; and (iv) we have been closely monitoring and assessing applicable regulatory developments regarding cybersecurity and data privacy laws and continue to seek to enhance our data processing practices to ensure our compliance with the Draft Data Security Regulations and any similar new laws and regulations once they come into effect. For details, see “Regulations — Regulations Related to Internet Information Security and Privacy Protection”.

As of the Latest Practicable Date, we had not been involved in any investigations on cybersecurity review by the relevant regulatory authorities or had received any inquiry, notice, warning or sanctions in such respect.

Overseas [REDACTED]

On July 6, 2021, the General Office of Central Committee of the Chinese Communist Party, or the CPC Central Committee and the General Office of the State Council jointly promulgated the Opinions on Strictly Combating Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》), or the July 6 Opinion, which called for the enhanced cross-border regulatory cooperation and administration and supervision of overseas-[REDACTED] China-based companies. Along with the promulgation of the July 6 Opinion, laws and regulations regarding data security, cross-border data flow and management of confidential information are expected to undergo further changes, which may require increased information security responsibilities and stronger cross-border information management mechanism and process. As there are still uncertainties regarding the interpretation and implementation of such regulatory guidance, we cannot assure you that we would be able to comply with such regulatory guidance or other new regulatory requirements relating to our future overseas capital raising activities.

SUMMARY

On February 17, 2023, the CSRC promulgated the new regulations for the filing-based administration of overseas securities [REDACTED] and [REDACTED] directly or indirectly by domestic companies, which became effective on March 31, 2023. The newly released set of regulations consists of the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) and relevant five guidelines, along with the Notice of the Administrative Arrangements for the Filing of Overseas Securities Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》) (the “**Filing Arrangements Notice**”). The new set of regulations will comprehensively improve and reform the existing regulatory regime for overseas [REDACTED] and [REDACTED] of PRC domestic companies’ securities and will regulate both direct and indirect overseas [REDACTED] and [REDACTED] of PRC domestic companies’ securities by adopting a filing-based regulatory regime. According to the Overseas Listing Trial Measures, PRC domestic companies that seek to [REDACTED] and [REDACTED] securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. The Overseas Listing Trial Measures provides that an overseas [REDACTED] or [REDACTED] is explicitly prohibited under any of the following circumstances: (i) such securities [REDACTED] and [REDACTED] is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities [REDACTED] and [REDACTED] may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with laws; (iii) the PRC domestic company intending to make the securities [REDACTED] and [REDACTED], its controlling shareholder(s) or the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the PRC domestic company intending to make the securities [REDACTED] and [REDACTED] is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller. The Overseas Listing Trial Measures also provides that if an issuer satisfies both of the following conditions, the overseas securities [REDACTED] and [REDACTED] conducted by such issuer will be deemed as indirect overseas [REDACTED] by PRC domestic companies: (i) 50% or more of any of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by PRC domestic companies; and (ii) the main parts of the issuer’s business activities are conducted in the PRC, or its main place(s) of business are located in the PRC, or the majority of senior management staff in charge of its business operations and management are PRC citizens or are domiciled in the PRC. The determination as to whether or not an overseas [REDACTED] and [REDACTED] by PRC domestic companies is indirect shall be made on a ‘substance over form’ basis. According to the Overseas Listing Trial Measures, PRC domestic companies that seek to publicly [REDACTED] or [REDACTED] securities in overseas markets, either directly or indirectly, are required to fulfill the filing procedures with the CSRC within three working days after their applications for overseas [REDACTED] or [REDACTED] are submitted. The Overseas Listing Trial Measures also requires subsequent reports to be filed with the CSRC on material events, such as change of control or voluntary or forced [REDACTED] of the issuer(s) who have completed overseas [REDACTED] and [REDACTED]. According to the Filing Arrangements Notice, PRC domestic companies that have submitted valid applications for overseas [REDACTED] and

SUMMARY

[REDACTED] but have not yet received approvals from the overseas regulators or stock exchanges by or before March 31, 2023 may reasonably determine the timing to submit the filings and shall complete the filing procedures prior to their overseas [REDACTED] and [REDACTED]. Furthermore, with respect to the issuers with Contractual Arrangements, at a press conference held for these new regulations, officials from the CSRC clarified that the CSRC will seek opinions from relevant government authorities on the Contractual Arrangements and allow those issuers with Contractual Arrangements as well as being in compliance with relevant requirements to file its overseas [REDACTED] and [REDACTED] with the CSRC. For details, see “Regulations — Regulations on M&A and Overseas Listings”.

Our Directors, after having consulted with the PRC Legal Advisor, believe that the Company does not fall within any of the circumstances in which an issuer is expressly prohibited from seeking [REDACTED] or conducting securities [REDACTED] overseas under the Overseas Listing Trial Measures. We will continue to monitor the developments in the interpretation and implementation of the Overseas Listing Trial Measures as well as any other legislative and regulatory developments in respect of overseas [REDACTED] of domestic companies.

Labor Protection

On July 16, 2021, the Ministry of Human Resources and Social Security, the NDRC, the Ministry of Transport of the PRC, or the MOT, together with other government authorities jointly promulgated Guiding Opinions on Safeguarding the Rights and Interests of Labors in New Forms of Employment (《關於維護新就業形態勞動者勞動保障權益的指導意見》) (the “**Labor Protection Opinions**”), which require platform enterprises that adopt labor outsourcing and other cooperative labor methods to undertake corresponding responsibilities in accordance with laws and regulations when workers’ rights and interests are harmed.

On October 11, 2021, several government authorities jointly issued the Opinion on Strengthening the Protection of the Rights and Interests of Freight Drivers (《關於加強貨車司機權益保障工作的意見》) (the “**Freight Drivers Opinion**”), which provides, among others, that the authorities will strengthen the regulation of online freight platforms and urge online platforms to listen to the opinions of platform drivers, reasonably determine and adjust platform rules, and disclose such rules publicly, and further encourages freight drivers to participate in social insurance schemes and supports intra-city freight platforms to join occupational injury insurance pilot schemes.

On November 17, 2021, the MOT together with certain other PRC government authorities jointly promulgated the Opinion on Strengthening the Protection of the Rights and Interests of New Forms of Transportation (《關於加強交通運輸新業態從業人員權益保障工作的意見》) (the “**New Forms of Transportation Opinion**”). The New Forms of Transportation Opinion encourages enterprises of new forms of transportation to strengthen humanistic care for workers and establish a reward system for excellent workers and to clearly inform workers of relevant rights and obligations and relevant laws and policies on labor security. In addition, the New Forms of Transportation Opinion provides that illegal practices such as dumping at low prices, “big data-enabled price discrimination against existing customers” and induced fraud shall be subject to vigorous investigation. For details, see “Regulations — Regulations Related to Labor Protection”.

SUMMARY

We treat the carriers on our platform as independent contractors rather than our employees, and our terms of use with such carriers are constructed based on this fundamental business principle — our platform is solely focused on connecting carriers with merchants to drive their businesses and income, rather than employing a group of carriers to deliver freight services on a principal basis. For the risks related to the classification of our carriers, please see “Risk Factors — Risks Related to Our Business and Industry — Our business would be adversely affected if our approach to carrier status is successfully challenged or if we are required to classify carriers as employees instead of independent contractors.”

The Labor Protection Opinions state that the relationship between a platform and individuals who engage in freelance work and conduct independent business activities through such platform may be governed by civil laws, rather than employment-related laws and regulations. Additionally, as advised by the PRC Legal Advisor, there is currently no mandatory requirement under PRC laws and regulations requiring online freight platforms, like ours, to establish employment relationships with carriers. Furthermore, our PRC Legal Advisor has advised us that neither the Labor Protection Opinions, the Freight Drivers Opinion, the New Forms of Transportation Opinion, nor any other applicable PRC laws and regulations mandate online freight platforms, such as ours, to make social insurance and housing fund contributions for carriers who are independent contractors rather than our employees. Instead, the Labor Protection Opinions encourage online platforms to support and promote independent contractors’ participation in social insurance on their own. Additionally, to our best knowledge, there are currently no potential regulatory changes that would require us to make social insurance and housing fund contributions for our carriers, who are independent contractors and not our employees.

As of the Latest Practicable Date, we have not engaged in any activity which is prohibited by the Labor Protection Opinions, the Freight Drivers Opinion or the New Forms of Transportation Opinion. Our Directors are of the view, concurred by our PRC Legal Advisor, that we have complied with the Labor Protection Opinion, the Freight Drivers Opinion, the New Forms of Transportation Opinion and other PRC laws and regulations in relation to labor protection of carriers in all material respects. For details of the measures we have taken or plan to take to protect the rights and interests of our carriers, see “Business — Environmental, Social and Governance — Carrier Welfare”.

ADMINISTRATIVE GUIDANCE MEETINGS

In the past, we and other major digital freight platforms in China were invited to attend “administrative guidance meetings” with the regulatory authorities, including the local branches of the SAMR and the road transportation administrations at different levels. As advised by the PRC Legal Advisor, these meetings did not themselves constitute administrative penalties or finding of legal liabilities under the applicable PRC laws and regulations. The main topics discussed and guidance provided by the regulatory authorities during these meetings mainly included the sustainable and healthy development of commercial freight transportation (using internet technologies), prevention of illegal activities on digital freight platforms, and the continued improvement of carrier welfare and safety standards. See “Business — Compliance with Laws and Regulations — Administrative Guidance Meetings” for more information about these administrative guidance meetings, including details of the principal meetings that we attended during the Track Record Period up to the Latest Practicable Date.

SUMMARY

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that up to the date of this Document, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since December 31, 2023, the end of the period reported on as set out in the Accountants’ Report included in Appendix I.

DEFINITIONS

In this Document, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in “Glossary of Technical Terms and Conventions”.

| | |
|---|--|
| “%” | per cent |
| “affiliate” | with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person |
| “AFRC” | Accounting and Financial Reporting Council (會計及財務匯報局) |
| “Articles” or “Articles of Association” | the fourteenth amended and restated articles of association of our Company conditionally adopted by the Shareholders of our Company by a special resolution passed on [REDACTED] with effect from the [REDACTED], a summary of which is set out in “Summary of the Constitution of our Company and Cayman Islands Company Law” in Appendix III |
| “associate(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Audit Committee” | the audit committee of the Board |
| “Beijing Jiche” | Beijing Jiche Technology Co., Ltd. (北京吉車科技有限公司), a limited liability company established under the laws of the PRC on March 11, 2021 and our Consolidated Affiliated Entity |
| “Board” | the board of directors of our Company |
| “business day” | any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business |
| “BVI” | the British Virgin Islands |
| “CAC” | the Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室) |
| “Cayman Companies Act” or “Companies Act” | the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time |

DEFINITIONS

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|---|--|
| “Cayman Registrar” | the Registrar of Companies of the Cayman Islands |
| “CBIRC” | the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) |
| | [REDACTED] |
| “China”, “Mainland China” or “PRC” | the People’s Republic of China, except where the context requires otherwise and only for the purposes of this Document, excluding Hong Kong Special Administrative Region of the People’s Republic of China, Macau Special Administrative Region of the People’s Republic of China, and Taiwan Region |
| “Chow’s Family Trust” | a trust established on August 23, 2021 by Mr. Chow as the settlor, with Cantrust (Far East) Limited as the trustee and for the benefit of Mr. Chow and his family |
| “Class A Share(s)” | class A ordinary share(s) in the share capital of the Company with a par value of US\$[REDACTED] each following the [REDACTED], conferring weighted voting rights in the Company such that a holder of a Class A Share is entitled to ten votes per share on any resolution tabled at the Company’s general meeting, save for resolutions with respect to any Reserved Matters, in which case the holder shall be entitled to one vote per share |
| “Class B Share(s)” | class B ordinary share(s) in the share capital of the Company with a par value of US\$[REDACTED] each following the [REDACTED], conferring a holder of a Class B Share one vote per share on any resolution tabled at the Company’s general meeting |
| “Companies Ordinance” | Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Companies (Winding Up and Miscellaneous Provisions) Ordinance” | Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |

DEFINITIONS

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|---|---|
| “Company”, “our Company” or “the Company” | Lalatech Holdings Limited (拉拉科技控股有限公司), formerly known as Huolala Global Investment Limited, an exempted company with limited liability incorporated under the laws of the Cayman Islands on October 27, 2014 |
| “Compliance Adviser” | Somerley Capital Limited, our compliance adviser |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “connected transaction(s)” | has the meaning ascribed to it under the Listing Rules |
| “Consolidated Affiliated Entities” | the entities which we control through the Contractual Arrangements, including the Consolidated Affiliated Entity Holdcos, Tianjin Jiche and Lalamove Logistik |
| “Consolidated Affiliated Entity Holdcos” | the entities which are directly held by the Corporate Registered Shareholder I and controlled by us through the PRC Contractual Arrangements, namely Lala Tianjin, Shenzhen Huolala, Tianjin Huolala, Beijing Jiche, Full Truck, Lala Energy and Guangzhou Layi |
| “Contractual Arrangements” | the PRC Contractual Arrangements and the Indonesian Contractual Arrangements |
| “Controlling Shareholder(s)” | has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Chow, Lalatech Underscore and Lalatech One. See “Relationship with Our Controlling Shareholders” |
| “core connected person(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Corporate Governance Code” | the Corporate Governance Code set out in Appendix C1 to the Listing Rules |
| “Corporate Governance Committee” | the corporate governance committee of the Board |
| “Corporate Registered Shareholder I” or “Shenzhen Qiaoguan” | Shenzhen Qiaoguan Network Technology Co. Ltd. (深圳市喬冠網絡科技有限公司), a limited liability company established under the laws of the PRC on April 15, 2021 and owned by the Individual Registered Shareholder as to 50% and the Corporate Registered Shareholder II as to 50% |

DEFINITIONS

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|---|---|
| “Corporate Registered Shareholder II” or “Guangzhou Qiaoguan” | Guangzhou Qiaoguan Network Technology Co. Ltd. (廣州市喬冠網絡科技有限公司), a limited liability company established under the laws of the PRC on October 22, 2014 and solely owned by the Individual Registered Shareholder |
| “CSRC” | China Securities Regulatory Commission (中國證券監督管理委員會) |
| “CUG” | PT Cahaya Utara Grup, a limited liability company incorporated in Indonesia, which is held as to 99% by Marlissa Dessy Setyo Utami and 1% by Endang Susani Listyowati, both of whom being Independent Third Parties. CUG is the registered holder of 50% shareholding in Lalamove Logistik under the Indonesian Contractual Arrangements |
| “CUTG” | PT Cahaya Utara Teknologi Grup, a limited liability company incorporated in Indonesia, which is held as to 99% by PT. Singa Biru Grup and 1% PT. Singa Biru Investama, both of which are companies incorporated in Indonesia, and in turn held as to 99% by Marlissa Dessy Setyo Utami and 1% by Endang Susani Listyowati, both of whom being Independent Third Parties. CUTG is the registered holder of 50% shareholding in Lalamove Logistik under the Indonesian Contractual Arrangements |
| “Director(s)” | the director(s) of our Company |
| “ESG” | environmental, social and governance |
| “ESG Committee” | the environmental, social and governance committee of the Board |
| “ESOP Trust” | the trust [established] by the Company to facilitate the administration of the Share Incentive Plan |
| “ESOP Trustee” | [Computershare Hong Kong Trustees Limited], the trustee of the ESOP Trust |
| “Extreme Conditions” | extreme conditions caused by a super typhoon as announced by the government of Hong Kong |

DEFINITIONS

[REDACTED]

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|---------------------------|--|
| “Frost & Sullivan” | Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the industry consultant |
| “Frost & Sullivan Report” | a report prepared by Frost & Sullivan on the global logistics industry |
| “Full Truck” | Full Truck (Beijing) Logistics Co., Ltd. (貨滿車(北京)物流有限公司), a limited liability company established under the laws of the PRC on April 23, 2020 and our Consolidated Affiliated Entity |
| “GAAP” | generally accepted accounting principles |
| “GDP” | gross domestic product |

[REDACTED]

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| “GFA” | gross floor area |
|-------|------------------|

[REDACTED]

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|---|---|
| “Governmental Authority(ies)” | any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, self-regulatory organization, or other non-governmental regulatory authority, or any court, judicial body, tribunal, or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational |
| “Group”, “our Group”, “the Group”, “we”, “us”, or “our” | our Company, its subsidiaries and Consolidated Affiliated Entities from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries and consolidated affiliated entities, such subsidiaries and consolidated affiliated entities as if they were subsidiaries and consolidated affiliated entities of our Company at the relevant time |

DEFINITIONS

[REDACTED]

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| “Hong Kong Stock Exchange” or “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Hong Kong Takeovers Code” or “Takeovers Code” | Code on Takeovers and Mergers and Share Buy-back issued by the SFC, as amended, supplemented or otherwise modified from time to time |

[REDACTED]

| | |
|---|---|
| “ICP License” | value-added telecommunications business operating license (增值電信業務經營許可證) |
| “IDR” | Indonesia Rupiah, the lawful currency of Indonesia |
| “IFRS” | the International Financial Reporting Standards, which include standards, amendments, and interpretations, as issued from time to time by the International Accounting Standards Board |
| “Independent Third Party(ies)” | any entity(ies) or person(s) who is not a connected person of our Company or an associate of any such person within the meaning ascribed thereto under the Listing Rules |
| “Individual Registered Shareholder” or “Mr. He” | Mr. He Guanhua (何冠華), an employee of our Company and a director of certain subsidiaries of our Company. Mr. He is the sole shareholder of the Corporate Registered Shareholder II and 50% shareholder of the Corporate Registered Shareholder I |

DEFINITIONS

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| “Indonesian Contractual Arrangements” | a series of contractual arrangements entered into in Indonesia between Lalamove Indonesia and each of the Indonesian Registered Shareholders in relation to their respective financial interests in Lalamove Logistik. See “Contractual Arrangements — The Indonesian Contractual Arrangements” |
| “Indonesian Individual Ultimate Shareholders” | Marlissa Dessy Setyo Utami and Endang Susani Listyowati, the beneficial owners of the Indonesian Registered Shareholders |
| “Indonesian Legal Advisor” | Hutabarat Halim & Rekan, the Indonesian legal advisor of our Company |
| “Indonesian Registered Shareholders” | CUG and CUTG |

[REDACTED]

DEFINITIONS

[REDACTED]

| | |
|---------------------------|---|
| “Joint Sponsors” | Goldman Sachs (Asia) L.L.C., Merrill Lynch (Asia Pacific) Limited and J.P. Morgan Securities (Far East) Limited |
| “Lala Energy” | Shandong Lala Energy Technology Co., Ltd. (山東啦啦能源科技有限公司), a limited liability company established under the laws of the PRC on November 15, 2019 and our Consolidated Affiliated Entity |
| “Lala Tianjin” | Lala (Tianjin) Automotive Technology Co., Ltd. (啦啦(天津)汽車科技有限公司), a limited liability company established under the laws of the PRC on November 7, 2019 and our Consolidated Affiliated Entity |
| “Lalamove Indonesia” | Lalamove (Indonesia) Limited, a limited liability company incorporated in the BVI on February 2, 2018 and an indirect wholly-owned subsidiary of our Company |
| “Lalamove Logistik” | PT. Lalamove Logistik Indonesia, a limited liability company incorporated in Indonesia on March 1, 2018, which is our Consolidated Affiliated Entity |
| “Lalatech One” | Lalatech One Limited, a limited liability company incorporated in the BVI which is wholly-owned by Cantrust (Far East) Limited (trustee of the Chow’s Family Trust), and is one of our Controlling Shareholders |
| “Lalatech Underscore” | Lalatech Underscore Limited, a limited liability company incorporated in the BVI which is wholly-owned by Lalatech One, and is one of our Controlling Shareholders |
| “Latest Practicable Date” | March 25, 2024, being the latest practicable date for ascertaining certain information in this Document before its publication |
| “Laws” | all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, orders, judgments, decrees, or rulings of any Governmental Authority (including, without limitation, the Stock Exchange and the SFC) of all relevant jurisdictions |

DEFINITIONS

[REDACTED]

“Listing Committee” the Listing Committee of the Stock Exchange

[REDACTED]

“Listing Rules” the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

“Main Board” the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange

“Memorandum” or “Memorandum of Association” the fourteenth amended and restated memorandum of association of our Company conditionally adopted by the Shareholders of our Company by a special resolution passed on [REDACTED], with effect from the [REDACTED]

“MIIT” the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)

“MOFCOM” the Ministry of Commerce of the PRC (中華人民共和國商務部)

“MPS” the Ministry of Public Security of the PRC (中華人民共和國公安部)

“MOT” the Ministry of Transport of the PRC (中華人民共和國交通運輸部)

“Mr. Chow” Mr. Chow Shing Yuk (周勝馥), Chairman of the Board, executive Director, Chief Executive Officer and a Controlling Shareholder of our Company

“Mr. Tam” Mr. Tam Matthew Wan Bo (譚穩寶), executive Director and Co-Chief Operating Officer of our Company

“NDRC” National Development and Reform Commission (中華人民共和國國家發展和改革委員會)

DEFINITIONS

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| “NFRA” | the National Financial Regulatory Administration of the PRC (中華人民共和國國家金融監督管理總局) |
| “Nomination Committee” | the nomination committee of the Board |

[REDACTED]

| | |
|--|--|
| “PBOC” | the People’s Bank of China (中國人民銀行) |
| “PRC Consolidated Affiliated Entities” | the entities which we control through the PRC Contractual Arrangements |
| “PRC Contractual Arrangements” | the series of contractual arrangements entered into in the PRC by, among others, Shenzhen Yishi, the Consolidated Affiliated Entities, the Corporate Registered Shareholder I and the Corporate Registered Shareholder II (as applicable), details of which are described in “Contractual Arrangements — The PRC Contractual Arrangements” |

DEFINITIONS

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|---------------------------------|---|
| “PRC Legal Advisor” | King & Wood Mallesons, the PRC legal advisor of our Company |
| “PRC Registered Shareholder(s)” | Mr. He, Guangzhou Qiaoguan, and Shenzhen Qiaoguan |
| “Preferred Shares” | collectively, Series A preferred shares, Series A+ preferred shares, Series Pre-B preferred shares, Series B preferred shares, Series C preferred shares, Series D preferred shares, Series D2 preferred shares, Series E preferred shares, Series E2 preferred shares, Series F preferred shares and Series G preferred shares, with a par value of US\$0.001 each in the capital of our Company before the completion of the [REDACTED] |
| “[REDACTED] Investment(s)” | the investment(s) in our Company undertaken by the [REDACTED] Investors pursuant to the relevant share subscription agreements and share purchase agreements |
| “[REDACTED] Investor(s)” | the [REDACTED] investor(s) of our Company, details of which are set out in “History, Development and Corporate Structure — [REDACTED] Investments” |
| | [REDACTED] |
| “Document” | this Document being issued in connection with the [REDACTED] |
| “QIB” | a qualified institutional buyer within the meaning of Rule 144A |
| “Registered Shareholders” | the PRC Registered Shareholders and the Indonesian Registered Shareholders |
| “Regulation S” | Regulation S under the U.S. Securities Act |
| “Remuneration Committee” | the remuneration committee of the Board |

DEFINITIONS

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| “Reserved Matters” | those matters resolutions with respect to which each Share is entitled to one vote at general meetings of our Company pursuant to the Articles of Association, being: (i) any amendment to the Memorandum or Articles, including the variation of the rights attached to any class of shares, (ii) the appointment, election or removal of any independent non-executive Director, (iii) the appointment or removal of our auditors, and (iv) the voluntary liquidation or winding-up of our Company |
| “RMB” | Renminbi, the lawful currency of China |
| “Rule 144A” | Rule 144A under the U.S. Securities Act |
| “SAIC” | the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), currently known as SAMR |
| “SAFE” | the State Administration for Foreign Exchange (國家外匯管理局) |
| “SAMR” | the State Administration for Market Regulation (國家市場監督管理總局), formerly known as the SAIC |
| “SAT” | the State Taxation Administration of the PRC (中華人民共和國國家稅務總局) |
| “SCNPC” | the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會) |
| “SFC” | the Securities and Futures Commission of Hong Kong |
| “SFO” or “Securities and Futures Ordinance” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Shareholder(s)” | holder(s) of our Share(s) |
| “Share(s)” | the Class A Shares and Class B Shares in the capital of our Company with a par value of US\$[REDACTED] each following the [REDACTED], as the context so requires |

DEFINITIONS

“Share Incentive Plan” the Share Incentive Plan of our Company, comprising, among others, options, RSUs and restricted shares, which was adopted and approved by resolutions in writing by the Shareholders on November 8, 2021

[REDACTED]

“Shenzhen Huolala” Shenzhen Huolala Technology Co., Ltd. (深圳貨拉拉科技有限公司), a limited liability company established under the laws of the PRC on August 31, 2016 and our Consolidated Affiliated Entity

“Shenzhen Lalapeisong” Shenzhen Lalapeisong Limited (深圳市啦啦配送有限公司), a limited liability company established under the laws of the PRC on November 4, 2015 and our indirect wholly-owned subsidiary

“Shenzhen Yishi” Shenzhen Yishi Huolala Technology Co., Ltd. (深圳依時貨拉拉科技有限公司), a limited liability company established under the laws of the PRC on February 10, 2015 and our indirect wholly-owned subsidiary

[REDACTED]

“State Council” the State Council of the PRC (中華人民共和國國務院)

“subsidiary” or “subsidiaries” has the meaning ascribed to it in section 15 of the Companies Ordinance

“substantial shareholder” has the meaning ascribed to it in the Listing Rules

DEFINITIONS

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| “Tianjin Huolala” | Tianjin Huolala Technology Co., Ltd. (天津貨拉拉科技有限公 司), a limited liability company established under the laws of the PRC on March 23, 2020 and our Consolidated Affiliated Entity |
| “Tianjin Jiche” | Tianjin Jiche Youxiang Network Technology Co., Ltd. (天津吉 車油享網絡科技有限公司), Beijing Jiche’s wholly-owned subsidiary, a limited liability company established under the laws of the PRC on March 25, 2021 and our Consolidated Affiliated Entity |
| “Track Record Period” | the period comprising the three financial years ended December 31, 2021, 2022 and 2023 |

[REDACTED]

| | |
|---|---|
| “United States”, “U.S.” or “US” | the United States of America, its territories, its possessions and all areas subject to its jurisdiction |
| “US dollars”, “U.S. dollars” or “US\$” | United States dollars, the lawful currency of the United States |
| “U.S. Securities Act” | United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder |
| “VAT” | value-added tax |

[REDACTED]

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|-------------------------------------|---|
| “WVR” or “weighted voting right” | has the meaning ascribed to it in the Listing Rules |
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DEFINITIONS

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|-------------------|---|
| “WVR Beneficiary” | has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Chow, being the holder of the Class A Shares which entitle him to weighted voting rights, details of which are set out in “Share Capital” |
| “WVR Structure” | has the meaning ascribed to it in the Listing Rules |

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the [REDACTED] assume that the [REDACTED] is not exercised.

The English names of the PRC entities, PRC laws or regulations, and the PRC governmental authorities referred to in this Document are translations from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.

Certain amounts and percentage figures included in this Document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

GLOSSARY OF TECHNICAL TERMS AND CONVENTIONS

This section contains definitions of certain terms used in this Document in connection with our Company and our business. Some of these may not correspond to standard industry definitions.

| | |
|-------------------------------|--|
| “active carriers” | the aggregate number of registered carrier accounts on our platform that have fulfilled at least one shipping order posted on our platform during a given period |
| “active merchants” | the aggregate number of registered merchant accounts on our platform that have completed at least one shipping order on our platform during a given period |
| “AI” | artificial intelligence |
| “average order response rate” | “average order response rate” on our platform for a given period is calculated by dividing (i) the total number of shipping orders our carriers responded to during a given period, by (ii) the total number of shipping orders posted by our merchants on our platform in such period. The fact that a shipping order is responded to by a carrier does not necessarily mean such shipping orders will eventually be assigned to or fulfilled by such carrier |
| “big data analytics” | the use of advanced analytic techniques against very large and diverse data sets, which greatly exceed the capabilities of traditional database software tools in terms of data collection and analysis, to uncover hidden patterns, unknown correlations, market trends, customer preferences and other useful information that can help organizations make more informed business decisions |
| “CAGR” | compound annual growth rate, a method of assessing the average growth of a value over a certain time period |
| “carrier MAUs” | the number of active carriers in a given month; “average carrier MAUs” for a given period are calculated by dividing (i) the sum of carrier MAUs for each month of such period, by (ii) the number of months in such period |
| “closed-loop freight GTV” | gross transaction value of all freight transaction orders that are matched and paid for on the digital platform which charges the relevant users fees based on the value of such orders |

GLOSSARY OF TECHNICAL TERMS AND CONVENTIONS

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|---|--|
| “cloud” | a model enabling ubiquitous, convenient, and on-demand network access to a shared pool of configurable computing resources (e.g., networks, servers, data storage, computing power, applications, and services) that can be rapidly provisioned and released with minimal management effort or service provider interaction |
| “COVID-19” | coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2 |
| “freight GTV” | “freight GTV” generated from our platform for a given period refers to the sum of GTV generated from shipping orders in relation to our (i) freight platform services and (ii) diversified logistics services, in each case, before the deduction of applicable value-added taxes |
| “freight platform services monetization rate” | “freight platform services monetization rate” for a given period is calculated by dividing (i) our revenue generated from freight platform services in such period by (ii) our freight platform GTV in such period |
| “FTL” | full truckload |
| “fulfilled orders” | all shipping orders in relation to our (i) freight platform services and (ii) diversified logistics services, which were placed, matched and delivered through our platform during such period |
| “GDP” | gross domestic product |
| “GPS” | global positioning system, a navigation system using satellite signals to determine the ground position of an object |
| “GTV” | gross transaction value, GTV generated from our freight platform services for a given period refers to the aggregate value of all fulfilled orders during such period, before deduction of any commissions we charge to our carriers, merchant discounts, and carrier incentives, if applicable; and GTV generated from our diversified logistics services for a given period refers to the aggregate value of all transactions fulfilled in connection with our integrated enterprise services, home-moving services and LTL services provided to our merchants during such period, before deduction of any service fees we charge to such merchants and any discounts, if applicable |

GLOSSARY OF TECHNICAL TERMS AND CONVENTIONS

| | |
|-----------------------|--|
| “LatAm” | the geographic regions of Latin America |
| “LTL” | less than truckload |
| “merchants” | shippers who use our platform to find carriers, consisting of businesses of all sizes and individuals |
| “merchant MAUs” | the number of active merchants in a given month; “average merchant MAUs” for a given period are calculated by dividing (i) the sum of merchant MAUs for each month of such period, by (ii) the number of months in such period |
| “mobile app” or “app” | application software designed to run on smartphones and other mobile devices |
| “online penetration” | “online penetration” for a given period in a region is calculated by dividing (i) the sum of GTV generated from digital road freight platforms during such period in such region, by (ii) total road freight GTV during such period in such region |
| “R&D” | research and development |
| “total GTV” | “total GTV” generated from our platform for a given period refers to the sum of freight GTV and GTV generated from our value-added services |
| “verified carriers” | carriers whose identities have been verified by us, and who are then allowed to respond to and/or fulfill the shipping orders posted on our platform |
| “SEA” | the geographic regions of Southeast Asia |
| “SME(s)” | small- and medium-sized business(s) |

Unless otherwise specified, in this Document:

- Certain amounts and percentage figures have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them; and
- for ease of reference, the names of PRC laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries and Consolidated Affiliated Entities) have been included in the Document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only.

FORWARD-LOOKING STATEMENTS

We have included in this Document forward-looking statements. Statements that are not historical facts, including but not limited to statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This Document contains forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this Document, the words "aim", "anticipate", "believe", "could", "aim", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would", "vision", "aspire", "target", "schedules", and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this Document, some of which are beyond our control and may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- our ability to maintain relationship with, and the actions and developments affecting, our major customers and suppliers;
- future developments, trends and conditions in the industries and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment in the industries and markets in which we operate;
- our ability to maintain the market leading positions;
- the actions and developments of our competitors;
- our ability to effectively contain costs and offer competitive prices;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to retain senior management and key personnel, and recruit qualified staff;
- our business strategies and plans to achieve these strategies, including our expansion plans;

FORWARD-LOOKING STATEMENTS

- our ability to defend our intellectual rights and protect confidentiality;
- change or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices and overall market trends; including those pertaining to the PRC and the industry and markets in which we operate;
- capital market developments;
- our dividend policy; and
- all other risks and uncertainties described in “Risk Factors” and elsewhere.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Specifically but without limitation, sales could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realized.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this Document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Document are qualified by reference to the cautionary statements in this section.

In this Document, statements of or references to our intentions or those of the Directors are made as of the date of this Document. Any such information may change in light of future developments.

RISK FACTORS

An [REDACTED] in our Class B Shares involves significant risks. You should carefully consider all of the information in this Document, including the risks and uncertainties described below, before making an [REDACTED] in our Class B Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the [REDACTED] of our Shares could decline, and you may lose all or part of your [REDACTED].

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in “Forward-looking Statements”.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Our continued growth depends on our ability to cost-effectively attract, retain and engage merchants and carriers. If we fail to attract new or retain current merchants and carriers, or if merchants and carriers engage less with us, our business, results of operations and financial condition and prospects could be harmed.

Our success significantly depends on our ability to cost-effectively retain existing and attract new merchants and carriers, as well as increase their utilization of our platform and service offerings. If merchants engage less with or cease to use our platform, we may not be able to provide carriers with sufficient opportunities to find shipping orders and earn incomes, which could harm our reputation and reduce the perceived utility of our platform. Similarly, if carriers choose not to offer their services through our platform, or choose to offer them through other digital freight platforms, we may not be able to offer sufficient carrier supply to attract new and retain existing merchants. An insufficient supply of merchants and carriers would adversely affect our revenue and financial results.

We believe we offer compelling value propositions to carriers by providing them with the opportunity to earn income on their own terms. We offer incentives to our carriers. If we fail to continue to provide carriers with compelling opportunities to earn income or to offer incentives that are comparable or superior to those of our competitors, or if carriers become dissatisfied with our platform and services, we may fail to attract new and retain current carriers or increase their engagement with our platform, or we may experience complaints, negative publicity, strikes or other work stoppages that could adversely affect our business and results of operations. See “— If we are unable to maintain and enhance our brands and increase market awareness of our platform and services, our business, operating results and financial condition may be adversely affected”.

In addition, changes in certain laws and regulations, including labor, employment and road traffic safety laws or background check requirements, may result in a shift or decrease in the pool of qualified carriers, which may result in increased competition for qualified carriers. Other factors outside of our control, such as concerns about personal health and safety, increased energy prices, the availability of vehicles or insurance, or the use of cheating tools by certain carriers may also reduce the number of carriers on our platform or their utilization of our platform. If we fail to attract a

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sufficient number of qualified carriers on favorable terms, fail to increase utilization of our platform by existing carriers, or lose carriers to our competitors, we may not be able to meet our merchants’ demand, and our business, financial condition and results of operations could be adversely affected.

Our merchants have a wide variety of freight transport options, such as personal vehicles and rental cars. They may rely on traditional freight-matching brokers or marketplaces which largely operate offline or other digital freight platforms. Our merchants may reduce their use of our platform and switch to alternate transport and freight-matching options as a result of many factors, including, among other things, dissatisfaction with the operation of our platform and our service; reductions in the discounts and promotions available to merchants; dissatisfaction with the quality of service provided by the carriers and other third-party vendors, such as aftermarket services providers, on our platform; negative publicity related to our brands and carriers using our platform, including as a result of safety incidents; and dissatisfaction with our products and offerings in general.

Additionally, merchants and carriers using our platform may engage in illegal, fraudulent or improper activities. We have implemented various measures intended to anticipate, identify, prevent and address the risks of these types of activities. However, these measures may not adequately address or prevent any and all of these illegal, improper or otherwise inappropriate activities, in which case our ability to retain existing and attract new merchants and carriers may be negatively affected. See “— If users on our platform engage in illegal, fraudulent, inappropriate or dangerous activities, our reputation, business, financial condition, and results of operations may be adversely impacted”.

We may not be able to exercise the same level of supervision over carriers’ conduct as we would if they were our employees. In the event of any unsatisfactory performance, lack of certain qualifications or licenses, misconduct, or illegal actions by carriers in completing orders on our platform, we may be involved in the disputes resulted from such actions and may thus suffer reputational damages and liabilities.

If we are unable to maintain and enhance our brands and increase market awareness of our platform and services, our business, operating results and financial condition may be adversely affected.

We must maintain and enhance our brand identity and increase market awareness of our platform and offerings to be successful. The widespread acceptance of our platform, and our ability to attract and retain users and increase their usage of our platform and services depend on our marketing efforts and our ability to maintain our current market leadership and successfully differentiate our platform and services from alternatives. These efforts require substantial expenditures, and we anticipate that they will increase as our market becomes more competitive and as we expand into new businesses and geographic markets. These investments in brand promotion may not yield increased revenue; to the extent they do, the resulting revenue still may not be enough to offset the increased expenses we incur. Negative publicity (whether or not justified) relating to events or activities attributed to us, members of our management, employees, business partners, as well as merchants and carriers using our platform, may tarnish our reputation and reduce the value of our brands. See “— If users on our platform engage in illegal, fraudulent, inappropriate or dangerous activities, our reputation, business, financial condition, and results of operations may be adversely impacted”.

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Moreover, negative publicity of our actual or perceived violations of users’ privacy-related rights could have a material and adverse impact on our reputation, business and results of operations. See “— Compliance with the rapidly evolving landscape of global data privacy and security laws may be challenging, and any failure or perceived failure to comply with such laws, or other concerns about our practices or policies with respect to the collection, use, storage, retention, transfer, disclosure, and other processing of personal data, could damage our reputation and deter current and potential users from using our platform and services”.

Furthermore, there were approximately 403.8 million, 427.5 million and 588.4 million orders fulfilled on our platform in 2021, 2022 and 2023, respectively. The high volume of orders and transactions taking place on our platform as well as major safety incidents or user complaints could lead to heightened attention from the public, regulators and the media. In addition, due to changes that have occurred and will occur in our services or policies, we have faced and may continue to face objections, complaints and negative comments from members of the public, the traditional, new and social media, merchants, carriers and other participants on our platform. From time to time, these objections, complaints and negative comments, regardless of their veracity, may result in user dissatisfaction, public protests or negative publicity, which could result in government inquiries or substantial harm to our brand, reputation and operations. If we do not pay sufficient attention to public opinion or if any incident arises but is not dealt with in a timely manner, our reputation, brand and image will be adversely affected.

We rely on a range of marketing channels to market our platform and services, including car-wrap advertising, which refers to attaching stickers or spraying paints to display our bright logo on our carriers’ vehicles. Such marketing practices are regulated by various national and regional laws and regulations of the PRC, subject to varying local implementation practices across many Chinese cities where we operate. In the event that such marketing practices violate the relevant PRC laws and regulations, the competent authorities may order that such stickers be removed from our carriers’ vehicles and levy fines on our carriers, which may undermine our marketing efforts and result in negative impacts to our brand and the growth of our business.

Additionally, negative publicity about the logistics industry, in general, may also have a negative impact on our reputation, regardless of whether we have engaged in any inappropriate activities. Any actual or perceived failure of other digital freight platforms to detect or prevent illegal activities or provide high-quality services could compromise our image, undermine the trust and credibility we have established with our merchants, carriers and other business partners and have a negative impact on our ability to attract new merchants, carriers and other groups of platform users. Such negative publicity may also lead to tightened legislative or regulatory scrutiny of the industries in which we operate, government investigations, litigation, and adverse public sentiment. If any of the foregoing were to occur, our brand, business and results of operations could be materially and adversely affected.

RISK FACTORS

We may not be able to compete effectively, which could materially and adversely affect our business, financial condition, results of operations and prospects, as well as our reputation and brands.

In the PRC and many overseas markets in which we operate, the logistics market is intensely competitive. We face competition globally and in each of the regional markets in which we operate from existing, low-cost alternatives, and expect to face competition from new market entrants in the future. In addition, within each of these markets, the cost to switch between services is relatively low. Merchants, especially those that are SMEs, tend to shift to the lowest-cost or highest-quality freight service provider, while carriers have a propensity to shift to a platform with the highest earnings potential and provides greater incentives than others.

We compete on a global scale with both international players and regional players within each geographic market. We also face competitions from players that focus on certain segments of the logistics market who may also enter into new segments in which we operate and compete with us. Furthermore, large technology companies that have strong brand recognition, abundant financial resources and sophisticated technology capabilities may develop their own digital freight platforms to compete with us in the future.

Our competitors operate different business models, have different cost structures or participate selectively in different industry segments. Some of our current and potential competitors may have significantly more financial, technological, marketing and other resources than we do and may be able to devote greater resources to the development, promotion and support of their platforms and offerings. Our competitors may also have longer operating history and greater brand recognition than us. Additionally, a current or potential competitor may acquire, or form a strategic alliance with, one or more of our other competitors. Our competitors may be better at developing new solutions and services, offering more attractive fees, responding more quickly to new technologies and undertaking more extensive and effective marketing campaigns. More players may enter the logistics market and intensify the market competition. In response to competition, we may have to lower and/or adjust the various fees that we charge to merchants and carriers or increase our operating expenses and capital expenditures to attract more merchants and carriers, which could materially and adversely affect our business, margins and results of operations. If we are not able to compete effectively, our ability to attract and retain merchants and carriers may be adversely affected, the level of transaction activities and user engagement on our platform may decrease and our market share may be negatively affected, which could materially and adversely affect our business, financial condition, results of operations and prospects, as well as our reputation and brands.

RISK FACTORS

We have incurred in the past, and may incur in the future, losses.

We have incurred losses in the past. In 2021 and 2022, we had losses of US\$2,086.3 million and US\$49.1 million, respectively. In 2023, we recorded a net profit of US\$972.7 million. We will need to maintain increased revenue levels and reduce proportionate costs and expenses in future periods to achieve profitability in many of our largest markets, including in China, and even if we do, we may not be able to maintain or increase profitability. We cannot guarantee that we will not record losses in the future, as we continue to invest in order to: increase the number of merchants, carriers and other industry stakeholders using our platform through incentives, discounts and promotions; develop and launch new products and offerings on our platform; expand within existing or into new markets; increase our research and development expenses; and hire additional employees, particularly on-the-ground operation teams, and third-party vendors. These efforts may prove more costly than we anticipate, and we may not succeed in increasing our revenue sufficiently to offset these expenses.

We recorded net operating cash outflows historically and there can be no assurance that we will not have net operating cash outflow in the future.

We recorded net operating cash outflows of US\$604.6 million in 2021, primarily attributable to our loss before taxation. For a more comprehensive discussion of our liquidity and capital resources, see “Financial Information — Liquidity and Capital Resources — Operating activities” for further details. We cannot guarantee that prospective business activities of our Group and/or other matter beyond our control (such as market competition and changes to the macroeconomic environment) will not adversely affect our operating cash flows and lead to net operating cash outflows in the future. If we encounter long-term and continuous net operating cash outflow in the future, we may not have sufficient working capital to cover our operating costs, and our business, financial position and results of operations may be materially and adversely affected.

If we are unable to introduce new or upgraded products, offerings or features that merchants, carriers and other groups of platform users recognize as valuable, we may fail to retain and attract these users to our platform and our operating results would be adversely affected.

To retain existing and attract new merchants, carriers and other groups of platform users, we will need to continue to invest in the development of new products, offerings and features that add value for them and that differentiate us from competitors. For example, we launched our integrated enterprise services to meet the diverse and fast-growing shipment demand from large-scale merchants, and continue to optimize our data-driven pricing models and algorithms to more accurately determine freight costs for merchants and carriers. Developing and delivering these new or upgraded products, offerings, and features is costly, and their success depends on several factors, including the timely completion, introduction and market acceptance of these products, offerings, and features; our ability to comply with applicable licensing and other regulatory requirements; and costs of switching to competing offerings, among other things. New products, offerings and features may involve new risks and challenges that we have limited experience in handling. For example, we may be subject to inventory risks associated with our vehicle sale and lease business to the extent we hold inventories of the vehicles. Moreover, these new or upgraded products, offerings or features may not work as expected or may not provide intended value to platform users. If we are unable to continue to develop new or upgraded products, offerings, and features, or if platform users do not perceive value in them, platform users may engage less with us or choose not to use our platform, which would

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adversely affect our operating results. In many cases, as these products and offerings are relatively new to the market, there are limited proven methods to project market demand or preference. Additionally, there is uncertainty over the regulatory regime applicable to any new or emerging products and business models, including in the PRC where considerable uncertainties remain as to the interpretation and implementation of laws and regulations applicable to our business and the enforcement practices by local government authorities. We have modified and may further modify our products from time to time in response to such regulatory requirements.

Furthermore, we may pursue new business initiatives, such as two-wheeler door-to-door delivery services, through forming joint ventures and business alliances. While we would seek to employ the optimal structure for each such business alliance, such strategic transactions may require a high level of cooperation with and reliance on our partners, and there is a possibility that we may have disagreements with our partners with respect to financing, technological management, product development, management strategies or otherwise. If our joint ventures or business alliances are curtailed or terminated due to any of the foregoing disagreements or other factors, our business and results of operations may be adversely impacted.

We cannot guarantee that our monetization strategies or our business initiatives will be successfully implemented or generate our anticipated revenues and profits.

We are at an early stage of monetizing our platform services, and our monetization model is evolving. Currently, with respect to our freight platform services in the PRC, we operate a hybrid monetization model where we generate revenues through a combination of carrier membership fees and commissions on the shipping orders facilitated through our platform. During the Track Record Period, commissions as a percentage of freight platform services revenues in Mainland China increased from 11.7% in 2021 to 57.0% in 2023. We believe we have achieved a balanced mix of carrier membership fees and commissions generated from freight platform services in Mainland China. This contributed to our growing freight platform services monetization rate in Mainland China from 7.6% in 2021 to 9.7% in 2022, and further to 10.3% in 2023.

We have in recent years tapped into new businesses, such as LTL, home-moving and other diversified logistics services, and may explore additional revenue opportunities, such as two-wheeler door-to-door delivery services, as we continue to offer compelling value propositions to carriers, merchants and other industry stakeholders. We cannot assure you that our existing monetization model or any modifications that we make to it (including, for example, raising commission rates) or any other new monetization models that we may introduce in the future will be successful or generate the anticipated results timely, or at all, or that they will achieve broad market acceptance among platform users or not be challenged by regulators. Any major changes in our monetization models, or our failure to achieve the intended results from expanding and upgrading our monetization models, could have a material and adverse impact on our business and results of operations. If our existing monetization model fails to maintain market acceptance or we fail to develop or implement new monetization strategies, we may not be able to maintain or increase our revenue or effectively manage any associated costs. In addition, we are exploring and will continue to explore new business initiatives that we believe are important to our long-term success and future growth, but they may have the effect of increasing our costs, reducing our revenue and lowering our margins and profit, and this effect may be significant in the short term and potentially over longer periods.

RISK FACTORS

Certain carriers on our platform use passenger vehicles instead of freight vehicles to carry freight or modify such vehicles without proper authorization for the purpose of carrying more freight.

In the PRC, some carriers on our platform use passenger vehicles to carry freight or modify such vehicles without proper authorization for the purpose of carrying more freight. In 2023, such vehicles were estimated to contribute to approximately 20% of our global total GTV. According to Article 34 of the Road Transportation Regulation of the People’s Republic of China (《中華人民共和國道路運輸條例》), or the Road Transportation Regulation, a road transport vehicle for the transport of passengers shall not be used for the transport of goods in violation of the relevant provisions. A road transport vehicle for the transport of goods may not transport passengers, the goods transported shall conform to the permitted load capacity, and overloading is strictly prohibited. The length, width and height of the goods carried by a road transport vehicle shall not violate the loading requirements. Local governments have promulgated implementation rules and regulations according to the Road Transportation Regulation. According to Article 38 of the E-commerce Law of the People’s Republic of China (《中華人民共和國電子商務法》), or the PRC E-commerce Law, where an e-commerce platform operator is or should be aware that the goods sold or the services provided by a business operator using the platform do not comply with the requirements for protection of personal safety and property security, or have infringed upon the legitimate rights and interests of consumers, but the e-commerce platform operator fails to adopt the requisite measures, it shall bear joint and several liability with the said business operator using the platform. According to Article 83 of the PRC E-Commerce Law, platform operators that violate the provisions of Article 38 of PRC E-Commerce Law shall be ordered by the market supervision and administration authorities to make correction within a stipulated period, and may be subject to a fine ranging from RMB50,000 to RMB500,000. In serious cases, the e-commerce platform operator shall be (i) ordered to suspend its operation and make correction and (ii) subject to a fine ranging from RMB500,000 to RMB2 million.

As of the Latest Practicable Date, (i) we have never been subject to any warning, penalty, sanction or reprimand by the PRC regulatory authorities as a result of our carriers’ use of passenger vehicles in freight services pursuant to Article 34 of the Road Transportation Regulation nor any material penalties pursuant to relevant local rules and regulations; (ii) so far as Articles 38 and 83 of the PRC E-Commerce Law are concerned, no penalty, sanction or reprimand against us has been imposed, nor are there any administrative penalties contemplated against us by any Governmental Authorities. In addition, we have implemented a series of remedial measures to mitigate the risks. For details, see “Business — Compliance with Laws and Regulations — Carriers’ use of passenger vehicles in freight services”. However we cannot assure you that we will not be ordered to suspend business operations or be subject to other material penalties as a result of our carriers’ use of passenger vehicles in freight service or their modification of such vehicles without proper authorization. If we are otherwise subject to investigations related to such non-compliance issue and are imposed severe penalties, incur significant legal fees or even be ordered to suspend business operations, our business, financial condition and results of operations may be adversely affected.

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If users on our platform engage in illegal, fraudulent, inappropriate or dangerous activities, our reputation, business, financial condition, and results of operations may be adversely impacted.

As a platform, we have limited ability to control or anticipate the actions of carriers, merchants and other users, either during their use of our platform or otherwise. If our users engage in illegal, fraudulent or inappropriate conduct on our platform or use our platform as a conduit for illegal activities, other users and the public may not consider our products and offerings to be safe, and we may receive negative publicity and under certain circumstances, we may be subject to significant legal liabilities under applicable laws and regulations.

In particular, we rely on carriers who are independent contractors to provide services to merchants. Illegal actions or misconduct committed by carriers, or any failure by them to provide satisfactory services or maintain their service levels, could materially and adversely affect our business, reputation, financial condition and results of operations. Carriers fulfilling freight orders through our platform are not our employees, and we may not possess ownership of the vehicles they operate. These carriers have the freedom to choose whether, when, and where they provide services, and they are also free to offer their services on competing platforms. Therefore, we do not have the same level of control over carriers as we do over our employees. Any deficiencies in the services provided by carriers, such as considerable delays in delivery due to human error, loss of goods resulting from negligence or theft, inappropriate behavior towards merchants, or failure to meet merchants’ expectations or requirements, may be attributed to us, leading to disputes that could harm our business and reputation. Additionally, if carriers using our platform engage in criminal activities, fraud, or misconduct, such as speeding, drowsy driving, and other traffic violations, operating beyond their licensed scope, utilizing our platform for criminal or fraudulent purposes, or violating our platform’s terms and conditions in ways that we cannot detect, we could face negative media coverage or regulatory investigations. As advised by our PRC Legal Advisor, we will not be held liable under PRC laws for administrative penalties solely because of the misconduct of carriers; however, from a civil law liability perspective, it is possible that we are subject to joint, several or other liabilities arising from the misconduct committed by carriers, depending on the nature and extent of fault attributable to us in relation to the damages caused by such misconduct. We may also face claims alleging direct or vicarious liability for the acts of merchant users or carriers on our platform. We may be vicariously liable for the liabilities arising from the misconduct of carriers operating on our platform. For example, during the Track Record Period and up to the Latest Practicable Date, we have been involved in a total of 82 lawsuits resulting from road accidents that caused the fatalities of merchants, carriers, pedestrians, operators of other vehicles or any third-party individuals. In seven cases out of these lawsuits, the courts ruled that we were vicariously liable for civil law liabilities arising from the misconduct of our carriers, resulting in a total of approximately RMB2.2 million of compensation ruled for damages. See “Business — Legal Proceedings and Other Incidents.” Although we do require carriers to expressly agree to our standard terms and conditions prior to registration on our platform, which state that we are not liable for any claims arising from freight transactions facilitated through our platform or disputes between carriers and merchants, we cannot guarantee that we will not be named as co-defendants in future lawsuits filed against carriers, or that we will not be subject to joint, several or other liabilities resulting from such legal proceedings.

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It is possible that some carriers may engage in the unlawful practice of using freight trucks to transport passengers. We have heightened our internal control measures, such as requesting the carriers to upload the photos of their cargos to our data base for us to check whether there are cargos to be in-transit, to reduce the incidence of use of freight trucks to carry passengers. As confirmed by our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, we were not subject to any administrative penalties relating to the use of freight trucks to illegally carry passengers that could have material and adverse impacts on our reputation, business and results of operations. There have been instances where carriers engaged in inappropriate activities while using our services, leading to safety incidents and casualties. For instance, in February 2021, we received negative press coverage in the PRC following a merchant's death from fatal injuries allegedly sustained from an incident involving a vehicle she had hired through our platform. Additionally, there have been instances where carriers illegally transported passengers without any freight, leading to administrative penalties and negative publicity. Misconducts or illegal actions by our users on or linked to our platform may result in property damages, injuries or even loss of life, leakage of personal information or other damages to our users or third parties, which could lead to regulatory scrutiny, administrative penalties, and significant legal liabilities to us. If a large number of carriers on our platform are suspended from operation as a result of the illegal use of their vehicles or other misconduct, we could face insufficient supply of carriers on our platform, which could have a material and adverse impacts on our reputation, business and results of operations.

Additionally, with respect to the products or services affecting consumers' life and health, operators of e-commerce platforms shall bear relevant civil liabilities if they fail to review the qualifications of carriers or otherwise fail to safeguard the interests of the consumers. Our efforts to strengthen the security and integrity of our platform and ensure our users' compliance with laws and regulations have involved and will continue to involve significant costs and may not be sufficient. Any failure or perceived failure to comply with the PRC E-Commerce Law and other relevant laws and regulations such as those relating to consumer protection and transportation may subject us to claims of significant civil liabilities, which could materially and adversely affect our business, financial condition and results of operations. Even if third-party claims or regulatory proceedings do not result in legal liabilities or regulatory penalties against us, we could incur significant costs in investigating and defending against them or suffer significant reputational damages, which could still have a material and adverse effect on our business, financial condition and results of operations.

We have put in place procedures and policies to screen and regulate the conduct of users on our platform, including requiring them to submit identity and other information during the registration and onboarding process, conducting background checks on carriers and their vehicles, inspecting and verifying the licenses and authorizations of carriers, merchants and vehicles, and developing an intelligent transportation 3-camera IoT system, Anxinla, to enhance safety for both drivers and freight. These measures may not provide us with correct or adequate information or ensure the legal and regulatory compliance of our users. In cases where we fail to duly verify the requisite qualifications or licenses of carriers, merchants and vehicles, we may be subject to fines, penalties or other regulatory or administrative actions including orders to suspend our business operations. In addition, as a logistics transaction platform, we are not involved in the inspection of the freight which may contain unsafe, prohibited or restricted items. We do not independently test carriers' driving skills and the conditions and compliance status of their vehicles. Consequently, we may become subject to actual or threatened legal actions and penalties related to carrier misconduct and misuses of vehicles, despite our role as a facilitator of, as opposed to a participant in, the transactions between merchants and carriers on our platform.

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If we fail to effectively match carriers with merchants and optimize our pricing models, our business, financial condition and results of operations could be adversely affected.

Our ability to attract merchants and carriers to use, and build trust in, our platform depends significantly on our ability to match merchants with suitable carriers. We leverage algorithms to match freight with available capacity more efficiently and accurately. If the quantity or quality of data available to us is unsatisfactory, or if our algorithms have deficiencies, our ability to effectively match merchants with carriers may be undermined, which in turn would materially and adversely affect our business, financial condition, results of operations and prospects.

Our proprietary pricing model generates recommended freight quotes and, in circumstances where we charge commissions on the orders we facilitate, estimates of our commission rates, based on the data of historical comparable shipping orders, along with fair market prices estimated by our freight pricing models. The effectiveness of our pricing model depends on the availability of historical transaction data. If our pricing model is flawed or ineffective or the historical transaction data used is incorrect or incomplete, the accuracy of our freight fee recommendations or commission estimate could be adversely affected. Merchants may engage less with our platform or may switch to competing online freight platforms if these recommendations and estimates fail to serve as a meaningful reference. Any underestimation of the fair market price would reduce the amount of commissions that we receive from carriers, and overestimation of such price could lead to carrier dissatisfaction with our pricing model and the operation of our platform in general. If any of the foregoing were to occur, our business, reputation, results of operations and financial condition may be materially and adversely affected.

Furthermore, some carriers may view the overall increased efficiency and transparency brought by our platform to price negotiation to have negative impacts to freight prices and their gross earnings. Dissatisfied carriers may file complaints with regulators, which, regardless of their veracity, may lead to heightened scrutiny from regulators, as well as increased attention and negative publicity from the public and the media. In addition, as our platform continues to grow, we may introduce additional new features and functions to automate and improve transaction efficiency, including mechanisms to minimize pricing negotiations and optimize transaction transparency and efficiency over our platform. We are committed to protecting interests of all of our platform users and adjusting features and functions on our platform based on user feedback. However, we cannot assure you that we will not experience user dissatisfaction or receive negative reactions from our users. Any complaints and negative comments resulting from user dissatisfaction or negative reactions may cause government inquiries or actions against us or substantial harms to our brand, reputation and operations.

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We have offered significant incentives, discounts and promotions to our merchants and carriers, including a substantial amount of selling and marketing expenses in order to attract carriers and merchants, which may adversely affect our financial performance.

To attract new and retain existing platform users and in response to competition, we have in the past offered, and may continue to offer in the future, significant carrier incentives and merchant discounts and promotions. In certain geographic markets and regions especially those where we do not have a leading market position, we may choose to further increase the amount of incentives, discounts and promotions that we offer, particularly when we are under pressure to match or exceed heavy incentives and discounts offered by our competitors in order to obtain or maintain our competitive advantages. Offering significant incentives, discounts and promotions has historically placed strains on our financial resources and to the extent we continue to do so in the future, our results of operations and financial performance may be negatively affected. In addition, we cannot assure you that offering incentives, discounts and promotions will be successful in attracting carriers and merchants, or that our competitors will not offer more significant incentives, discounts and promotions or otherwise attract merchants and carriers to their platform and away from ours.

Furthermore, we have invested significantly in sales and marketing activities to promote our brands and to deepen our relationships with users and incurred US\$673.4 million, US\$198.2 million and US\$179.2 million in selling and marketing expenses in 2021, 2022 and 2023, respectively. Such selling and marketing expenses represented 79.7%, 19.1% and 13.4% of our total revenue, respectively, in the corresponding periods. Our sales and marketing activities may not be well received by users, and may not attract additional users as anticipated. The evolving marketing approaches and tools may require us to experiment with new marketing methods to keep pace with industry trends and user preferences. Failure to refine our existing marketing approaches or to introduce new effective marketing approaches in a cost-effective manner could reduce our market share and negatively impact our results of operations. In addition, we may be required to increase our selling and marketing expenses, including providing significant subsidies or discounts to users, in promoting our brand awareness as well as our service offerings. There is no assurance that we will be able to recover costs of our sales and marketing activities or that these activities will be effective in generating new users for us.

We have grown rapidly and substantially since our inception. If we are unable to effectively manage that growth, our financial performance and future prospects will be adversely affected.

We have experienced rapid growth since our inception. Our expansion increases the complexity of our business and has placed, and will continue to place, significant strains on our management, personnel, operations, technology infrastructure, systems, technical performance, financial resources, and internal financial control and reporting functions. Due to these factors, we may not be able to effectively manage our growth, which could damage our reputation and negatively affect our business, results of operations and future prospects.

Our ability to effectively manage our growth also depends on a number of factors, many of which are out of our control, including our ability to attract new and retain existing users; increased competition in the markets in which we operate; shifts in merchants' shipment needs and patterns; our

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ability to expand geographically; changes in our service mix in certain geographic markets; harm to our brand or reputation; and changes in the regulatory environments, and other risks described elsewhere in this Document. There can be no assurance that our historic operating patterns will continue in future periods, as we cannot influence or forecast many of these factors.

As we continue to grow our business, we anticipate that we will need to implement a variety of new and upgraded operational systems, procedures and controls, including improving our technology and infrastructure and internal management systems, as well as establishing consistent policies and procedures across functions, business lines, and geographic regions. Our failure to upgrade our technology or infrastructure to support our growth could result in unanticipated system disruptions, slow response times, or poor experiences for merchants, carriers and other groups of platform users.

Properly managing our growth will also require us to continue to hire, train, and manage a sufficient number of qualified employees, including regional on-the-ground operation teams, research and development personnel, and sales and marketing personnel. All these endeavors involve risks and will require substantial management efforts and skills and significant expenditures. If we are unable to expand our operations and hire additional qualified personnel efficiently, or if our technology and infrastructure fail to support the operations of our platform, user satisfaction will be adversely affected and may cause merchants, carriers and other platform users to switch to our competitors' platforms, which would adversely affect our business, financial condition, and operating results.

If we do not successfully anticipate technological developments and develop products and platform enhancements that meet these developments, our business, results of operations and prospects may be materially and adversely affected.

The logistics industry is rapidly evolving with continuous technological changes. We must continue to enhance our existing offerings and develop new technologies and products that address emerging technologies, evolving industry standards, and changing merchant and carrier needs. We may not be able to successfully anticipate or adapt to changing technology trends or user needs and preferences on a timely basis, or at all. The process of enhancing our existing products, offerings and features and developing new technologies is complex and uncertain, and new offerings requires significant upfront investment that may not result in improvements to existing products or result in marketable new products or costs savings or revenue for an extended period of time, if at all.

Moreover, new technologies could render our existing products and offerings obsolete or less attractive to users, and our business, financial condition, results of operations and prospects could be materially and adversely affected if such technologies are widely adopted. If we fail to keep up with technology changes or to convince our existing users and future potential users of the value of our offerings even in light of new technologies, we may lose carriers, merchants or other platform users and market shares, which may decrease or delay market acceptance of our present and future offerings and materially and adversely affect our business, financial condition, results of operations and prospects.

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We are subject to risks inherent in the logistics industry in general, including personal injury, loss or damage of freight shipments, and other transportation-related incidents.

We face challenges associated with actual or alleged loss or damage of freight shipments matched through our platform. The shipments may be damaged, lost or contaminated for various reasons, and we may be perceived or found liable for such incidents, in which case we may need to expend resources on responding to and defending against claims arising out of these incidents. In addition, we cannot assure you that we and carriers have conducted, and may conduct sufficient physical inspection of the shipments for unsafe, prohibited or restricted items or damaged cargo. Unsafe items, such as flammables and explosives, toxic or corrosive items and radioactive materials, may damage other cargos, injure recipients and carriers, damage properties or cause serious accidents. Furthermore, if carriers on our platform transport prohibited or restricted items, we may be subject to administrative penalties, and if any personal injury or property damage takes place, we may be subject to civil liabilities. General liability insurance policies may not be available to cover all potential claims to which we are exposed, and may not be adequate to indemnify us for all potential liabilities. These incidents may also subject us to negative publicity, which could adversely affect our business, operating results, and future prospects. Additionally, from time to time, carriers, merchants and third parties may be involved in transportation accidents and suffer personal injuries in the process of fulfillment of orders facilitated through our platform, and the items delivered may be lost or damaged. We have in the past been and may in the future continue to be, subject to claims, lawsuits, arbitrations and other legal proceedings seeking to hold us liable for the damages and personal injuries caused in the fulfillment of orders facilitated through our platform, which have been or may in the future be raised by merchants, carriers and injured third-parties, the results of which are subject to uncertainties. We may face claims and penalties and incur significant liabilities if found liable or partially liable for any injuries, damages or losses. Any of the foregoing risks could disrupt our services, cause us to incur substantial expenses and divert the time and attention of our management.

The COVID-19 pandemic has adversely affected, and may continue to adversely affect our business operations, results of operations, cash flows and financial position.

The COVID-19 pandemic has created significant volatility, uncertainty and economic disruption, which have affected and may in the future continue to affect adversely our business and results of operations, cash flows and financial position. In an attempt to limit the spread of the virus, governments have implemented numerous measures, such as travel bans and restrictions, quarantines, stay-at-home orders and shutdowns, which have had an adverse impact on our business and operations by curbing demand for logistics services in general. As a result of these measures, in many geographic markets in which we operate, we have experienced temporary declines to varying degrees in carrier capacity and merchant needs since the first half of 2020. The growth in our global freight GTV also slowed in 2022, in part due to the impact of the pandemic. In 2021, 2022 and 2023, we generated global freight GTV of US\$6,157.4 million, US\$6,715.4 million and US\$8,736.3 million, respectively. Additionally, we have also incurred additional costs as we implement operational changes in response to the pandemic, including an extended period of remote work arrangements, disseminating personal protective equipment to our employees, and other initiatives designed to protect our employees, merchants and carriers from the pandemic. These arrangements could strain our business continuity plans, introduce operational risk, and impair our ability to manage our business.

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The impacts of the COVID-19 pandemic may remain prevalent for a significant period of time and may continue to adversely affect our business, results of operations and financial condition even after the COVID-19 pandemic has subsided. The extent to which the COVID-19 pandemic affects us will depend on numerous evolving factors and future developments that we are not able to predict. Due to the largely unprecedented and evolving nature of the COVID-19 pandemic, it remains very difficult to predict the extent of the impact on our industry generally and our business in particular. Furthermore, the extent and pace of a recovery remains uncertain and may differ significantly among the geographic markets in which we operate. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also heighten other risks described in this “Risk Factors” section. For a more detailed discussion of the impacts of and our responses to the pandemic, see “Financial Information — Historical Impacts of the COVID-19 Pandemic”.

The global digital road freight market is still at a nascent stage. If the market does not continue to grow, grows slower than we expect or fails to grow as large as we expect, our business, results of operations, financial condition and prospects could be materially and adversely affected.

The global digital road freight market is still relatively new. Its growth depends on a number of factors that may be difficult to predict, including overall economic development, urbanization rate, online penetration rate, and transport and internet infrastructure. As a result, it is uncertain to what extent market acceptance and demand of digital road freight services will continue to grow, if at all. Further, our success will largely depend on the public acceptance of road freight services facilitated or provided by digital platforms such as us. If the general public do not perceive digital road freight services as beneficial, or if there are safety incidents or other negative publicity associated with our services or with our competitors’ or otherwise, the market for digital road freight services may not further develop, may develop more slowly than we expect or may not achieve the growth potential we expect, any of which could materially and adversely affect our business, results of operations and financial condition.

In addition, the global digital road freight market may face challenges brought by, among others, alternative logistics options, relevant regulatory requirements and restrictions, and safety and privacy concerns, many of which are beyond our control. For example, relevant laws and regulations may rapidly evolve, which may significantly increase the compliance costs associated with our business operations. As a result, we cannot assure you that the global digital road freight market will not experience decline and retrogression. Any of the foregoing risks and challenges could materially and adversely affect our business, results of operations, financial condition and prospects.

Economic recessions and other factors that reduce freight volumes in the PRC and the other geographic markets in which we operate could have a material adverse impact on our business.

The logistics industry in the PRC and overseas markets in which we operate has experienced cyclical fluctuations due to economic recessions, downturns in the business cycles, tightening regulation, increased energy prices, interest rate fluctuations, global or regional pandemics, and changes in international trade policies, as well as other global and regional economic factors, many of which are beyond our control. These factors subject our business to various risks that may have a material adverse impact on our operating results and future prospects. During economic downturns,

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a significant reduction in the overall volume of freight in any of the major markets in which we operate may reduce demand for our services, exerting downward pressures on our rates and margins. In addition, if our merchants experience downturns in their operations and as a result reduce the volume of freight they ship through our platform, our business and operating results could be adversely affected. Moreover, in the event that a significant number of carriers go out of business, we may be unable to secure sufficient freight capacity or services to meet the needs of merchants, which may have a material adverse effect on our business and results of operations.

Increases in fuel, labor, energy and other costs could adversely affect carrier and merchant activity on our platform.

Factors such as increased fuel prices, inflation, increased labor costs and increased vehicle purchase, rental, or maintenance costs may increase the costs incurred by carriers when providing services and the costs incurred by the merchants placing orders on our platform. Many of the factors affecting carrier and merchant costs are beyond our control or the control of these parties. These increased costs may cause carriers to spend less time providing services on our platform or to seek alternative sources of income. They may cause merchants to place less orders on our platform or switch to alternate, less costly transport and freight-matching options. If resulting in declines in the carrier and merchant activity on our platform that may have a material adverse effect on our business and results of operations.

Our business would be adversely affected if our approach to carrier status is successfully challenged or if we are required to classify carriers as employees instead of independent contractors.

The classification of carriers as independent contractors is currently being challenged in courts, by legislators and by government agencies in a number of jurisdictions. We treat carriers on our platform as independent contractors, and our terms of use with carriers reflect such understanding. However, there is no assurance that such status will not be challenged by legislators, government agencies or private parties in the future. We have in the past been and are currently and may in the future become involved in legal proceedings, including lawsuits, demands for arbitration, charges and claims before administrative agencies, and investigations or audits by labor, social security, tax or other authorities that seek to claim that carriers should be treated as our employees (or as dispatched workers, quasi-employees, or other statuses which exist (or may come into existence) in the relevant jurisdictions), rather than as independent contractors. We may not be successful in defending the classification of carriers in some or all jurisdictions where it is challenged. Further, the costs associated with defending, settling, or resolving pending and future lawsuits (including demands for arbitration) or governmental agency investigations relating to the classification of carriers could be material to our business and, regardless of outcome, could negatively affect our reputation. In addition, even if we prevail under current law, the law may be changed in the future in ways that are unfavorable to us.

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If we were required under laws, regulations, or judicial or governmental decisions to classify carriers as employees (or as dispatched workers, quasi-employees, or other statuses which exist (or may come into existence) in the relevant jurisdictions) in one or more of the jurisdictions in which we operate, we would be required to fundamentally change our business model in the relevant jurisdictions, with repercussions that are difficult to anticipate. Among other things, we and/or merchants would become subject to additional regulatory requirements, including but not limited to tax, wages, and wage and hour laws and requirements (such as those pertaining to minimum wage and overtime); employee benefits, social security, workers’ compensation and unemployment; anti-discrimination, harassment, and retaliation laws; claims under laws pertaining to unionizing, collective bargaining, and other concerted activity; and other laws and regulations applicable to employers and employees (or as dispatched workers or other statuses which exist (or may come into existence) in the relevant jurisdictions). For example, PRC government authorities have strengthened the protection for workers providing services on online platforms. On July 16, 2021, the Ministry of Human Resources and Social Security, the NDRC, the MOT, together with other government authorities jointly promulgated the Labor Protection Opinions, which require platform enterprises adopting labor outsourcing and other cooperative labor methods to undertake corresponding responsibilities in accordance with laws and regulations when workers’ rights and interests are harmed. For details, see “Regulations – Regulations Related to Labor Protection”. Compliance with such laws and regulations would require us to incur significant additional expenses, potentially including without limitation, expenses associated with the application of wage and hour laws (including minimum wage, overtime, and meal and rest period requirements), employee benefits, social security contributions, taxes, and penalties. Specifically, while we believe we are not required to make social insurance and housing fund contributions for the carriers operating on our platform under the current PRC laws and regulations, we cannot guarantee that these laws and regulations will not change in the future. If such changes occur and we become required to make these contributions for our carriers, it could potentially have an adverse impact on our results of operations and financial conditions. See “Summary — Labor Protection” for a detailed discussion of our legal obligations under PRC laws and regulations relating to labor protection. See also “— Risks Related to Doing Business in the Geographic Markets in Which We Operate — Intense competition for employees and increases in labor costs in the PRC and the other geographic markets may adversely affect our business and results of operations”. The reclassification of carriers could also increase the rate of employment-related claims being brought against us in the future, subject us to vicarious liability for any misconduct of carriers, or reduce our attractiveness to carriers given the loss of flexibility under an employee model. Judicial decisions to retroactively reclassify carriers would result in potential liability over our failure to comply with relevant employment and taxation requirements and associated obligations, which in turn could adversely affect our financial condition as well as our reputation. This could potentially result in us exiting the relevant markets. The foregoing could have a material and adverse effect on our business and financial condition and even potentially result in us exiting the relevant markets.

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Our international expansion exposes us to significant risks.

We are a global company with a focus on Asia markets. As of December 31, 2023, we had operations in over 400 cities in 11 markets across Asia and LatAm. We have limited experience operating in many of these geographic markets. We expect to continue to make significant investments to expand our international operations and compete with global and local competitors. These investments may not be successful and may negatively affect our operating results. Conducting our business internationally, particularly in markets in which we have limited experience, subjects us to a variety of risks and uncertainties, including, among others:

- operational and compliance challenges caused by distance, language, and cultural differences;
- the need to adapt and localize our platform and offerings for specific markets;
- foreign ownership restrictions;
- difficulties in complying with local laws, regulations and customs in foreign jurisdictions, including those governing competition, pricing, internet activities, road transportation services, logistics services, tax and social security laws, employment and labor laws, carrier and driver screening and background checks, licensing regulations, privacy, location services, collection, use, processing, or sharing of personal information, ownership of intellectual property, and other activities important to our business;
- the effect of differing governmental responses to the COVID-19 pandemic and the continuing impact of the pandemic on individuals, businesses and economies in various foreign jurisdictions;
- difficulties in complying with differing technical and environmental standards, privacy, cybersecurity, data protection and telecommunications regulations and certification requirements across multiple jurisdictions, which could prevent users from deploying our products and services or limit their usage;
- the competition with companies or other services that understand local markets better than we do, that have pre-existing relationships with potential users in those markets, or that are favored by government or regulatory authorities in those markets;
- tariffs and other non-tariff trade barriers;
- challenges to our corporate culture resulting from a dispersed workforce;
- the exposure to business cultures in which improper business practices may be prevalent;
- the more limited protection for intellectual property rights in some countries;
- difficulties in managing, growing, and staffing international operations, including in countries in which foreign employees may become part of labor unions, employee representative bodies, or collective bargaining agreements, and challenges relating to work stoppages or slowdowns;

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- fluctuations in currency exchange rates, which could increase the price of our services in certain markets, increase the expenses of our international operations and expose us to foreign currency exchange rate risk or the cost and risk of hedging transaction if we choose to enter into such transactions in the future;
- political, social, and economic unrest abroad, terrorist attacks and security concerns in general, and societal crime conditions;
- difficulties in implementing and maintaining the financial systems and processes needed to enable compliance across multiple offerings, services and jurisdictions;
- currency control regulations, which might restrict or prohibit our conversion of other currencies into RMB and/or U.S. dollars; and
- restrictions on the transfer of funds across borders.

These risks could adversely affect our international operations, which could in turn adversely affect our business, financial condition, and operating results. In some cases, compliance with the laws and regulations of one country could violate the laws and regulations of another country. Our international operations may also be negatively affected by any deterioration of the political and economic relations among countries and other geopolitical challenges.

As our global operations evolve, we cannot assure you that we are able to fully comply with the legal requirements of each jurisdiction and successfully adapt our business models to local market conditions. Due to the complexity involved in our international business operations, we cannot assure you that we are or will be in compliance with all local laws. Also see “— Risks Related to Doing Business in the Geographic Markets in Which We Operate”.

We face uncertainties relating to the PRC laws and regulations governing the logistics, road transportation and internet service industries.

Currently we have our largest presence in China. Our main business is subject to a variety of laws and regulations in the PRC governing the logistics, road transportation, and internet service/platform. Certain of these laws and regulations are relatively new and rapidly evolving. The application and interpretation as to certain of these laws and regulations are currently ambiguous, and may be interpreted and administered inconsistently between the different government authorities and local bureaus.

If the PRC government tightens regulatory framework for the road transportation and internet service industries in the future, and subject industry participants including us to new or specific requirements, such as licensing or additional user protection requirements or pricing restrictions, our business, financial condition and prospects may be materially and adversely affected. For details of our historical non-compliance, see “Business — Compliance with Laws and Regulations”. We have attended and may continue to be required to attend administrative guidance meetings or other communications with regulators from time to time, and may need to adjust our business practices in road traffic safety, freight services, car-wrap advertising, anti-monopoly, anti-unfair competition,

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data privacy, carrier and merchant protection, and other aspects, in accordance with regulatory guidance. In the past, we, together with other industry players, were requested to attend certain regulatory guidance meetings and furnish materials concerning our business operations, including in those areas mentioned above, to the relevant regulators. See “Business — Compliance with Laws and Regulations — Administrative Guidance Meetings”. As advised by our PRC Legal Advisor, as of the Latest Practicable Date, we were not subject to any penalties in connection with such regulatory guidance meetings that could have material and adverse impacts on our reputation, business and results of operations. However, there is no guarantee that such regulatory communications would not result in substantial penalties against us. Compliance with existing and future rules, laws and regulations can be costly and if our practices are deemed to violate any existing or future rules, laws and regulations, we may face injunctions, including orders to cease non-compliant activities, and may be exposed to other penalties as determined by the relevant government authorities as well. We may also suffer reputational damages, if our business partners are deemed to violate any existing or future rules, laws and regulations.

We may from time to time develop new solutions and services, which may also subject us or our business partners to additional regulatory or licensing requirements. Failure by us or our business partners to comply with any such new regulatory or licensing requirements could materially and adversely affect our business and results of operations.

If we fail to obtain or maintain licenses, permits or approvals applicable to our business, we may become subject to significant penalties and other regulatory proceedings or actions.

In connection with the operation of our logistics transaction platform, we are required to maintain various approvals, licenses or permits and/or making necessary filings from time to time. For example, we are required to obtain the Value-added Telecommunications Services Operating Permit, or ICP License, in order to provide relevant value-added telecommunication services in the PRC. Our PRC Consolidated Affiliated Entities have obtained ICP Licenses for the operations of our mobile apps and websites in the PRC.

The operation of our platform in Thailand does not require a license for operating transportation services, or a Transportation License, as we do not operate any transportation services. However, under Thai laws, a carrier is required to obtain a Transportation License before he or she can fulfill any orders through our platform, except for carriers that use some types of vehicles e.g. motorcycle, a private vehicle for not more than seven passengers, etc. which are not subject a Transportation License. We cannot assure you that each carrier has obtained required licenses before he or she fulfils orders through our platform. If the Thai Governmental Authority finds that any of the registered carriers on our Thailand platform operate without the Transportation License, the carrier may be subject to an imprisonment for up to five years and/or a fine from twenty thousand Baht to one hundred thousand Baht, and we may be, on a case-by-case basis, held liable by the Thai Governmental Authority as a co-offender or supporter. As a co-offender, we may be subject to a fine from twenty thousand Baht to one hundred thousand Baht. We may be required to complete direct marketing registration pursuant to relevant Thai laws, failure of which may subject our relevant Thai subsidiary and its present and former directors including our founder and/or management to monetary penalties and in remote extreme cases, imprisonment for a term of up to one year. We may also be required to obtain additional licenses or complete additional registrations from time to time, failure of which may subject our Thai subsidiaries or their management to criminal or civil liabilities.

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Our Consolidated Affiliated Entity in Indonesia, namely Lalamove Logistik, has obtained a postal license and a registration certificate of private electronic system operator to carry out its digital platform for courier services. Accordingly, Lalamove Logistik has certain mandatory reporting and payment obligations in connection with its possession of the postal license. Failure to comply with such reporting and payment obligations may subject Lalamove Logistik to warnings, administrative or criminal fines, penalties or sanctions, and in the extreme cases, suspension of business activities or revocation of the relevant business license.

We cannot assure you that we have obtained all the permits or licenses required for conducting our business in the PRC or any other jurisdictions in which we operate or will be able to maintain our existing licenses or obtain new ones. If the PRC government or any government of any other jurisdictions in which we operate (i) considers that we historically operated, or are operating without proper or adequate approvals, licenses or permits, (ii) promulgates new laws and regulations that require additional approvals or licenses or impose additional restrictions on the operation of any part of our business, or (iii) considers that we have not duly renewed these licenses in a timely manner, it has the power, among other things, to levy fines, confiscate our income, revoke our business licenses, and require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Any of these actions by the PRC government, the Thai government or any government of any other jurisdictions in which we operate may have a material adverse effect on our business and results of operations.

Uncertainties exist with respect to the interpretation, implementation and enforcement of anti-monopoly and anti-unfair competition laws and regulations in China and how internet platforms like us will be impacted. Anti-monopoly and unfair competition claims or regulatory actions against us may result in fines as well as constraints on our business.

The PRC Governmental Authorities have been tightening regulations on anti-monopoly and anti-unfair competition laws. In October 2020, the SAMR, issued the Interim Provisions for Regulating Promotional Activities (《規範促銷行為暫行規定》), which became effective on December 1, 2020. Among other things, the Interim Provisions for Regulating Promotional Activities is designed to promote consumer protection and prohibit false or misleading commercial information used in promotional activities. As a platform operator, we are required by the Interim Provisions for Regulating Promotional Activities to design rules and procedures to foster fair and transparent merchandise promotional activities, and assist the authorities in their investigation of violations by goods and services providers, which will subject us to administrative burdens and enforcement uncertainties. In addition, according to the PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》) and relevant laws and regulations, business operators are prohibited from inducing consumers into transactions via misleading pricing terms or being engaged in other anti-competitive conducts associated with product prices.

In February 2021, the Anti-Monopoly Commission of the State Council published the Anti-Monopoly Guidelines, where it specifies operational standards and guidelines to be applied in identifying certain monopolistic acts of internet platforms that are prohibited to restrict unfair competition and safeguard users' interests, including, without limitation, price discrimination based on big data and algorithms, selling below cost without reasonable causes, exclusivity arrangements, refusal to deal, and product bundling. In addition, compulsory collection of user data by internet platforms may be viewed as abuse of dominant market position that may have the effect of eliminating or restricting competition.

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In August 2021, the SAMR released the Draft Provisions on Prohibition of Unfair Competition on the Internet (《禁止網絡不正當競爭行為規定(公開徵求意見稿)》) for public comments through September 2021, which prohibit business operators from, among others, inducing consumers into transactions via misleading or engaging in other anti-competitive conducts associated with product price, from conducting any false or misleading commercial publicity in respect of the performance, functions, quality, sales, user reviews, and honors received of its commodities, in order to defraud or mislead consumers, and from aiding others in conducting any false or misleading commercial publicity by organizing false transactions or any other means.

On December 24, 2021, the NDRC, the SAMR and certain other government authorities issued the Platform Economy Opinions. The Platform Economy Opinions provide for, among others, (i) improving laws and regulations relating to anti-monopoly and unfair competition activities in connection with platform economy; (ii) strengthening the enforcement of laws and regulations relating to data privacy and algorithm safety; (iii) implementing measures on the protection of labor rights in new forms of working arrangements, including online delivery staff and online ride-hailing drivers; and (iv) supporting and encouraging technology and business model innovation by online platform enterprises. Our PRC Legal Advisor confirms that all applicable major requirements in the Platform Economy Opinions have already been stipulated in existing PRC laws and regulations and the Platform Economy Opinions does not raise additional material compliance requirements to our business and operations. For details, see “Regulations — Regulations Related to Anti-Unfair Competition and Anti-Monopoly”.

Due to the evolving legislative activities and varied local implementation practices of anti-monopoly and anti-unfair competition laws and regulations in the PRC, compliance with these laws, regulations, rules, guidelines and implementations may be costly. As advised by our PRC Legal Advisor, our Directors are of the view that during the Track Record Period and up to the Latest Practicable Date, (i) we have not been subject to any regulatory penalties in connection with anti-monopoly or anti-unfair competition related matters; and (ii) we have not been involved in any regulatory investigations or administrative guidance meetings with relevant governmental authorities in relation to anti-monopoly or anti-unfair competition that had a material adverse impact on our business and operations. However, any non-compliance or associated inquiries, investigations and other governmental actions may significantly divert management attention and our financial resources, result in negative publicity, and subject us to liabilities or administrative penalties, and may continue to, cause us to change some of our business practices and hinder our business operations or the development of our new business lines, which may materially and adversely affect our financial conditions, operations and business prospects. If we are found to violate or have violated these laws and regulations, we may be ordered to cease the non-compliance activities and be subject to fines and other penalties.

In light of our leading market position, we have received and may continue to receive heightened scrutiny from Governmental Authorities under the anti-monopoly and anti-unfair competition laws and regulations. As we continue to navigate the evolving legislative environment and varied local implementation practices of anti-monopoly and competition laws and regulations in the PRC, we have attended and may continue to be required to attend administrative guidance meetings or other communications with regulators from time to time. Any anti-monopoly or

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anti-unfair competition lawsuit, regulatory investigation or administrative proceeding initiated against us could result in fines, penalties, constraints on our business model, or negative publicity. Given the scale and rapid expansion of our business, we may be subject to greater scrutiny, which could in turn increase the likelihood of regulatory action against us or other restrictions imposed to curb our future expansions.

Unauthorized or improper storage, processing, use or disclosure of personal data, cyber-attacks or other security incidents or data breaches that affect our platform or offerings, whether inadvertent or purposeful, could materially and adversely affect our business, financial condition and results of operations.

We depend significantly on our technology infrastructure, IT systems, data and other equipment and systems to conduct virtually all of our business operations, ranging from our internal operations and research and development activities to our marketing and sales efforts and communications with our users, suppliers and business partners. In addition, our products and services collect and store data, some of which may involve sensitive information, including personal data, trade secrets and other proprietary information. Internal or external individuals or entities may attempt to penetrate our network security, or that of our platform, and to disrupt or cause harm to our business operations, including by sabotaging or misappropriating our personal or proprietary information or that of our platform users, suppliers and business partners or to cause interruptions of our platform and offerings. Because the techniques used by such individuals or entities to access, disrupt or sabotage devices, systems and networks change frequently and may not be recognized until launched against a target, we may be unable to anticipate these techniques, and we may not become aware in a timely manner of such a security breach, which could exacerbate any damage we experience.

While we take reasonable measures to protect the security of, and against unauthorized access to, our systems, as well as the security of personal data and proprietary information, it is possible that our security controls and other security practices we follow may not prevent the improper access to or disclosure of personal data or proprietary information. We also rely on systems provided by third parties, which may also suffer security breaches or unauthorized access to or disclosure of personal data or proprietary information. Additionally, our business involves the processing, storage, transmission and processing of confidential and sensitive data, including user data, and the deployment of our IT resources in a safe and secure manner that does not expose our network systems to security breaches or the loss of data. Any data security incidents, including internal malfeasance by our employees, unauthorized access or usage, virus or similar breach or disruption of us or our service providers could result in loss of confidential or proprietary information or personal data, damage to our reputation, loss of users, litigation, regulatory investigations, fines, penalties and other liabilities. Accordingly, if our cybersecurity measures or those of our users fail to protect against unauthorized access, attacks (which may include sophisticated cyber-attacks), the compromise or mishandling of data, or other misconduct or malfeasance, including by computer hackers, employees, contractors, vendors, users and business partners, as well as software bugs, human error or technical malfunctions, then our reputation, business, operating results and financial condition could be adversely affected.

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Any unauthorized access, acquisition, use, or destruction of information we collect, store, transmit, or otherwise process, the unavailability of such information, or other disruptions of our ability to provide solutions to our users, regardless of whether it originates or occurs on our systems or those of third party service providers, could expose us to significant liability, regulatory actions, litigation, investigations, remediation obligations, damage to our reputation and brand, theft of intellectual property, supplemental disclosure obligations, loss of user, and partner confidence in the security of our applications, destruction of information, indemnity obligations, impairment to our business, and resulting fees, costs, expenses, loss of revenues, and other potential liabilities and harms to our business. In addition, if a high-profile security breach occurs within our industry, our existing and potential platform users may lose trust in the security of our platform and systems even if we are not directly affected.

Compliance with the rapidly evolving landscape of global data privacy and security laws may be challenging, and any failure or perceived failure to comply with such laws, or other concerns about our practices or policies with respect to the collection, use, storage, retention, transfer, disclosure, and other processing of personal data, could damage our reputation and deter current and potential users from using our platform and services.

Failure to comply with the increasing number of data protection laws in the jurisdictions in which we operate, as well as concerns about our practices with regard to the collection, use, storage, retention, transfer, disclosure, and other processing of personal data, the security of personal data, or other privacy-related matters, such as cybersecurity breaches, misuse of personal data and data sharing without necessary safeguards, including concerns from our platform users, customers, employees and third parties with whom we conduct business, even if unfounded, could damage our reputation and operating results.

As we seek to expand our business internationally, we are, and may increasingly become, subject to various laws, regulations and standards, as well as contractual obligations, relating to data privacy and security in the jurisdictions in which we operate. The regulatory and legal frameworks regarding data privacy and security issues in many jurisdictions are constantly evolving and developing and can be subject to significant changes from time to time, including in ways that may result in conflicting requirements among various jurisdictions. Interpretation and implementation standards and enforcement practices are similarly in a state of flux and are likely to remain uncertain for the foreseeable future. As a result, we may not be able to comprehensively assess the scope and extent of our compliance responsibility at a global level, and may fail to fully comply with the applicable data privacy and security laws, regulations and standards. Moreover, these laws, regulations and standards may be interpreted and applied differently over time and from jurisdiction to jurisdiction, and it is possible that they will be interpreted and applied in ways that may have a material and adverse impact on our business, financial condition and results of operations.

In the PRC where most of our business operations are located, the government has in recent years tightened the regulation of the collection, storage, sharing, use, disclosure and protection of personal data and information. As the interpretation and application of such laws and regulations are often uncertain and in flux, failure to comply with relevant rules and regulations in data privacy and security issues may undermine confidence in our merchants and carriers, which is essential to our services.

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Moreover, different regulatory bodies in the PRC, including the Ministry of Industry and Information Technology, or the MIIT, the Cyberspace Administration of China, or the CAC, the Ministry of Public Security of the PRC, or the MPS, and the SAMR, have enforced data privacy and protections laws and regulations. Complying with these data privacy and protection laws and requirements could cause us to incur substantial expenses or require us to alter or change our practices in a manner that could harm our business. In addition, regulatory requirements regarding the protection of personal information are constantly evolving and can be subject to differing interpretations or significant change, making the extent of our responsibilities in that regard uncertain. An example of such evolving regulatory requirements is the PRC Cybersecurity Law (《中華人民共和國網絡安全法》), or the Cyber Security Law, which became effective in June 2017. The PRC Cybersecurity Law created China’s first national-level data protection framework for “network operators”, which may potentially include all organizations in China that provide services over the internet or through other types of information network. Numerous regulations, guidelines and other measures have been and are expected to be adopted under the PRC Cybersecurity Law.

- The Personal Information Protection Law, which was promulgated by SCNPC on August 20, 2021 and became effective on November 1, 2021. The Personal Information Protection Law aims at protecting the personal information rights and interests, regulating the processing of personal information, ensuring the orderly and free flow of personal information in accordance with the law, and promoting the reasonable use of personal information. In addition, the Anti-Monopoly Guidelines also prohibits collection of unnecessary user information by online platform operators.
- The Data Security Law, which was promulgated by the SCNPC on June 10, 2021 and became effective in September 2021, provides for data security and privacy obligations on entities and individuals carrying out data activities. For details of the regulatory requirements regarding internet information security and privacy protection that may apply to us, see “Regulations — Regulations Related to Internet Information Security and Privacy Protection”.
- On April 27, 2021, the State Council of PRC, or the State Council, promulgated the Provisions on Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》), which became effective on September 1, 2021. Pursuant to the Provisions on Protection of Critical Information Infrastructure, critical information infrastructure shall mean any important network facilities or information systems of the important industry or field such as public communication and information service, energy, communications, water conservation, finance, public services, e-government affairs and national defense science, which may endanger national security, people’s livelihood and public interest in case of damage, function loss or data leakage. In addition, relevant administration departments of each critical industry and sector, or Protection Departments, shall be responsible to formulate eligibility criteria and determine the critical information infrastructure operator in the respective industry or sector.

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- The Review Measures that were published on December 28, 2021 and became effective from February 15, 2022 set forth the cybersecurity review mechanism for critical information infrastructure operators, and provided that critical information infrastructure operators who procure internet products and services that affect or may affect national security shall be subject to a cybersecurity review. The exact scope of “critical information infrastructure operators” under the current regulatory regime remains unclear, and the PRC Governmental Authorities may have wide discretion in the interpretation and enforcement of these laws. Therefore, it is uncertain whether we would be officially deemed as a critical information infrastructure operator under PRC laws. Furthermore, the Article 7 of the Review Measures stipulates that a network platform operator that holds personal information of more than one million users, when seeking to [REDACTED] abroad, must submit an application to the Cybersecurity Review Office for a cybersecurity review. Our PRC Legal Advisor is of the view that such mandatory requirements of cybersecurity review are only applicable to companies which are seeking a [REDACTED] abroad, and we are not required to submit an application for a cybersecurity review in connection with the [REDACTED] under the Article 7 of the Review Measures, because the [REDACTED] which will be in Hong Kong is not a “[REDACTED] abroad”.
- The Administration Governing the Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “Draft Data Security Regulations”), published on November 14, 2021, which provides cross-border data transmission security and cybersecurity review standards for [REDACTED] abroad and in Hong Kong and the protection of important data and personal information rights. According to Article 73 of the Draft Data Security Regulations, data processors refer to individuals and organizations that independently determine the purposes and methods of their data processing activities. If the [REDACTED] in Hong Kong of a data processor affects or may affect national security, or any other data processing activities of a data processor affect or may affect national security, the data processor shall, in accordance with relevant state provisions, apply for a cybersecurity review. However, the Draft Cyber Data Security Regulations does not provide the standard to determine the circumstances that would be determined to “affect or may affect national security”. As of the Latest Practicable Date, the Draft Data Security Regulations was released for public comment only and its final version and effective date are subject to change. We cannot predict the impact of the Draft Data Security Regulations, if any, at this stage, and we will closely monitor and assess any development in the rulemaking process. As of the Latest Practicable Date, we have not been involved in any investigations relating to cybersecurity reviews conducted by the CAC, and we have not been summoned to attend official meetings with the relevant regulatory authorities nor received any inquiry, notice, warning, or sanctions in such respect. If the enacted version of the Draft Data Security Regulations mandates clearance of cybersecurity review and other specific actions to be completed by companies like us, we face uncertainties as to whether such clearance can be timely obtained, or at all. If we are not able to comply with the cybersecurity and data privacy requirements in a timely manner, or at all, we may be subject to government enforcement actions and investigations, fines, penalties, suspension of our non-compliant operations, or removal of our app from the relevant application stores, among other sanctions, which could materially and adversely affect our business and results of operations.

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- On August 16, 2021, the CAC and certain other government authorities in PRC issued the Several Provisions on Car Data Security Management (for Trial) (《汽車數據安全管理若干規定(試行)》), which became effective on October 1, 2021. The several provisions provide that the processing of car data by car data processors shall be legal, proper, specific and clear, and shall be directly related to the design, production, sales, use, operation and maintenance of cars. Car data processors who carry out important data processing activities shall carry out risk assessments and submit risk assessment reports to the relevant government authorities.

Complying with new laws and regulations could substantially increase the costs or require us to change our business practices in a manner materially adverse to our business. Such new laws and regulations as promulgated from time to time have required or may require us to obtain approvals, make filings, report to regulatory authorities, or complete other regulatory procedures. For details of the regulatory requirements regarding internet information security and privacy protection that may apply to us, see “Regulations — Regulations Related to Internet Information Security and Privacy Protection”. We cannot assure you that we have complied or will comply with such laws and regulations. To the extent we are found by regulators to be not in compliance with these laws and regulations, we may be subject to fines, regulatory orders to suspend our operations or other regulatory and disciplinary sanctions, and our mobile app may be removed from the app stores.

In addition, in other geographic markets that we operate, like Thailand, the Philippines and Hong Kong, the nature of our business inevitably requires that we collect, store, process and use our existing and potential platform users’ and customers’ personal data on a frequent and regular basis. In the Philippines, according to the Data Privacy Act of 2012 and its implementation rules, personal information must be collected with the data owner’s express consent. For details of laws and regulations governing data privacy protection in these jurisdictions, see “Regulations”.

We currently adopt a data privacy policy with respect to how we collect, store, process and use user data and information, and we may only use such data and information to provide and improve our services, content and advertising in strict compliance with such policy. Despite our continuous efforts to comply with our privacy policy as well as all applicable data protection laws and regulations and the absence of any material data breach or similar incidents, any failure or perceived failure to comply with these laws, regulations or policy may result in inquiries and other proceedings or actions against us by Governmental Authorities or others, as well as negative publicity and damage to our reputation, each of which could result in losses of users and business partners and adversely affect our business and results of operations.

While we strive to comply with our internal data privacy guidelines as well as all applicable data privacy and security laws and regulations, and contractual obligations in respect of personal data, there is no assurance that we are able to comply with these laws, regulations and contractual obligations in all respects. Any failure or perceived failure by us, external service providers or business partners to comply may result in proceedings or actions against us, including fines, penalties or enforcement orders (including orders to cease processing activities) being levied on us by government agencies or proceedings or actions against us by our users, customers and business partners, including class action privacy litigation in certain jurisdictions, and could damage our reputation and discourage current and future users from using our products and services, which could

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materially and adversely affect our business, financial condition and results of operations. In addition, compliance with applicable laws on data privacy requires substantial expenditure and resources, including to continually evaluate our policies and processes and adapt to new requirements that are or become applicable to us on a jurisdiction-by-jurisdiction basis, which would impose significant burdens and costs on our operations or may require us to alter our business practices.

Many statutory requirements, including those in the PRC and in other jurisdictions in which we operate, include obligations for companies to notify individuals of security breaches involving certain personal data, which could result from breaches experienced by us or our external service providers. These laws are not consistent, and compliance in the event of a widespread data breach is difficult and may be costly. In addition, such mandatory disclosures could lead to negative publicity and may cause our current and prospective customers to lose confidence in the effectiveness of our data security measures. See “— If we are unable to maintain and enhance our brands and increase market awareness of our platform and services, our business, operating results and financial condition may be adversely affected”.

Negative publicity of us or our industry regarding actual or perceived violations of our users’ privacy-related rights, including fines and enforcement actions against us or other similarly placed businesses, also may impair users’ trust in our privacy practices and make them reluctant to give their consent to sharing their data with us. Any inability to adequately address data privacy or security-related concerns, even if unfounded, or to comply with applicable laws, regulations, standards and other obligations relating to data privacy and security, could result in additional cost and liability to us, harm our reputation and brand, damage our relationships with consumers and have a material and adverse impact on our business, financial condition and results of operations. Concerns about the security of personal data also could lead to a decline in general Internet usage, which could result in a decrease in demand for our products and services and have a material and adverse effect on our business, financial condition and results of operations.

If we fail to manage the operation of our platform, systems and infrastructure, our users may experience service outages and delays in the deployment of our products and services.

We have experienced, and may in the future experience, system disruptions, outages, data losses and other performance problems. These types of problems may be caused by a variety of factors, including infrastructure changes, human or software errors, viruses, security attacks, fraud, spikes in user usage and denial of service issues. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. Additionally, we currently use various third-party cloud-hosting providers to provide cloud infrastructure to support our platform. We do not control the physical operation of any of the cloud infrastructure we use or the operations of these third-party cloud-hosting providers. These third-party operations may experience break-ins, computer viruses, denial-of-service attacks, sabotage, acts of vandalism, and other misconduct. These facilities may also be vulnerable to damage or interruption from power loss, telecommunications failures, fires, floods, earthquakes, hurricanes, tornadoes, and similar events. The occurrence of any such event, a decision by our third-party service providers to terminate their services without adequate notice, termination or suspension of the contractual and other business relationships between us and such cloud infrastructure providers or other unanticipated problems may result in interruptions to our platform and could experience significant delays and incur additional

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expense in transitioning users to a different cloud infrastructure provider. Any difficulties these providers face, including the potential of certain network traffic receiving priority over other traffic (i.e., lack of net neutrality), may adversely affect our business, and we exercise little control over these providers, which increases our vulnerability to problems with the services they provide.

Any disruptions, outages, defects, and other performance and quality problems with our platform or with our products and services and internet infrastructure on which they rely, or any material change in our contractual and other business relationships with our cloud infrastructure providers, could result in reduced use of our platform, increased expenses and harm to our brand and reputation, and cause merchants and carriers to switch to our competitors’ platforms, any of which could have a material adverse effect on our business, financial condition, and results of operations.

We have granted and expect to continue to grant share-based awards in the future pursuant to our Share Incentive Plan, which may result in increased share-based compensation expenses.

We adopted our Share Incentive Plan in 2021 to provide additional incentives to Directors, officers, employees and consultants, which replaced our previous share incentive plans. We account for compensation costs for all share-based awards using a fair-value based method and recognize expenses in our consolidated statements of profit or loss and other comprehensive income in accordance with IFRS Accounting Standards. For details, see “Appendix IV — Statutory and General Information — D. Share Incentive Plan”. In 2021, 2022 and 2023, we incurred share-based compensation of US\$13.2 million, US\$28.8 million and US\$18.8 million, respectively. We believe the granting of share-based awards is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based awards in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

Our financial results may vary significantly from period to period, due to factors including seasonality.

Our operating results may vary significantly and are not necessarily an indication of future performance. These fluctuations may be a result of a variety of factors. In particular, we experience seasonal fluctuations in our financial results. The volume of transactions on our platform is typically lower during the first quarter each year compared to the other three quarters mainly due to the Chinese New Year holidays. Our growth has made, and may in the future make, seasonal fluctuations difficult to detect. We expect these seasonal trends to become more pronounced over time as our growth moderates. In addition to seasonality, our operating results may fluctuate as a result of other factors, many of which are out of our control, including our ability to attract new and retain existing users; increased competition in the markets in which we operate; shifts in merchants’ shipment needs and patterns; our ability to expand geographically; our ability to effectively manage our growth; harm to our brand or reputation; and changes in the regulatory environments, and other risks described elsewhere in this Document. There can be no assurance that our historic operating patterns will continue in future periods, as we cannot influence or forecast many of these factors. The quarterly fluctuations in our revenue and results of operations could result in volatility and cause the price of our Class B Shares to fall.

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We are exposed to credit risks of our enterprise customers.

Our business operations for integrated enterprise services are primarily subject to the risk of payment deferrals and/or defaults by our enterprise customers. During the Track Record Period, we typically granted to our enterprise customers a credit period of up to 90 days, depending on the relevant contract terms and our evaluation of their creditworthiness. In determining the actual length of credit terms granted to a specific enterprise customer, we consider various factors such as the length of business relationship and past payment records. Our trade receivables turnover days in 2021, 2022 and 2023 were 8.5 days, 13.0 days and 15.2 days, respectively. As of December 31, 2021, 2022 and 2023, our trade and other receivables amounted to US\$82.7 million, US\$108.6 million and US\$146.3 million, respectively. As of December 31, 2021, 2022 and 2023, our trade receivables aged more than 90 days amounted to US\$0.7 million, US\$1.6 million and US\$6.8 million, respectively, representing 2.6%, 3.6% and 10.1% of our trade and other receivables as of the same dates, respectively. See “Financial Information — Description of Selected Items from the Consolidated Statements of Financial Position — Assets — Trade and Other Receivables” for further details.

We are thus exposed to the risk that our enterprise customers may delay or withhold their payment for any reason, which may put our cash flow and working capital under pressure. We cannot assure you that we will be able to fully recover the outstanding amounts due from our enterprise customers in a timely manner pursuant to the agreed-upon payment schedules, or at all. If we fail to collect such outstanding amounts from enterprise customers in full amounts or in a timely manner, or at all, our liquidity position could be worsened, and our business, results of operations and financial condition could be materially and adversely affected.

We may not be able to secure additional financing on favorable terms, or at all, to meet our future capital needs.

Our ability to obtain additional capital in the future is subject to a number of uncertainties, including those relating to our future business development, financial condition and results of operations, general market conditions for financing activities by companies in our industry, and macro-economic and other conditions regionally and globally. If we cannot obtain sufficient capital to meet our capital needs, we may not be able to execute our growth strategies, and our business, financial condition and prospects may be materially and adversely affected.

The successful operation of our business depends upon the performance and reliability of internet, mobile, and other infrastructures as well as the interoperability of our platform across devices, operating systems, and third-party applications and services that are not under our control.

Our business depends on the performance and reliability of internet, mobile, and other infrastructures that are not under our control. Disruptions in Internet infrastructure or GPS signals or the failure of telecommunications network operators to provide us with the bandwidth we need to provide our products and offerings could interfere with the speed and availability of our platform. If our platform is unavailable when platform users attempt to access it, or if our platform does not load as quickly as users expect, platform users may not return to our platform as often in the future, or

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at all, and may use our competitors' platforms or offerings more often. In the PRC and certain other geographic markets in which we operate, the access to the internet is maintained through national or state-owned telecommunications operators on which we rely to provide us with the data communications capacity and bandwidth needed to deliver our platform to users. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with the internet infrastructure or the telecommunications networks in these geographic markets. Additionally, we have no control over the costs of the services provided by telecommunications service providers. If the prices we pay for telecommunications and internet services rise significantly or if mobile Internet access fees or other charges to Internet users increase, consumer traffic may decrease, our results of operations may be materially and adversely affected.

Our platform is characterized by its high interoperability and compatibility with a variety of devices, operating systems, and third-party applications and services. Our platform is accessible through a variety of operating systems, including iOS and Android, as well as web portals for personal computers. We depend on the accessibility of our platform across these third-party operating systems and applications which we do not control. Additionally, third-party platforms and products are rapidly evolving, and we may be unable to adapt our platform to ensure compatibility with such third-party products and services as they evolve. Interoperability failures, whether caused by third parties or otherwise, may have a negative impact on our results of operations and financial condition.

We rely on third parties to distribute our mobile apps and to provide certain functions used by our platform or our users. If such third parties interfere with the distribution of our platform or with the use of such functions, our business would be adversely affected.

Our platform relies on third parties maintaining open marketplaces, primarily including the Apple App Store and Android App Stores, which make applications available for download, based on their customary terms of use and fee arrangements. We cannot assure you that the marketplaces through which we distribute our platform and mobile apps will maintain their current structures or that such marketplaces will not charge us fees to list our mobile apps for download. We rely upon third parties to provide certain functions, including digital mapping functions, for our products and offerings. We do not control the third-party mapping functions employed by our platform or our users, and it is possible that these mapping functions may not be reliable. If such third parties cease to provide access to the third-party services that we and our users use, on terms that we believe to be attractive or reasonable, or at all, or do not provide us with the most current version of such software, we may be required to seek comparable software from other sources, which may be more expensive or inferior, or may not be available at all, any of which would adversely affect our business.

Legal, regulatory and administrative proceedings could adversely affect our business or financial results.

We have in the past been, are currently, and may in the future become involved in lawsuits, investigations, claims, complaints and various other legal, regulatory and administrative proceedings arising in the ordinary course of our business. These lawsuits, investigations, claims, complaints and proceedings may be brought or asserted in a variety of jurisdictions in relation to various matters,

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including data protection and privacy, carrier and merchant rights protection, antitrust, unfair competition, labor and employment, tort, contractual disputes, transportation, intellectual property infringement, workplace safety, advertising, tax among other things. The results of any such lawsuits, investigations, claims, complaints and proceedings are inherently unpredictable and expensive. Any claims against us, whether meritorious or not, could be time consuming, costly, and harmful to our reputation, and could require significant amounts of management time and corporate resources. If any of these lawsuits, investigations and proceedings were to be determined adversely to us, or we were to enter into a settlement arrangement, we could be exposed to monetary damages or be forced to change the way in which we operate our business, which could have an adverse effect on our business, financial condition, and operating results. For details of our historical legal, regulatory and administrative proceedings, See “Business — Legal Proceedings and Other Incidents”.

Our failure to protect our intellectual property rights may undermine our competitive position, and litigation to protect our intellectual property rights or defend against third-party allegations of infringement may be costly and ineffective.

Our success depends, in part, on our ability to protect our brand, trade secrets, trademarks, patents, domain names, copyrights and proprietary methods and technologies, whether registered or not, that we develop under patent and other intellectual property laws of the PRC and other jurisdictions, so that we can prevent others from using our inventions and proprietary information. As of the Latest Practicable Date, we also had approximately 60 registered software copyrights in Mainland China. As of the Latest Practicable Date, we had two patents, 300 registered trademarks and 20 pending trademark applications in our overseas markets. We owned approximately 160 registered domain names in Mainland China, including one registered domain names that we consider to be material to our business, as of the Latest Practicable Date. We are in the process of registering certain trademarks and other intellectual property rights that we are currently using or anticipate to use. As of the Latest Practicable Date, we had more than 180 patents, more than 320 pending patent applications, approximately 245 registered trademarks and more than 55 pending trademark applications in Mainland China. However, we cannot assure you that any of our intellectual property rights or the registrations thereof will not be challenged, invalidated or circumvented, or that our intellectual property will be sufficient to provide us with competitive advantages. In addition, we may be subject to allegation of infringement of other parties’ proprietary rights, and other parties may misappropriate our intellectual property rights, which would cause us to suffer economic or reputational damages. Because of the rapid pace of technological change, we cannot assure you that all of our proprietary technologies and similar intellectual property rights can be patented in a timely or cost- effective manner, or at all.

We also rely, in part, on confidentiality agreements with our business partners, employees, consultants, advisors, customers and others in our efforts to protect our proprietary technology, processes and methods. These agreements may not effectively prevent disclosure of our confidential information, and it may be possible for unauthorized parties to copy our software or other proprietary technology or information, or to develop similar software independently without our having an adequate remedy for unauthorized use or disclosure of our confidential information.

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In some geographic markets where we operate, statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently due to the lack of clear guidance on statutory interpretation. Confidentiality, invention assignment and non-compete agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in these jurisdictions. To the extent we expand our international activities, our exposure to unauthorized copying, transfer and use of our proprietary technology or information may increase.

Preventing any unauthorized use of our intellectual property is difficult and costly and the steps we take may be inadequate to prevent the misappropriation of our intellectual property. Litigation may be necessary in the future to enforce our intellectual property rights, determine the validity and scope of our proprietary rights or those of others, or defend against claims of infringement or invalidity. Such litigation could be costly, time-consuming and distracting to management, result in a diversion of significant resources, the narrowing or invalidation of portions of our intellectual property and have an adverse effect on our business, operating results and financial condition. Our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights or alleging that we infringe the counterclaimant's own intellectual property. Any of our patents, trade secrets, copyrights, trademarks or other intellectual property rights could be challenged by others or invalidated through administrative process or litigation. We can provide no assurance that we will prevail in such litigation or administrative process. In addition, our proprietary methods and technologies that are regarded as trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors and in these cases we would not be able to assert any trade secret rights against those parties.

There can be no assurance that our particular ways and means of protecting our intellectual property and proprietary rights, including business decisions about when to file patent applications and trademark applications, will be adequate to protect our business or that our competitors will not independently develop similar technology. If we fail to protect and enforce our intellectual property and proprietary rights adequately, our competitors might gain access to our technology and our business, operating results and financial condition could be adversely affected.

We may be involved in legal and other disputes from time to time arising out of allegations relating to our infringement of intellectual property rights of third parties, which may be expensive to defend and may disrupt our business and operations.

We have and may continue to be involved in legal and other disputes and regulatory and administrative proceedings in the ordinary course of our business, including allegations against us for potential infringement of third-party trademarks, copyrights or other intellectual property rights. We may also encounter disputes from time to time over rights and obligations concerning intellectual property rights and other legal rights, in particular third-party trademarks and copyrights that may be infringed by us or our employees, contractors or platform users, and we may not prevail in those disputes. We have adopted policies and procedures to prevent our employees and other personnel from infringing upon third-party intellectual property rights. However, we cannot assure you that our efforts will be effective or that our employees, contractors or platform users will not, against our

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policies, use third-party intellectual property without proper authorization on our platform. Our platform users may post unauthorized third-party content on our mobile apps or websites, which we may not be able to detect in time, or at all. We may incur liability and penalties for unauthorized duplication or distribution of content or information posted on our mobile apps or websites. We have been, and may be in the future, subject to allegations on the grounds of intellectual property rights infringement and other legal theories based on the content of the information that we or our employees, contractors or platform users distribute or use in our business operations.

Any claims against us, with or without merit, could be time-consuming and costly to defend or litigate, divert our management’s attention and resources or result in the loss of goodwill associated with our brand. The application and interpretation of China’s intellectual property right laws and the procedures and standards for granting trademarks, patents, copyrights, know-how or other intellectual property rights in China, and the laws governing personal rights are still evolving. If a lawsuit or allegation against us is successful, we may be required to pay substantial damages and/or enter into royalty or license agreements with commercially unreasonable terms, or we may be unable to enter into such agreements at all. We may also lose, or be limited in, the rights to offer some of our offerings and services or be required to modify our platform or business models, which could adversely affect our results of operations and financial condition.

We currently do not own the properties on which we carry out our business, and we are exposed to the risks associated with the commercial and industrial real estate rental market.

As of the Latest Practicable Date, the offices and facilities occupied by us for our business purposes were leased from third parties, details of which are disclosed in “Business — Properties”. Accordingly, we are susceptible to the rental fluctuation from time to time. We have to negotiate the terms of renewal with the respective landlords prior to the expiry of the lease agreements. In the event that there is any increase in the rental expenses for our existing leased properties in the long run, our operating expenses and pressure on our operating cash flows will increase, thereby materially and adversely affecting our business, results of operations and prospects. In addition, there is no assurance that we will successfully renew the leased agreements for the relevant rented premises on commercially acceptable terms, or at all. There is also no assurance that such leased agreements will not be terminated before their expiration. Termination of our leases may occur beyond our control, such as breaches of agreements by the lessor or the tenant of the premises or invalidation of lease agreements due to the lessors’ lack of title to lease the properties. If it happens, we will need to relocate to other premises and incur additional costs due to relocation.

We face certain legal and regulatory risks relating to the real estate properties that we lease.

We lease office spaces from third parties for our operations in the PRC and the overseas markets where we operate. Any deficiencies in the leased properties, or lessors’ title to such properties, may impact our use of the offices, or in extreme cases, result in relocation, which may in turn affect our business operations. In addition, certain lease agreements of our leased properties in the PRC have not been registered with the relevant PRC government authorities as required by PRC law, and although failure to do so does not in itself invalidate the leases, we may be exposed to potential fines if we fail to rectify within the prescribed time period after receiving notices from the relevant PRC government authorities. For details, see “Regulations — Regulations on Leasing”. Furthermore,

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certain lessors of our leased properties in the PRC have not provided us with valid property ownership certificates or any other documentation proving their right to lease those properties to us. Moreover, certain of our leased properties are subject to mortgage and therefore, in case the mortgagees enforce the mortgage, we may not be able to continue using such leased properties. As of the Latest Practicable Date, we are not aware of any actions or claims raised by any third parties challenging our use of these properties we currently lease, nor have we received any notices from the PRC government authorities. If our lessors are not the owners of these properties or they have not obtained consents from the owners or their lessors or permits from the relevant government authorities, our leases could be invalidated. If leases are invalid, we may face the risk of moving out of the leased property. In addition, in the event that our use of properties is challenged or our lease agreements are terminated unilaterally by the lessors, we may be forced to relocate and our business and results of operations may be materially and adversely affected.

Our business depends substantially on the continuing efforts of our Directors, executive officers, senior management, key employees and qualified personnel, and our operations may be severely disrupted if we lose their services.

Our future success depends substantially on the continuing efforts of our Directors, executive officers, senior management, and key employees and qualified personnel. In particular, we rely on the leadership, expertise, experience and vision of our Directors and senior management team. If one or more of our Directors, executive officers, senior management, key employees or qualified personnel were unable or unwilling to continue their services with us, whether due to resignation, accident, health condition, family considerations or any other reason, we might not be able to find their successors, in a timely manner, or at all. The size and scope of our platform also require us to hire and retain a wide range of capable and experienced personnel who can adapt to a dynamic, competitive and challenging business environment. We will need to continue to attract and retain experienced and capable personnel at all levels. We cannot assure you that we will be able to attract or retain qualified management or other highly skilled employees.

We do not have key-man insurance for our Directors, senior management or other key employees. If any of our key employees terminates his or her services or otherwise becomes unable to provide continuous services to us, our business, financial condition and results of operations may be materially and adversely affected and we may incur additional expenses to recruit, train and retain qualified personnel. Each of our executive officers and key employees has entered into an employment agreement with a non-compete clause with us. However, these agreements may be breached by the counterparties, and there may not be adequate and timely remedies available to us to compensate our losses arising from the breach. We cannot assure you that we would be able to enforce these non-compete clauses. If any of our executive officers or key employees joins a competitor or forms a competing company, we may lose customers, know-how and key professionals and staff members. In addition, our senior management team has limited experience in running [REDACTED] companies, which would require us to incur substantial costs and expenses in recruiting necessary supporting staff with the relevant experience.

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Our insurance coverage strategy may not be adequate to protect us from all business risks or, if insurance carriers change the terms of such insurance in a manner not favorable to us, if we are required to purchase additional insurance for other aspects of our business, or if we fail to comply with regulations governing insurance, our business could be harmed.

We maintain various insurance policies to safeguard against risks and unexpected events. However, we do not maintain business interruption insurance or key-man insurance or any insurance covering liabilities resulting from misconducts or illegal activities committed by our employees, platform users or business partners. We cannot assure you that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected. If our insurance carriers change the terms of our policies in a manner unfavorable to us, our insurance costs could increase.

In addition, we are subject to laws, rules, and regulations relating to insurance which could result in proceedings or actions against us by governmental entities or others. Any failure, or perceived failure, by us to comply with laws, rules, and regulations or contractual obligations relating to insurance could result in proceedings or actions against us by regulatory authorities or others. These lawsuits, proceedings, or actions may subject us to significant penalties and negative publicity, require us to increase our insurance coverage, require us to amend our insurance policy disclosure and adjust our services, increase our costs, and disrupt our business.

For more information about our insurance, see “Business — Insurance”.

We rely on commercial banks and third-party online payment service providers for payment processing services for certain of our services. Any failures by these third parties to process payments effectively and securely may have material and adverse effects on our business.

We accept payments through major third-party online payment channels in the PRC, as well as bank transfers. We may be susceptible to fraud, user data leakage and other illegal activities in connection with the various payment methods we offer. In addition, our business depends on the billing, payment and escrow systems of the third-party payment service providers to maintain accurate records of payments by customers and collect such payments. If the quality, utility, convenience or attractiveness of these payment processing and escrow services declines, or if we have to change the pattern of using these payment services for any reason, the attractiveness of our platform could be materially and adversely affected. We are also subject to various rules, regulations and requirements, regulatory or otherwise, governing the electronic funds transfer which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and become unable to accept the current online payments solutions from our customers, and our business, financial condition and results of operations could be materially and adversely affected. Business involving online payment services is subject to a number of risks that could materially and adversely affect third-party online payment service providers’ ability to provide payment processing and escrow

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services to us, including, among other things, dissatisfaction with these online payment services or decreased use of their services; changes to rules or practices applicable to payment systems that link to third-party online payment service providers; breach of customers’ personal information and concerns over the use and security of information collected from customers; and increasing costs to third-party online payment service providers, including fees charged by banks to process transactions through online payment channels, which would also increase our cost of revenue and expenses. If any of the foregoing takes place, our third-party online payment service providers’ services may be restricted or curtailed or become unavailable on reasonable terms to us, or at all, our business and results of operations could be materially and adversely affected.

We may be considered as conducting payment services as a non-financial institution without a payment business license in the PRC.

Historically, we first received payments from merchants for orders placed on our platform and then settled with the carriers through third-party online payment service providers in the PRC. This practice is under increasingly strict scrutiny from regulators, particularly the People’s Bank of China, or the PBOC. In the PRC, payment services are subject to the supervision of the PBOC. The PBOC publishes rules, guidelines and interpretations from time to time regulating the operation of financial institutions and payment service providers that may in turn affect the services provided by such entities to us. For example, in June 2010, PBOC issued the Administrative Measures on Non-Financial Institution Payment Service (《非金融機構支付服務管理辦法》), or the Payment Services Measures, to require a non-financial institution offering payment services to obtain the payment business license. In November 2017, the PBOC further published a notice, or the PBOC Notice, on the investigation and administration of illegal offering of settlement services by financial institutions and third-party payment service providers to unlicensed entities. The PBOC Notice intended to prevent unlicensed entities from using licensed payment service providers as a conduit for conducting any unlicensed payment settlement services, so as to safeguard fund security and information security.

The relevant rules and regulations lack clear guidance as to what practice or process constitutes payment or settlement services without a payment business license. We cannot assure you, however, that our past payment settlement practice during the Track Record Period will not give rise to the risk that we may be deemed to be engaging in payment and settlement services without a payment business license. During the Track Record Period and up to the Latest Practicable Date, insofar as we are aware, we had not been required by the relevant regulatory authorities to obtain the payment business license for our past settlement practice, nor had we received any penalty in connection with any purported operations of payment and settlement services without a payment business license or otherwise in violation of such rules and regulations.

As part of our efforts to ensure compliance of our payment settlement pattern with applicable laws and regulations, we have engaged a licensed commercial bank since May 2021, and established a payment settlement mechanism, which we believe is a practice widely accepted in industry. However, we cannot assure you that the PBOC or other Governmental Authorities will not challenge this practice. If required by the PBOC or any other Governmental Authorities, our cooperative payment service provider may have to suspend or cease to provide us with its services. In such event,

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we may not be able to retain exclusive control of the payments from the merchants in the accounts maintained with the relevant commercial bank, and we may incur additional expenses or be required to invest considerable resources in finding alternative ways to comply with the requirements. If the PBOC or other Governmental Authorities deem the payment methods we historically offered or our current cooperation with the payment service provider to not be in compliance with applicable laws and regulations, we may be subject to regulatory actions, investigations, fines and penalties, which could materially and adversely affect our business, results of operations and reputation.

In some geographic markets, we allow merchants to use cash to pay carriers the freight charges for fulfilling the orders facilitated through our platform, which may subject us to regulatory, operational, and safety risks.

While the freight transactions between merchants and carriers facilitated by our platform are completed online, in limited circumstances, we also allow merchants and carriers to settle the freight charges offline using cash. The use of cash in connection with our technology raises numerous regulatory, operational, and safety concerns. Some jurisdictions have specific regulations regarding the use of cash for transactions facilitated through online platforms, and failure to comply with these regulations could result in the imposition of fines and penalties and other adverse regulatory consequences in those jurisdictions. The use of cash with the fulfilment of orders facilitated through our platform can increase safety and security risks for carriers and merchants, including potential robbery, assault, violent or fatal attacks, and other criminal acts. If we are not able to adequately address any of these concerns, we could suffer significant reputational harm, which could adversely impact our business.

In addition, to the extent that we charge commissions on the cash-paid orders, establishing the proper infrastructure to properly account for the cash received and ensure that we collect the correct amounts of commissions is complex and may not be always effective, convenient, or widely adopted by merchants or carriers. This means that we may not be able to collect the full amount of commissions due to us for some of these orders. Creating, maintaining, and improving these systems and infrastructure requires significant effort and resources, and we cannot guarantee they will be effective in collecting amounts due to us. Additionally, operating a business that allows for uses of cash raises additional compliance risks with respect to a variety of rules and regulations, including anti-money laundering laws. Any failure of our collection systems, along with any costs associated with a failure to comply with applicable rules and regulations, could adversely affect our business and results of operations.

We may not be able to identify suitable acquisition targets or consummate acquisitions on acceptable terms, or we may be unable to successfully integrate acquisitions or achieve the anticipated benefits.

We may selectively pursue strategic acquisitions and investments that are complementary to our growth strategies. Acquisitions involve certain known and unknown risks that could cause our actual growth or operating results to differ from our expectations. For example:

- we may not be able to identify suitable acquisition candidates or to consummate acquisitions on acceptable terms;

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- we compete with others to acquire complementary businesses and technologies, which may result in decreased availability of, or increased price for, suitable acquisition candidates;
- we may not be able to obtain the necessary financing, on favorable terms or at all, to finance any or all of our potential acquisitions;
- we may ultimately fail to consummate an acquisition even if we announce that we plan to acquire a business;
- acquired products or businesses may not perform as we expect and we may fail to realize anticipated revenue and profits;
- our acquisition activities may be subject to various regulations, including antitrust regulations; and
- acquisition may expose us to unanticipated problems or legal liabilities, including responsibility as a successor for undisclosed or contingent liabilities of acquired businesses or assets.

In addition to possible Shareholders’ approval, we may also have to obtain approvals and licenses from relevant government authorities for the acquisitions and to comply with any applicable PRC laws and regulations, which could result in increased delay and costs, and may derail our business strategy if we fail to do so. See “— The M&A Rules and certain other PRC regulations establishing complex procedures for acquisitions could make it more difficult for us to pursue growth through acquisitions in the PRC”.

In any future acquisitions, we may not be able to successfully integrate acquired personnel, operations and technologies, or effectively manage the combined business following the acquisition. We also may not achieve the anticipated benefits from our future acquired businesses due to a number of factors, including:

- inability to integrate or benefit from acquisitions in a profitable manner;
- unanticipated costs or liabilities associated with the acquisition;
- incurrence of acquisition-related costs;
- difficulty converting the customers of the acquired business to our solutions and contract terms, including disparities in the revenues, licensing, support or professional services model of the acquired company;
- difficulty integrating the accounting systems, operations and personnel of the acquired business;
- diversion of management’s attention from other business concerns;

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- the loss of our or the acquired business’s key employees;
- diversion of resources that could have been more effectively deployed in other parts of our business; and
- use of substantial portions of our available cash to consummate the acquisition.

In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process, which could harm our results of operations. Acquisitions could also result in dilutive issuances of equity securities, the use of our available cash, or the incurrence of debt, which could harm our operating results. In addition, if an acquired business fails to meet our expectations, our operating results, business and financial condition may suffer.

We are exposed to risks and uncertainties associated with strategic transactions or acquisitions.

As we continue to scale our operations around the globe, we may enter into strategic transactions, including joint ventures or equity or debt investments, with various third parties to further our business purpose from time to time. These transactions could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by third parties and increased expenses in establishing new strategic alliances, any of which may materially and adversely affect our business. We may also have limited ability to monitor or control the actions of these third parties and, to the extent any of these strategic third parties suffer negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with any such third parties.

In the past, we started to explore the possibility of entering the online ride-hailing industry in the PRC. In June 2021, a group of our former employees, which are Independent Third Parties, established an online rider-hailing platform named Xiaola in the PRC. To provide Xiaola with short-term liquidity support, in 2021, we agreed to extend a working capital loan of US\$130 million and provided certain transitional support services in exchange for a warrant which granted us a right to acquire a controlling stake in Xiaola, subject to satisfaction of certain conditions linked to Xiaola’s performance and compliance records. In April 2022, Xiaola and we amended the relevant arrangements such that our PRC entities agreed to fulfil our obligations under the offshore working capital loan to Xiaola by extending working capital credits of up to RMB1,200 million in exchange for a right to convert all or part of such indebtedness into equity interests in Xiaola. If Xiaola’s business and financial conditions deteriorated or if Xiaola were subject to material liabilities arising from its failure to comply with applicable laws and regulations, Xiaola’s ability to fulfill its debt obligations to us could be adversely affected. We recorded fair value losses of financial instruments measured at fair value through profit or loss of US\$21.6 million and US\$67.3 million, respectively, in 2021 and 2022, and recorded fair value gains of financial instruments measured at fair value through profit or loss of US\$6.4 million in 2023 due to changes in the fair market values of loans extended to Xiaola based on our prudent assessment of Xiaola’s prospects. In addition, our reputation

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may also be subject to adverse impacts of Xiaola’s business results and compliance records. For details of these arrangements and our PRC Legal Advisor’s views, see “History, Development and Corporate Structure — Major Acquisitions, disposals and mergers — Arrangements between our Group and the Xiaola Group”.

We have investments accounted for using the equity method, and their performance may affect our results of operations.

During the Track Record Period, our investments accounted for using equity method included our interest in an equity-accounted investee, with a total value of US\$92.2 million, US\$117.8 million and US\$115.1 million as of December 31, 2021, 2022 and 2023, respectively. We are exposed to the risk that our investees may make business, financial, or management decisions that we disagree with or have no control over, or that the other shareholders or the management of these investees may act in a way that is not in our best interest. Various factors may impact the carrying value of our investments accounted for using equity method, such as share of results, impairment, dilution, issuance of equity securities, and currency translation differences. Any of these factors may have an adverse effect on the value of our investments, which may impact our business and results of operations.

Additionally, our investments accounted for using equity method are subject to liquidity risk. Unlike other investment products, we do not receive cash flow until dividends are distributed by our investee companies, even if these companies report profits under the equity method. Moreover, our ability to sell our interests in these investee companies promptly in response to changing economic, financial, and investment conditions is limited. The market for our investments accounted for using equity method is influenced by various factors, such as general economic conditions, interest rates, availability of financing, and supply and demand, many of which are beyond our control.

Intense competition for employees and increases in labor costs in the PRC and the other geographic markets may adversely affect our business and results of operations.

We believe our success depends on the efforts and talent of our employees, including sales and marketing, operations, research and development and corporate function personnel. Our future success depends on our continued ability to attract, develop, motivate and retain qualified and skilled employees, especially operations and sales and marketing personnel, as we rely on large on-the-ground operation teams to develop businesses and grow and maintain relationships with existing and prospective users, customers and business partners. Competition for highly skilled sales and marketing, operations, risk management, research and development and finance personnel is extremely intense. We may not be able to hire and retain these personnel at compensation levels consistent with our existing compensation and salary structure. Some of the companies with which we compete for experienced employees have greater resources than us and may be able to offer more attractive terms of employment.

In addition, we invest significant time and resources in training our employees, which increases their value to competitors who may seek to recruit them. If we fail to retain our employees, we could incur significant expenses in hiring and training their replacements, and the quality of our services and our ability to serve dealers, financial institutions, vehicle buyers and other industry participants could diminish, resulting in a material adverse effect to our business.

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The economy in the PRC has experienced increases in labor costs in recent years. As a result, average wages in the PRC are expected to continue to increase. In addition, we are required by PRC laws and regulations to pay various statutory employee benefits, including pension insurance, housing funds, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to control our labor costs or pass on these increased labor costs, our financial condition and results of operations may be adversely affected.

Failure to fully comply with labor-related laws and regulations may subject us to penalties.

We cannot assure you that our employment practices have been and will be deemed to be in compliance with all relevant labor-related laws and regulations due to interpretation and implementation uncertainties related to the evolving labor laws and regulations, which may subject us to labor disputes or government investigations. For example, our workforce also includes outsourced labor personnel engaged by human resources companies. If any of the outsourced personnel engages in misconduct or otherwise fails to follow the instructions, policies and business guidelines formulated by the human resources companies in accordance with our requirements, our market reputation, brand image and results of operations may be materially and adversely affected.

In accordance with the PRC Social Insurance Law (《中華人民共和國社會保險法》) and the Regulations on the Administration of Housing Fund (《住房公積金管理條例》) and other relevant laws and regulations, China established a social insurance system and other employee benefits including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance, maternity insurance, housing fund, and a handicapped employment security fund (collectively, the “**Employee Benefits**”). Under the PRC Social Insurance Law and the Regulations on the Administration of Housing Fund, PRC subsidiaries and PRC Consolidated Affiliated Entities shall register with local social insurance agencies and applicable housing fund management centers, and establish special housing fund accounts in entrusted banks. The PRC subsidiaries, PRC Consolidated Affiliated Entities and their employees are required to contribute to the Employee Benefits in accordance with the applicable laws and regulations. An employer shall pay the Employee Benefits for its employees in accordance with the rates provided under relevant regulations and shall withhold the social insurance and other Employee Benefits that should be assumed by the employees.

During the Track Record Period, we had not made social insurance and housing fund contributions for some of our employees in full in accordance with the relevant PRC laws and regulations, and a few of our PRC entities engaged third-party human resources agencies to pay social insurance premium and housing funds for their employees. This is because such employees worked outside of the cities where the PRC entities are registered and third-party human resources agencies were engaged to pay social insurance premium and housing funds for such employees in cities where they worked. For 2021, 2022 and 2023, we had shortfalls of RMB20.3 million, RMB20.0 million and RMB31.9 million, respectively, in our social insurance contributions and shortfalls of RMB7.1 million, RMB3.0 million and RMB4.9 million, respectively, in our housing fund contributions. As advised by our PRC Legal Advisor, an employer that has not made social insurance contributions at

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such rate and based on such amount as prescribed by the law, or at all, may be ordered to rectify the non-compliance and pay the required contributions within a stipulated timeframe and be subject to a late fee of up to 0.05% per day. Failure to fulfil the outstanding contributions within the stipulated timeframe may result in fines ranging from one to three times of the amount in arrears. We estimate that the potential maximum aggregate fines that may be imposed due to our shortfalls in social insurance contributions for the Track Record Period is RMB216.7 million. Additionally, pursuant to relevant PRC laws and regulations, if there is a failure to pay the full amount of housing fund as required, the housing fund management center has the authority to demand payment of the outstanding amount within a prescribed timeframe. If the payment is not made within the timeframe, an application may be made to PRC courts to initiate compulsory enforcement. In the event that the competent social insurance or housing fund authorities in the PRC request us to pay the outstanding amounts in our social insurance and housing fund contributions, including any overdue charges (if applicable), we commit to fully and promptly comply with all such requirements. Our PRC Legal Advisor has advised us that once we pay the outstanding amounts of social insurance and housing funds and the overdue charges (if any) in full in timely manner after receiving notices from the relevant regulatory authorities, we will not be subject to administrative fines. During the Track Record Period and up to the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant regulatory authorities with respect to our contributions to social insurance and housing funds, nor had we received any order or been informed to settle the under-payments.

We have taken internal control rectification measures to prevent future occurrences of the aforesaid non-compliance. We are in the process of communicating with our employees with a view to seeking their understanding and cooperation in complying with the applicable payment base, which also requires additional contributions from them. We have also designated our human resources department to review and monitor the reporting and contributions of social insurance and housing funds on a monthly basis. Moreover, we will keep abreast of the latest developments in PRC laws and regulations in relation to social insurance and housing funds, and will consult our PRC legal counsel on a regular basis for advice on relevant PRC laws and regulations to keep us informed of relevant regulatory developments. In addition, in February 2023, we consulted with and obtained confirmations from the competent Governmental Authorities and have been advised by our PRC Legal Advisor that, in general, the likelihood that we would be required to pay the deficient amount and overdue charges in connection with social insurance and housing funds is remote.

However, we cannot assure you that the relevant government authorities will not require us to pay the outstanding amount and impose late fees or fines on us, and if the human resources agencies have failed, or fail to pay the social insurance premium or housing fund contributions for and behalf of our employees as required under applicable PRC laws and regulations, we may be ordered to rectify such failure or be subject to penalties. If we are otherwise subject to investigations related to non-compliance with labor laws and are imposed severe penalties or incur significant legal fees in connection with labor law disputes or investigations, our business, financial condition and results of operations may be adversely affected.

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We had net liabilities position in the past and may not be able to achieve or maintain net assets and net current assets position in the future.

As of December 31, 2021, 2022 and 2023, we recorded net liabilities of US\$3,606.1 million, US\$3,680.4 million and US\$2,818.3 million, respectively. The fluctuations in our net liabilities throughout the Track Record Period were primarily due to the fluctuations in the fair value of redeemable convertible preferred shares. Although the redeemable convertible preferred shares will cease to be classified as liability, and will be reclassified as equity upon the completion of the [REDACTED], which will result in the change from a net liability position to a net asset position, there is no assurance that we will not record net liabilities in the future. Having significant net liabilities could constrain our operational flexibility and adversely affect our ability to expand our business. If we do not generate sufficient cash flow from our operations to meet our present and future liquidity needs, we may need to rely on additional external borrowings for funding. If adequate funds are not available, whether on satisfactory terms or at all, we may be forced to delay or abandon our growth plans, and our business, financial condition and results of operations may be materially and adversely affected.

Fair value changes in our financial instruments issued to [REDACTED] Investors and related valuation uncertainty may materially affect our financial position and performance.

We have historically issued several series of redeemable convertible preferred shares to investors. Upon the completion of this [REDACTED], all of such preferred shares will be automatically converted into ordinary shares. Additionally, the foregoing investors have the right to require us to redeem such preferred shares if this [REDACTED] is not consummated on or prior to certain date or upon the occurrence of some specified events. For the identity and background of the foregoing investors, see “History, Development and Corporate Structure”. Redeemable convertible preferred shares are not [REDACTED] in an active market and the respective fair value is determined by using valuation techniques. We recorded fair value of redeemable convertible preferred shares of US\$5,188.7 million, US\$5,274.1 million and US\$4,673.0 million as of December 31, 2021, 2022 and 2023, respectively. Additionally, we recorded fair value loss of redeemable convertible preferred shares of US\$1,420.1 million and US\$5.3 million for the years ended December 31, 2021 and 2022, respectively, and fair value gain of redeemable convertible preferred shares of US\$605.8 million in 2023. We have used the discounted cash flow method to determine the underlying equity value and adopted equity allocation model to determine the respective fair values. Considerable judgment is required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. Any change in these assumptions may lead to different valuation results and, in turn, changes in the fair value of these financial instruments issued to investors. To the extent we need to revalue the redeemable convertible preferred shares prior to the closing of the [REDACTED], any change in fair value of redeemable convertible preferred shares and related valuation uncertainty could materially affect our financial position and performance. After the automatic conversion of the redeemable convertible preferred shares into Shares upon the completion of the [REDACTED] and the closing of the [REDACTED], we do not expect to recognize any further gains or losses on fair value changes from these convertible preferred shares in the future.

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Fluctuations in changes in fair value of financial assets and liabilities measured at fair value through profit or loss may adversely affect our financial results.

We recorded financial assets measured at fair value through profit or loss of US\$91.0 million, US\$90.2 million and US\$98.4 million as of December 31, 2021, 2022 and 2023, respectively. Our financial assets measured at fair value through profit or loss mainly consist of (i) unlisted debt investments, including convertible loans extended to Xiaola, (ii) wealth management products, including short-term wealth management products issued by reputable financial institutions in the PRC, and (iii) equity investments in certain unlisted companies. Additionally, we recorded financial liabilities measured at fair value through profit or loss of US\$6.5 million and US\$0.8 million as of December 31, 2021 and 2022, respectively, and we did not record financial liabilities measured at fair value through profit or loss as of December 31, 2023. Our financial liabilities measured at fair value through profit or loss include our investment commitments to Xiaola. For details, please see “Financial Information — Description of Selected Items from the Consolidated Statements of Profit or Loss and Other Comprehensive Income — Financial instruments measured at fair value through profit or loss”. For our financial assets and liabilities measured at fair value through profit or loss with no quoted market prices in an active market, their fair values are estimated by using certain valuation methods and techniques such as the discounted cash flow method. In particular, we use significant unobservable inputs, such as expected volatility, discount for lack of marketability, risk-free rate and expected rate of return, in valuing our unlisted equity and debt investments, as well as investment commitments. See Note 26(e) to the Accountants’ Report in Appendix I for more details about these valuation methods and techniques.

The fair value change of financial assets and liabilities measured at fair value through profit or loss may significantly affect our financial position and results of operations. The determination of the fair value of such financial assets and liabilities requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such financial assets and liabilities. These factors include, but are not limited to, general economic condition, changes in market interest rates and the stability of capital markets. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our results of operations and financial condition.

We face risks related to health epidemics and other outbreaks, harsh weather and natural disasters, which could significantly disrupt our operations.

Our business could be materially and adversely affected by the outbreak of a widespread health epidemic, such as COVID-19, swine flu, avian influenza, severe acute respiratory syndrome, or SARS, Ebola, Zika, harsh weather conditions or natural disasters, such as snowstorms, earthquakes, fires or floods, or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. The occurrence of a disaster or a prolonged outbreak of an epidemic illness or other adverse public health developments in the PRC our geographic markets could materially disrupt our business and operations. These events could also significantly impact the industries we operate in and cause a temporary closure of the facilities we use for our operations, which would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. Our operations could be disrupted if any of our employees, or employees of our business partners were suspected of contracting an epidemic disease,

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since this could require us or business partners to quarantine some or all of these employees or disinfect the facilities used for operations. In addition, our revenue and profitability could be materially reduced to the extent that a health epidemic, adverse weather conditions or natural disaster or other outbreak harms the global economy in general. Our operations could also be severely disrupted if merchants, carriers and other platform users were affected by health pandemics or epidemics, harsh weather conditions, natural disasters or other outbreaks. See also “— The COVID-19 pandemic has adversely affected, and may continue to adversely affect our business operations, results of operations, cash flows and financial position”.

Rising international political tensions, including changes in U.S. and international trade policies, may adversely impact our business and operating results.

There have been changes in international trade policies and rising political tensions, particularly the conflict in Ukraine and sanctions on Russia. Political tensions between the U.S. and other countries have escalated in recent years. Rising political tensions among countries could reduce levels of trades, investments, technological exchanges and other economic activities among economies, which would have a material adverse effect on global economic conditions and the stability of global financial markets. The measures taken by the U.S. and other countries may have the effect of restricting our ability to transact or otherwise do business with entities within or outside of China and may cause [REDACTED] to lose confidence in companies with substantial operations in China, including us. If we were unable to conduct our business as it is currently conducted as a result of such regulatory changes, our business, results of operations and financial condition would be materially and adversely affected. Similarly, there have also been concerns over unrest and terrorist threats in the Middle East, Europe and Africa and over the conflicts involving Ukraine, Syria and North Korea. For example, the Russia-Ukraine conflict has caused, and continues to intensify, significant geopolitical tensions in Europe and across the world. The subsequent economic and trade sanctions imposed by the North Atlantic Treaty Organization and the European Union countries, the United States and certain other countries against Russia and Belarus are expected to have significant impact on the economic conditions of the targeted countries and markets.

In addition, the United States may impose further export controls, sanctions, trade embargoes, and other heightened regulatory requirements on China and Chinese companies for alleged activities both inside and outside of China. These have raised concerns that there may be increasing regulatory challenges or enhanced restrictions against China and Chinese technology companies, in a wide range of areas such as data security and privacy, emerging technologies, and applications that could be deployed for surveillance or military purposes, import/export of technology or other business activities. If we, our business partners or other parties that have collaborative relationships with us or our affiliates become targeted or are currently being targeted under sanctions or export control restrictions, this may result in significant interruption in our business, regulatory investigations and reputational harm to us. Media reports on alleged violations of applicable export controls, economic and trade sanctions, or data security and privacy laws, or on uses of the applications, technologies, systems or innovations that we develop for purposes which could be perceived as inappropriate or controversial, by us, our business partners or our users, even on matters not involving us, could nevertheless damage our reputation and lead to regulatory investigations, fines and penalties against us. Such fines and penalties may be significant, and if we were publicly named or investigated by any regulator on the basis of suspected or alleged violations of export control or economic and trade sanctions or data security and privacy laws and rules, even in situations where the potential amount or fine involved may be relatively small, our business could be severely interrupted and our reputation could be significantly harmed.

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We are subject to governmental economic sanctions laws that could subject us to liability.

We are subject to various economic and trade sanctions laws in different jurisdictions. For example, U.S. economic sanctions prohibit the provision of products and services to countries, governments, and persons targeted by U.S. sanctions. United Kingdom financial sanctions and European Union sanctions also have similar regime to prohibit the provision of products and services to countries, governments and persons on their respective target list.

In the past, we have not identified any users on our platform that appeared to have been located in countries that are targets of any governmental economic sanctions. While we believe that we have been, and that we continue to be, in compliance with applicable governmental economic sanctions laws, our failure to employ appropriate safeguards with respect to users located in countries that are targets of governmental economic sanctions may result in a violation of such laws and regulations. Non-compliance with applicable governmental economic sanctions laws could subject us to adverse media coverage, investigations, severe administrative, civil and possibly criminal sanctions, and expenses related to remedial measures and legal expenses, which could materially and adversely affect our reputation, business, financial condition, results of operations and prospects. In addition, any Chinese companies or individuals targeted under U.S. economic sanctions may lose access to the U.S. markets and the U.S. financial system, including the ability to use U.S. dollars to conduct transactions, settle payments or to maintain correspondent accounts with U.S. financial institutions, U.S. entities and individuals may not be permitted to do business with sanctioned companies and persons, and international banks and other companies may as a matter of law and/or policy decide not to engage in transactions with such company or person.

The unavailability of any preferential tax treatment and government subsidies, as well as unfavorable changes in application tax policy, could adversely affect our business, financial condition and results of operations.

We enjoy certain preferential tax treatment and government subsidies which are offered by relevant Governmental Authorities in the PRC. In 2021, 2022 and 2023, we received government grants of US\$13.1 million, US\$18.3 million and US\$16.2 million, respectively. In addition, according to the Circular of State Administration of Taxation on Issues Concerning Implementation of Preferential Income Tax Treatment for High-Tech Enterprises (《國家稅務總局關於實施高新技術企業所得稅優惠有關問題的通知》) (Guo Shui Han [2009] No. 203) and the Announcement of the State Administration of Taxation on Issues Concerning the Implementation of Preferential Income Tax Policies for High-Tech Enterprises (《國家稅務總局關於實施高新技術企業所得稅優惠政策有關問題的公告》) (Announcement of the State Administration of Taxation [2017] No. 24), Shenzhen Yishi, one of our subsidiaries, is entitled to a preferential tax treatment for High-Tech enterprises at the reduced corporate income tax rate of 15% upon obtaining its High-Tech enterprise qualification for the years from 2020 to 2026. For details on these government subsidies, see “Financial Information — Taxation — PRC”. It is in the sole discretion of the government, subject to applicable PRC laws and regulations, to decide whether and when to provide government subsidies or preferential tax treatment to us. There can be no assurance that we will be able to obtain similar government subsidies or preferential tax treatment on a recurring basis, or at all, in the future. Furthermore, we face uncertainty relating to the availability of government subsidies or preferential tax treatment due to potential unexpected changes in the PRC laws and regulations. If we are unable to obtain or maintain government subsidies or grants or any favorable tax treatment in the future, our business, financial condition and results of operations could be adversely affected.

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Our operating metrics and estimates and market data are subject to inherent challenges in measurement, and real or perceived inaccuracies in those metrics may harm our reputation and negatively affect our business.

We rely on certain key operating metrics, such as GTV, freight platform services monetization rate, fulfilled orders, average merchant MAUs and average carrier MAUs, among others, to evaluate the performance of our business. Our operating metrics may differ from estimates published by third parties or from similarly titled metrics used by other companies due to differences in methodology and assumptions. These metrics are calculated using internal data and are not independently verified by any third party. While these numbers are based on what we believe to be reasonable estimates for the applicable period of measurement, there are inherent challenges in measuring such key metrics, and the methodologies used to measure these metrics may be susceptible to technical errors. If [REDACTED] do not perceive our operating metrics to accurately represent our operating performance, or if we discover material inaccuracies in our operating metrics, our business, financial condition and results of operations may be materially and adversely affected.

This Document contains information and statistics relating to our industry. Such information and statistics have been derived from third-party reports, either commissioned by us or publicly accessible, and other publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. The information has not been independently verified by us, the [REDACTED] or any other party involved in the [REDACTED], and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies.

RISKS RELATED TO OUR CORPORATE STRUCTURE AND THE CONTRACTUAL ARRANGEMENTS

We rely upon structural arrangements to establish control over certain entities, and government authorities may determine that these arrangements do not comply with applicable laws and regulations.

The current industry entry clearance requirements governing the foreign investment activities in the PRC are set out in two categories, namely the Encouraged Industry Catalog for Foreign Investment (2022 version) (《鼓勵外商投資產業目錄(2022年版)》), as promulgated by the NDRC, and the MOFCOM and taking effect on January 1, 2023, and Special Administrative Measures for Foreign Investment Access (Negative List 2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》), or the 2021 Negative List. Industries not listed in these two catalogs are generally deemed “permitted” for foreign investments unless specifically restricted by other PRC laws. According to the 2021 Negative List and other applicable laws and regulations, the industry of value-added telecommunications services (excluding the e-commerce, domestic multi-party communications, storage-forwarding, and call center) generally falls into the restricted category.

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Because we are an exempted company with limited liability incorporated in the Cayman Islands, we are classified as a foreign enterprise under PRC laws and regulations, and our PRC subsidiaries are foreign-invested enterprises, or FIEs. Due to PRC laws and regulations that impose certain restrictions or prohibitions on foreign equity ownership of entities providing value-added telecommunications services we conduct a substantial part of our operations in the PRC through our PRC Consolidated Affiliated Entities, as defined below, which hold certain licenses required to operate our business in the PRC. Our subsidiary, Shenzhen Yishi, has entered into a series of PRC Contractual Arrangements with, among others, the Consolidated Affiliated Entity Holdcos and their shareholder. For a detailed description of these Contractual Arrangements, see “Contractual Arrangements”.

We believe that our corporate structure and the PRC Contractual Arrangements comply with the current applicable PRC laws and regulations. Our PRC Legal Advisor, based on its understanding of the relevant laws and regulations, is of the opinion that each of the agreements under the PRC Contractual Arrangements through which we control the PRC Consolidated Affiliated Entities is valid and legal. However, as there are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, including the PRC Foreign Investment Law (《中華人民共和國外商投資法》), or the FIL and its implementing rules, the PRC Telecommunications Regulations (《中華人民共和國電信條例》) and the relevant regulatory measures concerning the telecommunications industry and other industries we are or will be engaged in, there can be no assurance that the PRC government authorities, including the MOFCOM, the MIIT or other competent authorities would agree that our corporate structure or any of the above PRC Contractual Arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. PRC laws and regulations governing the validity of these PRC Contractual Arrangements are uncertain and the relevant government authorities have broad discretion in interpreting these laws and regulations.

If our corporate structure and PRC Contractual Arrangements are deemed by the MIIT or the MOFCOM or other regulators having competent authority to be illegal, either in whole or in part, we may lose control of our PRC Consolidated Affiliated Entities and have to modify such structure to comply with regulatory requirements. However, there can be no assurance that we can achieve this without material disruption to our business. Further, if our corporate structure and the PRC Contractual Arrangements are found to be in violation of any existing or future PRC laws or regulations, the relevant regulatory authorities would have broad discretion in dealing with such violations, including:

- revoking our relevant business and operating licenses;
- imposing fines on us;
- confiscating any of our income that they deem to be obtained through illegal operations;
- shutting down our relevant services;
- discontinuing or restricting our operations in the PRC;

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- imposing conditions or requirements with which we may not be able to comply;
- requiring us to change our corporate structure and Contractual Arrangements;
- restricting or prohibiting our use of the [REDACTED] from overseas [REDACTED] to finance our PRC Consolidated Affiliated Entities' business and operations; and
- taking other regulatory or enforcement actions that could be harmful to our business.

Furthermore, new PRC laws, rules and regulations may be introduced to impose additional requirements that may be applicable to our corporate structure and the PRC Contractual Arrangements. Occurrence of any of these events could materially and adversely affect our business, financial condition and results of operations. In addition, if the imposition of any of these penalties or requirement to restructure our corporate structure causes us to lose the rights to direct the activities of our PRC Consolidated Affiliated Entities or our right to receive their economic benefits, we would no longer be able to consolidate the financial results of the PRC Consolidated Affiliated Entities in our consolidated financial statements. However, we do not believe that such actions would result in the liquidation or dissolution of our Company, our subsidiaries in China or our PRC Consolidated Affiliated Entities or their respective subsidiaries.

In Indonesia, we carry out certain postal and courier activities through Lalamove Logistik, one of our Consolidated Affiliated Entities. Under the Indonesian laws and regulations, a foreign postal operator is only allowed to provide postal services in Indonesia on the condition that it cooperates with a domestic postal operator through a joint-venture company which is majority-owned (i.e. 51% or above) by the domestic postal operator and minority-owned by the foreign postal operator (i.e. up to 49%). However, the operations of such a joint venture company are restricted within the provincial capitals of Indonesia only, and inter-city operations must only be conducted by domestic postal operators. Given our Indonesian business includes two integrated elements of intra-city services and inter-city services and the Indonesian laws and regulations restricts the foreign shares ownership in postal services business activity, Lalamove Indonesia has cooperated with the Indonesian Registered Shareholders by entering into a series of Contractual Arrangements in relation to their respective financial interests in Lalamove Logistik. The Indonesian Contractual Arrangements enable us to (i) exercise effective financial control over Lalamove Logistik; (ii) receive substantially all of the economic benefits of Lalamove Logistik; and (iii) have an exclusive option to purchase all or part of the equity interests in Lalamove Logistik when and to the extent permitted by Indonesian laws.

We have engaged Hutabarat Halim & Rekan as our Indonesian Legal Advisor, and they are of the opinion that the Indonesian Contractual Arrangements are legally binding and enforceable on the Indonesian Registered Shareholders and comply with all relevant laws and regulations of Indonesia.

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Additionally, the laws and regulations in Thailand also place restrictions on foreign investment in and ownership of entities engaged in a number of business activities. In Thailand, direct foreign ownership in each Thai company operating any foreign restricted business under the Thai Foreign Business Act is limited to be lower than 50% of the total outstanding shares in each such Thai company; provided that greater than 50% of the total outstanding shares is owned by genuine Thai shareholder(s), and such entity would be qualified as a Thai entity under the Thai Foreign Business Act. However, the Thai Foreign Business Act precludes any Thai person or entity from holding any equity interest for or in the interest of any foreigner to circumvent the foreign ownership restrictions, in particular through a nominee structure. Additionally, a Governmental Authority may view some arrangements existing before the restructuring of our Thai entities as possible indications of the use of a nominee structure. If any competent Governmental Authority has officially ruled that there is a nominee structure in any of our Thai entities, any such entity will no longer be qualified as a Thai entity under the Thai Foreign Business Act, and as such, all Thai and foreign shareholders involved in such nominee structure would be subject to criminal liabilities. Therefore, we have restructured the shareholding structure of our Thai entities to eliminate all possible indications of the use of a nominee structure.

We have engaged Kudun & Partners Company Limited as our legal counsel in Thailand, and they are of the opinion that, after the completion of the restructuring, the shareholding structure of our Thai operating entities is in compliance with applicable Thai law. However, the local or national authorities or regulatory agencies in Thailand may reach a different conclusion, which could lead to an action being brought against us by administrative orders or in local courts.

If the authorities of Indonesia, Thailand or other overseas jurisdiction in which we operate find that our contractual or other shareholding arrangements do not comply with their prohibition or restrictions on foreign investment, or if the relevant government otherwise finds that we or any of our subsidiaries are in violation of the relevant laws or regulations or lack the necessary registrations, permits or licenses to operate our businesses in such jurisdictions, they would have broad discretion in dealing with such violations or failures, including:

- revoking the business licenses and/or operating licenses of such entities;
- discontinuing or placing restrictions or onerous conditions on the operations of our Consolidated Affiliated Entities or Thai subsidiaries or on our operations through any transactions between our Company or our subsidiaries, on the one hand, and our Consolidated Affiliated Entities or the Thai subsidiaries, on the other hand;
- imposing fines, prohibiting payments by our Consolidated Affiliated Entities or their shareholders to us as contemplated in the Contractual Arrangements with our Consolidated Affiliated Entities, confiscating income from us, Consolidated Affiliated Entities or Thai subsidiaries or imposing other requirements with which such entities may not be able to comply;

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- imposing criminal penalties, including fines and imprisonment on our Consolidated Affiliated Entities or Thai subsidiaries, their shareholders or directors;
- requiring us to restructure our ownership structure or operations, including but not limited to terminating the Contractual Arrangements with our Consolidated Affiliated Entities and their shareholders, which in turn would affect our ability to consolidate, derive economic interests from, or exert effective control over our Consolidated Affiliated Entities or Thai subsidiaries; or
- restricting or prohibiting our use of the [REDACTED] of this [REDACTED] to finance our business and operations in any of these jurisdictions.

Any of these actions could cause significant disruption to our business operations and severely damage our reputation, which would in turn materially and adversely affect our business, financial condition and results of operations. If any of these occurrences results in our inability to direct the activities of our Consolidated Affiliated Entities or Thai subsidiaries that most significantly impact their economic performance, or prevent us from receiving the economic benefits from these entities, we may not be able to consolidate such entities in our consolidated financial statements in accordance with IFRS Accounting Standards.

Our Contractual Arrangements with our Consolidated Affiliated Entities may result in adverse tax consequences to us.

We could face material and adverse tax consequences if the competent tax authorities determine that our Contractual Arrangements with our Consolidated Affiliated Entities were not made on an arm’s length basis and adjust our income and expenses for tax purposes by requiring a transfer pricing adjustment. A transfer pricing adjustment could adversely affect us by (i) increasing the tax liabilities of our Consolidated Affiliated Entities without reducing the tax liability of our subsidiaries, which could further result in late payment fees and other penalties to our Consolidated Affiliated Entities for underpaid taxes; or (ii) limiting the ability of our Consolidated Affiliated Entities to obtain or maintain preferential tax treatments and other financial incentives.

We rely on Contractual Arrangements with our Consolidated Affiliated Entities and their shareholders to conduct a substantial part of our operations, which may not be as effective as direct ownership in providing operational control.

We rely on Contractual Arrangements with our Consolidated Affiliated Entities and their shareholders to conduct a substantial part of our operations, which may not be as effective as direct ownership in providing operational control. For a description of these Contractual Arrangements, see “Contractual Arrangements”. These Contractual Arrangements may not be as effective as direct ownership in providing us with control over our Consolidated Affiliated Entities. If our Consolidated Affiliated Entities or their shareholders fail to perform their respective obligations under these Contractual Arrangements, our recourse to the assets held by our Consolidated Affiliated Entities is indirect and we may have to incur substantial costs and expend significant resources to enforce such arrangements in reliance on legal remedies available under PRC or Indonesia laws. These remedies

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may not always be effective, particularly in light of uncertainties surrounding such contractual arrangements under the PRC laws. Furthermore, in connection with litigation, arbitration or other judicial or dispute resolution proceedings, assets under the name of any of record holder of equity interest in our Consolidated Affiliated Entities, including such equity interest, may be put under court custody. As a consequence, we cannot be certain that the equity interest will be disposed pursuant to the contractual arrangement or ownership by the record holder of the equity interest.

Particularly in the PRC, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the ultimate outcome of such arbitration should legal action become necessary. In addition, under PRC laws, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in the PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event that we are unable to enforce the PRC Contractual Arrangements in the PRC, or if we suffer significant time delays or other obstacles in the process of enforcing the PRC Contractual Arrangements, it would be very difficult to exert effective control over our PRC Consolidated Affiliated Entities, and our ability to conduct our business and our financial condition and results of operations may be materially and adversely affected.

The shareholders of our Consolidated Affiliated Entities may have potential conflicts of interest with us.

Despite the protection of our interest in the Consolidated Affiliated Entities being covered in the Contractual Arrangements, it is always a possibility that the shareholders of our Consolidated Affiliated Entities (which include, among others, our current employee in the PRC and companies in Indonesia) may differ from the interests of our Company as a whole, as what is in the best interests of our Consolidated Affiliated Entities, including matters such as whether to distribute dividends or to make other distributions to fund our offshore requirement, may not be in the best interests of our Company. These shareholders of our Consolidated Affiliated Entities may breach, or cause our Consolidated Affiliated Entities to breach, the existing Contractual Arrangements we have with them and our Consolidated Affiliated Entities, which would have a material and adverse effect on our ability to effectively have financial control our Consolidated Affiliated Entities and receive economic benefits from them. For example, these shareholders may be able to cause our agreements with our Consolidated Affiliated Entities to be performed in a manner adverse to us by, among other things, failing to remit payments due under the Contractual Arrangements to us on a timely basis. We cannot assure you that when conflicts of interest arise, any or all of these shareholders will act in the best interests of our Company or such conflicts will be resolved in our favor. If we cannot resolve any conflict of interest or dispute between us and these shareholders, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

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If the custodians or authorized users of our controlling non-tangible assets, including chops and seals, fail to fulfill their responsibilities, or misappropriate or misuse these assets, our business and operations may be materially and adversely affected.

Under PRC law, legal documents for corporate transactions, including agreements and contracts such as the leases and sales contracts that our business relies on, are executed using the chop or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with the relevant local branch of the SAMR. We generally execute legal documents by affixing chops or seals, rather than having the designated legal representatives sign the documents. Although we usually utilize chops to execute contracts, the registered legal representatives of our subsidiaries and Consolidated Affiliated Entities have the apparent authority to enter into contracts on behalf of such entities without chops, unless such contracts set forth otherwise.

In order to maintain the physical security of our chops, we generally have them stored in secured locations accessible only to the designated key employees of our legal, administrative or finance departments. Our designated legal representatives generally do not have access to the chops. Although we have approval procedures in place and monitor our key employees, including the designated legal representatives of our subsidiaries and Consolidated Affiliated Entities, the procedures may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our key employees or designated legal representatives could abuse their authority, for example, by binding our subsidiaries and Consolidated Affiliated Entities with contracts against our interests, as we would be obligated to honor these contracts if the other contracting party acts in good faith in reliance on the apparent authority of our chops or signatures of our legal representatives. If any designated legal representative obtains control of the chop in an effort to obtain control over the relevant entity, we would need to have a shareholder or board resolution to designate a new legal representative and to take legal action to seek the return of the chop, apply for a new chop with the relevant authorities, or otherwise seek legal remedies for the legal representative’s misconduct. If any of the designated legal representatives obtains and misuses or misappropriates our chops and seals or other controlling intangible assets for whatever reason, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve while distracting management from our operations, and our business and operations may be materially and adversely affected.

Uncertainties exist with respect to the interpretation and implementation of the newly enacted PRC Foreign Investment Law and its implementing rules and how they may impact our business, financial condition and results of operations.

The Variable Interest Entity, or VIE, structure through contractual arrangements has been adopted by many PRC-based companies, including us, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. The MOFCOM published a discussion draft of the proposed PRC Foreign Investment Law (《中華人民共和國外國投資法(草案徵求意見稿)》) in January 2015, or the 2015 Draft FIL, according to which variable interest entities that are controlled via contractual arrangements would also be deemed as foreign-invested entities, if they are ultimately “controlled” by foreign investors. In March 2019, the PRC National People’s Congress, or the NPC, promulgated the FIL, and in December 2019, the State Council promulgated the Implementing Rules of PRC Foreign Investment Law (《中華人民共和國外商投資法實施條例》), or the Implementing Rules, to further clarify and elaborate the relevant

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provisions of the PRC Foreign Investment Law. The PRC Foreign Investment Law and the Implementing Rules both became effective from January 1, 2020 and replaced the major previous laws and regulations governing foreign investments in the PRC. Pursuant to the PRC Foreign Investment Law, “foreign investments” refer to investment activities conducted by foreign investors (including foreign natural persons, foreign enterprises or other foreign organizations) directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment in other methods as specified in laws, administrative regulations, or as stipulated by the State Council. The PRC Foreign Investment Law and the Implementing Rules do not introduce the concept of “control” in determining whether a company would be considered as a foreign-invested enterprise, nor do they explicitly provide whether the VIE structure would be deemed as a method of foreign investment. However, the PRC Foreign Investment Law has a catch-all provision that includes into the definition of “foreign investments” made by foreign investors in China in other methods as specified in laws, administrative regulations, or as stipulated by the State Council, and as the PRC Foreign Investment Law and the Implementing Rules are newly adopted and relevant government authorities may promulgate more laws, regulations or rules on the interpretation and implementation of the PRC Foreign Investment Law, the possibility cannot be ruled out that the concept of “control” as stated in the 2015 Draft FIL may be embodied in, or the VIE structure adopted by us may be deemed as a method of foreign investment by, any of such future laws, regulations and rules. If any of our PRC Consolidated Affiliated Entities was deemed as a foreign-invested enterprise, or an FIE, under any of such future laws, regulations and rules, and any of the businesses that we operate would be in any “negative list” for foreign investment and therefore be subject to any foreign investment restrictions or prohibitions, further actions required to be taken by us under such laws, regulations and rules may materially and adversely affect our business, financial condition and results of operations. Furthermore, if future laws, administrative regulations or provisions mandate further actions to be taken by companies with respect to existing PRC Contractual Arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure, business, financial condition and results of operations.

We may lose the ability to use and enjoy assets held by our Consolidated Affiliated Entities that are critical to the operation of our business if our Consolidated Affiliated Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.

Our Consolidated Affiliated Entities hold certain assets that may be critical to the operation of part of our business. If the shareholders of our Consolidated Affiliated Entities breach the Contractual Arrangements and voluntarily liquidate the Consolidated Affiliated Entities or their subsidiaries, or if our Consolidated Affiliated Entities or their subsidiaries declare bankruptcy and all or part of their assets become subject to liens or rights of third-party creditors or are otherwise disposed of without our consent, we may be unable to continue some of our business activities, which could adversely affect our business, financial condition and results of operations. In addition, if our Consolidated Affiliated Entities or their subsidiaries undergo involuntary liquidation proceedings, third-party creditors may claim rights to some or all of their assets, thereby hindering our ability to operate part of our business, which could adversely affect our business, financial condition and results of operations.

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Any failure by our Consolidated Affiliated Entities, their respective subsidiaries or shareholders to perform their obligations under our Contractual Arrangements with them would have a material adverse effect on our business.

If our Consolidated Affiliated Entities or their shareholders (which include, among others, our employee and companies) fail to perform their respective obligations under the Contractual Arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies, including seeking specific performance or injunctive relief, and contractual remedies, which we cannot assure you will be sufficient or effective. For example, if the shareholders of our Consolidated Affiliated Entities or our Consolidated Affiliated Entities were to refuse to transfer their equity interests in or assets of our Consolidated Affiliated Entities to us or our designee if we exercise the purchase option pursuant to these Contractual Arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal actions to compel them to perform their contractual obligations.

Our PRC Contractual Arrangements with our PRC Consolidated Affiliated Entities are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. Our ability to enforce these Contractual Arrangements could be limited under PRC law. Meanwhile, there are very few precedents and little formal guidance as to how PRC Contractual Arrangements in the context of a PRC Consolidated Affiliated Entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the ultimate outcome of such arbitration should legal action become necessary. In addition, under PRC law, rulings by arbitrators are final, parties generally cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event we are unable to enforce these PRC Contractual Arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these PRC Contractual Arrangements, we may not be able to exert effective control over our PRC Consolidated Affiliated Entities, and our ability to conduct our business may be negatively affected.

We conduct a substantial part of our business operations in the PRC through our PRC Consolidated Affiliated Entities and their subsidiaries by way of our Contractual Arrangements, but certain of the terms of our PRC Contractual Arrangements may not be enforceable under PRC laws.

All the agreements that constitute our PRC Contractual Arrangements with our PRC Consolidated Affiliated Entities, their respective subsidiaries and shareholders are governed by PRC laws and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these agreements would be interpreted in accordance with PRC laws, and disputes would be resolved in accordance with PRC legal procedures. Our ability to enforce the PRC Contractual Arrangements may be limited under PRC law. If we are unable to enforce the PRC Contractual Arrangements, or if we suffer significant time delays or other obstacles in the process of enforcing them, it would be very difficult to exert effective control over our PRC Consolidated Affiliated Entities and their subsidiaries, and our ability to conduct a part of our business and our financial condition and results of operations may be adversely affected.

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The PRC Contractual Arrangements contain provisions to the effect that the arbitral body specified in them may award remedies over the equity interest, assets or properties of our PRC Consolidated Affiliated Entities, their subsidiaries, and/or shareholders; provide compulsory relief (for example, for the conduct of business or to compel the transfer of assets); or order the winding-up of our PRC Consolidated Affiliated Entities, their subsidiaries, and/or shareholders. These agreements also contain provisions to the effect that courts of competent jurisdiction are empowered to grant interim relief to a party when requested, for the purpose of preserving the assets and properties, or grant enforcement measures, subject to the requirements under PRC laws. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order for the purpose of protecting the assets of or equity interest in our PRC Consolidated Affiliated Entities in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as the Cayman Islands may not be recognizable or enforceable in the PRC. PRC laws may allow the arbitral body to grant an award of transfer of assets of or equity interests in our PRC Consolidated Affiliated Entities in favor of an aggrieved party.

Furthermore, the PRC Contractual Arrangements provide that (i) in the event of a mandatory liquidation required by PRC laws, our PRC Consolidated Affiliated Entities will sell all of their assets to the extent permitted by PRC law to our FIEs, respectively, or the entity designated by them, at the lowest price permitted under applicable PRC laws; and (ii) our PRC Consolidated Affiliated Entities or their respective shareholders will pay to our FIEs, or the entity designated by them any payments they receive from such transaction, and any profits arising from such a transaction shall be paid to our FIEs, or the entity designated by them in satisfaction of the service fees under the exclusive business cooperation agreement. These provisions may not be enforceable under PRC laws in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation.

Therefore, in the event of a breach of any agreements constituting the PRC Contractual Arrangements by the PRC Consolidated Affiliated Entities, their respective subsidiaries and/or shareholders, we may not be able to exert effective control over our PRC Consolidated Affiliated Entities due to the inability to enforce the PRC Contractual Arrangements, which could adversely affect our ability to conduct a part of our business.

If we acquire equity interest and/or assets of the Consolidated Affiliated Entities, this equity interest and/or asset transfer may subject us to certain limitations and substantial costs.

In the PRC, pursuant to the PRC Contractual Arrangements, our FIEs or their subsidiaries have the irrevocable and exclusive right to purchase all or any part of the relevant equity interests in our PRC Consolidated Affiliated Entities from our PRC Consolidated Affiliated Entities' shareholders at any time and from time to time in their absolute discretion to the extent permitted by PRC laws. This equity transfer may be subject to approvals from, filings with, or reporting to competent PRC authorities, such as the MOFCOM, the MIIT, the SAMR, and/or their local competent branches. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax authorities. The equity transfer price to be received by our PRC Consolidated Affiliated Entities under the PRC Contractual Arrangements may also be subject to enterprise income tax, and these amounts could be substantial.

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In Indonesia, a foreign postal operator is prohibited from acquiring shares of an existing Indonesian postal service company, and a foreign postal operator is allowed to own up to 49% of equity interests in an Indonesian postal service company only if such foreign postal operator forms a new joint venture company with an Indonesian postal service company and such joint venture company's operations are restricted within the provincial capitals of Indonesia (i.e. without inter-city operations). Accordingly, in the event of bankruptcy of an Indonesian Registered Shareholder, all of the shares of Lalamove Logistik, our Consolidated Affiliated Entity in Indonesia, registered under the name of such shareholder must be transferred to Lalamove Indonesia (our Affiliated Entity) or a third party designated by Lalamove Indonesia, with the third party being an Indonesian citizen or a legal entity fully owned by Indonesian citizen(s), as set out under the Indonesian Contractual Arrangements and to the extent permitted by the Indonesian laws. Such third party shall hold all the transferred shares based on arrangements that are similar to the Indonesian Contractual Arrangements.

If Lalamove Indonesia or we are unable to procure a third party to replace such Indonesian Registered Shareholder to acquire the respective shares of Lalamove Logistik, and in the event that Lalamove Indonesia or we acquire such shares and become the registered shareholder of Lalamove Logistik, as advised by our Indonesian Legal Counsel, we may violate the current applicable Indonesia laws and regulations that impose restrictions on foreign ownerships and the related postal services, which may result in (i) business licenses of Lalamove Logistik being revoked by the relevant government authority; (ii) the relevant government authority not processing the application for the registration of Lalamove Indonesia or us as the new registered shareholder of Lalamove Logistik and other change in Lalamove Logistik's shareholders composition, directors or commissioners or articles of association; and/or (iii) the aforementioned share transfer being declared null and void by Indonesian courts, in the case that a party applies to the relevant Indonesian courts to nullify and void such share transfer. In addition, such share transfer may also subject us to substantial costs, including professional fees, which may be incurred in connection with the preparation of relevant documentation and filings with respect to the share transfer.

There may be a potential impact to our Company if our PRC Contractual Arrangements with our PRC Consolidated Affiliated Entities, their respective subsidiaries and shareholders are not treated as domestic investments.

If the operation of our businesses conducted through our PRC Consolidated Affiliated Entities is subject to any restrictions pursuant to the 2021 Negative List, or any successor regulations, and the PRC Contractual Arrangements are not treated as domestic investment, the Contractual Arrangements may be regarded as invalid and illegal. If this were to occur, we would not be able to operate the relevant businesses through the PRC Contractual Arrangements and would lose our rights to receive the economic benefits of the PRC Consolidated Affiliated Entities. As a result, we would no longer consolidate the financial results of the PRC Consolidated Affiliated Entities into our financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. If we do not receive any compensation, we would recognize an investment loss as a result of such derecognition.

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We do not have any insurance coverage to cover our risks relating to our Indonesian Contractual Arrangements, may impact our business, financial condition and results of operations.

We have not purchased nor do we maintain any insurance policy to cover any of the risks relating to our Indonesian Contractual Arrangements. In the event that our Indonesian Contractual Arrangements are held or declared to be illegal, invalid or not legally binding, or if we fail to enforce our rights under our Indonesian Contractual Arrangements, or if we fail to seek remedies against the Indonesian Registered Shareholders under our Indonesian Contractual Arrangements, we may not be adequately compensated for our losses, which may materially and adversely affect our business, results of operations and financial condition.

RISKS RELATED TO DOING BUSINESS IN THE GEOGRAPHIC MARKETS IN WHICH WE OPERATE

Changes in the political and economic policies of the geographic markets in which we operate may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.

We operate our business in a number of geographic markets across China, rest of Asia and LatAm. Accordingly, our business, financial condition and results of operations may be influenced to a significant degree by political, economic and social conditions in these markets. The economies in emerging markets generally differ from developed markets in many respects, including the level of government involvement, level of development, growth rate, control of foreign exchange, government policy on public order and allocation of resources. In some of these markets, governments continue to play a significant role in regulating industry development by imposing industrial policies. Some local governments also exercise significant control over the economic growth and public order in their respective jurisdictions through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policies, and providing preferential treatment to particular industries or companies. Governmental actions to control inflation and other policies and regulations have often involved, among other measures, price controls, currency devaluations, capital controls and limits on imports.

Growth of the economy in each of our geographic markets has been uneven, both geographically and among various sectors of the economy. An economic downturn, whether actual or perceived, a further decrease in economic growth rates or an otherwise uncertain economic outlook in our geographic markets or any other market in which we may operate could have a material adverse effect on our business, financial condition and results of operations. Some of these markets have experienced, and may in the future experience, political instability, including strikes, demonstrations, protests, marches, guerrilla activity or other types of civil disorder. These instabilities and any adverse changes in the political environment could increase our costs, increase our exposure to legal and business risks, disrupt our operations or affect our ability to expand our user base.

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Uncertainties with respect to the legal systems of certain of our geographic markets could adversely affect us.

The legal systems in many of our markets vary significantly from jurisdiction to jurisdiction. Some jurisdictions, including China, have a civil law system based on written statutes and others are based on common law. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value.

Many of our markets have not developed a fully integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in such markets. In particular, the interpretation and enforcement of these laws and regulations involve uncertainties, and the application of some of these laws and regulations to our businesses is not settled. Since local administrative and court authorities have significant discretion in interpreting and implementing statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we have in many of the localities in which we operate. Local courts may have broad discretion to reject enforcement of foreign awards or arbitration awards. These uncertainties may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or claims. In addition, the regulatory uncertainties may be exploited through unmerited or frivolous legal actions, claims concerning the conduct of third parties, or threats in attempt to extract payments or benefits from us.

Many jurisdictions in our markets have enacted, and may enact or amend from time to time, laws and regulations governing the distribution of services, advertising, marketing, messages, applications, electronic documents and other content or communications through the internet or on digital platforms. The relevant government authorities may prohibit the distribution of information through the internet that they deem to be objectionable on various grounds, such as public interest or public security, or to otherwise be in violation of local laws and regulations. If any information disseminated through our platforms were deemed by any relevant government authorities to violate content restrictions, we may not be able to continue to display such content and could be subject to penalties, including confiscation of the property used in the non-compliant acts, removal of the infringing content, temporary or permanent blocks, administrative fines, suspension of business, revocation of the registration to act as an electronic systems provider and revocation of required licenses, which could materially and adversely affect our business, financial condition and results of operations.

Furthermore, many of the legal systems in our markets are based in part on government policies and internal rules, some of which are not published on a timely basis or at all and may have retroactive effect. There are other circumstances where key regulatory definitions are unclear, imprecise or missing, or where interpretations that are adopted by regulators are inconsistent with interpretations adopted by a court in analogous cases. As a result, we may not be aware of our violation of certain policies and rules until sometime after the violation. In addition, any administrative and court proceedings in our markets may be protracted, resulting in substantial costs and diversion of resources and management attention.

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In addition, we are subject to various anti-corruption laws that prohibit improper payments or offers of payments to governments and their officials for the purpose of obtaining or retaining business. Our business in these markets involve operations and agreements with third parties, which may experience corruption. We are subject to the risk of unauthorized payments or offers of payments by one of our employees, consultants or agents, as these parties are not always subject to our control. It is our policy to implement safeguards to discourage these practices by our employees, consultants or agents, yet our existing safeguards and any future improvements may prove to be less than effective, and our employees, consultants and agents may engage in conduct for which we might be held responsible. Violations of applicable anti-corruption laws may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition.

It is possible that a number of laws and regulations may be adopted or construed to apply to us in our geographic markets and elsewhere that could restrict our industries. Scrutiny and regulation of the industries in which we operate may further increase, and we may be required to devote additional legal and other resources to addressing this regulation. Changes in current laws or regulations or the imposition of new laws and regulations regarding our industries in our geographic markets may slow the growth of our industries and adversely affect our financial condition and results of operations.

PRC regulations relating to investments in offshore companies by PRC residents may subject our PRC-resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiaries or limit our PRC subsidiaries’ ability to increase their registered capital or distribute profits.

PRC residents are subject to restrictions and filing requirements when investing in offshore companies. The State Administration for Foreign Exchange, or the SAFE, promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37, on July 4, 2014. SAFE Circular 37 requires PRC residents to register with local branches of the SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of investment and financing, with such PRC residents’ legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a “special purpose vehicle”. Pursuant to SAFE Circular 37, “control” refers to the act through which a PRC resident obtains the right to carry out business operation of, to gain proceeds from or to make decisions on a special purpose vehicle by means of, among others, shareholding entrustment arrangement. SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Moreover, failure to comply with the various SAFE registration requirements described above could result in

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liability under PRC law for evasion of foreign exchange controls. According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) or SAFE Circular 13, released on February 13, 2015 by the SAFE, local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37 from June 1, 2015.

We have notified our substantial beneficial owners who we know are PRC residents of their obligations of applications, filings and amendments as required under SAFE Circular 37 and other related rules. Nevertheless, we may not be aware of the identities of all of our beneficial owners who are PRC residents. We do not have control over our beneficial owners and there can be no assurance that all of our PRC-resident beneficial owners will comply with SAFE Circular 37 and subsequent implementation rules, and there is no assurance that the registration under SAFE Circular 37 and any amendment will be completed in a timely manner, or will be completed at all. The failure of our beneficial owners who are PRC residents to register or amend their foreign exchange registrations in a timely manner pursuant to SAFE Circular 37 and subsequent implementation rules, or the failure of future beneficial owners of our Company who are PRC residents to comply with the registration procedures set forth in SAFE Circular 37 and subsequent implementation rules, may subject such beneficial owners or our PRC subsidiaries to fines and legal sanctions. Failure to register or comply with relevant requirements may also limit our ability to contribute additional capital to our PRC subsidiaries and limit our PRC subsidiaries’ ability to distribute dividends to our Company. These risks may have a material adverse effect on our business, financial condition and results of operations.

Any failure to comply with PRC regulations regarding our employee share incentive plan may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or SAFE Circular 7, issued by SAFE in February 2012, employees, directors, supervisors and other management members participating in any stock incentive plan of an overseas publicly [REDACTED] company who are PRC citizens (including Hong Kong, Macau and Taiwan residents) or who are citizens of foreign countries residing in China for a continuous period of not less than one year (collectively, “Circular 7 Participants”), subject to limited exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas [REDACTED] company, and complete certain other procedures. After our Company becomes an overseas [REDACTED] company upon completion of this [REDACTED], we and our Directors, executive officers and other employees who are Circular 7 Participants and who have been granted options may follow SAFE Circular 7 to register with SAFE. We will make efforts to comply with these requirements upon completion of our [REDACTED]. However, there can be no assurance that they can successfully register with SAFE in full compliance with the rules. Failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also limit the ability to make payment under our share incentive plans or receive dividends or sales [REDACTED] related thereto, or our ability to contribute additional capital into our wholly-foreign owned enterprises in China and limit our wholly foreign-owned enterprises’ ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional share incentive plans for our Directors and employees under PRC law.

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The ability of our subsidiaries to distribute dividends to us may be subject to restrictions under the laws of their respective jurisdictions.

We are a holding company, and most of our subsidiaries are located throughout the markets in our region. Part of our primary internal sources of funds to meet our cash needs is our share of the dividends, if any, paid by our subsidiaries. The distribution of dividends to us from the subsidiaries in these markets as well as other markets where we operate is subject to restrictions imposed by the applicable laws and regulations in these markets. See “Regulations”. In addition, although there are currently no foreign exchange control regulations which restrict the ability of our subsidiaries in Thailand, the Philippines and some of our other markets to distribute dividends to us, the relevant regulations may be changed and the ability of these subsidiaries to distribute dividends to us may be restricted in the future.

We may rely to a significant extent on dividends and other distributions on equity paid by our principal operating subsidiaries to fund offshore cash and financing requirements. Any limitation on the ability of our operating subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business.

We are a holding company and rely on dividends and other distributions on equity paid by our principal operating subsidiaries, for our offshore cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our Shareholders, fund inter-company loans, service any debt we may incur outside of China and pay our expenses. When our principal operating subsidiaries and Consolidated Affiliated Entities in the PRC incur additional debt, the instruments governing the debt may restrict their ability to pay dividends or make other distributions or remittances to us. Furthermore, the laws, rules and regulations applicable to our principal operating subsidiaries and Consolidated Affiliated Entities and certain other subsidiaries permit payments of dividends only out of their retained earnings, if any, determined in accordance with applicable accounting standards and regulations. Under PRC laws, rules and regulations, each of our subsidiaries and PRC Consolidated Affiliated Entities is required to set aside at least 10% of its net income each year to fund certain statutory reserves until the cumulative amount of such reserves reaches 50% of its registered capital. These reserves, together with the registered capital, are not distributable as cash dividends. As a result of these laws, rules and regulations, our principal operating subsidiaries and Consolidated Affiliated Entities in the PRC are restricted in their ability to transfer a portion of their respective net assets to their shareholders as dividends, loans or advances. In addition, registered capital and capital reserve accounts are also restricted from withdrawal in the PRC, up to the amount of net assets held in each operating subsidiary.

The distribution of dividends to us from the subsidiaries in the other geographic markets in which we operate is subject to restrictions imposed by the applicable laws and regulations in these markets, which are more fully described in “Financial Information — Dividend”.

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We may be treated as a resident enterprise for PRC tax purposes under the PRC Enterprise Income Tax Law, and we may therefore be subject to PRC enterprise income tax on our global income.

Under the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) and the Regulation on the Implementation of the Enterprise Income Tax Law of China (《中華人民共和國企業所得稅法實施條例》) (collectively, the “PRC EIT Law”), enterprises established under the laws of jurisdictions outside of China with “de facto management bodies” located in China may be considered PRC tax resident enterprises for tax purposes and may be subject to the PRC enterprise income tax at the rate of 25% on their global income. “De facto management body” refers to a managing body that exercises substantial and overall management and control over the production and operations, personnel, accounting and assets of an enterprise. The State Administration of Taxation, or the SAT, issued the Notice Regarding the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or Circular 82, on April 22, 2009, which was most recently amended on December 29, 2017. Circular 82 provides certain specific criteria for determining whether the “de facto management body” of a Chinese-controlled offshore-incorporated enterprise is located in China. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises, not those controlled by foreign enterprises or individuals, the determining criteria set forth in Circular 82 may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises. If we were to be considered a PRC resident enterprise, we would be subject to PRC enterprise income tax at the rate of 25% on our global income. In such case, our profitability and cash flow may be materially reduced as a result of our global income being taxed under the PRC EIT Law. We believe that none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body”.

The M&A Rules and certain other PRC regulations establishing complex procedures for acquisitions could make it more difficult for us to pursue growth through acquisitions in the PRC.

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, and some other regulations and rules concerning mergers and acquisitions established complex procedures and requirements for some acquisitions of Chinese companies by foreign investors, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the PRC Anti-Monopoly Law (《中華人民共和國反壟斷法》) promulgated by the SCNPC which became effective in 2008 requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be cleared by relevant Governmental Authorities before they can be completed. In addition, the Rules on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises

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by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》) issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring a transaction through a proxy or contractual control arrangement.

In addition, some government policies and internal rules in China are not published on a timely basis or at all, and may change from time to time and have a retroactive effect for acquisitions. As a result, during the Track Record Period, we were not and may not be in the future aware of our violation of these policies and rules until after the occurrence of the violation. For example, although under the PRC Anti-Monopoly Law, companies conducting certain investments and acquisitions relating to businesses in China must file with the anti-monopoly enforcement agency, in advance of any transaction where the parties’ revenues exceed certain thresholds and the buyer would obtain control of, or decisive influence over, the other party, there have been very few cases in the past where transactions involving companies with a VIE structure have fulfilled such prior filing requirements, namely filing of notification of concentration of undertaking. However, the enforcement of notification of concentration of undertaking filing requirement by companies with a VIE structure has been strengthening recently. Since 2020, the SAMR has fined companies that acquired or merged with or cooperated with onshore or offshore entities, including those operated through PRC Consolidated Affiliated Entities for failure to file prior notification before conducting the mergers or cooperation transactions. Furthermore, in February 2021, the Anti-Monopoly Committee of the State Council published the Anti-Monopoly Guidelines, which included references to companies with VIE structure within the ambit of SAMR’s merger control review. Any failure or perceived failure to comply with the anti-monopoly laws and regulations, as well as the related government policies and guidance relating to investments in or by us may result in governmental investigations or enforcement actions, litigations or claims against us and could have an adverse effect on our business, financial condition and results of operations.

In the future, we may pursue potential strategic acquisitions that are complementary to our business and operations. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be costly and time-consuming, and any required approval processes, including obtaining approval or clearance from the MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

Dividends paid to our foreign [REDACTED] and gains on the sale of the Shares by our foreign [REDACTED] may be subject to PRC tax.

Under the PRC EIT Law, a 10% PRC withholding tax is applicable to dividends paid to [REDACTED] that are non-resident enterprises, which do not have an establishment or place of business in the PRC or which have such establishment or place of business but the dividends are not effectively connected with such establishment or place of business, to the extent such dividends are derived from sources within the PRC. Any gain realized on the transfer of Shares by such

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[REDACTED] is also subject to PRC tax at a current rate of 10%, if such gain is regarded as income derived from sources within the PRC. If we are deemed a PRC resident enterprise, dividends paid on our Shares, and any gain realized from the transfer of our Shares may be treated as income derived from sources within the PRC and may as a result be subject to PRC taxation. Furthermore, if we are deemed a PRC resident enterprise, dividends paid to individual [REDACTED] who are non-PRC residents and any gain realized on the transfer of Shares by such [REDACTED] may be subject to PRC tax (which in the case of dividends may be withheld at source) at a rate of 20%. Any PRC tax liability may be reduced by an applicable tax treaty. However, if we are considered a PRC resident enterprise, it is unclear whether in practice holders of the Shares would be able to obtain the benefit of income tax treaties or agreements entered into between China and other countries or areas. If dividends paid to our non-PRC [REDACTED], or gains from the transfer of the Shares by such [REDACTED], are deemed as income derived from sources within the PRC and thus are subject to PRC tax, the value of your [REDACTED] in the Shares may decline significantly.

We and our Shareholders face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises or other assets attributed to a Chinese establishment of a non-Chinese company, or immovable properties located in China owned by non-Chinese companies.

On February 3, 2015, the SAT issued the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), or SAT Circular 7. Pursuant to this SAT Circular 7, an “indirect transfer” of assets, including non-publicly traded equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. According to SAT Circular 7, “PRC taxable assets” include assets attributed to an establishment in China, immovable properties located in China, and equity investments in PRC resident enterprises, in respect of which gains from their transfer by a direct holder, being a non-PRC resident enterprise, would be subject to PRC enterprise income taxes. When determining whether there is a “reasonable commercial purpose” of the transaction arrangement, features to be taken into consideration include, without limitation: whether the main value of the equity interest of the relevant offshore enterprise derives from PRC taxable assets; whether the assets of the relevant offshore enterprise mainly consist of direct or indirect investment in China or if its income mainly derives from China; whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable assets have real commercial nature which is evidenced by their actual function and risk exposure; the duration of existence of the business model and organizational structure; the replicability of the transaction by direct transfer of PRC taxable assets; and the tax situation of such indirect transfer and applicable tax treaties or similar arrangements. In respect of an indirect offshore transfer of assets of a PRC establishment, the resulting gain is to be included with the enterprise income tax filing of the PRC establishment or place of business being transferred, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to the immovable properties located in China or to equity investments in a PRC resident enterprise, which is not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax of 10% would apply,

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subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. SAT Circular 7 does not apply to transactions of sale of shares by investors through a public stock exchange where such shares were acquired from a transaction through a public stock exchange. On October 17, 2017, the SAT promulgated the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》), or SAT Circular 37, which became effective on December 1, 2017 and was most recently amended on June 15, 2018. SAT Circular 37, among other things, simplified procedures of withholding and payment of income tax levied on non-resident enterprises.

We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries or investments. Our Company may be subject to filing obligations or taxed if our Company is transferor in such transactions, and may be subject to withholding obligations if our Company is transferee in such transactions under SAT Circular 7 and SAT Circular 37. For transfer of shares in our Company by [REDACTED] that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under SAT Circular 7 and SAT Circular 37. As a result, we may be required to expend valuable resources to comply with SAT Circular 7 and SAT Circular 37 or to request the relevant transferors from whom we purchase taxable assets to comply with these publications, or to establish that our Company should not be taxed under these publications, which may have a material adverse effect on our financial condition and results of operations.

Restrictions on currency exchange may limit our ability to utilize our cash effectively.

A significant portion of our revenue and expenses are denominated in Renminbi, a currency subject to exchange control. The Renminbi is currently convertible under the “current account”, which includes dividends, trade and service-related foreign exchange transactions, but not under the “capital account”, which includes foreign direct investment and loans, including loans we may secure from or for our PRC subsidiaries or PRC Consolidated Affiliated Entities. Currently, our PRC subsidiaries may purchase foreign currency for settlement of “current account transactions”, including payment of dividends to us, by complying with certain procedural requirements. However, the relevant PRC Governmental Authorities may limit or eliminate our ability to purchase foreign currencies in the future for current account transactions. Foreign exchange transactions under the capital account remain subject to limitations and require approvals from, or registration with, the SAFE and other relevant PRC Governmental Authorities. Since a significant amount of our future revenue and cash flow will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to utilize cash generated in Renminbi to fund our business activities outside of the PRC or pay dividends in foreign currencies to our Shareholders, including holders of the Shares, and may limit our ability to obtain foreign currency through debt or equity financing for our PRC subsidiaries and our PRC Consolidated Affiliated Entities.

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PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent us from using the [REDACTED] of this [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries.

In utilizing the [REDACTED] of this [REDACTED], we, as an offshore holding company, are permitted under PRC laws and regulations to provide funding to our PRC subsidiaries, which are treated as foreign-invested enterprises under PRC laws, through loans or capital contributions. However, loans by us to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE and capital contributions to our PRC subsidiaries are subject to the requirement of making necessary registration with competent Governmental Authorities in China.

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or Circular 19, effective on June 1, 2015. According to Circular 19, the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that RMB capital may not be used for the issuance of RMB entrusted loans, the repayment of inter-enterprise loans or the repayment of banks loans that have been transferred to a third party. Although Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within the PRC, it also reiterates the principle that RMB converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether SAFE will permit such capital to be used for equity investments in the PRC in actual practice. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of Circular 19 and Circular 16 could result in administrative penalties. Circular 19 and Circular 16 may significantly limit our ability to transfer any foreign currency we hold, including the net [REDACTED] from this [REDACTED], to our PRC subsidiaries, which may adversely affect our liquidity and our ability to fund and expand our business in the PRC.

On October 23, 2019, SAFE promulgated the Circular of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), or SAFE Circular 28, which permits non-investment foreign-invested enterprises to use their capital funds to make equity investments in China, with genuine investment projects and in compliance with effective foreign investment restrictions and other applicable laws. However, as the SAFE Circular 28 was newly issued, there are still substantial uncertainties as to its interpretation and implementations in practice.

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On April 10, 2020, the SAFE promulgated the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《關於優化外匯管理支持涉外業務發展的通知》), or SAFE Circular 8, under which eligible enterprises are allowed to make domestic payments by using their capital funds, foreign loans and the income under capital accounts of overseas [REDACTED], without providing the evidentiary materials concerning authenticity of each expenditure in advance, provided that their capital use shall be authentic, and conform to the prevailing administrative regulations on the use of income under capital accounts. Considering that SAFE Circular 8 is often principle-oriented and subject to the detailed interpretations by the enforcement bodies to further apply and enforce such laws and regulations in practice, it is unclear how it will be implemented, and there can be high uncertainties with respect to its interpretation and implementation by government authorities and banks.

In light of the various requirements imposed by PRC regulations on loans to, and direct investment in, PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans or future capital contributions by us to our PRC subsidiaries. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiaries when needed. If we fail to complete such registrations or obtain such approvals, our ability to use foreign currency, including the [REDACTED] we received from this [REDACTED], and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

The approval of the CSRC may be required in connection with the the [REDACTED] under the M&A Rules.

The M&A Rules require an overseas special purpose vehicle formed for [REDACTED] purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals to obtain the approval of the CSRC, prior to the [REDACTED] and [REDACTED] of such special purpose vehicle's securities on an overseas stock exchange. The interpretation and application of the regulations remain unclear, and this [REDACTED] may ultimately require approval from the CSRC. If such approval of the CSRC under the M&A Rules is required, it is uncertain how long it will take us to obtain such approval and any failure to obtain or delay in obtaining the approval for this [REDACTED] would subject us to sanctions imposed by the CSRC and other PRC regulatory agencies, which could include fines and penalties on our operations in China, restrictions or limitations on our ability to pay dividends outside of China.

Our PRC Legal Advisor has advised us that, based on its understanding of the current PRC laws and regulations, we are not required to submit an application to the CSRC for the aforementioned approval of the [REDACTED] or the [REDACTED] and [REDACTED] of our Shares on the Stock Exchange under the M&A Rules. However, our PRC Legal Advisor has further advised us that there remains some uncertainty as to how the M&A Rules will be interpreted or implemented and its opinions summarized above are subject to any new laws, rules and regulations or detailed implementations and interpretations in any form relating to the M&A Rules. We cannot assure you that relevant PRC government agencies, including the CSRC, would reach the same conclusion as we

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did, and hence we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies. These regulatory agencies may impose fines and penalties on our operations in China, limit our operating privileges in China, delay or restrict the repatriation of the [REDACTED] from this [REDACTED] into China or take other actions that could have a material adverse effect on our business, financial condition, results of operations and prospects, as well as the [REDACTED] price of the Class B Shares. The CSRC or other PRC regulatory agencies also may take actions requiring us, or making it advisable for us, to halt this [REDACTED] before settlement and delivery of the Class B Shares [REDACTED] hereby. Consequently, if you engage in market [REDACTED] or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur.

Our Hong Kong subsidiary is subject to PRC withholding tax under the New Enterprise Income Tax Law and we may not be able to enjoy the preferential tax rate of 5%.

Under the PRC EIT Law, China-sourced income of foreign enterprises that are “non-PRC resident enterprises” that do not have an establishment or place of business in China or, despite the existence of such establishment or place in China, the relevant income is not actually connected with such establishment or place in China, such as dividends paid by a PRC subsidiary to its overseas parent, is generally subject to a 10% withholding tax unless the jurisdiction of such foreign enterprises has a tax treaty or arrangement with China that provides a different withholding arrangement. However, pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), withholding tax at a reduced rate of 5% may be applicable to dividends payable by PRC resident enterprises to beneficial owners of the dividends that are Hong Kong tax residents which hold at least 25% equity shares of the PRC resident enterprises if certain requirements are met. Based on the Announcement of the State Administration of Taxation on Issues Relating to “Beneficial Owner” in Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》), which was issued on February 3, 2018 and became effective on April 1, 2018, to determine the “beneficial owner” status of a resident of the treaty counterparty who needs to enjoy the tax treaty benefits, a comprehensive analysis shall be carried out in accordance with the factors set out in such announcement, taking into account actual conditions of the specific case. There is uncertainty regarding whether the PRC tax authorities will consider us to be eligible to the reduced tax rate. If the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income is deemed not to apply to dividends payable by our PRC subsidiaries to their respective Hong Kong immediate holding companies that are ultimately owned by us, the withholding tax rate applicable to us will be the statutory rate of 10% instead of 5%, which may potentially impact our business, financial condition, results of operations and growth prospects.

Fluctuations in foreign currency exchange rates may adversely affect our operational and financial results.

We operate in multiple markets, which exposes us to the effects of fluctuations in currency exchange rates as we report our financials and key operational metrics in U.S. dollars. We primarily earn revenue denominated in PRC Renminbi, Hong Kong dollar, Thai baht, Singapore dollar and Philippine Peso among other currencies. We generally incur costs and expenses for employee

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compensation and other operating expenses in the local currencies in the markets in which we operate. From time to time, we may pay acquisition considerations in U.S. dollars. We do not rely on any single currency as we earn revenue in different local currencies across our markets. However, fluctuations in the exchange rates among the various currencies that we use could cause fluctuations in our operational and financial results. Our expenses may become higher and our revenue and operating metrics may become lower than would be the case if exchange rates were stable or if we were operating and reporting in one currency. Movements in foreign currency exchange rates may have a material adverse effect on our results of operations, which may cause our financial and operational metrics reported in U.S. dollars to be not fully representative of our underlying business performance. A significant amount of our revenue and some of our operating metrics such as GTV are denominated in certain local currencies that have been subject to significant volatility in the past. Because fluctuations in the value of these local currencies are not necessarily correlated, our results of operations in any period may be adversely affected by such volatility.

We may enter into derivatives transactions and incur relevant costs from time to time to manage our exposure to exchange rate risk. Such derivatives transactions, while intended to be non-speculative, are designed to protect us against increases or decreases in exchange rates, but not both. If we have entered into derivatives transactions to protect against, for example, decreases in the value of a local currency and such local currency instead increases in value, we may incur financial losses. Such losses could materially and adversely affect our financial condition and results of operations.

It may be difficult for overseas regulators to conduct investigations or collect evidence within China and certain other jurisdictions in which we operate.

Shareholder claims or regulatory investigations generally are difficult to pursue as a matter of law or practicality in the PRC and certain other jurisdictions in which we operate. For example, in China, there are legal and other restrictions with respect to providing information needed for regulatory investigations or litigation initiated outside the PRC. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in the Unities States may not be efficient in the absence of a mutual and practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law (《中華人民共和國證券法》), or Article 177, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. In addition, entities or individuals are prohibited from providing documents and information in connection with any securities transaction activities to any organizations and/or persons abroad without the prior consent of the competent regulatory authorities in China. While detailed interpretation of or implementation rules under Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China may further increase difficulties faced by you in protecting your interests.

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It may be difficult to effect service of process upon us or our management that reside in China or to enforce against them or us in China any judgments obtained from foreign courts.

Most of our operating subsidiaries are incorporated in China. Some of our management reside in China. Almost all of our assets are located in China. Therefore, it may not be possible for investors to effect service of process upon us or our management inside China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》), or the Arrangement, pursuant to which a party with an enforceable final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with an enforceable final judgment rendered by a Chinese court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a Chinese court is expressly designated as the court having sole jurisdiction for the dispute.

On January 18, 2019, the Supreme People's Court and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》), or the New Arrangement, which seeks to establish a mechanism with further clarification on and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong Special Administrative Region and the China. The New Arrangement discontinued the requirements for a choice of court agreement for bilateral recognition and enforcement. The New Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme People's Court and the completion of the relevant legislative procedures in the Hong Kong Special Administrative Region. The New Arrangement will, upon its effectiveness, supersede the Arrangement. Therefore, before the New Arrangement becomes effective it may be difficult or impossible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against our assets or management in China in order to seek recognition and enforcement of judgments by Hong Kong courts in China.

Furthermore, China does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the U.S., the United Kingdom, or most other western countries. Hence, the recognition and enforcement in China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

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On January 9, 2021, the MOFCOM promulgated the Rules on Counteracting Unjustified Extra-territorial Application of Foreign Legislation and Other Measures, pursuant to which, where a citizen, legal person or other organization of China is prohibited or restricted by foreign legislation and other measures from engaging in normal economic, trade and related activities with a third State (or region) or its citizens, legal persons or other organizations, he/it shall truthfully report such matters to the MOFCOM within 30 days. Upon assessment and being confirmed that there exists unjustified extraterritorial application of foreign legislation and other measures, the MOFCOM could issue a prohibition order to the effect that, the relevant foreign legislation and other measures are not accepted, executed, or observed, but such a citizen, legal person or other organization of China may apply to the MOFCOM for an exemption from compliance with such prohibition order. However, since the Order No.1 is relatively new, the enforcement of it involves uncertainty in practice.

RISKS RELATED TO THE WVR STRUCTURE

The concentration of the voting power of our Shares limits our Shareholders’ ability to influence corporate matters.

Our Company will be controlled through weighted voting rights upon completion of the [REDACTED]. Immediately upon the completion of [REDACTED], the WVR Beneficiary will be Mr. Chow. Mr. Chow is expected to have an economic interest in the Company of approximately [REDACTED]%, representing approximately [REDACTED]% of the total voting power in general meetings of the Company (assuming the [REDACTED] is not exercised and the [REDACTED] are completed) with respect to Shareholders’ resolutions relating to matters other than the Reserved Matters. Mr. Chow therefore has significant influence over management and affairs of the Company and over all matters requiring Shareholder approval, including the election of Directors (excluding the appointment, election or removal of any independent non-executive Director) and significant corporate transactions, such as a merger or other sale of our Company or our assets, for the foreseeable future. In addition, because each Class B Share carries only one-tenth of the voting rights of each Class A Share (except as required by applicable law and in relation to the Reserved Matters), the issuance of the Class B Shares, including future stock-based acquisition transactions and employee equity incentive programs, could prolong the duration of the WVR Beneficiary’s ownership of our voting power immediately after the completion of the [REDACTED] and their ability to determine the outcome of most matters submitted to a vote of our Shareholders. For further details about our shareholding structure, see “Share Capital — Weighted Voting Rights Structure”. This concentrated control limits or severely restricts our Shareholders’ ability to influence corporate matters and, as a result, we may take actions that our Shareholders do not view as beneficial. As a result, the [REDACTED] of our Class B Shares could be adversely affected. This concentrated control could discourage others from pursuing any potential merger, takeover, or other change of control transactions that holders of Class B Shares may view as beneficial, and may also discourage, delay, or prevent a change of control of our Company, which could have the effect of depriving our other Shareholders of the opportunity to receive a premium for their Class B Shares as part of a sale of our Company and may reduce the price of our Class B Shares.

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Holders of our Class A Shares may exert substantial influence over us and may not act in the best interests of our other Shareholders.

Following the completion of the [REDACTED], our WVR Beneficiary will be in a position to exert significant influence over the affairs of our Company and will be able to influence the outcome of any Shareholders’ resolutions, irrespective of how other Shareholders vote. The interests of the holders of our Class A Shares may not necessarily be aligned with the interests of our Shareholders as a whole, and this concentration of voting power may also have the effect of delaying, deferring or preventing a change in control of our Company.

RISKS RELATED TO THE [REDACTED] AND OUR SHARES

No public market currently exists for our Shares; an active [REDACTED] market for our Class B Shares may not develop and the [REDACTED] for our Class B Shares may decline or become volatile.

No public market currently exists for our Shares. The initial [REDACTED] for our Class B Shares to the public will be the result of negotiations between our Company and the [REDACTED] (on behalf of the [REDACTED]), and the [REDACTED] may differ significantly from the [REDACTED] of the Class B Shares following the [REDACTED]. We have applied to the Stock Exchange for the [REDACTED] of, and permission to deal in, the Class B Shares. A [REDACTED] on the Stock Exchange, however, does not guarantee that an active and liquid [REDACTED] market for our Class B Shares will develop, or if it does develop, that it will be sustained following the [REDACTED], or that the [REDACTED] of the Class B Shares will not decline following the [REDACTED].

The price and [REDACTED] of our Class B Shares may be volatile, which could lead to substantial losses to [REDACTED].

The price and [REDACTED] of our Class B Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the [REDACTED] of the shares of other companies engaging in similar business may affect the price and [REDACTED] of our Class B Shares. In addition to market and industry factors, the price and [REDACTED] of our Class B Shares may be highly volatile for specific business reasons and other related matters, fluctuations in our revenue, earnings, cash flows, investments and expenditures, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies [REDACTED] on the Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and it is possible that our Class B Shares may be subject to changes in price not directly related to our performance.

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Future sales or perceived sales of our Class B Shares in the public market by major Shareholders following the [REDACTED] could materially and adversely affect the price of our Class B Shares.

Prior to the [REDACTED], there has not been a public market for our Class B Shares. Future sales or perceived sales by our existing Shareholders of our Class B Shares after the [REDACTED] could result in a significant decrease in the prevailing [REDACTED] of our Class B Shares. Only a limited number of the Class B Shares currently outstanding will be available for sale or issuance immediately after the [REDACTED] due to contractual and regulatory restrictions on disposal and new issuance. Nevertheless, after these restrictions lapse or if they are waived, future sales of significant amounts of our Class B Shares in the public market or the perception that these sales may occur could significantly decrease the prevailing [REDACTED] of our Class B Shares and our ability to raise equity capital in the future.

You will incur immediate and significant dilution and may experience further dilution if we issue additional Shares or other equity securities in the future, including pursuant to the share incentive schemes.

The [REDACTED] of the [REDACTED] is higher than the net tangible asset value per Class B Share immediately prior to the [REDACTED]. Therefore, purchasers of the [REDACTED] in the [REDACTED] will experience an immediate dilution in [REDACTED] net tangible asset value. In order to expand our business, we may consider [REDACTED] and issuing additional Shares in the future. Purchasers of the [REDACTED] may experience dilution in the net tangible asset value per Class B Share of their Class B Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time. Furthermore, we may issue Class B Shares pursuant to share incentive schemes, which would further dilute Shareholders' interests in our Company.

We may not be able to pay dividends in the foreseeable future after the [REDACTED].

We may not be able to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an [REDACTED] in our Class B Shares as a source for any future dividend income.

Our Board has complete discretion as to whether to distribute dividends. Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions (if any) received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your [REDACTED] in our Class B Shares will likely depend entirely upon any future price appreciation of our Class B Shares. There is no guarantee that our Class B Shares will appreciate in value after the [REDACTED] or even maintain the price at which you purchased the Class B Shares. You may not realize a return on your [REDACTED] in our Class B Shares and you may even lose your entire [REDACTED] in our Class B Shares.

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We have significant discretion as to how we will use the net [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may spend the net [REDACTED] from the [REDACTED] in ways you may not agree with or that do not yield a favorable return to our Shareholders. For details, see “Future Plans and Use of [REDACTED] — Use of [REDACTED]”. However, our management will have discretion as to the actual application of our net [REDACTED]. You are entrusting your funds to our management, whose judgment you must depend on, for the specific uses we will make of the net [REDACTED] from this [REDACTED].

We are a Cayman Islands company and, because judicial precedent regarding the rights of Shareholders is more limited under the laws of the Cayman Islands than other jurisdictions, you may have difficulties in protecting your Shareholder rights.

Our corporate affairs are governed by our Memorandum and Articles and by the Cayman Companies Act and common law of the Cayman Islands. The rights of Shareholders to take legal action against our Directors and us, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority Shareholders differ in some respects from those established under statutes and judicial precedent in existence in the jurisdictions where minority Shareholders may be located. See “Appendix III — Summary of the Constitution of Our Company and Cayman Islands Company Law”.

As a result of all of the above, minority Shareholders may have difficulties in protecting their interests under the laws of the Cayman Islands through actions against our management, Directors or Substantial Shareholders, which may provide different remedies to minority Shareholders when compared to the laws of the jurisdiction in which such Shareholders are located.

Facts, forecasts and statistics in this Document relating to the industries that we operate may not be fully reliable.

Facts, forecasts and statistics in this Document relating to the industries that we operate in and outside China are obtained from various sources that we believe are reliable, including official government publications as well as a report prepared by Frost & Sullivan that we commissioned. However, we may not be able to guarantee the quality or reliability of these sources. Particularly, neither we, the Joint Sponsors, [REDACTED] nor our or their respective affiliates or advisers have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions relied upon in those facts, forecasts and statistics obtained from official government sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and factual information and other problems, the statistics in this Document relating to the industries that we operate in and outside China may be inaccurate and you should not place undue reliance on them. We make no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon.

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You should read the entire Document carefully, and we caution you not to place any reliance on any information contained in press articles or other media regarding us or the [REDACTED].

Subsequent to the date of this Document but prior to the completion of the [REDACTED], there may be press and media coverage regarding us and the [REDACTED], which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [REDACTED]. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this Document, we disclaim responsibility for them. Accordingly, prospective [REDACTED] are cautioned to make their [REDACTED] decisions on the basis of the information contained in this Document only and should not rely on any other information.

You should rely solely upon the information contained in this Document, the [REDACTED] and any formal announcements made by us in Hong Kong when making your [REDACTED] decision regarding our Class B Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Class B Shares, the [REDACTED] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective [REDACTED] should not rely on any such information, reports or publications in making their decisions as to whether to [REDACTED] in our [REDACTED]. By applying to purchase our Class B Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this Document.

WAIVERS AND EXEMPTION

In preparation for the [REDACTED], we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemption from strict compliance with the Companies (Winding up and Miscellaneous Provisions) Ordinance:

WAIVER IN RELATION TO THE DISCLOSURE REQUIREMENTS WITH RESPECT TO CHANGES IN SHARE CAPITAL

We have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements of paragraph 26 of Appendix D1A to the Listing Rules in respect of disclosing the particulars of any alterations in the capital of any member of our Group within two years immediately preceding the issue of this Document.

We have identified six entities that we consider are the major subsidiaries and Consolidated Affiliated Entities that are of strategical importance to us or have made material contributions to the track record results of our Group (the “**Principal Entities**”, and each a “**Principal Entity**”). The Principal Entities hold all the material assets, intellectual property rights and other major propriety technologies and research and development functions of the Group. For further details, see “History, Development and Corporate Structure — Our Major Subsidiaries and Operating Entities”. Globally, our Group has over 100 subsidiaries and Consolidated Affiliated Entities, across more than 12 different jurisdictions. It would be unduly burdensome for our Company to disclose this information, which would not be material or meaningful to [REDACTED]. By way of illustration, (i) the aggregate revenue of the Principal Entities represented approximately 86.55%, 87.89% and 88.66% of our total revenue, for the years ended December 31, 2021, 2022 and 2023 respectively; (ii) the aggregate net loss of the Principal Entities represented approximately 27% of our net loss for the year ended December 31, 2021; and (iii) the aggregate total assets of the Principal Entities represented approximately 29%, 39% and 49% of our total assets as of December 31, 2021, 2022 and 2023. None of the non-Principal Entities (i) individually contributed more than 5% of the Group’s revenue or total assets during the Track Record Period, or the Group’s net loss for 2021; nor (ii) hold any major assets or intellectual property rights of the Group. Accordingly, we consider that the Principal Entities are representative of our overall operations and financial results, and the remaining subsidiaries and Consolidated Affiliated Entities in our Group are not significant to the overall operations and financial results of our Group.

Particulars of the changes in the share capital of our Company and the Principal Entities have been disclosed in “Statutory and General Information — 2. Changes in the Share Capital of Our Company, Our Major Subsidiaries and Operating Entities” in Appendix IV.

WAIVER AND EXEMPTION IN RELATION TO THE SHARE INCENTIVE PLAN OF THE COMPANY

Rule 17.02(1)(b) of the Listing Rules requires a [REDACTED] applicant to, inter alia, disclose in the document full details of all outstanding options and awards and their potential dilution effect on the shareholdings upon [REDACTED] as well as the impact on the earnings per share arising from the issue of shares in respect of such outstanding options or awards.

WAIVERS AND EXEMPTION

Paragraph 27 of Appendix D1A to the Listing Rules requires a [REDACTED] applicant to disclose, inter alia, particulars of any capital of any member of the group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee, or an appropriate negative statement, provided that where options have been granted or agreed to be granted to all the members or debenture holders or to any class thereof, or to employees under a share option scheme, it shall be sufficient, so far as the names and addresses are concerned, to record that fact without giving the names and addresses of the grantees.

Under Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the document must state the matters specified in Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. Under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the number, description and amount of any shares in or debentures of the company which any person has, or is entitled to be given, an option to subscribe for, together with the particulars of the option, that is to say, (a) the period during which it is exercisable; (b) the price to be paid for shares or debentures subscribed for under it; (c) the consideration (if any) given or to be given for it or for the right to it; and (d) the names and addresses of the persons to whom it or the right to it was given or, if given to existing Shareholders or debenture holders as such, the relevant shares or debentures, must be specified in the document.

As of the Latest Practicable Date, our Company had granted outstanding options and restricted share units ("RSUs") under the Share Incentive Plan to a total of 450 participants to subscribe for an aggregate of 2,486,241 ordinary shares (or [REDACTED] Class B Shares as adjusted after the [REDACTED]), which include:

- (a) outstanding options to 70 grantees (the "Grantee(s)") to subscribe for an aggregate of 1,743,930 ordinary shares (or [REDACTED] Class B Shares as adjusted after the [REDACTED]), representing approximately [REDACTED]% of the total number of Shares in issue immediately after completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised). Among the outstanding options, a connected person of our Company and 69 other Grantees (who are our employees and not Directors or connected persons of the Company) (the "Other Grantees") were granted options to subscribe for 8,295 ordinary shares (or [REDACTED] Class B Shares as adjusted after the [REDACTED]) and 1,735,635 ordinary shares (or [REDACTED] Class B Shares as adjusted after the [REDACTED]), respectively; and
- (b) outstanding RSUs to 411 participants (the "Awardee(s)") underlying an aggregate of 742,311 ordinary shares (or [REDACTED] Class B Shares as adjusted after the [REDACTED]), representing approximately [REDACTED]% of the total number of Shares in issue immediately after completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised). Among the outstanding RSUs, a Director and two other connected persons of our Company were granted RSUs for

WAIVERS AND EXEMPTION

651 ordinary shares (or [REDACTED] Class B Shares as adjusted after the [REDACTED]) and 15,237 ordinary shares (or [REDACTED] Class B Shares as adjusted after the [REDACTED]), respectively. 408 other Awardees (who are our employees and not Directors or connected persons of the Company) were granted RSUs for 726,423 ordinary shares (or [REDACTED] Class B Shares as adjusted after the [REDACTED]).

No awards (including options, RSUs and restricted shares) under the Share Incentive Plan will be further granted upon [REDACTED]. For more details of our Share Incentive Plan, see “Statutory and General information – D. Share Incentive Plan” in Appendix IV. All the Shares to be issued to the ESOP Trust will correspond to awards granted under the Share Incentive Plan with specified grantees prior to the [REDACTED], as required under Chapter 17 of the Listing Rules. In the event that there are Shares in the ESOP Trust which do not correspond to any awards granted under the Share Incentive Plan to specified grantees before the [REDACTED], the Company will cancel such Shares in the ESOP Trust in order to comply with Chapter 17 of the Listing Rules.

Our Company has applied to the Stock Exchange and the SFC, respectively for, (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules; and (ii) a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, on the grounds that strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons:

- (a) since the outstanding options and RSUs under the Share Incentive Plan were granted to a total of 70 Grantees and 411 Awardees, strict compliance with the relevant disclosure requirements to disclose names, addresses, and entitlements on an individual basis in the Document will require a substantial number of pages of additional disclosure that does not provide any material information to the [REDACTED] public and would significantly increase the cost and timing for information compilation and document preparation;
- (b) key information of the outstanding options and RSUs granted under the Share Incentive Plan to the Directors and connected persons of our Company has already been disclosed in “Statutory and General Information — D. Share Incentive Plan” in Appendix IV;
- (c) the key information of the Share Incentive Plan as disclosed in “Statutory and General Information — D. Share Incentive Plan” in Appendix IV is sufficient to provide potential [REDACTED] with information to make an informed assessment of the potential dilution effect and impact on earnings per Share of the options and RSUs granted under the Share Incentive Plan in their [REDACTED] decision making process;
- (d) the disclosure of the personal details of each Grantee and Awardee, including the number of options and RSUs granted and address, may require obtaining consent from all the Grantees and Awardees in order to comply with personal data privacy laws and principles and it would be unduly burdensome for the Company to obtain such consents;

WAIVERS AND EXEMPTION

- (e) given the nature of the business of the Company, it is extremely important for the Company to recruit and retain talents, and the success of the Company's long-term development plan will very much depend on the loyalty and contribution of the Grantees and Awardees, whereas the information relating to the options and RSUs granted to the Grantees and Awardees is highly sensitive and confidential, and disclosure of such information may adversely affect the Company's costs and ability to recruit and retain talents;
- (f) with respect to the Other Grantees and other Awardees, such number of Class B Shares (in aggregate representing only approximately [REDACTED]% of the total issued share capital of our Company immediately following the completion of the [REDACTED], assuming the [REDACTED] is not exercised and the [REDACTED] are completed) is not material in the circumstances of our Company, and the exercise in full of such options and the vesting of such RSUs will not cause any material adverse change in the financial position of our Company; and
- (g) the lack of full compliance with such disclosure requirements will not prevent potential [REDACTED] from making an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group and will not prejudice the interest of the [REDACTED] public.

The Stock Exchange [has granted] us a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix D1A to the Listing Rules on the conditions that:

- (a) the following information will be clearly disclosed in this Document:
 - (i) on individual basis, full details of all the outstanding options and RSUs granted by our Company under the Share Incentive Plan to each of the Directors and connected persons, including all the particulars required under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix D1A to the Listing Rules;
 - (ii) in respect of the outstanding options and RSUs granted by our Company to the Grantees and Awardees other than those referred to in sub-paragraph (i) above:
 - a. the aggregate number of the Grantees and Awardees and the number of Class B Shares subject to the outstanding options and RSUs;
 - b. the consideration paid for and the date of the grant of the options and RSUs; and
 - c. the exercise period and the exercise price for the options;
 - (iii) the dilution effect and impact on earnings per Share upon full exercise of the outstanding options and vesting of the outstanding RSUs granted under the Share Incentive Plan;

WAIVERS AND EXEMPTION

- (iv) the aggregate number of Class B Shares subject to the outstanding options and RSUs granted by our Company under the Share Incentive Plan and the percentage of our Company's issued share capital of which such number represents; and
- (v) a summary of the Share Incentive Plan; and
- (b) the list of all the Grantees and Awardees (including the persons referred to in paragraph (a)(ii) above), containing all details as required under Rule 17.02(1)(b) of and paragraph 27 of Appendix D1A to the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be made available for public inspection in accordance with "Documents Delivered to the Registrar of Companies and Available on Display — Document Available for Inspection" in Appendix V.

The SFC [has granted] to our Company a certificate of exemption under Section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, subject to the conditions that:

- (a) full details of all the outstanding options granted under the Share Incentive Plan to each of the Directors and connected persons of our Company be disclosed in this Document, such details including all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (b) in respect of the outstanding options granted by our Company to the Other Grantees (other than those referred to in sub-paragraph (a)), the following details be disclosed in this Document:
 - (i) the aggregate number of the Other Grantees and the number of Class B Shares subject to the options;
 - (ii) the consideration paid for and the date of the grant of the options; and
 - (iii) the exercise period and the exercise price for the options;
- (c) a list of all the Grantees (including the persons referred to in sub-paragraph (b) above) who have been granted options to subscribe for Class B Shares under the Share Incentive Plan, containing all details as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, be made available for public inspection in accordance with "Documents Delivered to the Registrar of Companies and Available on Display — Document Available for Inspection" in Appendix V; and
- (d) the particulars of the exemption be disclosed in this Document and that this Document will be issued on or before [REDACTED].

Further details of the Share Incentive Plan are set forth in "Statutory and General Information — D. Share Incentive Plan" in Appendix IV.

WAIVERS AND EXEMPTION

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions in respect of the PRC Contractual Arrangements which will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon [REDACTED]. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with (i) the announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the connected transactions under the PRC Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the PRC Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the PRC Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Class B Shares are [REDACTED] on the Stock Exchange, subject to certain conditions. For further details in this respect, see “Connected Transactions”.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

| Name | Address | Nationality |
|-----------------------------------|--|------------------------|
| Executive Directors | | |
| Mr. Chow Shing Yuk (周勝馥) | Flat A, 26/F, Block 1 Imperial Seafront, Imperial Cullinan 10 Hoi Fai Road Tai Kok Tsui Kowloon Hong Kong | Chinese (Hong Kong) |
| Mr. Tam Matthew Wan Bo (譚穩寶) | Flat B, 50/F Sun Tower (Tower 1A), The Arch 1 Austin Road West Tsim Sha Tsui Kowloon Hong Kong | Chinese (Hong Kong) |
| Non-Executive Directors | | |
| Ms. Wang Mengqiu (王夢秋) | No. 1001, Block H11 Longzeyuan Eastern District Huilongguan Town Changping District Beijing China | Chinese |
| Mr. Chang David Shui Kei (張瑞祺) | Flat C, 9/F, Emerald Garden 36 Kotewall Road Mid-levels Hong Kong | Chinese (Hong Kong) |
| Mr. Huang Liming (黃立明) | Flat C, 10/F Sun Tower (Tower 1A), The Arch 1 Austin Road West Tsim Sha Tsui Kowloon Hong Kong | Chinese (Hong Kong) |
| Mr. Guo Shanshan (郭山汕) | Room 2102, No. 16 Lane 883, Shuicheng Road Changning District Shanghai China | Chinese |

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

| Name | Address | Nationality |
|--|--|------------------------|
| Independent Non-Executive Directors | | |
| Mr. Gaw Goodwin (吳繼煒) | House D, The Apex 16 Mount Austin Road The Peak Hong Kong | Chinese (Hong Kong) |
| Dr. Chan Tony Fan-cheong (陳繁昌) | 2875 Bottlebrush DR Los Angeles CA 90077-2011 United States | Chinese (Hong Kong) |
| Mr. Lee Ting Bun Denny (李廷斌) | No. 4 Dianthus Road Yau Yat Chuen Kowloon Hong Kong | Chinese (Hong Kong) |

Further information of the Directors is disclosed in “Directors and Senior Management”.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

Goldman Sachs (Asia) L.L.C.

68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

Merrill Lynch (Asia Pacific) Limited

55/F, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

J.P. Morgan Securities (Far East) Limited

28/F, Chater House
8 Connaught Road Central
Hong Kong

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Legal Advisors to our Company

As to Hong Kong and U.S. laws

Davis Polk & Wardwell

10/F, The Hong Kong Club Building
3A Chater Road
Central
Hong Kong

As to PRC law

King & Wood Mallesons

17th Floor, One ICC, Shanghai ICC
999 Huai Hai Road (M),
Shanghai
China

As to Cayman Islands law

Maples and Calder (Hong Kong) LLP

26th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

As to Indonesia law

Hutabarat Halim & Rekan

Grha HHR Lawyers, Jl. Kawi Raya No. 46A
Guntur - Setiabudi
Jakarta 12980
Indonesia

As to Thailand law

Kudun and Partners Company Limited

34/3 Vivre Langsuan
4th, 5th and 6th Floors
Soi Langsuan, Lumpini
Pathumwan, Bangkok 10330
Thailand

As to the Philippines law

**Romulo Mabanta Buenaventura Sayoc &
de los Angeles**

21st Floor, AIA Tower
8767 Paseo de Roxas
Makati City 1226
The Philippines

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

**Legal Advisors to the Joint Sponsors
and the [REDACTED]**

As to Hong Kong and U.S. laws

Latham & Watkins LLP

18/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

As to PRC law

Haiwen & Partners

2605 Jing An Kerry Center Tower 1
1515 Nanjing West Road
Shanghai 200040
China

Auditor and Reporting Accountant

KPMG

*Certified Public Accountants
Public Interest Entity Auditor registered in
accordance with the Accounting and Financial
Reporting Council Ordinance
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong*

[REDACTED]

Industry Consultant

**Frost & Sullivan (Beijing) Inc.,
Shanghai Branch Co.**

2504, Wheelock Square
1717 West Nanjing Road
Jingan District, Shanghai
China

Compliance Adviser

Somerley Capital Limited

20th Floor, China Building
29 Queen's Road Central
Hong Kong

CORPORATE INFORMATION

| | |
|--|---|
| Registered Office in the Cayman Islands | PO Box 309, Uglan House Grand Cayman, KY1-1104 Cayman Islands |
| Headquarters and Principal Place of Business in Hong Kong | Units 401-412, 4/F, InnoCentre 72 Tat Chee Avenue Kowloon Tong Hong Kong |
| Principal Place of Business in the PRC | 6th Floor, Building G1 Galaxy World, No. 1 Yabao Road Longgang District, Shenzhen Guangdong China |
| Company Website | <u>http://lalatech.com</u> <i>(the information contained on this website does not form part of this Document)</i> |
| Joint Company Secretaries | Mr. Ma Pui Yin (馬沛然) <i>(member of the Hong Kong Institute of Certified Public Accountants)</i> Flat 614, 6/F On Wu House Cheung On Estate NT Hong Kong Ms. Cheng Choi Ha (鄭彩霞) <i>(ACG HKACG)</i> 5/F, Manulife Place 348 Kwun Tong Road Hong Kong |
| Authorised Representatives | Mr. Chow Shing Yuk (周勝馥) Flat A, 26/F, Block 1 Imperial Seafront, Imperial Cullinan 10 Hoi Fai Road Tai Kok Tsui, Kowloon Hong Kong |

CORPORATE INFORMATION

| | |
|--|--|
| | Mr. Ma Pui Yin (馬沛然) Flat 614, 6/F On Wu House Cheung On Estate NT Hong Kong |
| Alternate Authorised Representative | Ms. Cheng Choi Ha (鄭彩霞) 5/F, Manulife Place 348 Kwun Tong Road Hong Kong |
| Audit Committee | Mr. Lee Ting Bun Denny (<i>Chairperson</i>) Mr. Gaw Goodwin Dr. Chan Tony Fan-cheong |
| Remuneration Committee | Mr. Gaw Goodwin (<i>Chairperson</i>) Mr. Lee Ting Bun Denny Dr. Chan Tony Fan-cheong |
| Nomination Committee | Dr. Chan Tony Fan-cheong (<i>Chairperson</i>) Mr. Gaw Goodwin Mr. Lee Ting Bun Denny |
| Corporate Governance Committee | Mr. Lee Ting Bun Denny (<i>Chairperson</i>) Mr. Gaw Goodwin Dr. Chan Tony Fan-cheong |
| ESG Committee | Mr. Lee Ting Bun Denny (<i>Chairperson</i>) Mr. Gaw Goodwin Dr. Chan Tony Fan-cheong |

[REDACTED]

CORPORATE INFORMATION

[REDACTED]

Principal Banks

The Hongkong and Shanghai Banking Corporation Limited

1 Queen's Road Central
Hong Kong

Standard Chartered Bank (Hong Kong) Limited

3/F, Standard Chartered Bank Building
4-4A Des Voeux Road Central
Hong Kong

China Construction Bank (Asia) Corporation Limited

28/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

INDUSTRY OVERVIEW

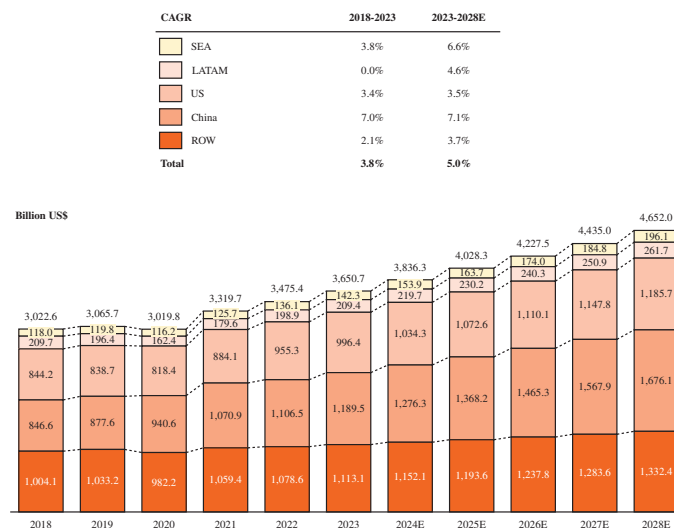
The information and statistics set out in this section and other sections of this Document were extracted from different official government publications, available sources from public market research and other sources from independent suppliers, and from the independent industry report prepared by Frost & Sullivan. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the [REDACTED]. We believe that the sources of the information in this section and other sections of this Document are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. For discussion of risks related to our industry, please see “Risk Factors — Risks Related to our Business and Industry”.

VAST GLOBAL ROAD FREIGHT MARKET

According to Frost & Sullivan, in 2023, around US\$11.0 trillion is spent on logistics and out of that US\$3.7 trillion is attributable to the road freight market. The global road freight market saw a temporary decline of 1.5% year-over-year in 2020 due to COVID-19 impact and weakened economic growth. Nevertheless, the market has been recovering since 2021, and is projected to grow to US\$4.7 trillion by 2028, representing at a CAGR of 5.0% from 2023.

The chart below shows the size of the vast road freight market by major geographies.

Market Size of Global Road Freight Market, 2018-2028E



Source: National Development and Reform Commission (“NDRC”), American Trucking Associations (“ATA”), Association of Southeast Asian Nations (“ASEAN”), World Bank, expert interview, and Frost & Sullivan analysis

INDUSTRY OVERVIEW

Impacts of the COVID-19 Pandemic on the Road Freight Industry

Until recently, the COVID-19 pandemic had materially and adversely affected the global economy and resulted in decline in demand in road freight industry. However, the situation has been significantly improved, and the global economy is witnessing a strong rebound.

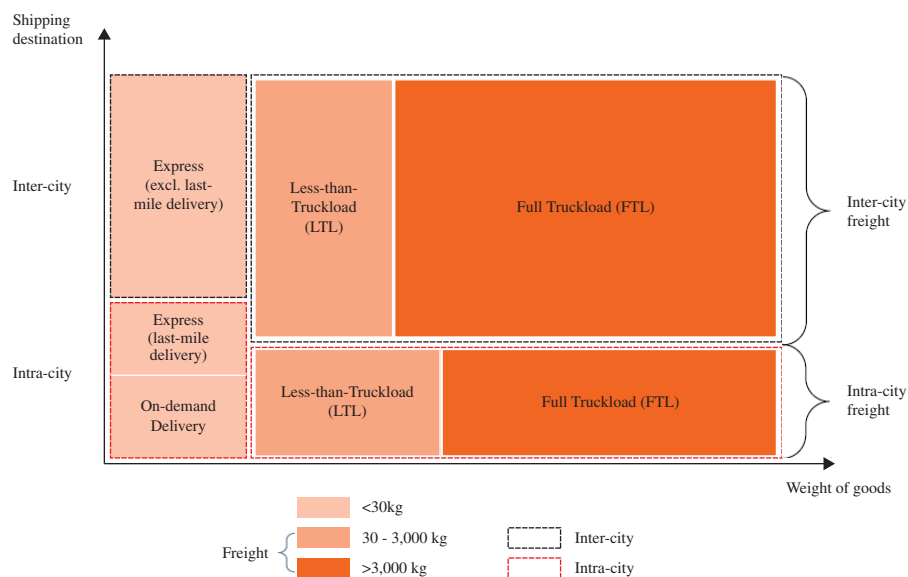
In China, from 2020 to 2022, the COVID-19 pandemic has resulted in negative impacts on the demand of road freight industry and thus temporarily disturbed the market’s growth trajectory. Despite these impacts, the size of China’s road freight market still increased from US\$877.6 billion in 2019 to US\$1.2 trillion in 2023. As the economy is recovering from the COVID-19 pandemic, China’s road freight market is expected to regain a strong growth momentum driven by the increasing business activities and economic rebound.

In the overseas markets, the impact of the COVID-19 pandemic began to moderate in 2021. The size of the Southeast Asian road freight markets decreased by 3.0% to US\$116.2 billion from 2019 to 2020, but quickly increased from US\$116.2 billion in 2020 to US\$142.3 billion in 2023 at a CAGR of 7.0%, driven by a strong recovery in business activities and propelling digitalization of urban retailing services. The size of the LatAm road freight markets dropped by 17.3% to US\$162.4 billion from 2019 to 2020, and recovered to US\$209.4 billion in 2023, which was primarily driven by robust economic recovery from the COVID-19 pandemic.

Market Segmentation of the Road Freight Industry

The road freight market can be divided into different segments, based on weight of goods and shipping destination. Transportation of freight per ticket above 3,000kg is classified as full truckload (FTL), between 30kg and 3,000kg is classified as less-than-truckload (LTL), and below 30kg is classified as express and on-demand delivery. FTL and LTL segments together are defined as the freight segment. Based on the shipping destination, the freight segment can be further divided into intra-city freight and inter-city freight sub-segments. The below table reflects the relative sizes of the respective segments, which is for illustrative purposes only.

Market Segmentation of Road Freight Market

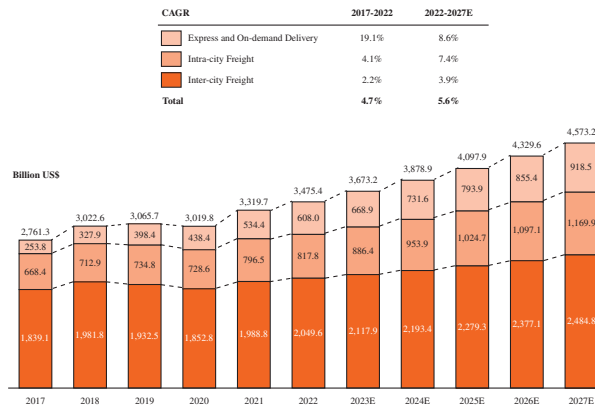


Source: literature review, expert interview, and Frost & Sullivan analysis

INDUSTRY OVERVIEW

The chart below illustrates the steady growth by segments within the global road freight market, driven by continued economic development and urbanization, according to Frost & Sullivan.

Market Size of Global Road Freight Market, 2017-2027E

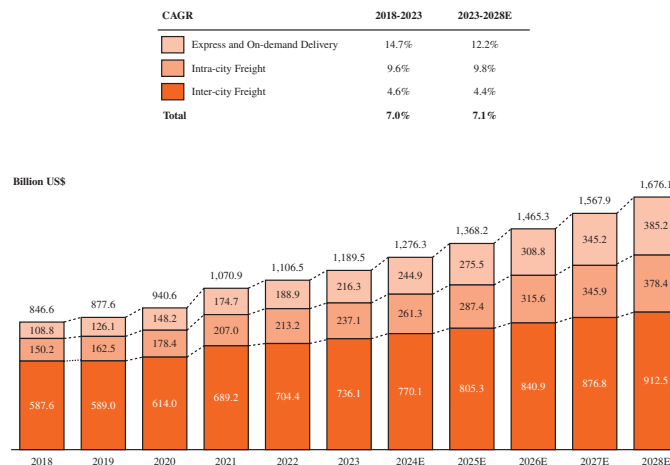


Source: NDRC, ATA, ASEAN, World Bank, expert interview, and Frost & Sullivan analysis

Massive Market Opportunity for Road Freight in China

According to Frost & Sullivan, China’s road freight market is the largest in the world in terms of GTV. It generated US\$1,189.5 billion GTV in 2023, accounting for 32.6% of the global market, and is expected to grow at CAGR of 7.1% between 2023 and 2028. This massive market is built on the largest pool of merchants of approximately 170 million and carriers of approximately 17 million in China. The stacked bar chart below shows the segments of China’s road freight market and its projected growth from 2023 to 2028.

Market Size of China Road Freight Market, 2018-2028E



Source: NDRC, expert interview, and Frost & Sullivan analysis

INDUSTRY OVERVIEW

Intra-city Freight Is an Attractive Market Segment in China

“Intra-city freight” is defined as transportation of freight weighing greater than 30kg within the same city on a point-to-point basis. According to Frost & Sullivan, the intra-city freight segment in China recorded a GTV of US\$237.1 billion in 2023 and is expected to further grow at a CAGR of 9.8% from 2023 to 2028. The intra-city freight segment is filled with growth opportunities:

- *Continuous urbanization and growing disposable income.* According to Frost & Sullivan, China has the largest urban population in the world, with the urbanization rate reached 66.2% in 2023 and expecting to reach 72.3% in 2028. The average urban household disposable income is forecasted to reach US\$9.8 thousand in 2028, up from US\$7.5 thousand in 2023. This leads to stronger purchasing power that stimulates goods consumption and the demand for intra-city freight services.
- *Thriving new retail business models in China.* New retail business models, shaped by the convergence of online and offline retail channels, witnessed a robust growth during the past several years. New retail provides a more convenient retail experience to consumers by creating innovative business forms and placing goods closer to end consumers, especially groceries, fresh produce and other daily consumer products. Such emerging business models increase the demand and frequency of intra-city logistics and call for more flexible, on-demand and faster intra-city freight services. Furthermore, urbanization and increasing population density drive the expansion of convenience store networks in China, which also routinely require intra-city freight services for inventory replenishment.
- *More extensive logistics infrastructure.* In response to consumers’ increasing expectation of rapid goods delivery, logistics players and other merchants are ramping up the density of their warehouse networks in order to shorten the average transportation distance. The concept of the front-end warehouse is increasingly popular as the merchants strive to place products closer to end consumers. As a result, certain inter-city logistics demand is converted into that of intra-city.

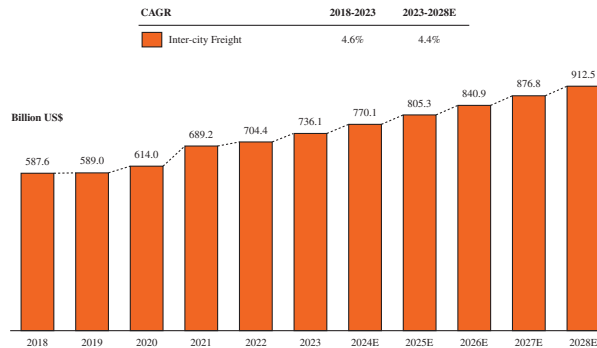
There are two types of merchants in the intra-city freight market, namely enterprise customers and individual customers. Enterprise customers mainly include businesses of all sizes who are usually high-frequency users of freight transportation services. Typically, their average transaction value is higher than that of individual consumers, who mainly use freight services for home moving purposes. Therefore, merchants account for the majority of the GTV generated in such freight transactions.

INDUSTRY OVERVIEW

Inter-city Freight Market Is a Sizeable Adjacent Segment in China

“Inter-city freight” is defined as transportation of freight weighing greater than 30kg between two or more cities on a point-to-point basis. According to Frost & Sullivan, the inter-city freight segment recorded a GTV of US\$736.1 billion in 2023 and is expected to grow steadily at a CAGR of 4.4% from 2023 to 2028. The chart below illustrates the GTV of inter-city road freight in China.

Market Size of China Inter-city Road Freight Market, 2018-2028E



Source: NDRC, expert interview, and Frost & Sullivan analysis

Compared to intra-city, inter-city road freight market typically involves larger vehicles and transaction ticket size per shipping order. Due to larger transaction value and longer travel distances, the inter-city market attracts more freight transportation agents and middlemen throughout the value chain. According to Frost & Sullivan, freight transportation agents and middlemen were involved in approximately 80% of total transactions in the inter-city segment in 2022, compared to 10% for intra-city transactions. The substantial involvement of freight transportation agents and middlemen implies significant room to improve efficiency, user experience and cost savings. If a platform is able to enable carriers to transact directly with merchants instead of through middlemen, there will be more room for the platform to improve its profitability. The table below compares the key characteristics of intra-city and inter-city freight markets.

| | <u>Intra-city Freight</u> | <u>Inter-city Freight</u> |
|--|--|---|
| Major Types of Vehicles | <ul style="list-style-type: none"> • Cargo vans • Trucks with length of 4.3m or shorter | <ul style="list-style-type: none"> • Trucks with length over 4.3m |
| Types of Freight | <ul style="list-style-type: none"> • Small tonnage cargo such as groceries, fresh produces, consumer goods and others, and household items (in the case of home moving) | <ul style="list-style-type: none"> • Large tonnage cargo such as industrial products and raw materials |
| Ticket Size per Shipping Order | Generally less than US\$50 | Generally between US\$50 and US\$1,000 |
| Involvement of Freight Transportation Agents or Middleman | 10% of transactions | 80% of transactions |

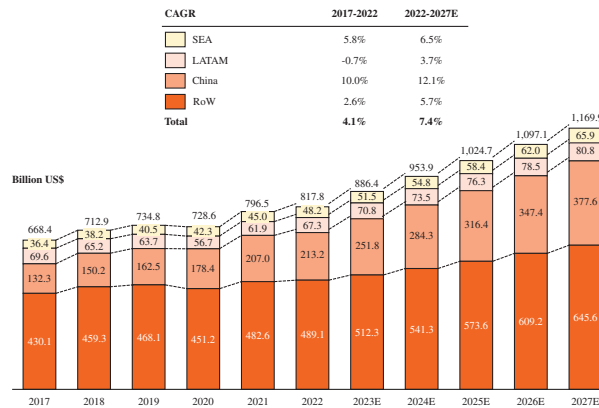
Source: literature review, expert interview, and Frost & Sullivan analysis

INDUSTRY OVERVIEW

COMPELLING INTRA-CITY ROAD FREIGHT MARKET OUTSIDE CHINA

According to Frost & Sullivan, the overseas intra-city road freight market (excluding China) was approximately three times that of China in 2022 in terms of GTV. Southeast Asia and LatAm combined recorded a GTV of US\$115.5 billion in 2022, which is expected to grow at a CAGR of 4.9% to US\$146.7 billion in 2027.

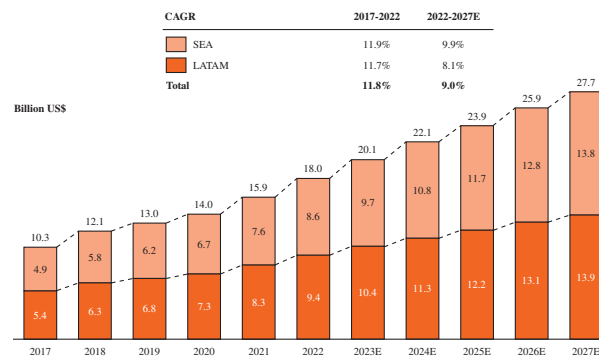
Market Size of Global Intra-city Road Freight Market, 2017-2027E



Source: NDRC, ATA, ASEAN, World Bank, expert interview, and Frost & Sullivan analysis

In developing overseas markets like Southeast Asia, the Company introduced intra-city last-mile express and on-demand delivery service which target small goods (<30kg) and are typically delivered through two-wheelers. In 2022, the intra-city last-mile express and on-demand delivery market in the Southeast Asia and LatAm reached a size of US\$18.0 billion and is forecasted to grow at a CAGR of 9.0% to US\$27.7 billion in 2027, according to Frost & Sullivan.

Market Size of SEA and LatAm Intra-city On-demand Delivery and Express Last Mile Market, 2017-2027E



Source: ASEAN, World Bank, and Frost & Sullivan analysis

INDUSTRY OVERVIEW

Currently the overseas road freight markets of developing regions, such as Southeast Asia and LatAm, are mostly underserved with low efficiency due to the lack of technology-driven service providers. The infrastructure is underdeveloped with limited established digital platforms or large truck fleet operators.

Compared to the freight market, the delivery market typically involves two-wheelers and smaller transaction ticket size per shipping order. Despite the strong market presence of the two-wheelers delivery, in recent years, the overseas road freight markets have witnessed a growing demand for the four-wheelers freight option. The table below summarizes the key characteristics of the freight market and the delivery market, respectively.

| | Freight | Delivery |
|--------------------------------|---|----------------------|
| Major Types of Vehicles | Four-wheelers | Two-wheelers |
| Major Customer Types | Merchants including all sizes of businesses | Individual consumers |

Source: literature review, expert interview, and Frost & Sullivan analysis

PAIN POINTS IN THE GLOBAL ROAD FREIGHT INDUSTRY

The global road freight industry has been facing the following major pain points:

- *Fragmented demand and supply.* Carriers and merchants in many geographical markets are highly fragmented, resulting in a time-consuming process for freight matching. It gives rise to reliance on middlemen, especially for inter-city transactions, leading to unnecessary layers of communication, higher transaction costs and lack of price transparency. For example, individual truck owners and small fleet operators (who own less than five trucks) accounted for approximately 90% and approximately 85% of the total available carriers in Mainland China and Southeast Asia, respectively, compared to approximately 40% in the U.S. according to Frost & Sullivan. On the demand side, more than 30% of the GTV of intra-city freight segment in China in 2022 was attributable to SMEs, which represented a population of more than 120 million businesses.
- *Low vehicle utilization.* The utilization rate of vehicles and the income of the carriers have significant room for improvement. According to Frost & Sullivan, approximately 35% of the total miles driven in China, and approximately 40% of the miles driven in both Southeast Asia and LatAm are empty miles, respectively, which are notably higher than the approximately 12% in the U.S.
- *Increasing demand for on-demand freight services.* Merchants increasingly need to arrange their transportation and delivery efficiently to meet the expectations of their end customers. Consumers nowadays expect rapid delivery especially for online purchases, which puts significant pressure on merchants to move goods more quickly between warehouses. An increasing number of companies are adopting an agile supply chain approach, in order to reduce the levels of required inventory and working capital. As a result, there is a more acute need for on-demand transportation to minimize the out-of-stock situations and lost sales.

INDUSTRY OVERVIEW

- *Lack of mutual trust.* Merchants often hesitate to use new carriers as they are concerned about the potential risks of mishandling and damaging goods, which led to higher communication costs to find a reliable carrier. Carriers, on the other hand, are often reluctant to deal with unfamiliar merchants whose financial capacity and credibility is unclear.

These pain points are in general more acute for the intra-city market segment than the inter-city segment, due to:

- *Higher levels of fragmentation of carriers.* According to Frost & Sullivan, more than 90% of carriers in the intra-city segment are individual truck owners in China, Southeast Asia and LatAm, higher than that of the inter-city segment.
- *SME merchants relying more on transportation outsourcing than large enterprises.* In China, Southeast Asia and LatAm, more than 95% SME merchants do not have captive trucks and rely on transportation outsourcing, notably higher than that of 50% for large enterprise merchants in 2022, according to Frost & Sullivan.
- *Higher time sensitivity.* Users’ expectation for faster delivery within a city leads to more on-demand logistics requests. The intra-city segment therefore has a stronger urge to identify a solution.

EMERGENCE OF LOGISTICS TRANSACTION PLATFORMS

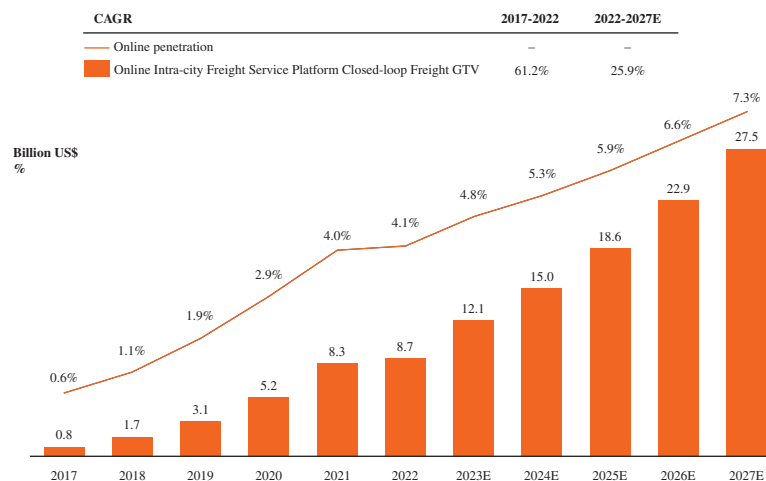
In recent years, digital platforms for road freight services have emerged. These platforms facilitate the seamless connection between merchants and carriers. They effectively address the pain points in the industry and are rapidly growing.

On such platforms, merchants have instant access to a large pool of carriers and can reduce waiting time. Various vehicle types are offered to meet the needs of merchants under different scenarios (e.g., transportation of different products). Likewise, carriers can easily identify the best routes that fit into their schedule to increase the utilization rate of their vehicles and generate more income. As a result, both merchants and carriers can make informed decisions based on fair and transparent pricing set by the platforms. In addition, AI-empowered self-learning algorithms constantly improve the efficiency of order matching and dispatching, translating into better user experience. Profiles and reviews of the merchants and carriers are also available to enhance mutual trust and improve transaction transparency and security.

INDUSTRY OVERVIEW

According to Frost & Sullivan, currently, the online penetration of road freight industry globally remains relatively low, and there is tremendous potential for growth. Only 1.9% of road freight GTV was facilitated through digital platforms in 2022. The online penetration rate is expected to increase rapidly to reach 2.7% in five years. For the intra-city freight market in China, the online penetration rate is expected to increase even faster from only 4.1% in 2022 to 7.3% in 2027, according to Frost & Sullivan. The online penetration rate for the intra-city freight market in China remained stable from 2021 to 2022, as certain industry players strategically shifted their focuses to other types of road freight services or slowed their efforts to expand their intra-city freight services due to the evolving regulatory environment and the impacts of the COVID-19 pandemic. Nonetheless, as a pioneer and leader in this market, the Company has been a key player driving the market growth.

Market size of China Online Intra-city Freight Service Platform and Penetration Rate to Entire Intra-city Freight Market, in terms of Closed-loop Freight GTV, 2017-2027E



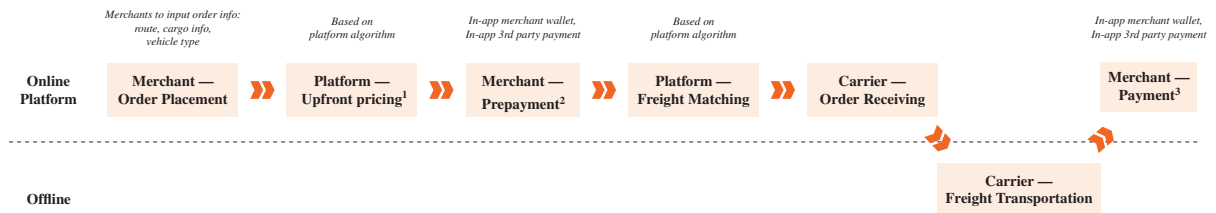
Source: Literature Research, Expert Interview and Frost & Sullivan Analysis

There are different types of digital platforms, mainly including information listing platforms and closed-loop transaction platforms. A closed-loop transaction platform is able to facilitate the end-to-end process from order placement, pricing determination, prepayment, freight matching, and order tracking to confirmation of payment settlement. Throughout the entire transaction cycle, it can generate valuable insight that can be analyzed and used to improve service quality and efficiency of the platform. As a result, closed-loop transaction platforms are better positioned to address industry pain points and capture the values generated from the opportunities. In contrast, pure information listing platforms typically only provide a listing venue for shipping orders where freight requests and contacts of carriers and merchants are displayed, with no or very limited support for key aspects of road freight transactions, such as price determination and settlement, which have to be completed offline.

INDUSTRY OVERVIEW

Below are flow charts illustrating transaction flows on closed-loop platforms as compared to those on traditional information listing platforms:

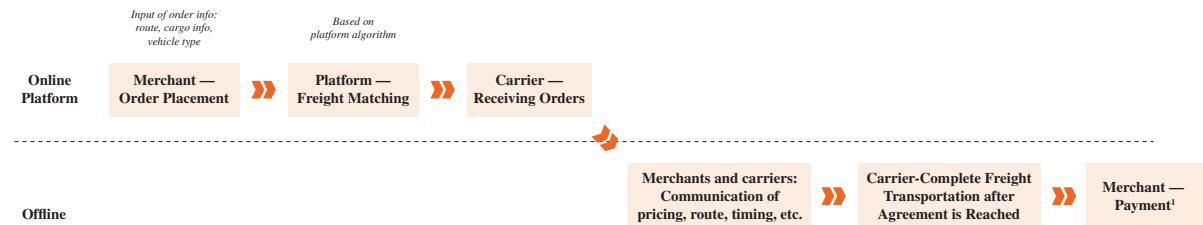
Transaction Flow of Closed-loop Platforms



Notes:

1. Upfront pricing is the primary pricing mechanism for a closed-loop platform, while as an alternative under certain circumstances, the platform also allows direct negotiation between carriers and merchants.
2. Subject to user’s choice, the payment could be made post the delivery of freight but most users choose pre-paid mode.
3. If the payment is made upfront, such payment can be precisely tracked as it is completed on the platform, and the platform can charge the relevant users fees based on the value of their freight transaction orders.

Typical Transaction Flow of Traditional Information Listing Platforms



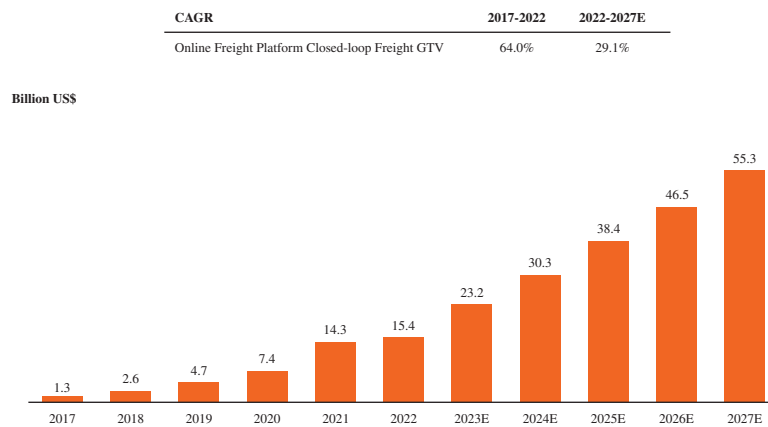
Note:

1. Most payment is done offline and the platform is unable to track them.

Closed-loop transaction platforms usually enjoy higher user stickiness and stronger monetization potential. According to Frost & Sullivan, in 2022, 23.8% of online road freight GTV globally was attributable to closed-loop transactions. According to the same source, this figure rose to 24.7% in the first half of 2023. On the other hand, over 90% of the transactions completed through our platform in 2022 were closed-loop transactions, which is considerably higher than the industry average.

INDUSTRY OVERVIEW

Market size of Global Online Freight Service Platform, in terms of Closed-loop Freight GTV, 2017-2027E



Source: Literature Research, Expert Interview and Frost & Sullivan Analysis

Building a “closed-loop” platform does not take place overnight. Operating a “closed-loop” platform at scale across geographic locations is technologically and operationally challenging, and requires significant long-term investment, accumulation of operational insight and know-how and continuous technology iteration over time. Traditional freight listing platforms often fail to capture data for the whole transaction as a large part of the transaction and the communication process is completed offline. As a result, freight and transaction data has been buried in “information silos” and cannot flow seamlessly across the freight-matching and delivery process. This further requires significant initial investments and continued efforts in building the technology, infrastructure and capabilities needed to break these information silos so that data generated across various freight-matching and delivery steps can all be integrated and fed into a common set of sophisticated algorithms to produce meaningful actionable data insight that cannot be offered by pure freight listing platforms. For example, the accurate determination of freight charges has traditionally been a challenging if not the most challenging part of the transaction for both carriers and merchants, which leads to a large number of disputes. Unlike information listing platforms that simply post freight listings with less support on automatic price determination and settlement, many closed-loop platforms offer data-powered pricing tools to automatically calculate estimated freight costs based on a myriad of factors, including inputs from the order placement and freight-matching phases, such as route distance and vehicle types selected by the merchants. In addition, a major benefit of transacting on a closed-loop platform for merchants is that they can track in-transit and delivery details in real time, which requires the development and integration of a number of cutting-edge technology, such as IoT and big data analytics. These technological and operational complexities have given closed-loop platforms significant first-mover advantages against their competitors seeking to deliver a similar level of closed-loop experience.

INDUSTRY OVERVIEW

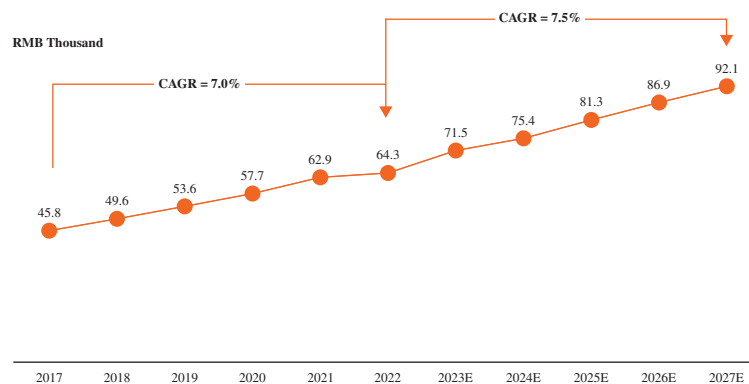
VALUE-ADDED SERVICES OFFERING ADDITIONAL MONETIZATION OPPORTUNITIES

Along with the road freight transportation, there is increasing demand for other value-added services, which offer logistics transaction platforms extra avenues of monetization. For example, vehicle sales and leasing services are popular types of value-added services offered to carriers and this market recorded a GTV of US\$154.0 billion in 2022 in China according to Frost & Sullivan. Other value-added services for carriers include energy services and credit solutions.

PRICE ANALYSIS OF LABOR

Labor cost is the major cost component for companies in the internet technology industry. Driven by steady economic growth and continuous urbanization efforts, the average annual salary of urban employees in China’s private sector experienced continuous growth and reached RMB64.3 thousand in 2022, representing a CAGR of 7.0% from 2017. Going forward, it is expected that the macro economy will continue to grow in China, which will be primarily driven by large-scale capital investments and rapid productivity growth as a result of continuous technological advancements. The average annual salary of urban employees is expected to maintain an upward trend and reach RMB92.1 thousand in 2027, constituting a CAGR of 7.5% from 2022, as illustrated in the below chart.

Average Annual Salary of Urban Employees in China, Private Sector, 2017-2027E



Source: Literature review, expert interview, and Frost & Sullivan analysis

KEY SUCCESS FACTORS

According to Frost & Sullivan, the key success factors of a logistics transaction platform include:

- *Scale and network effects.* For logistics transaction platform, the growth of the user base for both merchants and carriers is self-reinforcing due to the network effect. The larger the network, the higher the values that a platform can create in terms of efficiency and optionality. It therefore forms a competitive moat.

INDUSTRY OVERVIEW

- *Closed-loop transaction capabilities.* Closed-loop capabilities are essential for accumulating data from the entire transaction cycle and leveraging data analytics to optimize service offerings. Besides, it brings larger potential for monetization.
- *Brand recognition and user mindshare.* By offering high-quality services to platform users and addressing their pain points, a platform can enhance its brand recognition and mindshare among users. It translates into wallet share gain on existing users and word-of-mouth referral for new user acquisition with minimal selling and marketing spending.
- *Operational know-how.* Operational know-how is important for identifying high-value users on the platforms and keeping them engaged. It is also critical for platforms to adopt customized and innovative user acquisition and pricing strategy across different geographic regions.
- *Technology and data capabilities.* Cutting-edge technology such as IoT and big data analytics can help platforms to improve their algorithm. Advanced algorithm typically leads to higher freight-matching efficiency and better understanding of various users’ needs.
- *Diversified service offerings.* Platforms that can offer a comprehensive suite of products can enhance user stickiness. For example, a merchant would prefer a platform that can cover both their intra-city and inter-city logistics needs. Carriers tend to choose one-stop, integrated platforms that offer not only freight-matching services but also value-added services such as vehicle sales and leasing and energy and other aftermarket services.

MARKET DRIVERS

- *Favorable policies.* The Chinese government has introduced multiple favorable policies and incentives in recent years to support the digitalization of road transportation industry as part of its commitment to promote digital and platform economy. The *14th Five-Year Plan for the Development of the Digital Economy* promulgated by the PRC government in early 2021 provides a detailed roadmap for digitalization, while recent government policies encourage healthy platform economy growth.
- *Advancement of new technologies that further improve online freight platforms’ operation efficiency.* Cutting-edge technologies such as IoT, cloud computing, and AI are rapidly advancing, which will further enhance efficiency and service quality of online freight platforms. The integration of these technologies will lead to higher efficiency of freight matching, pricing accuracy, and order dispatching.

INDUSTRY OVERVIEW

ENTRY BARRIERS

- *Network effects and economics of scale.* An important entry barrier is network effects and economics of scale. Network effects refer to the incremental and exponential benefit gained from new users that join the platform. A leading logistics transaction platform that connects tens of millions of carriers, merchants, and individual users will create higher value for all stakeholders by providing diversified services to the demand side and stable income to the carrier side. This effect will bring the platform higher user stickiness and greater attractiveness to potential new users, forming a high barrier for smaller platforms or new entrants. Building network effects are particularly difficult for online freight platforms due to the local nature of freight services. Even if a platform has achieved network effects within a specific region, it does not necessarily mean that it will be able to replicate those effects in other regions, because the freight transportation industry is highly localized and often operates on a city-by-city basis. Different regions have different transportation needs, regulations, and market conditions, which can make it difficult for a platform to gain traction in a new region.
- *Extensive sector insights and operational know-how to address industry pain points.* The lack of extensive sector insights and operational know-how is a major market barrier for an online freight platform because the freight transportation industry is complex and highly specialized. To be successful, a freight platform needs to have a deep understanding of the road freight industry, including the unique needs and pain points of different types of merchants and carriers, as well as the operational know-how needed to develop suitable services and create superior user experience.
- *Brand recognition and user mindshare.* Brand recognition and mindshare are also a major market entry barriers for online freight platforms because the freight transportation industry is highly competitive and heavily reliant on reputation and trust. Established players in the industry have already built up brand recognition and user mindshare, making it difficult for new entrants to gain traction and attract users. Building brand recognition and user mindshare requires time, resources, and a unique value proposition that sets a new entrant apart from established players.
- *Continuous investment in and successful application of cutting-edge technologies.* Continuous investment in and successful application of cutting-edge technologies is critical to maintaining a competitive edge. New technologies such as IoT, AI, and cloud computing require massive data accumulation and intensive and ongoing investment, but their successful application can significantly strengthen a platform’s competitiveness. Therefore, successful logistics transaction platforms must be willing to invest in and adopt these technologies to stay ahead of the competition.

INDUSTRY OVERVIEW

CHALLENGES FACED BY LOGISTICS TRANSACTION PLATFORMS

The freight market faces several market challenges and threats that could impact the success of logistics transaction platforms.

- *More intense competition.* One of the most significant threats is the prospect of more intense competition. As leading logistics transaction platforms expand their focus to include inter-city and intra-city freight segments, they will increasingly compete with each other across all segments. This will create more intense competition in the market and make it harder for new entrants to gain a foothold.
- *Higher operational safety and compliance requirements.* Another significant challenge is the need to continuously improve operational safety and compliance. Logistics transaction platforms connect a large number carriers and users, making it essential to guarantee transportation safety and ensure compliance with regulations. Addressing these issues will be a critical factor in the successful development of the platform in the future. Effective solutions that improve safety and compliance will help to build trust and credibility with merchants and carriers and enhance the platform’s long-term viability.

COMPETITIVE LANDSCAPE

The Company is equipped with all the above key success factors and became the largest logistics transaction platform in the world by closed-loop freight GTV in the first half of 2023 with a market share of 44.0%, well ahead of its major competitors, according to Frost & Sullivan. The top six players in aggregate accounted for 72.0% of the market share in the first half of 2023. The table below sets forth ranking of logistics transaction platforms globally in terms of closed-loop freight GTV in the first half of 2023.

| Ranking | Platform | Introduction | GTV | Market Share |
|-----------|--------------------|--|----------------------|--------------|
| | | | <i>(USD Million)</i> | |
| 1 | The Company | A leading logistics transaction platform with a global footprint | 3,927.3 | 44.0% |
| 2 | Company A | Launched in 2017, Company A is a US based freight transaction platform under a US listed car hailing company, who mainly provides a mobile application that helps truck drivers connect with shipping companies. | 803.7 | 9.0% |
| 3 | Company B | Founded in 2015, Company B is a US based private company operating a freight transaction platform focusing on the full-truck load market, with presence mainly in North American market | 678.0 | 7.6% |

INDUSTRY OVERVIEW

| Ranking | Platform | Introduction | GTV (USD Million) | Market Share |
|-----------|--------------|---|----------------------|-----------------|
| 4 | Company C | Founded in 2015, Company C is a China based road freight transportation platform currently providing long-haul trucking logistics services to enterprises and third-party logistics firms through web and mobile applications | 505.1 | 5.7% |
| 5 | Company D | Launched in 2020, Company D is a China based intra-city freight transaction platform under a Chinese leading mobility service platform | 307.5 | 3.4% |
| 6 | Company E | A Hong Kong listed, Asia based online intra-city logistics platform, currently operates in more than 360 cities across six countries and regions in Asia, including mainland China, Hong Kong, Singapore, Korea, India and Vietnam. | 203.3 | 2.3% |
| | Others | – | 2,495.0 | 28.0% |
| | Total | – | 8,919.9 | 100.0% |

Source: literature review, expert interview, and Frost & Sullivan analysis

The peer companies are presented in the table under code names as the GTV used in the ranking above is non-public information. It was estimated based on Frost & Sullivan’s primary interviews and calculations, and neither we nor Frost & Sullivan has obtained consent from such peer companies for disclosing the GTV information.

The major logistics transaction platforms in terms of closed-loop freight GTV in the world mainly consists of the Company, Convoy, Didi Freight, For-U Smart Freight, GOGOX and Uber Freight.

INDUSTRY OVERVIEW

The table below sets forth ranking of logistics transaction platforms in China in terms of closed-loop freight GTV in the first half of 2023.

| Ranking | Platform | Introduction | GTV <i>(USD Million)</i> | Market Share <i>(%)</i> |
|-----------|--------------------|--|-----------------------------|-------------------------------|
| 1 | The Company | A leading technology-empowered logistics transaction platform with a global footprint | 3,634.5 | 61.0% |
| 2 | Company C | Founded in 2015, Company C is a China based road freight transportation platform currently providing long-haul trucking logistics services to enterprises and third-party logistics firms through web and mobile applications | 505.1 | 8.5% |
| 3 . . . | Company D | Launched in 2020, Company D is a China based intra-city freight transaction platform under a Chinese leading mobility service platform | 307.5 | 5.2% |
| 4 . . . | Company E | A Hong Kong listed, Asia based online intra-city logistics platform, currently operates in more than 360 cities across six countries and regions in Asia, including mainland China, Hong Kong, Singapore, Korea, India and Vietnam | 111.8 | 1.9% |
| | Others | – | 1,401.1 | 23.5% |
| | Total | – | <u>5,960.0</u> | <u>100.0%</u> |

Source: literature review, expert interview, and Frost & Sullivan analysis

The peer companies are presented in the table under code names as the GTV used in the ranking above is non-public information. It was estimated based on Frost & Sullivan’s primary interviews and calculations, and neither we nor Frost & Sullivan has obtained consent from such peer companies for disclosing the GTV information.

The major logistics transaction platforms in terms of closed-loop freight GTV in China primarily include the Company, Didi Freight, For-U Smart Freight and GOGOX.

According to Frost & Sullivan, the Company is the largest intra-city logistics transaction platform in the world in terms of closed-loop freight GTV in the first half of 2023. The Company is also the world’s largest logistics transaction platform in terms of merchants MAUs in the first half of 2023, and the largest logistics transaction platform globally in terms of number of fulfilled orders in the first half of 2023.

INDUSTRY OVERVIEW

According to Frost & Sullivan, the Company is the second largest logistics transaction platform in the world in terms of online freight GTV, with the market share of 10.9% in the first half of 2023. Nonetheless, online freight GTV, while providing an indication of the potential total addressable market of the road freight industry, does not inherently indicate a company’s monetization capabilities. This is because transactions may be settled offline by carriers and merchants, bypassing the digital platform and making it more challenging for the platform to monetize those transactions directly, if at all. In contrast, “closed-loop freight GTV” represents what the Company and the Industry Consultant believed to be a more conservative metric, as it only takes into account the flow of funds passing through the platform and a certain percentage of these funds can be deducted as platform service fees and provides a more meaningful yardstick of one’s actual monetization abilities based on its fee model.

REPORT COMMISSIONED BY FROST & SULLIVAN

In connection with the [REDACTED], we have engaged Frost & Sullivan to conduct a detailed analysis and to prepare an industry report on the markets that we operate. Frost & Sullivan is an independent global market research and consulting company founded in 1961 and is based in the U.S.. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries.

We have included certain information from the Frost & Sullivan Report in this Document because we believe such information facilitates an understanding of the market that we operate for potential [REDACTED]. Frost & Sullivan prepared its report based on its in-house database, independent third-party reports and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices and other relevant information. Frost & Sullivan believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan’s research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

We have agreed to pay Frost & Sullivan a fee of RMB1,750,000 for the preparation of the Frost & Sullivan Report. The payment of such amount was not contingent upon our successful [REDACTED] or on the content of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the [REDACTED]. We confirm that after taking reasonable care, there has been no adverse change in the market information since the date of the report prepared by Frost & Sullivan which may qualify, contradict or have an impact on the information set forth in this section in any material respect.

REGULATIONS

PRC

PRC Regulations

We operate our business in China under a legal regime created and made by PRC lawmakers consisting of the National People’s Congress, or the NPC, the country’s highest legislative body, the State Council, the highest authority of the executive branch of the PRC central government, and several ministries and agencies under its authority, including the MIIT, the SAMR, the MOT, the Ministry of Commerce, or the MOFCOM, the NFRA and the relevant local financial authorities. This section summarizes the principal PRC regulations related to our business.

Regulations Related to Foreign Investment

Investment activities in China by foreign investors are principally governed by the Catalog of Industries for Encouraging Foreign Investment, or the Encouraged Catalog, the Special Administrative Measures (Negative List) for Foreign Investment Access, or the Negative List (《外商投資准入特別管理措施(負面清單)》), which were promulgated and are amended from time to time by the MOFCOM, and the NDRC, the FIL, and their respective implementation rules and ancillary regulations. The Encouraged Catalog and the Negative List lay out the basic framework for foreign investment in China, classifying businesses into three categories with regard to foreign investment: “encouraged”, “restricted”, and “prohibited”. Industries not listed in the Negative List are generally deemed as falling into a fourth category, “permitted”, unless specifically restricted by other PRC laws and regulations.

On October 26, 2022, the MOFCOM and the NDRC released the Catalog of Industries for Encouraging Foreign Investment (2022 Version), which became effective on January 1, 2023, to replace the previous Encouraged Catalog (2020 Version). On 27 December 2021, MOFCOM and NDRC promulgated the 2021 Negative List, which became effective on 1 January 2022, to replace the previous one.

On March 15, 2019, the NPC promulgated the FIL, which became effective on January 1, 2020 and replaced the major laws and regulations governing foreign investment in China. Pursuant to the FIL, “foreign investments” refer to investment activities conducted by foreign investors directly or indirectly in China, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in China solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interest, property portions or other similar rights and interests of enterprises within China, (iii) foreign investors investing in new projects in China solely or jointly with other investors, and (iv) investment of other methods as specified in laws, administrative regulations, or as stipulated by the State Council.

REGULATIONS

According to the FIL, foreign investment shall enjoy the pre-entry national treatment, except for foreign-invested entities that operate in industries deemed to be either “restricted” or “prohibited” in the Negative List or specifically restricted by other PRC laws and regulations. The FIL provides that foreign-invested entities operating in foreign “restricted” or “prohibited” industries will require entry clearance and other approvals. The FIL does not comment on the concept and regulatory regime of “de facto control” or contractual arrangements with variable interest entities; however, it has a catch-all provision under the definition of “foreign investment” to include investments made by foreign investors in China through means stipulated by laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions to provide for contractual arrangements as a form of foreign investment.

The FIL also provides several protective rules and principles for foreign investors and their investments in China, including, among others, that local governments shall abide by their commitments to the foreign investors; foreign-invested enterprises are allowed to issue stocks and corporate bonds; except for special circumstances, in which case statutory procedures shall be followed and fair and reasonable compensation shall be made promptly, expropriate or requisition the investment of foreign investors is prohibited; mandatory technology transfer is prohibited; foreign investors’ funds are allowed to be freely transferred out and into the PRC territory from the entry to the exit of foreign investment in accordance with PRC laws and regulations; and an all-around and multi-angle system to guarantee fair competition of foreign-invested enterprises in the market economy. In addition, legal liabilities should be imposed to foreign investors or the foreign investment enterprise for failing to report investment information in accordance with relevant requirements. Furthermore, the FIL and its implementation rules provides that foreign-invested enterprises established according to the existing laws prior to the implementation of the FIL regulating foreign investment may maintain their structure and corporate governance within five years after the implementation of the FIL, which means that foreign-invested enterprises may be required to adjust the structure and corporate governance in accordance with the current PRC Company Law and other laws and regulations governing the corporate governance.

On December 26, 2019, the State Council promulgated the Implementing Rules, which became effective on January 1, 2020. The Implementation rules of FIL further clarified that the state encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize the foreign investment environment, and propels a higher-level opening-up. On the same day, the Supreme People’s Court issued an Interpretation on Certain Issues Concerning the Application of the Foreign Investment Law of the PRC, or the Interpretation (《最高人民法院關於適用中華人民共和國外商投資法若干問題的解釋》), which also came into effect on January 1, 2020. The Interpretation provides guidance on questions relating to the effectiveness and enforceability of agreements related to foreign investments, such as shareholder agreements, share transfer agreements, and project contracts that may arise under the new negative list system for administration of foreign investment, according to which, investment agreements relating to foreign investment in violation of the negative list management system may be void.

REGULATIONS

On December 30, 2019, the MOFCOM and the SAMR jointly promulgated the Measures for Information Reporting on Foreign Investment (《外商投資信息報告辦法》), which became effective on January 1, 2020. Pursuant to the Measures for Information Reporting on Foreign Investment, where a foreign investor carries out investment activities in China directly or indirectly, the foreign investor or the foreign-invested enterprise shall submit the investment information to the competent commerce department. In addition, the Circular of the State Administration for Market Regulation on Effective Work on Registration of Foreign-invested Enterprises for the Implementation of the Foreign Investment Law (《市場監管總局關於貫徹落實外商投資法做好外商投資企業登記註冊工作的通知》) promulgated by the SAMR on December 28, 2019, and the Notice Regarding Foreign Investor Information Reporting Related Matters (《商務部關於外商投資信息報告有關事項的公告》) issued by the MOFCOM on December 31, 2019, further refine the related rules.

On December 19, 2020, the NDRC and the MOFCOM jointly promulgated the Measures on the Security Review of Foreign Investment(《外商投資安全審查辦法》), effective on January 18, 2021, setting forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes and procedures, among others. The Office of the Working Mechanism of the Security Review of Foreign Investment, or the Office of the Working Mechanism, established under the NDRC, lead the task together with the MOFCOM. Foreign investor or relevant parties in China must declare the security review to the Office of the Working Mechanism prior to (i) the investments in the military industry, military industrial supporting and other fields relating to the security of national defense, and investments in areas surrounding military facilities and military industry facilities; and (ii) investments in important agricultural products, important energy and resources, important equipment manufacturing, important infrastructure, important transportation services, important cultural products and services, important information technology and Internet products and services, important financial services, key technologies and other important fields relating to national security; and obtaining control in the target enterprise. Control exists when the foreign investor (i) holds over 50% equity interests in the target enterprise, (ii) has voting rights that can materially impact on the resolutions of the board of directors or shareholders meeting of the target enterprise even when it holds less than 50% equity interests in the target enterprise, or (iii) has material impact on target enterprise's business decisions, human resources, accounting and technology, etc.

Regulations Related to Value-Added Telecommunications Services

Licenses for Value-added Telecommunications Services

The PRC Telecommunications Regulations, promulgated by the State Council on September 25, 2000 and recently amended with immediate effect on February 6, 2016, provides the regulatory framework for telecommunications service providers in China. The PRC Telecommunications Regulations classify telecommunications services into basic telecommunications services and value-added telecommunications services. Providers of value-added telecommunications services are required to obtain a license for value-added telecommunications services, and violators of this rule may be ordered to make rectifications, have their illegal gains confiscated and be imposed upon a fine, or, under severe circumstances, be ordered to suspend the business operations. According to the Catalog of Telecommunications Services (《電信業務分類目錄》), attached to the PRC Telecommunications Regulations and recently amended by the MIIT, on June 6, 2019, information services provided via public communication networks or the internet are value-added telecommunications services.

REGULATIONS

As a subcategory of the value-added telecommunications services, internet information services are regulated by the Administrative Measures on Internet Information Services, or the ICP Measures (《互聯網信息服務管理辦法》), which was promulgated by the State Council on September 25, 2000 and recently amended with immediate effect on January 8, 2011. Internet information services are defined as “services that provide information to online users through the internet”. The ICP Measures classify internet information services into non-commercial internet information services and commercial internet information services. Commercial internet information service providers must obtain an ICP License, or VAT License, from appropriate telecommunications authorities. A ICP License has a term of five years and can be renewed within 90 days prior to its expiration, according to the Administrative Measures for Telecommunications Businesses Operating Licensing (《電信業務經營許可管理辦法》), which was promulgated by the MIIT on March 1, 2009, recently amended on July 3, 2017, and became effective on September 1, 2017. Furthermore, the MIIT Circular on Regulating the Use of Domain Names in Internet Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》), issued on November 27, 2017 and came into effect on January 1, 2018, requires internet information service providers to register and own the domain names they use in providing internet information services.

Restrictions on Foreign Investment in Value-Added Telecommunications Services

The Regulations for the Administration of Foreign-Invested Telecommunications Enterprises, promulgated by the State Council on December 11, 2001 and most recently amended on March 29, 2022, requires foreign-invested value-added telecommunications enterprises in China to be established as Sino-foreign joint ventures, and foreign investors shall not acquire more than 50% of the equity interest of such an enterprise. Moreover, the joint ventures must obtain approvals from the MIIT and the MOFCOM, or their authorized local counterparts, before launching the value-added telecommunications business in China.

According to the 2021 Negative List, the proportion of foreign investments in an entity engaging in value-added telecommunications business (excluding the e-commerce, domestic multi-party communications, storage-forwarding, and call centers) shall not exceed 50%.

Pursuant to the Ministry of Information Industry’s Notice on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Services (《信息產業部關於加強外商投資經營增值電信業務管理的通知》), issued by the Ministry of Information Industry, the predecessor of the MIIT, on July 13, 2006, domestic value-added telecommunications enterprises were prohibited to rent, transfer, or sell licenses for value-added telecommunications services to foreign investors in any form, or provide any resources, premises, facilities, or other assistance in any form to foreign investors for their illegal operation of any value-added telecommunications business in China.

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Regulations Related to Road Transportations

The Road Transportation Regulation, promulgated by the State Council on April 30, 2004 and most recently amended on July 20, 2023, and the Provisions on Administration of Road Transportation and Stations (Sites) (《道路貨物運輸及站場管理規定》) issued by the MOT, on June 16, 2005 and last amended on November 10, 2023, require that any individual or institution applying for the operation of freight transportation, except international freight transportation and transportation of dangerous goods, shall have: (i) qualified vehicles for operations; (ii) competent drivers under 60 with relevant driving licenses who (except for drivers who use general freight vehicles with a total mass of 4.5 metric tons or less) have passed requisite knowledge tests and obtained qualification certificates, and (iii) sound and proper administrative systems for safe operation. The transportation administrations at the county level (districted city level for transportation of dangerous goods) are responsible for the issuance of the operating permits for the freight transport operating enterprises and the operating licenses for the freight transport operating vehicles. An enterprise shall conduct freight transportation operation in accordance with the scope specified under its road transportation permit and shall not transfer or rent such permit to others.

The Notice on the Cancellation of Road Transport Certificate and Driver Qualification Certificate for General Freight Vehicles with a Total Mass below 4.5 Tons (《交通運輸部辦公廳關於取消總質量4.5噸及以下普通貨運車輛道路運輸證和駕駛員從業資格證的通知》), promulgated by the MOT on December 24, 2018, has canceled the license requirements for freight vehicles with a total mass below 4.5 metric tons and for drivers of such vehicles since January 1, 2019.

On April 15, 2016, the Stated Council promulgated the Opinions of the General Office of the State Council on In-depth Implementation of the "Internet + Circulation" Action Plan (《國務院辦公廳關於深入實施“互聯網+流通”行動計劃的意見》), in which the pilot program in non-vehicle operating carriers for road freight transportation is raised for the first time and non-vehicle operating carriers within the scope of the pilot program are allowed to provide transport service. On August 26, 2016, the MOT promulgated the Opinions of the General Office of the Ministry of Transport on Promoting the Pilot Reform and Accelerating the Innovative Development of Non-vehicle Operating Carrier Logistics (《交通運輸部辦公廳關於推進改革試點加快無車承運物流創新發展的意見》), according to which provincial transport departments shall formulate and implement pilot implementation plans from October 2016 to November 2017. Since November 2017, a series of regulations regarding the operation of non-vehicle operating carriers have been promulgated by the MOT, including the Notice of the General Office of the Ministry of Transport on Further Promoting the Pilot Program of Non-vehicle Operating Carriers (《交通運輸部辦公廳關於進一步做好無車承運人試點工作的通知》) on November 15, 2017 and the Notice of the General Office of the Ministry of Transport on Promoting Pilot Work for Non-vehicle Operating Carriers (《交通運輸部辦公廳關於深入推進無車承運人試點工作的通知》) on April 8, 2018. Jiangsu Provincial Department of Transportation also issued a Notice of the Provincial Transport Department on Further Promoting the Pilot Work for Non-vehicle Operating Carriers' Road Freight (《江蘇省交通運輸廳關於進一步推進道路貨運無車承運人試點工作的通知》) on March 13, 2019. Later, on the basis of systematically summarizing the pilot work of non-vehicle operating carriers, on September 6, 2019, the MOT and the State Taxation Administration, or the SAT, jointly issued the Interim Measures for Administration of Road Freight Transport Operation on Online Platform, or the Interim Measure of Road Freight

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Transport (《網絡平台道路貨物運輸經營管理暫行辦法》), effective from January 1, 2020, pursuant to which, “online freight operation” refers to the road freight transport operation activities in which an operator integrates and allocates transport resources on an online platform, enters into a transport contract with the consignor in the capacity of a carrier, entrusts an actual carrier to complete the road freight transportation, and assumes the responsibility of the carrier.

According to the Interim Measure of Road Freight Transport, besides the road transportation permit with the business scope of online freight transport, the operators of online freight transport business shall also meet the requirements on commercial internet information service pursuant to the ICP Measures. In addition, the operators of online freight transport business shall record user registration information, identity authentication information, service information and transaction information of the actual carrier and the consignor, keep relevant tax-related materials, and ensure the authenticity, completeness and availability of such information in accordance with the requirements of the PRC E-Commerce Law, the Law on the Administration of Tax Collection of PRC (《中華人民共和國稅收徵收管理法》) and its implementing rules. The operators of online freight transport business shall also examine the qualifications of the vehicles and drivers, subject to certain exceptions. In cases where serious accidents arise from the operators of online freight transport business entrusting unqualified drivers or vehicles to provide transportation services, such operators will be subject to relevant regulatory and administrative actions. The authorities responsible for the supervision and administration of road transportation at the county level shall issue the operation licenses with the operating scope of online freight transport operation to qualified online freight operators.

On September 24, 2019, the MOT promulgated three guidelines on the road freight transport operation on online platforms, including the Service Guidelines on the Road Freight Transport Operation on Online Platforms, the Guidelines on the Construction of Provincial Online Freight Information Monitoring Systems and the Access Guidelines on the Ministerial Online Freight Information Interaction System (《網絡平台道路貨物運輸經營服務指南》《省級網絡貨運信息監測系統建設指南》和《部網絡貨運信息交互系統接入指南》), all of which came into effect on the said date. The Service Guidelines on the Road Freight Transport Operation on Online Platforms sets forth the requirements for the services provided by online freight operators, including (i) obtaining ICP Licenses, (ii) complying with the state’s requirements for graded protection of information system security, (iii) connecting to the provincial online freight information monitoring systems, and (iv) being equipped with features including information release, online transactions, full-process monitoring, financial payments, consultations and complaints, online reviews, statistics queries and data retrieval.

In addition, the Law of PRC on Road Traffic Safety (《中華人民共和國道路交通安全法》), promulgated by the SCNPC on October 28, 2003 and most recently amended on April 29, 2021, prohibits the practice of modifying the vehicles’ registered structures without proper authorization. The Regulation for the Implementation of the Law of the PRC on Road Traffic Safety (《中華人民共和國道路交通安全法實施條例》), promulgated by the State Council on October 7, 2017 and effective on the same date, provides that passenger vehicles shall not carry freight except in their external luggage racks and built-in trunks. Furthermore, according to the Regulation for the Implementation of the Law of the PRC on Road Traffic Safety, any mark, sign, or advertisement painted on or affixed to the body of a motor vehicle shall not affect safe driving.

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Regulations on Financial Leasing

The MOFCOM promulgated the Administrative Measures on Supervision of Financial Leasing Enterprises (《融資租賃企業監督管理辦法》) in 2013 to standardize business activities and to promote healthy and orderly development of the financial leasing enterprises. In May 2018, the General Office of the MOFCOM promulgated the Notice on Matters Concerning Adjustments to the Responsibility to Regulate Financial Leasing Companies, Commercial Factoring Companies and Pawnshops (《商務部辦公廳關於融資租賃公司、商業保理公司和典當行管理職責調整有關事宜的通知》), according to which the MOFCOM has allocated its responsibility for supervising and formulating rules for the business operation of financial leasing companies, commercial factoring companies and pawnshops to the CBIRC. The Interim Measures for the Supervision and Administration of Financial Leasing Companies (《融資租賃公司監督管理暫行辦法》) was promulgated by the CBIRC in May 2020 to further strengthen supervision and administration of financial leasing companies. According to such interim measures, a financial leasing company is a company engaged in transaction activities where the company, as a lessor, purchases leased properties from the seller at the lessee's option and provides such leased properties for the lessee to use, for which the lessee pays the rent. It also subjects financial leasing companies to certain requirements including benchmarks for customer concentration, proportion of lease assets, and ratio of risk assets to net assets. Furthermore, it stipulates that financial leasing companies shall not be engaged in, among others, the following businesses: (i) illegal fundraising, absorption or disguised absorption of deposits; (ii) granting or entrusting loan; (iii) borrowing or borrowing funds in disguised form with other financial leasing companies; (iv) financing or transferring assets through online lending information intermediaries, private equity investment funds; or (v) other business or activities prohibited by laws and regulations and relevant regulatory authorities.

Regulations on Commercial Factoring

On June 27, 2012, the MOC promulgated the Notice on Pilot Scheme for Commercial Factoring, or Notice 419 (《商務部關於商業保理試點有關工作的通知》), to launch the pilot scheme for commercial factoring in Shanghai Pudong New District and Tianjin Binhai New District. The MOC also released several other circulars to expand the pilot areas to Guangzhou and Chongqing Liangjiang New Area and certain other areas. According to the local implementation rules, commercial factoring companies are neither allowed to be engaged in prohibited financial activities such as acceptance of deposits and disbursement of loans nor allowed to be engaged in debt collection business or being entrusted to collect debts. On May 8, 2018, the MOC announced that the regulatory authority of the commercial factoring industry was to be transferred from the MOC to the CBIRC since April 20, 2018. On October 18, 2019, the CBIRC issued the Circular on Strengthening the Supervision and Administration of Commercial Factoring Enterprises (《中國銀保監會辦公廳關於加強商業保理企業監督管理的通知》) to regulate the operating activities of commercial factoring enterprises, clarify regulatory responsibilities and emphasize that commercial factoring enterprises shall not engage in, among others, the following businesses: (i) absorbing public funds either directly or in disguise; (ii) lending or borrowing money from other commercial factoring enterprises directly or in disguise; (iii) providing loans or providing loans upon entrustment.

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Regulations Related to Payment Services

On June 14, 2010, the PBOC, issued the Payment Services Measures, effective on September 1, 2010. Under the Payment Services Measures, a non-financial institution must obtain a payment business license, or Payment License, to provide payment services and qualify as a “payment institution”. With the Payment License, a non-financial institution may serve as an intermediary between payees and payers and provide some or all of the following services: (i) online payments, (ii) the issuance and acceptance of prepaid cards, (iii) bank card acceptance, and (iv) other payment services as specified by PBOC. Without PBOC’s approval, no non-financial institution or individual may engage in payment business, whether explicitly or in a disguised form. Payment Licenses are valid for five years from the date of issuance. Payment institutions shall carry out business activities in compliance with the scope of business approved by their respective Payment Licenses, and shall not outsource any businesses, transfer, lease, or lend their Payment Licenses. For any non-financial institution or individual that engages, whether explicitly or otherwise, in payment services without the approval of the PBOC, the PBOC and the branches thereof shall order it to terminate payment business; where a crime is suspected, they shall be transferred to the public security organ in accordance with the law for investigation; where a crime is constituted, it shall be subject to criminal liabilities.

On November 13, 2017, PBOC published a notice On the Investigation and Administration of Illegal Offering of Settlement Services by Financial Institutions and Third-Party Payment Service Providers to Unlicensed Entities, or the PBOC Notice (《中國人民銀行辦公廳關於進一步加強無證經營支付業務整治工作的通知》). The PBOC Notice intended to prevent unlicensed entities from using licensed payment service providers as a conduit for conducting unlicensed payment settlement services.

Regulations Related to E-Commerce

In May 2010, the SAIC adopted the Interim Measures for the Administration of Online Commodities Trading and Relevant Services (《網絡商品交易及有關服務行為管理暫行辦法》), which became effective in July 2010. Under these measures, enterprises or other operators that are engaged in online commodities trading and other services and have registered with the SAIC or its local branches must make the information stated in their business license available to the public or provide a link to their business license on their website. Online distributors must adopt measures to ensure the security of online transactions, protect online shoppers’ rights and prevent the sale of counterfeit goods. Information on products and transactions released by online distributors must be authentic, accurate, complete and sufficient.

In January 2014, the SAIC adopted the Administrative Measures for Online Trading, or the Online Trading Measures (《網絡交易管理辦法》), which terminated the above interim measures and became effective in March 2014. Under the Online Trading Measures, e-commerce platform operators shall examine and register the identity information of merchants applying for access to their platforms, which shall be archived, verified and updated regularly; the information posted in their business licenses or, the electronic link identifications of their business licenses, shall be publicized in a prominent position on the main web page of their business activities. A consumer is entitled to

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return goods within seven days from the date of receipt without providing a reason, except for the following goods: customized goods, fresh and perishable goods, digital commodities such as audio-visual products and computer software downloaded online or unpacked by consumers, and newspapers and journals that have been delivered. E-commerce operators shall provide full refunds to consumers within seven days upon receipt of the returned goods. In addition, operators shall not, by using contractual terms or by other manners, set out provisions that are not fair or reasonable to consumers such as those that exclude or restrain consumers' rights, relieve or exempt operators from their responsibilities, and increase consumers' responsibilities, and shall not, by using contractual terms or by technical means, force transactions.

In March 2021, the SAMR issued the Measures for the Supervision and Administration of Online Transactions (《網絡交易監督管理辦法》), effective on May 1, 2021 in replacement of the Online Trading Measures, further clarifying that individuals engaged in online transaction activities with a total annual transaction volume exceeding RMB100,000 shall register with the relevant local branches of the SAMR. The transaction volume for each individual shall accumulate across different platforms, and the online transaction platform operators are required to provide those individuals with timely reminders to make such registration.

On August 31, 2018, the SCNPC, issued the PRC E-Commerce Law, effective on January 1, 2019. The E-Commerce Law proposes a series of requirements on e-commerce operators, which includes individuals and entities carrying out business online, e-commerce platform operators and merchants operating on such platforms. For example, the PRC E-Commerce Law requires e-commerce operators to respect and protect consumers' legitimate rights equally, provide options to consumers without targeting their personal characteristics and clearly identify tie-in sales to consumers (where additional services or products are added by merchants to a purchase) without assuming, by default, consumers' consent to such tie-in sales. Under the PRC E-Commerce Law, e-commerce platform operators are required to establish credit evaluation systems and publicize corresponding credit evaluation rules, providing consumers with channels to evaluate products sold or services provided within said platforms. Moreover, according to the PRC E-Commerce Law, e-commerce platform operators who fail to take necessary actions when they become aware or should have become aware that (i) merchants within the platform have infringed upon the intellectual property rights of others, or (ii) that the products or services provided by the merchants do not meet requirements for personal and property security, or otherwise infringe upon consumers' legitimate rights, will incur joint and several liabilities with the merchants; with respect to products or services related to consumers' health and well-being, e-commerce platform operators will be held liable with the merchants where failure to review the qualifications of merchants or to safeguard the interests of the consumers causes harm or damage to consumers. Pursuant to the PRC E-Commerce Law, e-commerce platform operators who fail to take necessary actions when operators on their platforms have infringed upon consumers' legitimate rights, fail to perform their obligation to verify the qualifications of e-commerce operators, or fail to perform their obligation to protect consumer safety will be ordered to rectify such failures and may be imposed upon a fine from RMB50,000 to RMB500,000; under severe circumstances, such e-commerce platform operators will be ordered to suspend business operations, make rectifications and be imposed upon a fine from RMB500,000 to RMB2 million.

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Regulations Related to Consumer Protection

The PRC Consumer Rights and Interests Protection Law (《中華人民共和國消費者權益保護法》), effective on January 1, 1994 and last amended on March 15, 2014, and the Measures for the Supervision and Administration of Online Transactions, have provided stringent requirements and obligations on business operators, including internet business operators and platform service providers. For example, consumers are entitled to return goods purchased online, subject to certain exceptions, within seven days of receipt of such goods without providing any reason. To ensure that sellers and service providers comply with these laws and regulations, platform operators are required to implement rules governing transactions on said platforms, monitor information posted by sellers and service providers, and report any violations by such sellers or service providers to the relevant authorities. In addition, online marketplace platform providers may, pursuant to the relevant PRC consumer protection laws, be exposed to liabilities if the lawful rights and interests of consumers are infringed upon in connection with consumers' purchase of goods or acceptance of services on online marketplace platforms and the online marketplace platform providers fail to provide consumers with the contact information of the seller or manufacturer. In addition, online marketplace platform providers may be held jointly and severally liable with sellers and manufacturers if they are aware or should be aware that any seller or manufacturer is using their online platform to infringe upon the lawful rights and interests of consumers and fail to take measures necessary to prevent or stop such activity.

The PRC Civil Code (《中華人民共和國民法典》) effective in January 2021 also provides that if an online service provider is aware or should have become aware that an online user is infringing upon the civil rights of others through the use of its internet services and fails to take necessary measures, it shall be held jointly and severally liable with said online user. If the online service provider receives any notice from the infringed party on any infringing activities, the online service provider shall take necessary measures, including deleting, blocking and unlinking the infringing content, in a timely manner. Otherwise, it will be jointly liable with the relevant online user for the extended damages.

Regulations on Leasing

According to the PRC Administration of Urban Real Estate Law (《中華人民共和國城市房地產管理法》), which was promulgated by the SCNPC on July 5, 1994, was most recently amended on August 26, 2019 and such amendment took effect on January 1, 2020, a written lease contract shall be filed for registration and record with the real estate administration department.

According to the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》), which was promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010 and came into effect on February 1, 2011, within 30 days after the conclusion of the house leasing contract, the parties involved in the house leasing shall carry out house leasing registration with the construction (real estate) administrative department of the people's government of a municipality, city or county where the house leased is located. The relevant parties may entrust others in writing to complete the house leasing registration and filling. If the relevant parties fail to make registration, they may be ordered to make corrections within a specified time limit by the construction (real estate) administrative department of the people's government of a municipality, city or county. If any individual fails to rectify within the specified time, a fine of less than RMB1,000 will be imposed, while if any entity fails to rectify within the specified time, a fine not less than RMB1,000 and not more than RMB10,000 will be imposed.

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Regulations Related to Anti-Unfair Competition and Anti-Monopoly

The PRC Anti-Monopoly Law (《中華人民共和國反壟斷法》) was promulgated by SCNPC on August 30, 2007, took effect on August 1, 2008, was most recently amended on June 24, 2022 and such amendment took effect on August 1, 2022. The PRC Anti-Monopoly Law provides that the relevant operators of a concentration of undertakings that reaches the standard for declaration shall make an advance declaration to the anti-monopoly law enforcement authority under the State Council. The PRC Anti-Monopoly Law prohibits monopolistic conduct, such as entering into monopoly agreements, abuse of dominant market position and concentration of undertakings that have the effect of eliminating or restricting competition. The PRC Anti-Monopoly Law provides, among others, that business operators shall not use data, algorithms, technology, capital advantages and platform rules to exclude or limit competition, and also requires relevant government authorities to strengthen the examination of concentration of undertakings in areas related to national welfare and people's well-being, and enhances penalties for violation of the regulations regarding concentration of undertakings.

On April 23, 2019, the SCNPC promulgated the revised PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》), pursuant to which business operators may not engage in improper activities to undermine their competitors, including but not limited to, improperly influencing a transaction, causing market obfuscation, commercial bribery, misleading or false publicity, infringing upon trade secrets, dumping, illegitimate premium sale and commercial libel. Failure to comply with such regulations could result in various administrative penalties, including fines, confiscation of illegal gains and cessation of business activities.

In recent years, the relevant PRC Antimonopoly authorities have strengthened enforcement under anti-monopoly laws. On February 7, 2021, the Anti-Monopoly Committee of the State Council published the Anti-Monopoly Guidelines, which became effective on the same day and has been operating as a compliance guidance under the existing anti-monopoly laws and regulations for operators of the internet platform economy. The Anti-Monopoly Guidelines aims to specify some of the circumstances under which an internet platform's activities may be identified as monopolistic, as well as setting out merger-controlling filing procedures involving variable interest entities. The Anti-Monopoly Guidelines also intends to regulate abuse of market dominance and other anti-competitive practices of internet platform operators, as well as related merchants and service providers on such internet platforms. Pursuant to the Anti-Monopoly Guidelines, representative examples of market dominance abuse include but are not limited to unfairly locking in exclusive agreements with merchants and price discrimination driven by big-data and algorithms to eliminate or limit market competition. In addition, the Anti-Monopoly Guidelines provides that where the concentration of business undertakings meets the reporting standards set by the State Council, such business undertakings shall be reported, in advance, to the Anti-Monopoly enforcement agency of the State Council, explicitly identifying operators with VIE structures as within the ambit of the SAMR's merger control review, if certain reporting thresholds are met.

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Regulations Related to Internet Mapping Services

Under the PRC Surveying and Mapping Law (《中華人民共和國測繪法》) promulgated by the NPC in 1992 and amended in 2002 and 2017, entities engaged in surveying and mapping services should obtain Surveying and Mapping Qualification Certificates (the “**Surveying Certificates**”) and comply with the state’s surveying and mapping criteria. According to the amended Administrative Rules of Surveying Qualification Certificate (《測繪資質管理辦法》) and the amended Standard for Surveying Qualification Certificate (《測繪資質分類分級標準》) issued by the former National Administration of Surveying, Mapping and Geo-information, or NASMG in August 2014 and July 2014, respectively, and most recently amended on June 2021 by the Ministry of the Natural Resources of the PRC (中華人民共和國自然資源部) (the “MNR”) non-surveying and mapping enterprise is subject to the approval of the NASMG and requires a surveying and mapping qualification certificate to provide internet mapping services.

On November 26, 2015, the State Council enacted the Administrative Regulations on Maps (《地圖管理條例》), or the Maps Regulations, effective as of January 1, 2016. The Maps Regulations requires entities engaging in internet mapping services, such as geographic positioning, the uploading of geographic information or markings, and the development of a public map database, to obtain a relevant qualification certificate for surveying and mapping.

According to the Interim Measures for the Administration of the Surveying and Mapping Conducted by Foreign Organizations or Individuals in China (《外國的組織或者個人來華測繪管理暫行辦法》), foreign organizations or individuals shall conduct surveying and mapping activities in PRC by cooperating with the relevant departments or entities of the PRC in the form of joint venture or cooperative enterprises established in accordance with the relevant PRC laws and regulations on foreign investment.

Regulations Related to Advertising Services

On October 27, 1994, the SCNPC promulgated the Advertising Law of the PRC, or the Advertising Law (《中華人民共和國廣告法》), as amended on April 24, 2015, October 26, 2018 and most recently, on April 29, 2021. The Advertising Law requires that advertisers, advertising operators, and advertisement publishers shall abide by the laws and administrative regulations, and by the principles of fairness and good faith while engaging in advertising activities. Administrative departments for industry and commerce at and above the county level are in charge of the supervision and administration of advertising.

Besides, on February 25, the SAMR promulgated the Administrative Measures for Advertising or Internet Advertising Measure (《互聯網廣告管理辦法》), effective from May 1, 2023, specifying requirements for advertisers operating advertising businesses online. Pursuant to the Internet Advertising Measures, “internet advertising” refers to commercial advertising activities for the direct or indirect promotion of commodities or services within the territory of the People’s Republic of China by making use of websites, webpages, internet applications and other internet media in the forms of texts, pictures, audios, videos or other forms. Internet advertisers shall be responsible for the authenticity of advertised contents. The identity, administrative license, information cited and other certificates that the advertisers are required to have in publishing internet advertisements shall be true, lawful and valid.

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Regulations Related to Internet Information Security and Privacy Protection

Internet information in China is regulated from a national security standpoint. Pursuant to the PRC Civil Code issued by the NPC on May 28, 2020 and effective on January 1, 2021, the personal information of a natural person shall be protected by the law. Where collection of personal information of others is necessary, any organization or individual shall obtain such personal information in accordance with the law and ensure the security of such information, and shall not illegally collect, use, process or transmit the personal information of others, or illegally purchase or sell, provide or publicize such information. The SCNPC enacted the Decisions on Preserving Internet Security (《關於維護互聯網安全的決定》) on December 28, 2000, subsequently amended on August 27, 2009, pursuant to which, violators are subject to potential criminal punishment in China for any attempt to (i) gain improper entry into a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe upon intellectual property rights. The MPS has promulgated measures that prohibit the use of the internet in ways that, among other things, result in a leak of state secrets or a spread of socially destabilizing content. If an internet information service provider violates these measures, the MPS and its local branches may revoke its operating license and shut down its websites.

In recent years, PRC government authorities have enacted laws and regulations on internet use to protect personal information from any unauthorized disclosure. Under the Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》), issued by the MIIT on December 29, 2011 and effective on March 15, 2012, an internet information service provider shall not collect any user personal information or provide any such information to third parties without the consent of the user. An internet information service provider must expressly inform the users of the method, content and purpose of the collection and processing of such user personal information and may only collect information necessary for the provision of its services. An internet information service provider is also required to properly maintain the security of the user's personal information, and in case of any leak or likely leak of the user's personal information, the internet information service provider must take immediate remedial measures and, in severe circumstances, immediately report to the telecommunications authority.

Pursuant to the Ninth Amendment to the PRC Criminal Law (《中華人民共和國刑法修正案(九)》) issued by the SCNPC on August 29, 2015 which became effective on November 1, 2015, any internet service provider that fails to fulfill its obligations related to the administration of internet information security as required by applicable laws and refuses to rectify upon orders, shall be subject to criminal penalty for the result of (i) any dissemination of illegal information in large scale; (ii) any severe effect due to the leakage of user's information; (iii) any serious loss of criminal evidence; or (iv) other severe situations. Any individual or entity that (i) sells or provides personal information to others in a manner violating applicable laws or regulations, or (ii) steals or illegally obtains any personal information, shall be subject to criminal penalty in severe situations. In addition, the Interpretations of the Supreme People's Court and the Supreme People's Procuratorate of the PRC on Several Issues Concerning the Application of Law in Handling Criminal Cases of Infringing Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), issued on May 8, 2017 and effective in June 1, 2017, clarifies certain standards for the conviction and sentencing of the criminals in relation to personal information infringement. Further, the SCNPC promulgated a new National Security Law (《中華人民共和國國家安全法》), effective on July 1, 2015, to replace the former National Security Law and cover various aspects of national security including technology security and information security.

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In addition, the SCNPC promulgated the Cyber Security Law, effective on June 1, 2017, to protect cyberspace security and order. Pursuant to the Cyber Security Law, any individual or organization using the internet must comply with the Constitution and applicable laws, respect public order and social morals, and must not endanger cybersecurity, or use the internet to engage in activities that endanger national security, honor and interests, or infringe upon the rights to reputation, privacy, intellectual property and other legitimate rights and interests of others. The Cyber Security Law sets forth various security protection obligations for network operators, which are defined as “owners and administrators of networks and network service providers”, including, among others, complying with a series of requirements of tiered cyber protection systems, verifying users’ real identities, localizing personal information and important data gathered and produced by key information infrastructure operators during operations within the PRC, and providing assistance and support to government authorities where necessary for the protection of national security and criminal investigations. Furthermore, the MIIT’s Rules on Protection of Personal Information of Telecommunications and Internet Users (《電信和互聯網用戶個人信息保護規定》) promulgated on July 16, 2013, effective on September 1, 2013, contain detailed requirements on the use and collection of personal information as well as security measures to be taken by telecommunications business operators and internet information service providers.

Pursuant to the Announcement of Conducting Special Activities Against Illegal Collection and Use of Personal Information by Apps (《關於開展App違法違規收集使用個人信息專項治理的公告》), which was jointly released by the CAC, the MIIT, the MPS and the SAMR on January 23, 2019 and became effective on the same date, to further implement and strengthen the Cyber Security Law, (i) operators of mobile internet applications, or Apps, shall strictly fulfill their obligations under the Cyber Security Law and shall be responsible for the personal information collected by them as well as the implementation of effective measures to strengthen the protection of personal information, (ii) the competent government authorities shall strengthen administration and penalties with respect to the illegal collection and use of personal information in accordance with the Cyber Security Law and the Law on the Protection of Consumer Rights and Interests (《消費者權益保護法》), and (iii) the MPS will initiate targeted activities against illegal collection and use of personal information online. On October 31, 2019, the MIIT issued the Notice of Rectification for Apps’ Infringement on Users’ Rights and Interests (《工業和信息化部關於開展APP侵害用戶權益專項整治工作的通知》), announcing that it would launch a rectification program on mobile app service providers and distribution service providers. The rectification program covers, among others, the collection of personal information that is unnecessary for providing services or unreasonable for the application scenarios. On November 28, 2019, the CAC, the MIIT, the MPS and the SAMR jointly issued the Notice on Identification of the Illegal Collection and Use of Personal Information by Apps (《App違法違規收集使用個人信息行為認定方法》), effective on the same date, to provide detailed methods on identifying illegal collection and use of personal information by Apps. Furthermore, Provisions on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications (《常見類型移動互聯網應用程序必要個人信息範圍規定》), jointly released by the CAC, the MIIT, the MPS and the SAMR on March 12, 2021 and effective on May 1, 2021, requires that, with respect to mobile internet applications, operators shall not refuse users’ use of basic functions and services of such Apps on the basis that such users do not agree to the collection of non-essential personal information. The Information Security Technology Personal Information Security Specification, or the Personal Information Security Specification (《信息安全技術個人信息安全規範》), jointly

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published by SAMR and Standardization Administration, came into force in May 2018, and was newly amended on October 1, 2020, further specifying the principles and security requirements in regulating personal information controller for the collection, storage, usage, share, transfer, and public disclosure of personal information. Although the Personal Information Security Specification is not yet a mandatory regulation, it nonetheless has a key implementing role under Cyber Security Law with respect to protecting personal information in China. Furthermore, it is likely that the Personal Information Security Specification will be relied on by Chinese government agencies as a standard to determine whether businesses have abided by China's data protection rules. Under the Personal Information Security Specification, the data controller must provide the purpose of collecting and using personal information, as well as the business functions of such purpose, and the Personal Information Security Specification requires the data controller to distinguish its core function from additional functions to ensure the data controller will only collect personal information as needed.

On June 10, 2021, the SCNPC promulgated the Data Security Law, which became effective in September 2021. The Data Security Law introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used. The appropriate level of protection measures is required to be taken for each respective category of data. In addition, the Data Security Law provides a national security review procedure for those data activities which may affect national security and imposes export restrictions on certain data and information. Without the approval of the competent authorities of the PRC, any entity or individual may not provide data stored in the PRC to a foreign judicial or law enforcement agency. As the Data Security Law was recently promulgated and has just taken effect, governmental authorities may further enact implementation rules regarding the interpretation and implementation of such provisions.

On August 20, 2021, the Personal Information Protection Law was officially promulgated by SCNPC which became effective on November 1, 2021, which integrated the scattered rules with respect to personal information rights and privacy protection. The Personal Information Protection Law aims at protecting the personal information rights and interests, regulating the processing of personal information, ensuring the orderly and free flow of personal information in accordance with the law and promoting the reasonable use of personal information. The Personal Information Protection Law applies to the processing of personal information within China, as well as certain personal information processing activities outside China, including those for the provision of products and services to natural persons within China or for the analysis and assessment of acts of natural persons within China. Processors processing personal information exceeding the threshold to be set by the relevant authorities and the critical information infrastructure operators, or the CIIOs are required to store, within the territory of the PRC, all personal information collected and produced within the PRC.

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Furthermore, on July 30, 2021, the State Council promulgated the Provisions on Protection of Critical Information Infrastructure Security (《關鍵信息基礎設施安全保護條例》), which became effective on September 1, 2021 and provides that “critical information infrastructures”, or CII, refers to important network facilities and information systems involved in important industries and fields such as public communication and information services, energy, transportation, water conservancy, finance, public services, e-government, national defense related science and technology industry, as well as those which may seriously endanger national security, national economy and citizen’s livelihood and public interests if damaged, malfunctioned, or if any leakage of data in relation thereto occurs. Pursuant to these provisions, the relevant governmental authorities are responsible for formulating rules for the identification of CII and further organizing to identify such the CII in the related industries and fields, taking into account the factors set forth in the provisions. The relevant authorities shall also notify operators who are being identified as critical information infrastructure operators. However, as these provisions were newly issued and the governmental authorities may further enact detailed rules or explanations with respect to the interpretation and implementation of such provisions, including rules on identifying CII in different industries and fields, it remains unclear whether we or other operators we provide network products and services to may be identified as critical information infrastructure operators.

Moreover, on April 13, 2020, CAC, NDRC and several other administrations jointly promulgated the Review Measures, which became effective on June 1, 2020. The Review Measures establish the basic framework for national security reviews of purchasing network products and services by CIIOs, and provide the principle provisions for undertaking cybersecurity reviews. According to the Review Measures, where the purchase of network products and services by an operator of critical information infrastructure influences, CIIOs shall assess the possible risks to national security resulting from the use of such product or service. Where national security is or may be affected, a cybersecurity review shall be conducted pursuant to the Review Measures. In addition, the relevant regulatory authorities are still entitled to impose security reviews on network products and services that are deemed capable of affecting national security. CIIOs may voluntarily file for a cybersecurity review with CAC prior to purchasing network products and services if they deem their behavior affects or may affect national security based on self-assessment and self-evaluation. Notwithstanding the voluntary filing, the relevant authorities are entitled to initiate cybersecurity reviews accordingly. Cybersecurity reviews focus on assessing the national security risks associated with purchasing network products and services, mainly taking the following factors into account: (i) the risk of illegal control, interference or destruction of critical information infrastructure and of its important data being stolen, leaked or destroyed, arising from the purchase and utilization of network products and services; (ii) the potential harm on the business continuity of critical information infrastructure incurring from a disruption of network products and services supply; (iii) the safety, openness, transparency, diversity of sources of network products and services; the reliability of suppliers; and the risk of supply disruption due to political, diplomatic, trade and other reasons; (iv) the level of compliance with PRC laws, administrative regulations and ministry rules of the suppliers of Network Products and Services; and (v) other factors that may harm critical information infrastructure and/or national security. Critical information infrastructure operators who use network products or services that have not been filed for or passed a cybersecurity review may receive the following penalties: (i) suspension of using such network products or services; (ii) a fine of more than one time and less than ten times the purchase price of such network products or services; (iii) a fine of more than RMB10,000 and less than RMB100,000 on the senior staff in and other staff directly responsible.

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The Review Measures, which was promulgated on April 13, 2020, amended on December 28, 2021, and became effective from February 15, 2022, stipulates that operators of critical information infrastructure purchasing network products and services, and data processors carrying out data processing activities that affect or may affect national security, shall conduct a cybersecurity review. The Cybersecurity Review Measures further specifies that network platform operators who hold personal information of more than 1 million users, when applying for [REDACTED] abroad (國外), must report to the Cybersecurity Review Office for a cybersecurity review.

On December 31, 2021, the CAC published the Administrative Provisions on Internet Information Service Algorithm Recommendation (《互聯網信息服務算法推薦管理規定》) (the "Algorithm Recommendation Provisions") on its website, which became effective on March 1, 2022. The Algorithm Recommendation Provisions implements classification and hierarchical management for algorithm recommendation service providers based on varies criteria, and stipulates that algorithm recommendation service providers with public opinion attributes or social mobilization capabilities shall file with the CAC within ten business days from the date of providing such services.

The Draft Data Security Regulations, published on November 14, 2021, which provides cross-border data transmission security and cybersecurity review standards for [REDACTED] abroad and in Hong Kong and the protection of important data and personal information rights. According to Article 73 of the Draft Data Security Regulations, data processors refer to individuals and organizations that independently determine the purposes and methods of their data processing activities. If the [REDACTED] in Hong Kong of a data processor affects or may affect national security, or any other data processing activities of a data processor affect or may affect national security, the data processor shall, in accordance with relevant state provisions, apply for a cybersecurity review. As of the Latest Practicable Date, the Draft Data Security Regulations was released for public comment only and its final version and effective date are subject to change and uncertainty.

On July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Data Cross-border Transfer, and it became effective on September 1, 2022. According to the Measures for the Security Assessment of Data Cross-border Transfer, data processors shall apply to the national cyberspace administration through the local cyberspace administration at the provincial level under any of the following circumstance: (i) the data processor provides important data abroad, (ii) the critical information infrastructure operator or the data processor that has processed the personal information of over one million people provides personal information abroad, (iii) the data processor that has provided the personal information of over 100,000 people or the sensitive personal information of over 10,000 people cumulatively since January 1 of the previous year provides personal information abroad., or (iv) any circumstance where an application for the security assessment of outbound data transfer is required by the national cyberspace administration.

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Regulations Related to Mobile Internet Applications Information Services

In addition to the PRC Telecommunications Regulations, amended and effective on February 6, 2016, and other regulations above, apps are specially regulated by the Administrative Provisions on Mobile Internet Applications Information Services (《移動互聯網應用程序信息服務管理規定》), which were promulgated by the CAC on June 28, 2016 and was recently amended on June 14, 2022. The provisions set forth relevant requirements on the App information service providers and App store service providers. The CAC and its local branches shall be responsible for the supervision and administration of nationwide and local App information, respectively.

Pursuant to the Administrative Provisions on Mobile Internet Applications Information Services, Internet information service providers who provide information services through mobile internet applications are required to perform the primary responsibility of information content management. For example, as a mobile Internet Apps provider, it shall authenticate the identity of the registered users, be responsible for the display results of the information content and establish and improve the information content examination and management mechanism, ensure that users are given adequate information concerning an app and are able to choose whether an App is installed and whether or not to use an installed App and its functions. The mobile Internet Apps provider shall also fulfill its data security protection obligations, establish and improve the whole-process data security management system when carrying out App data processing activities. Furthermore, mobile Internet Apps providers shall insist on the principle that is most beneficial to minors and supervise users in accordance with the laws and regulations. If an internet information service provider violates these regulations, mobile app stores through which it distributes its apps may issue warnings, suspend the release of its apps, or terminate the sale of its apps, and/or report the violations to governmental authorities.

Under the Interim Measures on the Administration of Pre-Installation and Distribution of Applications for Mobile Smart Terminals (《移動智能終端應用軟件預置和分發管理暫行規定》), which became effective on July 1, 2017, the internet information service provider is also required to ensure that an App, as well as its ancillary resource files, configuration files and user data, can be conveniently uninstalled by its users, unless it is a basic function software (i.e., software that supports the normal functioning of hardware and operating system of a mobile smart device).

The MIIT issued the Notice on the Further Special Rectification of Apps Infringing upon Users' Personal Rights and Interests, or the Further Rectification Notice (《工業和信息化部關於開展縱深推進APP侵害用戶權益專項整治行動的通知》), on July 22, 2020. The Further Rectification Notice requires that certain conducts of App service providers should be inspected with respect to (i) collecting personal information without the user's consent, collecting or using personal information beyond the necessary scope of providing services, and forcing users to receive advertisements; (ii) requesting user's permission in a compulsory and frequent manner, or frequently launching third-parties Apps; and (iii) deceiving and misleading users into downloading Apps or providing personal information. The Further Rectification Notice also set forth that the period for the regulatory specific inspection on Apps and that the MIIT will order the non-compliant entities to modify their business within five business days, or otherwise to make public announcement to remove the Apps from the App stores and impose other administrative penalties.

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Regulations Related to Strictly Combating Illegal Securities Activities

The Opinions on Securities Activities called for the enhanced administration and supervision of China-based overseas-listed companies, and proposed to revise the relevant regulation governing the overseas issuance and listing of shares by joint stock companies and clarified the responsibilities of competent domestic industry regulators and government authorities.

Regulations Related to Intellectual Property Rights

China has adopted comprehensive legislation governing intellectual property rights, including copyrights, trademarks, patents and domain names. China is a signatory to the primary international conventions on intellectual property rights and has been a member of the Agreement on Trade-Related Aspects of Intellectual Property Rights since its accession to the World Trade Organization in December 2001.

Patent

Pursuant to the PRC Patent Law (《中華人民共和國專利法》), as recently amended in 2020 and became effective on June 1, 2021, after the grant of the patent right for an invention or utility model, except where otherwise provided for in the PRC Patent Law, no entity or individual may, without the authorization of the patent owner, exploit the patent, that is, make, use, offer to sell, sell or import the patented product, or use the patented process, or use, offer to sell, sell or import any product which is a direct result of the use of the patented process, for production or business purposes. After a patent right is granted for a design, no entity or individual shall, without the permission of the patent owner, exploit the patent, that is, for production or business purposes, manufacture, offer to sell, sell, or import any product containing the patented design. Once the infringement of a patent is confirmed, the infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, and pay damages, etc.

Trademarks

Pursuant to the PRC Trademark Law (《中華人民共和國商標法》), as most recently amended in 2019, the right to exclusive use of a registered trademark shall be limited to trademarks that have been approved for registration and to goods for which the use of such trademark has been approved. The period of validity of a registered trademark shall be ten years counted from the day the registration is approved and renewable for another term of ten years upon expiry of the first or any renewed ten-year term. According to this law, using a trademark that is identical to or similar to a registered trademark in connection with the same or similar goods without the authorization of the owner of the registered trademark constitutes an infringement of the exclusive right to use a registered trademark.

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Copyright

Pursuant to the PRC Copyright Law (《中華人民共和國著作權法》), as recently amended in 2020 and became effective on June 1, 2021, copyrights include personal rights such as the right of publication and that of attribution as well as property rights such as the right of production and that of distribution. Reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, unless otherwise provided in the PRC Copyright Law, shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, take remedial action, and offer an apology, pay damages, etc.

In order to further implement the Computer Software Protection Regulations (《計算機軟件保護條例》) which conform to the provisions of both the Computer Software Copyright Registration Procedures and the Computer Software Protection Regulations promulgated by the State Council on December 20, 2001, effective on January 1, 2002 and amended on January 8, 2011 and January 30, 2013, respectively, the State Copyright Bureau issued the Computer Software Copyright Registration Procedures (《計算機軟件著作權登記辦法》) on February 20, 2002, which applies to software copyright registration, license contract registration and transfer contract registration. The National Copyright Administration of China shall be the competent authority for the nationwide administration of software copyright registration and the Copyright Protection Center of China, or the CPCC, is designated as the software registration authority. The CPCC shall grant registration certificates to the Computer Software Copyrights applicants who conform to the provisions of both the Computer Software Copyright Registration Procedures and the Computer Software Protection Regulations (Revised in 2013).

Domain Names

Pursuant to the Measures for the Administration of Internet Domain Names of China promulgated on November 5, 2004, and effective on December 20, 2004, or the 2004 Domain Names Measures, and the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》) promulgated on August 24, 2017, and effective on November 1, 2017, to replace the 2004 Domain Names Measures, "domain name" shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the internet protocol (IP) address of that computer. The principle of "first come, first serve" is followed for the domain name registration service. After completing the domain name registration, the applicant becomes the holder of the domain name registered by him/it. Any organization or individual may file an application for settlement with the domain names dispute resolution institution or file a lawsuit in the People's Court in accordance with the law if such organization or individual consider its/his legal rights and interests to be infringed by domain names registered or used by others.

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Regulations Related to Foreign Exchange

General Administration of Foreign Exchange

The principal regulation governing foreign currency exchange in China is Foreign Exchange Administration Regulations (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996, took into effect on April 1, 1996 and last amended on August 5, 2008. Under the PRC foreign exchange regulations, Renminbi is freely convertible into other currencies for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of the PRC, unless prior approval is obtained from the State Administration of Foreign Exchange, or the SAFE, and prior registration with SAFE is made.

On March 30, 2015, SAFE promulgated the Circular 19, effective on June 1, 2015 and was amended on December 30, 2019. According to Circular 19, the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretionary Foreign Exchange Settlement. The Discretionary Foreign Exchange Settlement refers to the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution have been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily determined to be 100%. The Renminbi converted from the foreign exchange capital will be kept in a designated account and if a foreign-invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks.

SAFE issued the Circular 16 on June 9, 2016, which became effective simultaneously, which, among other things, amends certain provisions of the Circular 19. Pursuant to Circular 16, enterprises registered in the PRC may also convert their foreign debts from foreign currency to Renminbi on a discretionary basis. Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on a discretionary basis which applies to all enterprises registered in the PRC. Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, while such converted Renminbi shall not be provided as loans to its non-affiliated entities.

In January 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification, or Circular 3 (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》), which became effective on the same day. Circular 3 sets out various measures to tighten genuineness and compliance verification of cross-border transactions and cross-border capital flow, which include without limitation requiring banks to verify board resolutions, tax filing form, and audited financial statements before wiring foreign-invested enterprises' foreign exchange distribution above US\$50,000, and strengthening genuineness and compliance verification of foreign direct investments.

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On October 23, 2019, SAFE promulgated the SAFE Circular 28. The SAFE Circular 28 stipulates that non-investment foreign investment enterprise may use capital to carry out domestic equity investment in accordance with the law under the premise of not violating the Negative List and the projects invested are true and in compliance with laws and regulations.

On April 10, 2020, the SAFE issued the SAFE Circular 8. The SAFE Circular 8 provides that, under the condition that the use of the funds is genuine and compliant with current administrative provisions on use of capital relating to capital accounts, enterprises are allowed to use capital under capital accounts such as capital funds, foreign debts and overseas listings for domestic payment, without submission to the bank prior to each transaction of materials evidencing the veracity of such payment.

Loans by the Foreign Companies to PRC Entities

A loan made by foreign investors as shareholders in a foreign invested enterprise is considered to be foreign debt in China and is regulated by various laws and regulations, including the Regulation of the People's Republic of China on Foreign Exchange Administration, the Interim Provisions on the Management of Foreign Debts (《外債管理暫行辦法》), the Statistical Monitoring of Foreign Debts Tentative Provisions (《外債統計監測暫行規定》), the Detailed Rules for the Implementation of Provisional Regulations on Statistics and Supervision of External Debt (《外債統計監測實施細則》), and the Administrative Measures for Registration of Foreign Debts (《外債登記管理辦法》). Under these rules and regulations, a shareholder loan in the form of foreign debt made to a PRC entity does not require the prior approval of SAFE. However, such foreign debt must be registered with and recorded by SAFE or its local branches within 15 business days after entering into the foreign debt contract. Pursuant to these rules and regulations, the balance of the foreign debts of a foreign invested enterprise shall not exceed the difference between the total investment and the registered capital of the foreign invested enterprise, or Total Investment and Registered Capital Balance, and there is, in effect, no statutory limit on the amount of foreign debts that foreign investors can make to a foreign invested enterprise under this circumstance because the foreign investors can increase the registered capital of the foreign invested enterprise by making capital contributions to it, subject to the completion of the required registrations, and the difference between the total investment and the registered capital will increase accordingly.

Pursuant to the Interim Provisions of the SAIC on the Ratio of the Registered Capital to the Total Investment of a Sino-Foreign Equity Joint Venture Enterprise, or the Provisions on Ratio of the Registered Capital to the Total Investment (《關於中外合資經營企業註冊資本與投資總額比例的暫行規定》), promulgated by SAIC on February 17, 1987 and effective on March 1, 1987, with respect to a Sino-foreign equity joint venture, the registered capital shall be (i) no less than 7/10 of its total investment, if the total investment is US\$3 million or under US\$3 million; (ii) no less than 1/2 of its total investment, if the total investment is ranging from US\$3 million to US\$10 million (including US\$10 million), provided that the registered capital shall not be less than US\$2.1 million if the total investment is less than US\$4.2 million; (iii) no less than 2/5 of its total investment, if the total investment is ranging from US\$10 million to US\$30 million (including US\$30 million), provided that the registered capital shall not be less than US\$5 million if the total investment is less than US\$12.5 million; and (iv) no less than 1/3 of its total investment, if the total investment exceeds US\$30 million, provided that the registered capital shall not be less than US\$12 million if the total investment is less than US\$36 million.

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On January 11, 2017, the PBOC promulgated the Notice of the People's Bank of China on Matters concerning the Macro-Prudential Management of Full-Covered Cross-Border Financing, or the PBOC Notice No. 9 (《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》). Pursuant to the PBOC Notice No. 9, within a transition period of one year from January 11, 2017, the foreign invested enterprises may adopt the currently valid foreign debt management mechanism, or Current Foreign Debt Mechanism, or the mechanism as provided in the PBOC Notice No. 9, or Notice No. 9 Foreign Debt Mechanism, at their own discretion. The PBOC Notice No. 9 provides that, enterprises may conduct independent cross-border financing in RMB or foreign currencies as required. Pursuant to the PBOC Notice No. 9, the outstanding cross-border financing of an enterprise (the outstanding balance drawn, here and below) shall be calculated using a risk-weighted approach, or the Risk-Weighted Approach, and shall not exceed the specified upper limit, namely: risk-weighted outstanding cross-border financing \leq the upper limit of risk-weighted outstanding cross-border financing. Risk-weighted outstanding cross-border financing = \sum outstanding amount of RMB and foreign currency denominated cross-border financing * maturity risk conversion factor * type risk conversion factor + \sum outstanding foreign currency denominated cross-border financing * exchange rate risk conversion factor. Maturity risk conversion factor shall be 1 for medium-term and long-term cross-border financing with a term of more than one year and 1.5 for short-term cross-border financing with a term of one year or less than one year. Type risk conversion factor shall be 1 for on-balance-sheet financing and 1 for off-balance-sheet financing (contingent liabilities) for the time being. Exchange rate risk conversion factor shall be 0.5. The PBOC Notice No. 9 further provides that the upper limit of risk-weighted outstanding cross-border financing for enterprises shall be 200% of its net assets, or Net Asset Limits. Enterprises shall file with SAFE in its capital item information system after entering into the relevant cross-border financing contracts and prior to three business days before drawing any money from the foreign debts.

Based on the foregoing, if we provide funding to our wholly foreign owned subsidiaries through shareholder loans, the balance of such loans shall not exceed the Total Investment and Registered Capital Balance and we will need to register such loans with SAFE or its local branches in the event that the Current Foreign Debt Mechanism applies, or the balance of such loans shall be subject to the Risk-Weighted Approach and the Net Asset Limits and we will need to file the loans with SAFE in its information system in the event that the Notice No. 9 Mechanism applies. According to the PBOC Notice No. 9, after a transition period of one year from January 11, 2017, the PBOC and SAFE will determine the cross-border financing administration mechanism for the foreign-invested enterprises after evaluating the overall implementation of the PBOC Notice No. 9. As of the date of this Document, neither PBOC nor SAFE has promulgated and made public any further rules, regulations, notices or circulars in this regard.

Regulations Related to Offshore Special Purpose Companies Held by PRC Residents

SAFE Circular 37 regulates foreign exchange matters in relation to the use of special purpose vehicles, or SPVs, by PRC residents or entities to seek offshore investment and financing and conduct round trip investment in China. Under SAFE Circular 37, an SPV refers to an offshore entity established or controlled, directly or indirectly, by PRC residents or entities for the purpose of seeking offshore financing or making an offshore investment, using legitimate domestic or offshore assets or interests, while "round trip investment" refers to the direct investment in China by PRC

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residents or entities through SPVs, namely, establishing foreign-invested enterprises to obtain the ownership, control rights and management rights. SAFE Circular 37 requires that, before making a contribution into an SPV, PRC residents or entities are required to complete foreign exchange registration with SAFE or its local branch. SAFE Circular 37 further provides that option or share-based incentive tool holders of a non-listed SPV can exercise the options or share incentive tools to become a shareholder of such non-listed SPV, subject to registration with SAFE or its local branch.

PRC residents or entities who have contributed legitimate domestic or offshore interests or assets to SPVs but have yet to obtain SAFE registration before the implementation of SAFE Circular 37 shall register their ownership interests or control in such SPVs with SAFE or its local branch. An amendment to the registration is required if there is a material change in the registered SPV, such as any change of basic information (including change of such PRC resident's name and operation term), increases or decreases in investment amounts, transfers or exchanges of shares, or mergers or divisions. Failure to comply with the registration procedures set forth in SAFE Circular 37, or making misrepresentation or failure to disclose controllers of foreign-invested enterprise that is established through round-trip investment, may result in restrictions on the foreign exchange activities of the relevant foreign-invested enterprises, including capital inflows from the offshore parents and payments of dividends and other distributions (such as proceeds from any reduction in capital, share transfer or liquidation) to its offshore parents or affiliates, and may also subject relevant PRC residents or entities to penalties under PRC foreign exchange administration regulations. On February 13, 2015, SAFE further promulgated the SAFE Circular 13. This SAFE Circular 13 has amended SAFE Circular 37 by requiring PRC residents or entities to register with qualified banks in lieu of SAFE or its local branches in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. SAFE Circular 37 is applicable to our beneficial owners who are PRC residents and may be applicable to any offshore acquisitions that we make in the future.

According to the SAFE Circular 13, those who fails to comply with the requirements set forth in the preceding paragraph, the foreign exchange control authorities shall conduct business control over them in the capital account information system, and banks shall not carry out foreign exchange businesses under the capital account for them.

Regulations on Stock Incentive Plans

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, or the SAFE Circular 7 (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), issued by SAFE in February 2012, employees, directors, supervisors and other senior management participating in any stock incentive plan of an overseas publicly listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company and complete certain other procedures. The SAFE Circular 7 further requires an offshore agent to be designated to handle matters in connection with the exercise of share options and sales of proceeds for the participants of the share incentive plans. Failure to complete the said SAFE registrations may subject our participating directors, supervisors, senior management and other employees to regulatory measures and legal sanctions.

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In addition, the SAT has issued certain circulars concerning employee share options or restricted shares. Under these circulars, the employees working in the PRC who exercise share options or are granted restricted shares will be subject to PRC individual income tax. The PRC subsidiaries of such overseas listed company have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If the employees fail to pay or the PRC subsidiaries fail to withhold their income taxes according to relevant laws and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC government authorities.

Regulations Related to Tax in the PRC

Income Tax

The PRC Enterprise Income Tax Law was promulgated on March 16, 2007 and was most recently amended on December 29, 2018. The PRC Enterprise Income Tax Law applies a uniform 25% enterprise income tax rate to both foreign-invested enterprises and domestic enterprises, except where tax incentives are granted to special industries and projects. Under the PRC Enterprise Income Tax Law, an enterprise established outside of China with a “de facto management body” within China is considered a “resident enterprise” for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. Under the Implementation Regulations to the PRC Enterprise Income Tax Law, a “de facto management body” is defined as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. Non-PRC resident enterprises without any branches in the PRC shall pay an enterprise income tax in connection with their income originating from the PRC at the tax rate of 10%.

In January 2009, the SAT promulgated the Provisional Measures for the Administration of Withholding of Enterprise Income Tax for Non-resident Enterprises, or the Non-resident Enterprises Measures (《非居民企業所得稅源泉扣繳管理暫行辦法》), pursuant to which entities that are obliged to make certain payments to non-resident enterprises shall have the duty to withhold relevant taxes for such non-resident enterprises. Further, the Non-resident Enterprises Measures provide that, in case of an equity transfer between two non-resident enterprises occurring outside of China, which is indirectly related to the transfer of equity interest of a PRC resident enterprise, the non-resident enterprise that receives the equity transfer payment shall, by itself or engage an agent to, file a tax declaration with the PRC tax authorities located at the place of the PRC company whose equity has been transferred, and the PRC company whose equity has been transferred shall assist the tax authorities to collect taxes from the relevant non-resident enterprise. In April 2009, the MOF, and the SAT jointly issued the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business, or Circular 59 (《關於企業重組業務企業所得稅處理若干問題的通知》). In December 2009, the SAT issued the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises, or Circular 698 (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》). Both Circular 59 and Circular 698 became effective retroactively as of January 2008. On March 28, 2011, the SAT issued the Notice on Several Issues Regarding the Administration of Income Tax of Non-PRC Resident Enterprises, or SAT Circular 24 (《關於非居民企業所得稅管理若干問題的公告》), effective in April 2011. By promulgating and implementing these circulars, the PRC tax authorities have enhanced their scrutiny over the direct or indirect transfer of equity interest in a PRC resident enterprise by a non-resident enterprise.

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In January 2014, the Notice on Issues Relating to Handling Enterprise Income Tax in Promoting Enterprise Restructuring (《關於促進企業重組有關企業所得稅處理問題的通知》) promulgated by MOF and the SAT became effective and partly superseded provisions in Circular 59. In February 2015, the SAT issued the Notice on Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-PRC Resident Enterprises, or SAT Circular 7 (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), to supersede existing provisions in relation to the indirect transfer as set forth in Circular 698, while the other provisions of Circular 698 remain in force. SAT Circular 7 introduces a new tax regime that is significantly different from that under Circular 698. SAT Circular 7 extends its tax jurisdiction to capture not only indirect transfers as set forth under Circular 698 but also transactions involving transfers of immovable property in China and assets held under establishments in China of a foreign company through the offshore transfer of a foreign intermediate holding company. SAT Circular 7 also addresses the transfer of the equity interest in a foreign intermediate holding company broadly. In addition, SAT Circular 7 provides clearer criteria than Circular 698 on how to assess reasonable commercial purposes and introduces safe harbor scenarios applicable to internal group restructurings and the purchase and sale of equity through a public securities market. However, it also brings challenges to both the foreign transferor and transferee of the indirect transfer as they have to determine whether the transaction should be subject to PRC tax and to file or withhold PRC tax accordingly. On October 17, 2017, the SAT issued the Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises, or SAT Circular 37 (《關於非居民企業所得稅源泉扣繳有關問題的公告》). SAT Circular 37, effective on December 1, 2017, superseded the Non-resident Enterprises Measures and SAT Circular 698 as a whole and partially amended some provisions in SAT Circular 24 and SAT Circular 7. SAT Circular 37 purports to clarify certain issues in the implementation of the above regime, by providing, among others, the definition of equity transfer income and tax basis, the foreign exchange rate to be used in the calculation of withholding amount, and the date of occurrence of the withholding obligation. Specifically, SAT Circular 37 provides that where the transfer income subject to withholding at source is derived by a non-PRC resident enterprise in installments, the installments may first be treated as recovery of costs of previous investments. Upon recovery of all costs, the tax amount to be withheld must then be computed and withheld.

Under the SAT Circular 7 and the Law of the PRC on the Administration of Tax Collection (《中華人民共和國稅收徵收管理法》) promulgated by the SCNPC on September 4, 1992 and newly amended on April 24, 2015, in the case of an indirect transfer, entities or individuals obligated to pay the transfer price to the transferor shall act as withholding agents. If they fail to withhold the full amount of tax payable, or at all, the transferor of equity shall declare and pay tax to the relevant tax authorities within seven days from the occurrence of the tax payment obligation. Where the withholding agent fails to withhold, and the transferor of the equity fails to pay, the tax payable amount, the tax authority may impose late payment interest on the transferor. In addition, the tax authority may also hold the withholding agents liable and impose a penalty ranging from 50% to 300% of the unpaid tax on them. The penalty imposed on the withholding agents may be reduced or waived if the withholding agents have submitted the relevant materials in connection with the indirect transfer to the PRC tax authorities in accordance with the SAT Circular 7.

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Value-Added Tax

According to the Temporary Regulations on Value-added Tax (《中華人民共和國增值稅暫行條例》), last amended in November 2017, and the Detailed Implementing Rules of the Temporary Regulations on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》), last amended in October 2011, all taxpayers selling goods, providing processing, repair or replacement services or importing goods within the PRC shall pay value-added taxes.

Furthermore, according to the Trial Scheme for the Conversion of Business Tax to Value-added Tax (《營業稅改徵增值稅試點方案》), promulgated by the MOF and the SAT in November 2011, the State Council began to launch taxation reforms in a gradual manner in January 2012, whereby the collection of value-added tax in lieu of business tax items was implemented on a trial basis in regions showing significant radiating effects in economic development and providing outstanding reform examples, beginning with production service industries such as transportation and certain modern service industries.

In 2016, the MOF and the SAT jointly issued the Circular of Taxation on Full Launch of the Pilot Scheme on Levying Value-added Tax in Place of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》), partly amended by the MOF, the SAT and the General Administration of Customs on March 20, 2019 and effective on April 1, 2019, pursuant to which, upon approval of the State Council, the pilot program of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner starting from May 2016, and all taxpayers of business tax engaged in the construction industry, the real estate industry, the financial industry and the life science industry shall be included in the scope of the pilot program with regard to payment of value-added tax instead of business tax.

In April 2018, the MOF and the SAT jointly promulgated the Circular of the Ministry of Finance and the State Administration of Taxation on Adjustment of Value-Added Tax Rates, or Circular 32(《關於調整增值稅稅率的通知》), according to which (i) for VAT taxable sales acts or importation of goods originally subject to value-added tax rates of 17% and 11% respectively, such tax rates shall be adjusted to 16% and 10%, respectively; (ii) for purchase of agricultural products originally subject to deduction rate of 11%, such deduction rate shall be adjusted to 10%; (iii) for purchase of agricultural products for the purpose of production and sales or consigned processing of goods subject to tax rate of 16%, such tax shall be calculated at the deduction rate of 12%;(iv) for exported goods originally subject to tax rate of 17% and export tax refund rate of 17%, the export tax refund rate shall be adjusted to 16%; and(v) for exported goods and cross-border taxable acts originally subject to tax rate of 11% and export tax refund rate of 11%, the export tax refund rate shall be adjusted to 10%. Circular 32 became effective on May 1, 2018 and shall supersede existing provisions that are inconsistent with Circular 32.

In March 2019, MOF, the SAT and General Administration of Customs jointly promulgated the Announcement on Policies for Deepening the VAT Reform, or Circular 39 (《關於深化增值稅改革有關政策的公告》), according to which (i) for VAT taxable sales acts or importation of goods originally subject to value-added tax rates of 16% and 10% respectively, such tax rates shall be adjusted to 13% and 9%, respectively; (ii) for purchase of agricultural products originally subject to deduction rate of 10%, such deduction rate shall be adjusted to 9%; (iii) for purchase of agricultural

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products for the purpose of production and sales or consigned processing of goods subject to tax rate of 13%, such tax shall be calculated at the deduction rate of 10%; (iv) for exported goods originally subject to tax rate of 16% and export tax refund rate of 16%, the export tax refund rate shall be adjusted to 13%; and (v) for exported goods and cross-border taxable acts originally subject to tax rate of 10% and export tax refund rate of 10%, the export tax refund rate shall be adjusted to 9%. Circular 39 became effective on April 1, 2019 and shall supersede existing provisions that are inconsistent with Circular 39.

Withholding tax on dividend distribution

The PRC Enterprise Income Tax Law and The Implementation Regulations to the PRC Enterprise Income Tax Law provide that, since January 1, 2008, an enterprise income rate of 10% is normally applicable to dividends and other income of non-PRC resident enterprises that have no establishment or place of business in the PRC, or which have establishment or place of business in the PRC but the relevant income is in fact not associated with such establishment or place of business in the PRC, to the extent such income is derived from sources within the PRC. However, a lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign holding companies. For example, pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income, or the Double Tax Avoidance Arrangement, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under the Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends that the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from the tax authority in charge. Based on the Notice on Relevant Issues Relating to the Enforcement of Dividend Provisions in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) issued on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, at their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. The Announcement of the State Administration of Taxation on Issues concerning "Beneficial Owners" in Tax Treaties, promulgated by the SAT on February 3, 2018 and effective on April 1, 2018, further clarified the standard of analysis when determining one's qualification for beneficial owner status.

Regulations Related to Dividend Distributions

The principal regulations governing the distribution of dividends of foreign holding companies include the PRC Company Law, the FIL and the Implementation rule of FIL. Under these regulations, foreign investment enterprises in China may pay dividends only out of their accumulated profits, if any, as determined in accordance with PRC accounting standards and regulations. In addition, a foreign investment enterprise in China is required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves until its cumulative total reserve funds reach 50% of its registered capital. These reserve funds, however, may not be distributed as cash dividends. The proportional ratio for withdrawal of rewards and welfare funds for employees shall be determined at the discretion of the wholly foreign-owned enterprise, or WFOE. Profits of a WFOE shall not be distributed before the losses thereof before the previous accounting years have been made up. Any undistributed profit for the previous accounting years may be distributed together with the distributable profit for the current accounting year.

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Regulations Related to Labor Protection

According to the PRC Labor Law (《中華人民共和國勞動法》), which was promulgated by the SCNPC in July 1994, effective on January 1, 1995, and most recently amended in December, 2018, an employer shall develop and improve its rules and regulations to safeguard the rights of its employees. An employer shall develop and improve its labor safety and health system, stringently implement national protocols and standards on labor safety and health, conduct labor safety and health education for workers, guard against labor accidents and reduce occupational hazards.

The PRC Labor Contract Law (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007, effective on January 1, 2008, and most recently amended in December 2012, and the Implementation Regulations on Labor Contract Law (《中華人民共和國勞動合同法實施條例》), promulgated and became effective on September 18, 2008, regulate both parties to a labor contract, namely the employer and the employee, and contain specific provisions involving the terms of the labor contract. It is stipulated by the PRC Labor Contract Law and the Implementation Regulations on Labor Contract Law that a labor contract must be made in writing. An employer and an employee may enter into a fixed-term labor contract, an un-fixed term labor contract, or a labor contract that concludes upon the completion of certain work assignments, after reaching an agreement upon due negotiations. If an employer fails to enter into a written employment contract with an employee within one month from the date on which the employment relationship is established, the employer must rectify the situation by entering into a written employment contract with the employee and pay the employee twice the employee's salary for the period from the day following the lapse of one month from the date of establishment of the employment relationship to the day prior to the execution of the written employment contract. An employer may legally terminate a labor contract and dismiss its employees after reaching an agreement upon due negotiations with the employee or by fulfilling the statutory conditions. The PRC Labor Contract Law and Implementation Regulations on Labor Contract Law also require compensation to be paid upon certain terminations. In addition, if an employer intends to enforce a non-compete provision in an employment contract or non-competition agreement with an employee, it has to compensate the employee on a monthly basis during the term of the restriction period after the termination or expiry of the labor contract. Employers in most cases are also required to provide severance payment to their employees after their employment relationship is terminated. Labor contracts concluded prior to the enactment of the PRC Labor Contract Law and subsisting within the validity period thereof shall continue to be honored. With respect to a circumstance where a labor relationship has already been established but no formal contract has been made, a written labor contract shall be entered into within one month from the date of the establishment of the labor relationship.

According to the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費申報繳納管理暫行辦法》), the Regulations on Workplace Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》) and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), enterprises in the PRC shall provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, workplace injury insurance and basic medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies, and shall pay or withhold relevant social insurance

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premiums for or on behalf of employees. The Law on Social Insurance of the PRC, which was promulgated in October 2010, effective in July 2011, and most recently amended in December 2018, has consolidated pertinent provisions for basic pension insurance, unemployment insurance, maternity insurance, workplace injury insurance and basic medical insurance. According to the Law on Social Insurance of the PRC, the employers shall apply for completion of social security registration with the local social security agency within 30 days from the date of incorporation and complete social security registration for its employee within 30 days from the date of recruitment. The Law on Social Insurance of the PRC also elaborates the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance in detail.

According to the Interim Measures for Participation in the Social Insurance System by Foreigners Working within the Territory of China, or the Interim Measures (《在中國境內就業的外國人參加社會保險暫行辦法》), promulgated by the Ministry of Human Resources and Social Security on September 6, 2011, and effective as of October 15, 2011, employers who employ foreigners shall participate in the basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, and maternity leave insurance in accordance with the relevant law, with the social insurance premiums to be contributed respectively by the employers and foreigner employees as required. In accordance with such Interim Measures, the social insurance administrative agencies shall exercise their right to supervise and examine the legal compliance of foreign employees and employers, and the employers who do not pay social insurance premiums in conformity with the laws shall be subject to the administrative provisions provided in the Social Insurance Law and other relevant regulations and rules.

According to the Regulations on the Administration of Housing Fund, which was promulgated and effective on April 3, 1999, and was most recently amended in March 2019, housing fund contributions by an individual employee and housing fund contributions by his or her employer shall belong to the individual employee.

The employer shall timely pay up and deposit housing fund contributions in full amount and late or insufficient payments shall be prohibited. The employer shall process housing fund payment and deposit registrations with the housing fund administration center, and go through the formalities of opening housing fund accounts on behalf of its employees within 20 days from the date of the registration. With respect to companies who violate the above regulations and fail to process housing fund payment and deposit registrations or open housing fund accounts for their employees, such companies shall be ordered by the housing fund administration center to complete such procedures within a designated period. Those who fail to process their registrations within the designated period shall be subject to a fine ranging from RMB10,000 to RMB50,000. When companies violate these regulations and fail to pay up housing fund contributions in full amount as due, the housing fund administration center shall order such companies to pay up within a designated period, and may further apply to the People's Court for mandatory enforcement against those who still fail to comply after the expiry of such period.

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On June 22, 2021, the Ministry of Human Resources and Social Security, the NDRC, the MOT together with other government authorities jointly promulgated Guiding Opinions, which require platform enterprises adopting labor outsourcing and other cooperative labor methods to undertake corresponding responsibilities in accordance with laws and regulations when workers’ rights and interests are harmed. Furthermore, the Guiding Opinions call for organizing and launching pilot programs for occupational injury protection of flexible employment personnel, focusing on platform enterprises in industries such as travel, takeout, instant delivery and intra-city freight. Several government authorities jointly issued Freight Drivers Opinion on October 11, 2021, which provides, among others, that the authorities will strengthen the regulation of online freight platforms and urge online platforms to listen to the opinions of platform drivers, reasonably determine and adjust platform rules, and disclose such rules publicly, and further encourages freight drivers to participate in social insurance schemes and supports intra-city freight platforms to join occupational injury insurance pilot schemes.

On November 17, 2021, the MOT together with certain other PRC government authorities jointly promulgated the New Forms of Transportation Opinion. The New Forms of Transportation Opinion encourages enterprises of new forms of transportation to strengthen humanistic care for workers and establish a reward system for excellent workers and to clearly inform workers of relevant rights and obligations and relevant laws and policies on labor security. In addition, the New Forms of Transportation Opinion provides that illegal practices such as dumping at low prices, “big data-enabled price discrimination against existing customers” and induced fraud shall be subject to vigorous investigation.

Regulations on M&A and Overseas [REDACTED]

Under the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, were jointly adopted by six PRC regulatory authorities, including the CSRC, on August 8, 2006, and became effective on September 8, 2006, and most recently amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. According to the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from the MOFCOM is required. The M&A Rules also requires offshore special purpose vehicles formed for overseas [REDACTED] purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals to obtain the approval of the CSRC prior to publicly [REDACTED] their securities on an overseas stock exchange.

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In September 2006, the CSRC published on its official website procedures regarding its approval of overseas [REDACTED] by special purpose vehicles. The CSRC approval procedures require the filing of a number of documents with the CSRC. Although (i) the CSRC currently has not issued any definitive rule or interpretation concerning whether [REDACTED] like ours under this Document are subject to the M&A Rules, and (ii) no provision in the M&A Rules clearly classifies contractual arrangements as a type of transaction subject to the M&A Rules, the interpretation and application of the regulations remain unclear, and this [REDACTED] may ultimately require approval from the CSRC. If such approval from the CSRC is required, it is uncertain whether it would be possible for us to obtain the approval and any failure to obtain or delay in obtaining such approval for this [REDACTED] would subject us to sanctions imposed by the CSRC and other PRC regulatory agencies.

In addition, according to the Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》) issued by the General Office of the State Council on February 3, 2011, which became effective on March 4, 2011, the Rules on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》) issued by the MOFCOM on August 25, 2011, which became effective on September 1, 2011, mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOFCOM. In addition, the regulations prohibit any activities attempting to bypass such security review, including structuring the transaction through a proxy or contractual control arrangement. Furthermore, on December 19, 2020, the NDRC and the MOFCOM promulgated the Measures for Security Review of Foreign Investment, or the Foreign Investment Security Review Measures (《外商投資安全審查辦法》), which became effective on January 18, 2021. Under the Foreign Investment Security Review Measures, investments in certain key areas that result in acquiring the actual control of the assets are required to obtain approvals from designated government authorities in advance.

On February 17, 2023, the CSRC promulgated the new regulations for the filing-based administration of overseas securities [REDACTED] and [REDACTED] directly or indirectly by domestic companies, which became effective on March 31, 2023. The newly released set of regulations consists of the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “**Overseas Listing Trial Measures**”) and relevant five guidelines, along with the Notice of the Administrative Arrangements for the Filing of Overseas Securities Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》) (the “**Filing Arrangements Notice**”). The Overseas Listing Trial Measures provides that an overseas [REDACTED] or [REDACTED] is explicitly prohibited under any of the following circumstances: (i) such securities [REDACTED] and [REDACTED] is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities [REDACTED] and [REDACTED] may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with laws; (iii) the PRC domestic company intending to make the securities [REDACTED] and [REDACTED], or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the PRC domestic company

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intending to make the securities [REDACTED] and [REDACTED] is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller. The Overseas Listing Trial Measures also provides that if an issuer satisfies both of the following conditions, the overseas securities [REDACTED] and [REDACTED] conducted by such issuer will be deemed as indirect overseas [REDACTED] by PRC domestic companies: (i) 50% or more of any of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by PRC domestic companies; and (ii) the main parts of the issuer’s business activities are conducted in the PRC, or its main place(s) of business are located in the PRC, or the majority of senior management staff in charge of its business operations and management are PRC citizens or are domiciled in the PRC. The determination as to whether or not an overseas [REDACTED] and [REDACTED] by PRC domestic companies is indirect shall be made on a ‘substance over form’ basis. According to the Overseas Listing Trial Measures, PRC domestic companies that seek to publicly [REDACTED] or [REDACTED] securities in overseas markets, either directly or indirectly, are required to fulfill the filing procedures with the CSRC within three working days after their applications for overseas [REDACTED] or [REDACTED] are submitted. Subsequent securities [REDACTED] of an issuer in (i) the same overseas market where it has previously [REDACTED] and [REDACTED] securities, or (ii) an overseas market other than one where the issuer has previously [REDACTED] and [REDACTED] securities, shall be filed with the CSRC within three working days after [REDACTED] are completed. Additionally, the Overseas Listing Trial Measures stipulates that after an issuer has [REDACTED] and [REDACTED] securities in an overseas market, the issuer shall submit a report to the CSRC within three working days after the occurrence and public disclosure of (i) a change of control thereof, (ii) investigations of or sanctions imposed on the issuer by overseas securities regulators or relevant competent authorities, (iii) changes of [REDACTED] status or transfers of [REDACTED] segment, and (iv) a voluntary or mandatory [REDACTED]. Furthermore, according to the Filing Arrangements Notice, PRC domestic companies that have submitted valid applications for overseas [REDACTED] and [REDACTED] but have not yet received approvals from the overseas regulators or stock exchanges by or before March 31, 2023 may reasonably determine the timing to submit the filings and shall complete the filing procedures prior to their overseas [REDACTED] and [REDACTED]. We will continue to pay close attention to the legislative and regulatory developments in respect of overseas [REDACTED] of PRC domestic enterprises, comply with the specific regulatory requirements and perform information reporting procedures in accordance with the requirements of the Overseas Listing Trial Measures where applicable to our Group.

THAILAND

Regulations on Foreign Investment

An investment in Thailand by a foreigner (including a foreign company) is mainly regulated by the Foreign Business Act B.E. 2542 (1999), or the Thai Foreign Business Act. The Thai Foreign Business Act precludes a foreigner from operating certain businesses in Thailand, unless such foreigner obtains a foreign business license therefor. Businesses restricted under the Thai Foreign Business Act include “services”. Given the precedents of the Ministry of Commerce on its broad interpretation of “services”, it would not be uncommon for the Ministry of Commerce to view that most of our business activities qualify as the services under the Thai Foreign Business Act.

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The definition of a “foreigner” under the Thai Foreign Business Act includes:

- (i) any foreign-registered entity; and
- (ii) any Thai-registered entity having 50% or greater of its total outstanding equity interests (e.g. shares) owned by foreign individual(s) or foreign entity(ies).

The “foreigner” status of a Thai-registered company is determined based on the numerical shareholding of Thai and foreign shareholders in a company. The Thai Foreign Business Act does not examine the allocation of voting or economic interest in a company, which may technically be incommensurate with the numerical shareholding. However, as interpreted by the Ministry of Commerce, i.e. the regulator of the Thai Foreign Business Act, a Thai shareholder must be a “genuine Thai investor” investing in a company in which she owns her shares. This means that a genuine Thai investor should capitalize a company by her own funds and be entitled to reasonably justifiable rights and benefits in a company. If there is reasonable justification(s), such rights and benefits of a Thai shareholder may be incommensurate with her numerical shareholding in a company.

It is a criminal offense for a Thai individual or entity to act as the nominee of a foreigner to effectively allow a foreigner to circumvent the foreign ownership restrictions under the Thai Foreign Business Act.

See “History, Development and Corporate Structure” for more details on our corporate structure in Thailand.

Regulations on Foreign Exchange

The Exchange Control Act B.E. 2458 (1942) and the Ministerial Regulation No. 13 B.E. 2497 (1954) set out key principles of foreign exchange control to centralize the foreign exchange in Thailand and stabilize the value of Thai Baht.

The exchange control regulations require that all transactions involving foreign exchange must be conducted through commercial banks or authorized non-banks, such as authorized money changers and authorized money transfer agents. Such transactions include: (i) remittance of a foreign currency (to be converted into Thai Baht) into Thailand for a sale and purchase transaction; and (ii) remittance of Thai Baht (to be converted into a foreign currency) to outside of Thailand for a payment of dividends to a non-Thai shareholder. There is no general limitation imposed on the remittance of foreign currencies into Thailand. However, depending on the value of each remittance, the remittance of Thai Baht (to be converted into a foreign currency) to outside of Thailand may be subject to limitations and legal requirements. If the amount of funds to be remitted to outside Thailand exceeds the amount specified in the exchange control regulations, a prior approval of the Bank of Thailand will be required and must be obtained before the relevant remittance. Failure to comply with any legal requirements would subject the violator to a fine or an imprisonment, or both.

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Regulations on Dividend Distributions

The distribution of dividends is regulated by the Thai Civil Commercial Code and the Thai Revenue Code.

A company may distribute dividends only if such company has retained earnings. Before each company distributes dividends, it must appropriate at least 5% of the distributable amount to its legal reserve until its legal reserve reaches at least 10% of its registered share capital or any greater amount as specified in the articles of association of such company.

When a company distributes dividends to a Thai-registered company, the amount of dividends distributed to such Thai-registered company will be exempted from the Thai corporate income tax if such Thai-registered company owns at least 25% of the total outstanding shares in a company distributing dividends for three months before and after the dividend distribution. In sharp contrast, when a company distributes dividends to other Thai-registered companies or a foreign-registered company, the amount of dividends distributed to each such company will be subject to the Thai withholding tax at the rate of 10% of the aggregate amount of dividends distributed to each such company. The amount of dividends withheld pursuant to the Thai withholding tax may be exempted or reduced due to regulations issued by the governmental authorities or the double taxation agreements.

Regulations on Land Transportation

The operation of transportation services is regulated by the Land Transportation Act B.E. 2522 (1979), or the Land Transportation Act. The Land Transportation Act aims to ensure the efficiency, convenience and safety in the Thai transportation system. Therefore, the Land Transportation Act precludes a person from operating the transportation services unless such person obtains, before the operation, a license for the operation of the transportation services, or a Transportation License. Operating the transportation services without a Transportation License would subject the violator to a fine or an imprisonment, or both.

We do not operate the transportation services, and thus, we are not required to obtain a Transportation License. However, each carrier (in capacity as an operator of the transportation services) must obtain a Transportation License before commencing his or her work, except for the case that the carrier using vehicle e.g. a motorcycle, a private vehicle for not more than seven passengers etc. which is not subject to a Transportation License. If the governmental authority holds any carrier liable for not having a Transportation License, the governmental authority may also hold our Thai operating entity liable as a co-offender or supporter for the same offense. This is because our Thai operating entity still receives benefit from the carrier who provides his transportation services on our platform (i.e. commission fee from the transportation service) even though our Thai operating entity itself did not provide transportation service without Transportation License. In this regard, the governmental authority may view that (i) our Thai operating entity shall be liable as co-offender because the carrier could not commit the offence without our platform and our Thai operating entity does not exercise reasonable care to prevent any unlicensed driver from providing the transportation services through its platform, or (ii) our Thai operating entity shall be liable as

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supporter of the offender because it supports or facilitates the offender to commit offense by allowing the offender to use our platform for the wrongdoing. Therefore, to prevent any liability against our Thai operating entity, we have certain verification and screening measures for carriers and their vehicles, including requiring submission of ID copies, vehicle registration, driving license and other information during the registration and onboarding process and conducting background checks on carriers and their vehicles. See "If we fail to obtain or maintain licenses, permits or approvals applicable to our business, we may become subject to significant penalties and other regulatory proceedings or actions" for risks relating to the failure of drivers to obtain a Transportation License.

Regulations on E-commerce

Under the Direct Sale and Direct Marketing Act B.E. 2545 (2002), or the Direct Marketing Act, a business operator operating a direct marketing business must, before the operation, register itself with the Secretariat General of the Office of the Consumer Protection Board.

Under the Direct Marketing Act, the "direct marketing" means the marketing and sale of goods or services by remotely communicating with a customer through the platform on which a customer can conclude the relevant sale and purchase transaction in its entirety. We offer the sale of transportation services of the drivers to the consumers via our platform i.e. Lalamove's website and Lalamove's Application. Therefore, our operation of the logistics transaction platform in Thailand qualifies as the operation of the direct marketing. Our Thai operating entity must register itself as a direct marketing business operator before its operation and must fully comply with the conditions, requirements and procedures under the Direct Marketing Act and other laws and regulations relating to consumer protection.

In addition to the registration as a direct marketing business operator, the Direct Marketing Act also requires a direct marketing business operator to provide to each customer a document evidencing each sale and purchase transaction made on the platform (such as a receipt) upon the confirmation of each such transaction. Such document must contain statements on the consumers' right to cancel their respective purchases made on the platform within seven (7) days from the date of such document.

Failure to comply with the Direct Marketing Act would subject the violator to a fine or an imprisonment, or both. Any of the directors of such violator and its personnel, who has been involved in such violation or omits to perform whatever reasonable actions to prevent or cease such violation, would also be subject to the same penalties as the violator.

We have not registered our Thai operating entity as a direct marketing business operator with the relevant governmental authority. However, we are in the process of developing our system to fully comply with the conditions, requirements and procedures under the Direct Marketing Act and other laws and regulations relating to consumer protection. See "If we fail to obtain or maintain licenses, permits or approvals applicable to our business, we may become subject to significant penalties and other regulatory proceedings or actions" for risks relating to the failure to register as a direct marketing business operator under the Direct Marketing Act.

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Under the Commercial Registration Act B.E. 2499 (1956) and the Notification of Ministry of Commerce Regarding Requiring Business Operators to Register Businesses (No. 11) B.E. 2553 (2010), or the E-Commerce Laws, a business operator who operates a sale of goods or services by way of using electronic media via the internet network and/or an e-marketplace must register its business with the competent district office. We offer the sale of transportation services of the drivers to the consumers via our online platform e.g. Lalamove’s website. Therefore, our operation of the logistics transaction platform in Thailand must register itself as a business operator under the E-Commerce Laws. Failure to register any business as required under the E-Commerce Laws would subject the violator to a fine. We have registered our logistics transaction platform in Thailand, i.e. the application and website, with the competent district office.

Regulations on E-Money Service

The electronic payment or “e-payment” business is regulated by the Bank of Thailand through the Payment System Act B.E. 2560 (2017) and ancillary notifications as announced by the Ministry of Finance or the Bank of Thailand from time to time, or the E-Payment Laws. The regulated e-payment business includes an electronic money or “e-money” service which involves: (i) an issuance of a card or serial number to a customer as her account; (ii) a top-up of e-money in a customer’s account through a cash payment; and (iii) a customer’s ability to use the amount of e-money shown in her account for a purchase of goods or service or for a payment in lieu of cash. The operation of such e-money service requires a license from the Ministry of Finance, which must be obtained through the Bank of Thailand.

In addition to the licensing requirement, the E-Payment Laws also impose on the e-money business operator additional conditions and requirements. For example, a business operator must keep all monies received from users in account(s) which is separate from its own accounts, must maintain its paid-up registered share capital to the amount specified, and must submit a quarterly report to the Bank of Thailand.

Failure to comply with the E-Payment Laws would subject the violator to a fine or an imprisonment, or both. Any of the directors of such violator and its personnel, who has been involved in such violation or omits to perform whatever reasonable actions to prevent or cease such violation, would also be subject to the same penalties as the violator. We have entered into a regional service agreement with a licensed e-money business operator for the provision of e-money services to our Thai operating entity. Therefore, we are not required to obtain a license for the operation of e-money service from the Ministry of Finance.

Regulations on Anti-Money Laundering and Prevention of Terrorism Financing

The Anti-Money Laundering Act B.E. 2542 (1999), or the AML Act, imposes on the e-payment business operator obligations to prevent money laundering and terrorism financing. Under the AML Act, the e-payment business operator must (i) report to the Anti-Money Laundering Office any suspicious transaction or any cash transaction having value of greater than THB 100,000 (approximately USD3,200), and (ii) apply know-your-customer measures when the value of a transaction is at THB 50,000 (approximately USD1,600) or greater. In addition, the e-money business

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operator must have procedures relating to customer due diligence to review each customer when the first transaction with such business operator is carried out and periodically review such customer until such customer's account is closed or terminated. Failure to comply with the AML Act would subject the violator to a fine or an imprisonment, or both. We have entered into a regional service agreement with a licensed e-money business operator for the provision of e-money services to our Thai operating entity. Therefore, we are not an e-money business operator and are not required to comply under the AML Act.

Regulations on Personal Data Protection

In Thailand, personal data is protected by the Personal Data Protection Act B.E. 2562 (2019), or the PDPA, which became fully effective on June 1, 2022. The PDPA provides comprehensive regulatory framework on the protection of personal information in Thailand.

Generally, business operators in Thailand would act as a data controller or data processor, and thus, such business operators would be subject to the requirements under the PDPA regarding the control or process of personal data. Moreover, the PDPA requires each business operator to inform the data subjects of (i) how their personal data will be used by the data controller or data processor, (ii) whether their personal data will be disclosed to any third party, and (iii) the data subject's rights in personal data. If any personal data of any data subject will be transferred cross-border, before the transfer, the data controller and data processor must ensure that security measures of the destination country are in equivalent standard to Thailand.

Failure to comply with the PDPA would subject the violator to a fine or an imprisonment, or both. Any of the directors of such violator and its personnel, who has been involved in such violation or omits to perform whatever reasonable actions to prevent or cease such violation, would also be subject to the same penalties as the violator.

Regulations on Consumer Protection

Main regulations in Thailand relating to consumer protection include the Consumer Protection Act B.E. 2522 (1979), the Unfair Contract Terms Act B.E. 2540 (1997), and the Consumer Case Procedure Act B.E. 2551 (2008). Such legislation aims to promote greater transparency and more accurate disclosure on goods and services, and adequate compensation if any customer is harmed by any goods or services.

In particular, the Consumer Protection Act B.E. 2522 (1979) and the Consumer Case Procedure B.E. 2551 (2008) aim to promote and protect the rights of customers. Such rights include the right to collect adequate information of goods or services, the freedom to select goods and services, the right to expect safety in the use of goods or services and the right to have injury considered and compensated.

The Unfair Contract Terms Act B.E. 2551 (2008) regulates terms in a contract between a consumer and a business operator. Conceptually, any term that requires a consumer to render greater performance or assume greater burden would be enforceable only to the extent that such term is fair and reasonable.

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Regulations on Intellectual Property Rights

The intellectual property laws in Thailand consist of the Copyright Act B.E. 2537 (1994), the Trademark Act B.E. 2534 (1991), the Patent Act B.E. 2522 (1979) and the Trade Secret Act B.E. 2545 (2002).

A trademark or service mark registered outside of Thailand is not automatically protected under Thai laws. The protection will be granted to a trademark or service mark registered with the Department of Intellectual Property. However, under the Copyright Act B.E. 2537 (1994), subject to other requirements stipulated therein, the copyright is protected immediately when the creator creates her work without having to register such work with any governmental authority. The computer software is also protected under the copyright law.

Any infringement of intellectual property rights would subject the violator to civil and criminal liabilities, including a fine and an imprisonment.

Regulations on Labor

The Civil and Commercial Code, the Labor Protection Act B.E. 2541 (1998) and the Social Security Act B.E. 2533 (1990) are the main regulations that govern labor matters and regulate relationship between an employer and an employee.

Under the Labor Protection Act B.E. 2541 (1998), the employer having at least 10 employees must prepare work rules for its employees. The work rules shall cover at least the following issues: (i) working days, normal working time and rest periods; (ii) holidays and rules for taking holidays; (iii) rules governing overtime and holiday work; (iv) the date and place for payment of wages, overtime pay, holiday pay and holiday overtime pay; (v) leave and rules for the leave taking; (vi) disciplines and disciplinary actions; (vii) lodging of grievances; and (viii) termination of employment, severance pay and special severance pay. Other employment benefits and welfares are not required to be made or announced in writing.

Under the Social Security Act B.E. 2533 (1990), the employer shall contribute funds to the Social Security Fund at the rate specified by the Ministry of Labor. Such funds will be used to compensate employees for, among others, any injury, sickness, unemployment and death of employee.

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Registration of Foreign Investments and Exchange Controls

Under current regulations of the Philippine Central Bank or the Bangko Sentral ng Pilipinas ("BSP"), an investment in Philippine securities must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits and earnings derived from such shares is to be sourced from the Philippine banking system. If the foreign exchange required to service capital repatriation or dividend remittance is sourced outside the

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Philippine banking system, registration is not required. BSP Circular No. 471 (Series of 2005), as amended, however, subjects foreign exchange dealers, money changers and remittance agents to Republic Act No. 9160 or the Anti-Money Laundering Act of 2001, as amended, and requires these non-bank sources of foreign exchange to require foreign exchange buyers to submit supporting documents in connection with their application to purchase foreign exchange for purposes of capital repatriation and remittance of dividends.

The application for registration may be done directly with the BSP or through a custodian bank duly designated by the foreign investor. A custodian bank may be a universal bank, a commercial bank or an offshore banking unit registered with the BSP to act as such and appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his investments in the Philippines. Applications for registration must be accompanied by: (1) purchase invoice, subscription agreement and/or proof of listing on the PSE (for new/additional issues/stock rights); (2) original certificate of inward remittance of foreign exchange and its conversion into Pesos through an authorized agent bank in the prescribed format; and (3) Authority to Disclose in the prescribed format.

Upon registration of the investment with the BSP, proceeds of divestments, or dividends of registered investments may be repatriated or remitted or remittable immediately and in full with foreign exchange sourced from the Philippine banking system, net of applicable tax, without need of BSP approval. Remittance is permitted upon presentation of: (1) the BSP registration document; (2) the cash dividends notice from the PSE and the PCD printout of cash dividend payment or computation of interest earned; (3) copy of the corporate secretary's sworn statement on the board resolution covering the dividend declaration; and (4) detailed computation of the amount applied for in the format prescribed by the BSP. Pending reinvestment or registration, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest earned thereon, net of taxes, may also be remitted in full. Remittance of divestment proceeds or dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor's custodian bank.

The foregoing is subject to the power of the BSP, through the Monetary Board and with the approval of the President of the Philippines, to suspend temporarily or restrict the availability of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee when an exchange crisis is imminent, or in times of national emergency. Furthermore, there can be no assurance that BSP foreign exchange regulations will not be made more restrictive in the future.

The registration with the BSP of all foreign investments in shares in Philippine companies shall be the responsibility of the foreign investor.

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Regulations on Dividends and Dividend Policy

Under Philippine law, a corporation can only declare dividends to the extent that it has Unrestricted Retained Earnings that represent the undistributed earnings of the corporation which have not been allocated for any managerial, contractual or legal purpose and which are free for distribution to the shareholders as dividends. A corporation may pay dividends in cash, by the distribution of property or by the issuance of shares. Stock dividends may only be declared and paid with the approval of shareholders representing at least two-thirds of the outstanding capital stock of the corporation voting at a shareholders' meeting duly called for the purpose.

The Philippine Corporation Code generally requires a Philippine corporation with retained earnings in excess of 100% of its paid-in capital to declare and distribute as dividends the amount of such surplus. Notwithstanding this general requirement, a Philippine corporation may retain all or any portion of such surplus in the following cases: (i) when justified by definite expansion plans approved by the board of directors of the corporation; (ii) when the required consent of any financing institution or creditor to such distribution has not been secured; (iii) when retention is necessary under special circumstances, such as when there is a need for special reserves for probably contingencies; or (iv) when the non-distribution of dividends is consistent with the policy or requirement of a Government office.

In relation to foreign shareholders, dividends payable may not be remitted using foreign exchange sourced from the Philippine banking system unless the investment was first registered with the BSP.

Pursuant to existing rules of the Philippine Securities and Exchange Commission (the "Philippine SEC"), cash dividends declared by a Philippine company must have a record date not less than 10 nor more than 30 days from the date of declaration. For stock dividends, the record date should not be less than 10 nor more than 30 days from the date of the shareholders' approval, provided however, that the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of stock dividend. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the Philippine SEC.

Dividends may be payable in cash, shares or property of a Philippine company, or a combination thereof, as the Board determines.

Dividends to be paid in cash by a Philippine company are subject to approval by a majority of the Board and no further approval from such company's stockholders is required. Pursuant to existing Philippine SEC rules, cash dividends declared by a Philippine company must have a record date that is neither less than 10 days nor more than 30 days from the date the cash dividends are declared. In case no record date is specified, it is deemed to be fixed at 15 days from the company's declaration.

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The declaration of stock dividends is subject to the approval of stockholders representing at least two-thirds of the outstanding capital stock. The record date with respect to stock dividends is to be neither less than 10 days nor more than 30 days from the date of stockholders' approval, provided, however, that the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of stock dividend. In relation to foreign stockholders, dividends payable may not be remitted using foreign exchange sourced from the Philippine banking system unless the investment was first registered with the BSP.

The ability of a Philippine company to declare and pay dividends to its shareholders will depend on whether it has received sufficient dividends from its subsidiaries that can be distributed to such company's shareholders by way of dividend. As such, the company's Board of Directors, may, at any time, evaluate whether the company has sufficient cash available for distribution of cash dividends, although, subject to the requirements of the Philippine Corporation Code, there is no legal or contractual obligation on the part of the company to declare and pay cash dividends. It should be noted that, subject to certain exceptions, the Philippine Corporation Code generally requires a Philippine corporation with retained earnings in excess of 100% of its paid-in capital to declare and distribute as dividends the amount of such surplus.

Regulations on Data Privacy Protection

The Data Privacy Act of 2012 and its implementing rules and regulations ("Data Privacy Act") applies to the processing of all types of personal information and to any natural and juridical person involved in personal information processing. Generally, personal information must be collected with the data subject's express consent. As a rule, the processing of personal information is allowed if collected for specified and legitimate purposes and processed fairly and lawfully.

The Data Privacy Act states that personal information must be:

- (a) Collected for specified and legitimate purposes determined and declared before, or as soon as reasonably practicable after collection, and later processed in a way compatible with such declared, specified and legitimate purposes only;
- (b) Processed fairly and lawfully;
- (c) Accurate, relevant and, where necessary for purposes for which it is to be used, kept up to date;
- (d) Adequate and not excessive in relation to the purposes for which they are collected and processed;
- (e) Retained only for as long as necessary for the fulfillment of the purposes for which the data was obtained or for the establishment, exercise or defense of legal claims, or for legitimate business purposes, or as provided by law; and

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- (f) Kept in a form which permits identification of data subjects for no longer than is necessary for the purposes for which the data were collected and processed: Provided, that personal information collected for other purposes may be processed for historical, statistical or scientific purposes, and in cases laid down in law may be stored for longer periods: provided, further, that adequate safeguards are guaranteed by said laws authorizing their processing.

Moreover, the processing of personal information shall be permitted only if not otherwise prohibited by law, and when at least one of the following conditions exists:

- (a) The data subject has given his or her consent;
- (b) The processing of personal information is necessary and is related to the fulfillment of a contract with the data subject or in order to take steps at the request of the data subject prior to entering into a contract;
- (c) The processing is necessary for compliance with a legal obligation to which the personal information controller is subject;
- (d) The processing is necessary to protect vitally important interests of the data subject, including life and health;
- (e) The processing is necessary in order to respond to national emergency, to comply with the requirements of public order and safety, or to fulfill functions of public authority which necessarily includes the processing of personal data for the fulfillment of its mandate; or
- (f) The processing is necessary for the purposes of the legitimate interests pursued by the personal information controller or by a third party or parties to whom the data is disclosed, except where such interests are overridden by fundamental rights and freedoms of the data subject which require protection under the Philippine Constitution.

Furthermore, the processing of sensitive personal information and privileged information shall be prohibited, except in the following cases:

- (a) The data subject has given his or her consent, specific to the purpose prior to the processing, or in the case of privileged information, all parties to the exchange have given their consent prior to processing;
- (b) The processing of the same is provided for by existing laws and regulations: Provided, that such regulatory enactments guarantee the protection of the sensitive personal information and the privileged information: Provided, further, that the consent of the data subjects are not required by law or regulation permitting the processing of the sensitive personal information or the privileged information;
- (c) The processing is necessary to protect the life and health of the data subject or another person, and the data subject is not legally or physically able to express his or her consent prior to the processing;

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- (d) The processing is necessary to achieve the lawful and non-commercial objectives of public organizations and their associations: Provided, that such processing is only confined and related to the bona fide members of these organizations or their associations: Provided, further, that the sensitive personal information are not transferred to third parties: Provided, finally, that consent of the data subject was obtained prior to processing;
- (e) The processing is necessary for purposes of medical treatment, is carried out by a medical practitioner or a medical treatment institution, and an adequate level of protection of personal information is ensured; or
- (f) The processing concerns such personal information as is necessary for the protection of lawful rights and interests of natural or legal persons in court proceedings, or the establishment, exercise or defense of legal claims, or when provided to government or public authority.

Generally, personal information and sensitive personal information cannot be disclosed without the consent of the data subject unless otherwise authorized under the Data Privacy Act or any existing law.

Personal information must be protected against any accidental or unlawful destruction, alteration, and disclosure, accidental loss or destruction, as well as unlawful access, fraudulent misuse, unlawful destruction, alteration and contamination.

The Data Privacy Act's implementing rules and regulations impose the following compliance obligations on personal information controllers and processors:

- (a) The personal information controller or processor must employ and register a duly qualified data protection officer.
- (b) The personal data processing system must be registered with the National Privacy Commission if it involves accessing sensitive personal information of at least 1,000 individuals, if it employs 250 or more employees, the processing is not occasional or is likely to pose a risk to the rights and freedoms of data subjects. Such registration must be renewed on an annual basis within two (2) months prior to, but not later than the 8th day of March every year.
- (c) Personal information controllers are required to notify the National Privacy Commission of automated processing operations where the processing becomes the sole basis of making decisions that would significantly affect the data subject. Personal information controllers are required to notify the Commission and affected data subjects of a data breach within 72 hours upon knowledge thereof. An annual report of the summary of documented security incidents and personal data breaches must likewise be submitted.

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Electronic Commerce Act

Republic Act No. 8792 of the Electronic Commerce Act of 2000 ("R.A. No. 8792") recognizes the vital role of information and communications technology in nation building, the need to create an information-friendly environment which supports and ensures the availability, diversity and affordability of information and communications technology products and services. It aims to facilitate domestic and international dealings, transactions, arrangement agreements, contracts and exchanges and storage of information through the utilization of electronic, optical and similar medium to promote the universal use of electronic transaction in the government and general public.

R.A. No. 8792 restricts access to an electronic file, or an electronic signature of an electronic data message or electronic document only in favor of the individual or entity having a legal right to the possession or the use of plaintext, electronic signature or file and solely for the authorized purposes. The law also ensures confidentiality and prohibits any person who obtains access to any electronic key, electronic data message, electronic document, book, register, correspondence, information, or other material pursuant to any powers conferred under the said law, from conveying to or sharing the same with any other person, except for purposes expressly authorized by law. The implementing rules of the law provides that the electronic key for identity or integrity shall not be made available to any person or party without the consent of the individual or entity in lawful possession of that electronic key.

The law clarifies that violations of the Consumer Act of the Philippines or Republic Act No. 7394 and other related laws through transactions covered by or using electronic data messages or electronic documents shall be penalized with the same penalties as provided therein.

Intellectual Property Code

To encourage the transfer and dissemination of technology, prevent or control practices and conditions that may in particular cases constitute an abuse of intellectual property rights having an adverse effect on competition and trade, all technology transfer arrangements shall comply with the provisions of Republic Act No. 8293, or the Intellectual Property Code of the Philippines.

Technology transfer arrangements refer to contracts or agreements involving the transfer of systematic knowledge for the manufacture of a product, the application of a process, or rendering of a service including management contracts; and the transfer, assignment or licensing of all forms of intellectual property rights. The law provides for several prohibited clauses in the technology transfer agreement which, on its face, may be considered to have an adverse effect on competition and trade. These include, among others, provisions such as: a) those which impose upon the licensee the obligation to acquire from a specific source capital goods, intermediate products, raw materials, and other technologies, or of permanently employing personnel indicated by the licensor; b) those pursuant to which the licensor reserves the right to fix the sale or resale prices of the products manufactured on the basis of the license; c) those that contain restrictions regarding the volume and structure of production; and d) those which prevent the licensee from adapting the imported technology to local conditions, or introducing innovation to it, as long as it does not impair the quality standards prescribed by the licensor.

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The law also provides for several mandatory provisions, to wit: (1) That the laws of the Philippines shall govern the interpretation of the same and in the event of litigation, the venue shall be the proper court in the place where the licensee has its principal office; (2) Continued access to improvements in techniques and processes related to the technology shall be made available during the period of the technology transfer arrangement; (3) In the event the technology transfer arrangement shall provide for arbitration, the Procedure of Arbitration of the Arbitration Law of the Philippines or the Arbitration Rules of the United Nations Commission on International Trade Law or the Rules of Conciliation and Arbitration of the International Chamber of Commerce shall apply and the venue of arbitration shall be the Philippines or any neutral country; and (4) The Philippine taxes on all payments relating to the technology transfer arrangement shall be borne by the licensor. Technology transfer arrangements that conform to the foregoing need not be registered with the Documentation, Information and Technology Transfer Bureau. Non-conformance, however, shall automatically render the technology transfer arrangement unenforceable, unless said technology transfer arrangement is approved and registered with the Documentation, Information and Technology Transfer Bureau in exceptional or meritorious cases where substantial benefits will accrue to the economy, such as high technology content, increase in foreign exchange earnings, employment generation, regional dispersal of industries and/or substitution with or use of local raw materials, or in the case of Board of Investments, registered companies with pioneer status.

Regulations Related to Labor and Employment

The Department of Labor and Employment ("DOLE") is the Philippine government agency mandated to formulate policies, implement programs and services, and serves as the policy-coordinating arm of the Executive Branch in the field of labor and employment. The DOLE has exclusive authority in the administration and enforcement of labor and employment laws such as the Labor Code of the Philippines ("Labor Code") and the Occupational Safety and Health Standards, as amended, and such other laws as specifically assigned to it or to the Secretary of the DOLE.

On March 15, 2017, Department Order No. 174 (2017) ("D.O. 174") was issued by the DOLE providing for the guidelines on contracting and subcontracting, as provided for under the Labor Code. It has reiterated the policy that Labor-only Contracting is absolutely prohibited where: (1) (a) the contractor or subcontractor does not have substantial capital, or does not have investments in the form of tools, equipment, machineries, supervision, work premises, among others; and (b) the contractor's or subcontractor's employees recruited and placed are performing activities which are directly related to the main business operation of the principal; or (2) the contractor or subcontractor does not exercise the right to control over the performance of the work of the employee.

Subsequently, DOLE issued Department Circular No. 1 (2017) clarifying that the prohibition under D.O. 174 does not apply to business process outsourcing, knowledge process outsourcing, legal process outsourcing, IT Infrastructure outsourcing, application development, hardware and/or software support, medical transcription, animation services, and back office operations or support.

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Occupational Safety and Health Standards

On August 17, 2018, Republic Act No. 11058 or the Occupational Safety and Health Standards Law was signed into law. It mandates employers, contractors, or subcontractors and any person who manages, controls or supervises the work, to furnish the workers a place of employment free from hazardous conditions that are causing or are likely to cause death, illness or physical harm to the workers. It also requires to give complete job safety instructions or orientation and to inform the workers of all hazards associated with their work, health risks involved or to which they are exposed to, preventive measures to eliminate or minimize the risks and steps to be taken in cases of emergency.

An employer, contractor or subcontractor who willfully fails or refuses to comply with the Occupational Safety and Health Standards shall be administratively liable for a fine. Further, the liability of the employer, project owner, general contractor, contractor or subcontractor, if any, and any person who manages, controls or supervises the work, shall be solidary.

Social Security System, PhilHealth and the Pag-IBIG Fund

An employer or any person who uses the services of another person in business, trade, industry or any undertaking is required under Republic Act No. 8282 to ensure coverage of employees following procedures set out by the law and the Social Security System ("SSS"). Under the said law, social security coverage is compulsory for all employees under 60 years of age. An employer must deduct and withhold from its compulsorily covered employees their monthly contributions based on a given schedule, pay its share of contribution and remit these to the SSS within a period set by law and/or SSS regulations.

Employers are likewise required to ensure enrollment of its employees in a National Health Program administered by the Philippine Health Insurance Corporation, a government corporation attached to the DOH tasked with ensuring sustainable, affordable, and progressive social health insurance pursuant to the provisions of the National Health Insurance Act of 1995, as amended by the Republic Act No. 11223, otherwise known as the Universal Health Care Act. The registration, accurate and timely deductions and remittance of contributions to the Philippine Health Insurance Corporation is mandatory as long as there is employer-employee relationship.

Under the Home Development Mutual Fund Law of 2009, all employees who are covered by the Social Security Act of 1997 must also be registered with and covered by the Home Development Mutual Fund, more commonly referred to as the Pag-IBIG Fund. It is a national savings program as well as a fund to provide affordable shelter financing to Filipino employees. The employer is likewise mandated to deduct and withhold, pay and remit to the Pag-IBIG Fund the respective contributions of the employees under the prescribed schedule.

REGULATIONS

Philippine Competition Act

Republic Act. No. 10667, or the Philippine Competition Act (the “PCA”), is the primary competition policy of the Philippines. This is the first anti-trust statute in the Philippines and it provides the competition framework in the Philippines. The PCA was enacted to provide free and fair competition in trade, industry and all commercial economic activities. To implement its objectives, the PCA provides for the creation of a Philippine Competition Commission (the “PCC”), an independent quasi-judicial agency with powers to conduct investigations, issue subpoenas, conduct administrative proceedings, and impose administrative fines and penalties. To conduct a search and seizure, the PCC must apply for a warrant with the relevant court.

The PCA prohibits and imposes sanctions on: (1) anti-competitive agreements between or among competitors, which restrict competition as to price, or other terms of trade and those fixing price at an auction or in any form of bidding including cover bidding, bid suppression, bid rotation and market allocation and other analogous practices of bid manipulation; and those which have the object or effect of substantially preventing, restricting or lessening competition; (2) practices which are regarded as abuse of dominant position, by engaging in conduct that would substantially prevent, restrict or lessen competition; and (3) merger or acquisitions which substantially prevent, restrict or lessen competition in the relevant market or in the market for goods or services, or breach the thresholds provided in the Implementing Rules and Regulations (“PCA IRR”) without notice to the PCC.

Effective September 16, 2022 and with the expiration of the 2-year moratorium under the Bayanihan to Recover as One Act, parties to a merger, acquisition, or joint venture shall be required when the size of the ultimate parent entity of either party exceed ₱6.1 billion, and either: (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed merger, acquisition, or joint venture exceeds ₱2.5 billion; or (b) the gross revenues generated in the Philippines by the assets to be combined in the Philippines or contributed into the proposed merger, acquisition, or joint venture exceed ₱2.5 billion. Effective March 1, 2024, the threshold for size of party has increased to ₱7.8 billion, and ₱3.2 billion for the size of transaction. The PCC adjusts its thresholds for compulsory notification annually based on nominal gross domestic product growth to ensure they remain relevant to the evolving economic landscape.

On September 15, 2017, the PCC published the Rules of Procedure (“PCC Rules of Procedure”) which apply to investigations, hearings, and proceedings of the PCC, except to matters involving mergers and acquisitions unless otherwise provided. It prescribes procedures for fact-finding or preliminary inquiry and full administrative investigations by the PCC. The PCC Rules of Procedure also include non-adversarial remedies such as the issuance of binding rulings, show cause orders, and consent orders.

On November 23, 2017, the PCC published the 2017 Rules on Merger Procedure (“PCC Merger Rules”) which provides for the procedure for review or investigation of mergers and acquisition pursuant to the PCA. The PCC Merger Rules provide, among others, that parties to a merger that meets the thresholds in Section 3 of Rule 4 of the IRR are required to notify the PCC within thirty (30) days from the signing of definitive agreements relating to the notifiable merger.

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Under the PCA and the PCA IRR, a transaction that meets the thresholds and does not comply with the notification requirements and waiting periods shall be considered void and will subject the parties to an administrative fine of one percent (1%) to five percent (5%) of the value of the transaction. Criminal penalties for entities that enter into anti-competitive agreements, as defined, include: (i) a fine of not less than ₱50 million, but not more than ₱250 million; and (ii) imprisonment for two to seven years for directors and management personnel who knowingly and willfully participate in such criminal offenses. Administrative fines of ₱100 million to ₱250 million may be imposed on entities found violating prohibitions against anti-competitive agreements and abuse of dominant position. Treble damages may be imposed by the PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

Revised Corporation Code

Republic Act No. 11232 or the Revised Corporation Code ("Revised Corporation Code") was signed into law on February 20, 2019 and became effective on March 8, 2019. Among the salient features of the Revised Corporation Code are:

- corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the SEC that it elects to retain its specific corporate term under its current Articles of Incorporation;
- The Revised Corporation Code allows the creation of a "One Person Corporation" ("OPC"), which is a corporation composed of a single stockholder, provided that, only natural person, trust or an estate may form such. No minimum authorized capital stock is also required for an OPC, unless provided for under special laws;
- material contracts between the Corporation and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least $\frac{2}{3}$ of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same;
- the right of stockholders to vote in the election of directors or trustees, or in shareholders meetings, may now be done through remote communication or in absentia if authorized by the corporate by-laws. However, as to corporations vested with public interest, these votes are deemed available, even if not expressly stated in the corporate by-laws. The shareholders who participate through remote communication or in absentia are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or in absentia, the notice of meetings to the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option; and

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- in case of transfer of shares of listed companies, the Commission may require that these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the Commission. The Revised Corporation Code refers to the PCA in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock, incurring creating or increasing bonded indebtedness; or mergers or consolidations covered by the PCA thresholds.

HONG KONG

Regulation on Dividend Distribution

Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (“CO”)

The governing legislation for the distribution of dividends in Hong Kong is the CO. Pursuant to the CO, a company must only make a distribution out of the profits available for distribution. A company’s profits available for distribution are its accumulated, realized profits, so far as not previously utilized by distribution or capitalization, less its accumulated, realized losses, so far as not previously written off in a reduction or reorganization of capital. The CO provides no requirements as to the declaration and payment of dividends. These are matters to be determined by a company and stated in its articles.

Regulation on Business Registration

Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) (“BRO”)

Every person, (a company or individual), who carries on a business in Hong Kong is required under the BRO to apply for a business registration certificate from the Inland Revenue Department within one month from the date of commencement of the business, and to display a valid business registration certificate at the place of business. Business registration does not serve to regulate business activities and it is not a license to trade. Business registration serves to notify the Inland Revenue Department of the establishment of a business in Hong Kong. Business registration certificate will be issued on submission of the necessary document(s) together with payment of the relevant fee. A business registration certificate is renewable every year or every three years (if business operators elect for issuance of business registration certificate that is valid for three years). Any person who fails to apply for business registration shall be guilty of an offense and shall be liable to a fine of HK\$5,000 and to imprisonment for one year.

REGULATIONS

Regulations on Use of Electronic Means

Electronic Transactions Ordinance (Chapter 553 of the Laws of Hong Kong) ("ETO")

Under the ETO, electronic records and digital signatures used in electronic transactions are given the same legal status as their paper-based counterparts by the promotion of certification authorities. Hence, digital signatures can satisfy the legal requirements for signatures (if specified requirements are complied with), and information may be retained in the form of electronic records. Further, it is a criminal offense for any person who has access to record or other material in the course of performing a function under or for the purpose of the ordinance to disclose information relating to another person as contained in such record or material to any other person.

Unsolicited Electronic Messages Ordinance (Chapter 593 of the Laws of Hong Kong) ("UEMO")

The UEMO regulates the sending of unsolicited commercial electronic messages with a 'Hong Kong link'. Under the ordinance, 'do-not-call registers' were established for pre-recorded telephone messages, short messages and facsimile messages, and senders of commercial electronic messages should access the registers to update and purge their database of address and should not send messages to those numbers. The ordinance also prescribes the requirements on the contents of commercial electronic messages which the senders should observe. The requirements include: (a) accuracy, language, presentation of identity and contact information of senders; (b) the provision, language, and presentation of unsubscribe facility. Sender must keep a record of the unsubscribe requests received for at least three years, and should not use misleading subject headings or conceal calling line identification information in the electronic messages.

Regulations on E-commerce

Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) ("TDO")

Under the TDO, (a) use of false trade descriptions; (b) false, misleading or incomplete information, (c) false marks and misstatements in respect of products, and (d) false trade descriptions in respect of services supplied are prohibited. In addition, the ordinance makes certain trade practices criminal offence, namely: (a) misleading omission; (b) aggressive commercial practices; (c) bait advertising; (d) bait and switch; and (e) wrongful acceptance of payment. The ordinance also provides for offences relating to forged trade mark, and falsely applying of trade mark or resembling marks.

Supply of Services (Implied Terms) Ordinance (Chapter 457 of the Laws of Hong Kong) ("SSITO")

Under the SSITO, certain terms are implied in the contracts with customers for the supply of services, including: (a) that the supplier will carry out the service with reasonable care and skill; (b) that the supplier will carry out the service within a reasonable time (if the time of service is not fixed or fixed in a manner agreed); (c) that the party contracting with the supplier will pay a reasonable charge (if the consideration is not determined by the contract or left to be determined in a manner agreed or by course of dealing between the parties).

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Unconscionable Contracts Ordinance (Chapter 458 of the Laws of Hong Kong) ("UCO")

Under the UCO, if the Hong Kong court finds that a contract for sale of goods or supply of services (in which one of the parties deals as consumer) to have been unconscionable in the circumstances relating to the contract at the time it was made, the court may: (a) refuse to enforce the contract; (b) enforce the remainder of the contract without the unconscionable part; (c) limit the application of, or revise or alter, any unconscionable part to avoid unconscionable result.

Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong) ("CECO")

The CECO limits the extent to which civil liability for breach of contract, or for negligence or other breach of duty, can be avoided by means of contract terms and otherwise.

Under section 7 of the CECO, a person cannot by reference to any contract term or to a notice given to persons generally or to particular persons exclude or restrict his liability for death or personal injury resulting from negligence. Further, in the case of other loss or damage, a person cannot so exclude or restrict his liability for negligence except in so far as the term or notice satisfies the requirement of reasonableness.

Under section 8 of the CECO, as between contracting parties where one of them deals as consumer or on the other's written standard terms of business, as against that party, the other cannot by reference to any contract term (i) when himself in breach of contract, exclude or restrict any liability of his in respect of the breach; (ii) claim to be entitled to render a contractual performance substantially different from that which was reasonably expected of him; or (iii) claim to be entitled in respect of the whole or any part of his contractual obligation, to render no performance at all, except in so far as the contract term satisfies the requirement of reasonableness.

Under section 9 of the CECO, a person dealing as consumer cannot by reference to any contract term be made to indemnify another person (whether a party to the contract or not) in respect of liability that may be incurred by the other for negligence or breach of contract, except in so far as the contract term satisfies the requirement of reasonableness.

In relation to a contract term, the requirement of reasonableness for the purposes of the CECO is satisfied only if the court or arbitrator determines that the term was a fair and reasonable one to be included having regard to the circumstances which were, or ought reasonably to have been, known to or in the contemplation of the parties when the contract was made.

Misrepresentation Ordinance (Chapter 284 of the Laws of Hong Kong) ("MO")

The MO imposes a statutory liability for misrepresentation and controls the use of provisions excluding liability for misrepresentation in contracts. Liability may arise under the MO where a party to a contract is induced to enter into that contract by a misrepresentation of a material fact made by the other party. If the action is successful, the party who relied on the misrepresentation will be entitled to rescind the contract. Damages may also be granted if the misrepresentation was made fraudulently or negligently.

REGULATIONS

Regulations on Employment and Labor

Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) ("FIUO")

The FIUO imposes general duties on proprietors of and persons employed at industrial undertakings, including without limitation cargo and container handling undertakings, factories and other industrial workplaces, to ensure health and safety at work in such undertakings. Proprietor includes any person, body corporate, a firm, an occupier and the agent of such an occupier having the management or control of the business carried on in an industrial undertaking for the time being.

Section 6A(1) of the FIUO provides that "It shall be the duty of every proprietor of an industrial undertaking to ensure, so far as is reasonably practicable, the health and safety at work of all persons employed by him at the industrial undertaking". Contravention of such duty is an offense and is liable to a fine of HK\$500,000. A proprietor willfully contravene with the duty imposed by section 6A(1) without reasonable excuse commits an offense and is liable to a fine of HK\$500,000 and to imprisonment for 6 months.

There are over 30 sets of subsidiary regulations under the FIUO, covering various aspects of hazardous work activities in factories, building and engineering construction sites, catering establishments, cargo and container handling undertakings and other industrial workplaces. The subsidiary regulations prescribe detailed safety and health standards on work situations, plant and machinery, processes and substances.

Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) ("OSHO")

The OSHO provides for the safety and health protection to employees in workplace, both industrial and non-industrial. Under section 6 of the OSHO, every employer must, so far as reasonably practicable, ensure the safety and health at work of all the employer's employees by:

- providing and maintaining plant and systems of work that are safe and without risks to health;
- making arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant and substances;
- providing information, instruction, training and supervision as may be necessary to ensure the safety and health at work of the employees;
- as regards any workplace under the employer's control, maintaining the workplace in a condition that is safe and without risks to health or providing or maintaining means of access to and egress from the workplace that are safe and without any such risks; and
- providing or maintaining a working environment for the employees that is safe and without risks to health.

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Failure to comply with the above provisions constitutes an offense and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offense and is liable on conviction to a fine of HK\$200,000 and to imprisonment for six months.

The Commissioner for Labor may serve an improvement notice on an employer against contravention of the OSHO or the FIUO, or a suspension notice against activity or condition or use of workplace or of any plant or substance located on the workplace which may create an imminent risk of death or serious bodily injury to the employees. Failure to comply with a requirement of an improvement notice or contravenes a suspension notice without reasonable excuse constitutes an offense and the employer is liable on conviction to a fine of HK\$200,000 and HK\$500,000, respectively, and to imprisonment for 12 months.

Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong) ("OLO")

The OLO regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land. The Occupiers Liability Ordinance imposes a common duty of care on an occupier of premises to take such care as in all the circumstances of the case is reasonable to see that the visitors will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

Employment Ordinance (Chapter 57 of the Laws of Hong Kong) ("EO")

The EO regulates the general conditions of employment and matters connected therein in Hong Kong. It provides for various employment-related benefits and entitlements to employees. All employees covered by the EO, irrespective of their hours of work, are entitled to protection including payment of wages, restrictions on wages deductions and the granting of statutory holidays. Employees who are employed under a continuous contract are further entitled to such benefits as rest days, paid annual leave, sickness allowance, severance payment and long service payment.

Employee's Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) ("ECO")

The ECO establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or deaths caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases. Under the ECO, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

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According to section 40 of the ECO, all employers are required to take out insurance policy to cover their liabilities both under the ECO and at common law for injuries at work in respect of all employees (including full-time and part-time employees) for an amount not less than the applicable amount specified under the ECO. An employer who fails to comply with the ECO to secure an insurance cover is liable on conviction upon indictment to a fine at level 6 (currently at HK\$100,000) and to imprisonment for two years, and on summary conviction to a fine at level 6 (currently at HK\$100,000) and to imprisonment for one year.

Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) (“MWO”)

The MWO provides for a prescribed minimum hourly wage rate (currently set at HK\$37.5 per hour) during the wage period for every employee engaged under a contract of employment under the EO (except those specified under section 7 of the MWO). A provision of a contract of employment that purports to extinguish or reduce any right, benefit or protection conferred on the employee by the MWO is void.

Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong) (“MPFSO”)

The MPFSO provides for, inter alia, the establishment of a system of privately managed, employment related mandatory provident fund schemes for members of the workforce to accrue financial benefits for retirement. Subject to the minimum and maximum relevant income levels, it is mandatory for both employers and their employees to contribute 5% of the employee’s relevant income to the mandatory provident fund scheme. Currently, the minimum and maximum relevant income levels for employees who are paid monthly are HK\$7,100 and HK\$30,000 respectively. Further, employers are obliged to enroll their employees aged 18 to 65 to a Mandatory Provident Fund Scheme within 60 days of his or her employment.

Regulations on Taxation

Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (“IRO”)

As our Group carry out business in Hong Kong, the Company are subject to the profits tax regime under the IRO. The IRO is an ordinance for the purposes of imposing taxes on property, earnings and profits in Hong Kong. The IRO provides, among others, that persons, which include corporations, partnerships, trustees and bodies of person, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business. As of the Latest Practicable Date, the standard profits tax rate for corporations is currently at 8.25% on assessable profits up to HK\$2,000,000; and 16.5% on any part of assessable profits over HK\$2,000,000. The IRO also contains provisions relating to, among others, permissible deductions for outgoings and expenses, set-offs for losses and allowance for depreciation.

REGULATIONS

Regulations on Roads

Road Traffic Ordinance (Chapter 374 of the Laws of Hong Kong) (“RTO”)

The RTO and its subsidiary legislations provide the regulation of road traffic and the use of vehicles and roads. Every vehicle, including medium goods vehicle and heavy goods vehicle, has to comply with the specifications and regulations set out in the RTO before it can be registered and granted a license for using on the road. Schedule 1 of the RTO specifies 15 types of vehicles that should be registered under the RTO. The license of a vehicle may be canceled or refused to be granted if no valid insurance in respect of third party risks as required by the Motor Vehicles Insurance (Third Party Risks) Ordinance (Chapter 272 of the Laws of Hong Kong) is in force in respect of the vehicle.

Regulations on Data Protection

Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (“PDPO”)

The PDPO imposes a statutory duty on data users to comply with the requirements of the six data protection principles (the “Data Protection Principles”) contained in Schedule 1 to the PDPO. The PDPO provides that a data user shall not do an act, or engage in a practice, that contravenes a Data Protection Principle unless the act or practice, as the case may be, is required or permitted under the PDPO. The six Data Protection Principles are:

- Principle 1-purpose and manner of collection of personal data;
- Principle 2-accuracy and duration of retention of personal data;
- Principle 3-use of personal data;
- Principle 4-security of personal data;
- Principle 5-information to be generally available; and
- Principle 6-access to personal data.

Non-compliance with a Data Protection Principle may lead to a complaint to the Privacy Commissioner for Personal Data (the “Privacy Commissioner”). The Privacy Commissioner may serve an enforcement notice to direct the data user to remedy the contravention and/or instigate prosecution actions. A data user who contravenes an enforcement notice commits an offence which may lead to a fine and imprisonment.

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The PDPO also gives data subjects certain rights, inter alia:

- the right to be informed by a data user whether the data user holds personal data of which the individual is the data subject;
- if the data user holds such data, to be supplied with a copy of such data; and
- the right to request correction of any data they consider to be inaccurate.

The PDPO criminalizes, including but not limited to, the misuse or inappropriate use of personal data in direct marketing activities, non-compliance with a data access request and the unauthorized disclosure of personal data obtained without the relevant data user's consent. An individual who suffers damage, including injured feelings, by reason of a contravention of the PDPO in relation to his or her personal data may seek compensation from the data user concerned.

Regulations on Intellectual Property Rights

Copyrights Ordinance (Chapter 528 of the Laws of Hong Kong)

The Copyright Ordinance as reviewed and revised from time to time provides comprehensive protection for recognized categories of literary, dramatic, musical and artistic works (including but not limited to graphic work and photograph), as well as for films, television broadcasts and cable diffusion and works made available to the public on the internet. Copyright is an automatic right, which arises when a work is created. It is not necessary to register a copyright in Hong Kong in order to get protection under Hong Kong law. In fact, there is no official registry in Hong Kong for registration of copyright works.

Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong) ("TMO")

The TMO governs the registration of trademarks, use of trademarks and related matters. As Hong Kong provides territorial protection for trademarks, trademarks registered in other countries or regions are not automatically entitled to protection in Hong Kong. In order to enjoy the protection by the laws of Hong Kong, trademarks shall be registered with the Intellectual Property Department under the TMO.

Regulations on Anti-money Laundering and Counter-terrorist financing

Drug Trafficking (Recovery of Proceeds) Ordinance (Chapter 405 of the Laws of Hong Kong) ("DTROP")

Among other things, the DTROP contains provisions for the investigation of assets suspected to be derived from drug trafficking activities, the freezing of assets on arrest and the confiscation of the proceeds from drug trafficking activities by the competent authorities. It is an offence under the DTROP for a person to deal with any property knowing or having reasonable grounds to believe it to represent the proceeds from drug trafficking. The DTROP requires a person to report to an authorized officer if he/she knows or suspects that any property (in whole or in part directly or indirectly) represents the proceeds of drug trafficking or is intended to be used or was used in connection with drug trafficking, and failure to make such disclosure constitutes an offence under the DTROP.

REGULATIONS

Organized and Serious Crimes Ordinance (Chapter 455 of the Laws of Hong Kong) (“OSCO”)

Among other things, the OSCO empowers officers of the Hong Kong Police Force and the Hong Kong Customs & Excise Department to investigate organized crime and triad activities, and confers jurisdiction on the Hong Kong courts to confiscate the proceeds of organized and serious crimes, to issue restraint orders and charging orders in relation to the property of defendants of specified offence under the OSCO. The OSCO extends the money laundering offence to cover the proceeds from all indictable offence in addition to drug trafficking.

United Nations (Anti-Terrorism Measures) Ordinance (Chapter 575 of the Laws of Hong Kong) (“UNATMO”)

Among other things, the UNATMO stipulates that it is a criminal offence to: (1) provide or collect property (by any means, directly or indirectly) with the intention or knowledge that the property will be used to commit, in whole or in part, one or more terrorist acts; or (2) make any property or financial (or related) services available, by any means, directly or indirectly, to or for the benefit of a person knowing that, or being reckless as to whether, such person is a terrorist or terrorist associate, or collect property or solicit financial (or related) services, by any means, directly or indirectly, for the benefit of a person knowing that, or being reckless as to whether, the person is a terrorist or terrorist associate. The UNATMO also requires a person to disclose his knowledge or suspicion of terrorist property to an authorized officer, and failure to make such disclosure constitutes an offence under the UNATMO.

INDONESIA

General Investment Requirements

A foreign investor which intends to establish a business in Indonesia must comply with certain regulations related to the investment sector. In general, investment activities in Indonesia are regulated by Law No. 25 of 2007 on Investments which then was amended by the Law No. 6 of 2023 on the Stipulation of the Government Regulation in Lieu of Law No. 2 of 2022 on Job Creation into a Law (“**Job Creation Law**”) (as amended, the “**Investment Law**”). Currently, investment activities in Indonesia are being coordinated and supervised by the Ministry of Investment/Investment Coordinating Board (*Badan Koordinasi Penanaman Modal* — “**BKPM**”) as the authorized agency in the investment field. The followings are the requirements related to conducting investment activities that must be complied by a business actor in Indonesia:

Indonesia Standard Industrial Classification (Klasifikasi Baku Lapangan Usaha di Indonesia — “KBLI”) and Indonesian Positive Investment List (Daftar Positif Investasi)

In performing and monitoring the business sectors in Indonesia, the Indonesian Government has issued the Indonesia Standard Industrial Classification — or “**KBLI**”, which serves as a classification for the existing, regulated business lines. As of current, the applicable KBLI is as stipulated and regulated under Statistics Indonesia (*Badan Pusat Statistik* — “**BPS**”) Regulation No. 2 of 2020 (“**KBLI 2020**”), which revoked the prior applicable KBLI that was regulated under Head of BPS Regulation No. 19 of 2017.

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KBLI is used to determine such company’s minimum investment value, required licensing, as well as foreign shareholder restriction. Based on Article 12 (1) of the Investment Law, all business sectors shall be opened to investment activities, except for business sectors that are declared to be closed to investment or activities that can only be carried out by the Central Government.

For the implementation of Investment Law, the latest regulations relating to the list of business activities which are closed and opened for investment including the limitations thereof are the President Regulation No. 10 of 2021 regarding Investment Business Fields as partially amended by the Presidential Regulation No. 49 of 2021 (as amended, “**PR 49/2021**”).

With reference to the above, Article 3 (1) (c) of PR 49/2021 stated that the opened business sectors consist of:

- (a) Priority Business Sector;
- (b) Business Fields allocated to or requiring partnerships with Cooperatives and Micro Small Medium Enterprises (*Usaha Mikro Kecil Menengah* — UMKM);
- (c) Business Fields with certain requirements; and
- (d) Business fields that are not included in letter a, letter b, and letter c — which may be entered by all Investors.

Furthermore, Article 6 of PR 49/2021 stated that the business sectors with certain requirements are business sectors that can be operated by all investors that meet the requirements, among others the requirements on foreign shareholder/investment restriction.

Pursuant to PR 49/2021, the courier activities under KBLI 53201 are opened for investment with the limitation that the foreign investor(s) can only have the maximum ownership of up to 49% (forty nine percent).

Capital Requirement and Certain Shares Ownership

The Indonesian laws also regulate the capital requirement for companies in accordance with the classification of their sizes, i.e., Micro, Small, Medium, or Large-scale businesses. Pursuant to Article 11 of BKPM Regulation No. 4 of 2021 regarding The Guidelines and Procedures for Risk-Based Business Licensing Services and Investment Facilities (“**BKPM Regulation No. 4/2021**”), the capital requirements are as follows:

- (a) *Micro-scale Business*, having a working capital (*Modal Usaha*) of Indonesian Rupiah (“**IDR**”) 1.000.000.000,- (one billion Indonesian Rupiah) other than land and buildings;
- (b) *Small-scale Business*, having a working capital of more than IDR 1.000.000.000,- (one billion Indonesian Rupiah) up to a maximum of IDR 5.000.000.000,- (five billion Indonesian Rupiah) excluding land and buildings;

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- (c) *Medium-scale Business*, having a working capital of more than IDR 5.000.000.000,- (five billion Indonesian Rupiah) billion up to a maximum of IDR 10.000.000.000,- (ten billion Indonesian Rupiah) excluding land and buildings; and
- (d) *Large-scale Business*, having a minimum investment value of more than IDR 10.000.000.000,- (ten billion Indonesian Rupiah) and minimum capital (issued/paid-up capital) of at least IDR 10.000.000.000,- (ten billion Indonesian Rupiah).

Additionally, Article 12 of BKPM Regulation No. 4/2021 stipulated that (every) business that is classified as a Foreign Direct Investment (*Penanaman Modal Asing*) Company, shall be categorized as a large-scale business, which therefore must comply with the minimum investment value requirement of more than IDR 10.000.000.000,- (ten billion Indonesian Rupiah) excluding land and building for each line of business according to the KBLI codes (5 digits) and per project location as well as the minimum issued and paid-up capital requirement of at least IDR 10.000.000.000,- (ten billion Indonesian Rupiah), unless specified otherwise by the laws and regulations. As a further note, the minimum investment value of (more than) IDR 10.000.000.000,- (ten billion Indonesian Rupiah) for each KBLI code is excluded for the following business activities:

- (a) Wholesale trading: for the first 4 (four) digits of KBLI code;
- (b) Food and beverage: for the first 2 (two) digits of KBLI code;
- (c) Construction: for the first 4 (four) digits of KBLI code;
- (d) Industrial activity which produce goods different types of product with 5 (five) digits of KBLI code as a part of one single production line, more than IDR 10.000.000.000,- (ten billion Indonesian Rupiah) excluding the value of land and building;
- (e) Property development and real estate:
 - i. Property that takes the form of complete buildings or integrated housing complexes, the relevant investment value must be greater than IDR 10.000.000.000,- (ten billion Indonesian Rupiah), including land and buildings; or
 - ii. Property units not in 1 (one) building as a whole or 1 (one) integrated housing complex: investment value of more than IDR 10.000.000.000,- (ten billion Indonesian Rupiah) excluding land and buildings.

In relation to the general investment requirements in Indonesia, Article 33 (1) of the Investment Law stipulated that both domestic investor and foreign investors investing in the form of a limited liability company are prohibited from entering into an agreement and/or making a statement asserting that the ownership of shares in a limited liability is for and on behalf of another person. According to Article 33 Paragraph (2) of the Investment Law, violation towards the abovementioned regulation will result in such agreement will be declared as null and void.

REGULATIONS

Repatriation

The Investment Law also regulates the matters regarding Repatriation, in which an Investor may transfer the assets they own to any party the investors desire in accordance with the laws and regulation. Pursuant to Article 8 (3) of the Investment Law, the Investors shall be granted with the right to perform transfer and repatriation in foreign currency towards the following:

- (a) Capital;
- (b) Profits, bank interest, dividends, and other income;
- (c) Funds required to:
 - i. Purchase raw and auxiliary materials, half-finished goods or finished goods; or
 - ii. Replace capital goods in order to protect the viability of the investment;
- (d) Addition funds required for investment financing;
- (e) Funds for repayment of loans;
- (f) Royalties or fees payable;
- (g) Income of individual foreign citizens working in the investment company;
- (h) Proceeds from the sales or liquidation of an investment;
- (i) Compensation or losses;
- (j) Compensation for acquisitions;
- (k) Payments made in connection with technical assistance, fees payable for technical management sources, payments made under the project contract, and payment of intellectual property rights; and
- (l) Proceeds of sales and assets.

In relation with the above, Article 8 Paragraph (5) of the Investment Law further elucidated that the existence of this repatriation right does not reduce the following:

- (a) The Government's authority to enforce the provisions of the laws and regulations which requires the reporting of implementation of fund transfers;
- (b) The Government's rights to impose tax and/or other government revenues from investments in accordance with the provisions of the laws and regulations;

REGULATIONS

- (c) Enforcement of law protecting the rights of creditors; and
- (d) Enforcement of the law in order to avoid losses to the state.

Licensing Requirements

General Company Licensing

The Indonesian Government has issued the Government Regulation No. 24 of 2018 on the Electronically Integrated Business Licensing Services (“**GR No. 24/2018**”) which required the business actors to obtain NIB which is registered through the Online Single Submission (“**OSS**”). Pursuant to Article 25 of GR No. 24/2018, The NIB serves as a business identity and remain valid as long as the company still runs its business activities. After obtaining NIB, the business actors shall obtain the business license according to its business activities.

Currently, the GR No. 24/2018 has been revoked by the Governmental Regulation No. 5 of 2021 on The Implementation of Risk-based Business Licensing (“**GR No. 5/2021**”) on 2 February 2021, in which stipulated that the business actors are required to fulfill general requirements for business licensing and/or risk-based business licensing in order to run its business in the territory of Indonesia. Under Article 169 of the GR No. 5/2021, the business actors shall obtain NIB as a business identity and legality of the business which serve as the very first basic business licensing of the business actor.

GR 5/2021 has regulated the classification business activity based on the level of risks, which are divided into as follows:

- (a) Low-Risk Business Activity

A business activity which falls under the category of Low-Risk Business Activity, will only have to obtain NIB, which acts as the Business License in doing business activities.

- (b) Medium-Low Risk Business Activity

For this category, the company will have to obtain not only NIB, but also a Standard Certificate in the form of a statement from the business actor who has fulfilled the business standards in doing business activities.

- (c) Medium-High Risk Business Activity

For this category, the company will have to obtain NIB and Standard Certificate in the form of a statement from the business actor who have fulfilled the business standards, and such form of statement will have to be verified by the Central or Regional Government, in order to do business activities.

- (d) High-Risk Business Activity

For this category, the company will have to obtain NIB and Business License which comes in the form of approval from the Central or Regional Government to perform mandatory business activities fulfillment, prior to the actual performing of business activities.

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Further, the transitional provisions as stipulated under Article 562 of GR No. 5/2021 stated that the implementation of risk-based business licensing which are regulated in the GR No. 5/2021 shall be exempted for business actors whose Business Licensing has been approved and effective before the date of enforcement of GR No. 5/2021 (i.e. 2 February 2021), including requirements that have been fulfilled, unless the provisions in this Regulation of the Government are more beneficial for the business actors.

Pursuant to Article 212 Paragraph (2) of GR No. 5/2021, NIB can be revoked and terminated if:

- (a) Business actors conduct business activities that are not in accordance with the NIB;
- (b) Business actors violate the provisions on the applicable laws related to Business Licensing;
- (c) The approval of request on the revocation of NIB;
- (d) Dissolution of the business entity; or
- (e) Pursuant to the final and binding court decision.

Business Licensing and Requirements for Courier Activities

In general, postal services activities in Indonesia could be classified into 2 (two) categories i.e. (i) Courier Activities and (ii) Universal Postal.

Specifically for the conduct of business activity under KBLI 53201 (Courier Activities), a Postal Operator shall obtain postal operator license issued by the Ministry of Communication and Informatics ("**MOCI**"). Based on Article 5 of Law No. 38 of 2009 on Postal as amended by the Job Creation Law (as amended, the "**Postal Law**") *jo.* Article 3 of Government Regulation No. 46 of 2021 on Postal, Telecommunication and Broadcasting ("**GR No. 46/2021**"), *jo.* Article 6 of MOCI Regulation No. 4 of 2021 on Postal Operation ("**MOCIR No. 4/2021**"), the services of Postal Operators consist of:

- (a) Written communication and/or electronic mail;
- (b) Package;
- (c) Logistics;
- (d) Financial transaction; and/or
- (e) Postal agent.

REGULATIONS

In addition, after obtaining the postal operator license from the MOCI, a Postal Operator has the following obligations:

- (a) Submit Postal Operation Report (*Laporan Penyelenggaraan Pos*) to the Ministry of Communications and Informatics annually (Article 121 Paragraph (1) of MOCIR No. 4/2021);
- (b) Conduct payment of Universal Postal Service (*Layanan Pos Universal — "LPU"*) Implementation Contribution (*Kontribusi Penyelenggaraan LPU*) fees each year (Article 94 of MOCIR No. 4/2021);
- (c) Submit LPU Implementation Contribution Payment Documentation, consisting of the following (Article 102 of MOCIR No. 4/2021):
 - i. The company's financial statements, which have been audited by a Public Accountant Office. Pursuant to Article 102 Paragraph (3) of MOCIR No. 4/2021, in the event of an unaudited financial statements, the Postal Operator shall use the unaudited financial statements with an attachment of a statement letter stipulating that the financial statements have not been audited by a Public Accountant Office;
 - ii. Proof of transfer for the LPU Implementation Contribution payment that was conducted;
 - iii. The company's Annual Tax Return (*Surat Pemberitahuan Tahunan Pajak — "SPT"*); and
 - iv. Documents of the basis that are used in calculating the amount of LPU Implementation Contribution fee that was paid.

Based on Article 103 Paragraph (6) of MOCIR No. 4/2021, in the event LPU Implementation Contribution Payment Documentation of a company has been submitted and verified by the Ministry of Communications and Informatics, MOCI shall issue Minutes of Final Determination (*Berita Acara Penetapan Final*).

Pursuant to Article 124 Paragraph (1) and (3) of MOCIR No. 4/2021, failure to comply or fulfil the aforementioned obligations shall result in the company being subject to administrative sanctions, in the forms of:

- (a) Written Warnings;
- (b) Imposition of Administrative Fines;
- (c) Temporary Suspension of Business Activities;
- (d) Police Coercion; and/or
- (e) Revocation of service and/or Business License.

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The imposition of administrative sanctions can be carried out in stages or independently for each type of administrative sanction.

Cooperation between Foreign Postal Operator and Indonesia Postal Operator

Article 113 of MOCIR No. 4/2021 stated that a Foreign Postal Operators could conduct postal activity within the territory of the Republic of Indonesia under the following conditions:

- (a) Must cooperate with Indonesia Postal Operator through joint ventures; and
- (b) The operational area is limited to the provincial capital.

Such Foreign Postal Operators can only conduct cooperation by establishing a new joint venture company with one Indonesian Postal Operator company by subscribing shares at the time of the establishment of the joint venture company.

Article 11 Paragraph (1) (b) of the Postal Law, Foreign Postal Operator refers to foreign business entities that provide postal services outside of Indonesia. According to our consultation with MOCI, the Foreign Postal Operator and any of its affiliates are different separate entities. As such, the operation of its affiliates will not be taken into consideration as the operations of the relevant Foreign Postal Operator (separate entities). In other words, if a parent company does not conduct the business of courier activities and the affiliates do, such parent company cannot be considered as a Postal Operator (*vice versa*).

Foreign Non-Postal Operator Could Not Subscribe Share on an Indonesian Postal Company

Based on Article 11 of Postal Law, a Postal Operator could conduct a cooperation with a Foreign Non-Postal Operator. However, such cooperation between Postal Operators and Foreign Non-Postal Operator are exempted to an ownership of capital and shares. It is further confirmed by our consultation with the MOCI, which stated that a Non-Postal Operator Foreign Entity is prohibited/forbidden from obtaining shares of said Indonesian Postal Service Company.

Registration of Private Electronic System Operator ("Private ESO")

Pursuant to the MOCI Regulation No. 3 of 2021 on Standard of Business Activities and Standard of Products for the Implementation of Risk-Based Licensing in the Sectors of Postal, Telecommunication and Electronic Systems and Transaction, the registration as a Private ESO must be conducted by the Indonesian company having the line of business falls under:

- (a) KBLI 63111 — Data Management Activities
- (b) KBLI 63112 — Hosting Activities
- (c) KBLI 63122 — Web Portal and/or Digital Platform for Commercial Purposes
- (d) KBLI 62022 — Digital Identity Provision Services

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- (e) KBLI 62023 — Electronic Certificate Providing Activities and Services Using Electronic Certificate
- (f) KBLI 4791 — Retail Trade through Postal or Internet

The registration as the Private ESO will be excluded for any business actor which does not manage and/or own its own Electronic Systems, such as the accounts in the media social, the content platform, the market place and other channel.

The mandatory registration of Private ESO also regulated under the MOCI Regulation No. 5 of 2020 on the Private ESO as amended by the MOCI Regulation No. 10 of 2021 (“**MOCIR-Private ESO**”), which provides that any electronic system operator must register itself as a Private ESO to the MOCI through the OSS system, prior to the use of the electronic system by its users/customers. Non-compliance to this obligation will be subject to an administrative sanction in the form of blocking of access to the electronic system of the Private ESO. Upon the registration as the Private ESO, the MOCI will issue the Registration Certificate of Electronic System Operator (*Tanda Daftar Penyelenggara Sistem Elektronik*) which certificate will also be published in the official website of MOCI.

Mandatory Investment Report (Laporan Kegiatan Penanaman Modal — “LKPM”)

In relation to the investment activities that are being conducted in Indonesia, BKPM has issued a set of regulations, in which stipulated the obligation for the Indonesian Companies to submit LKPM to the BKPM periodically. The obligation of submitting LKPM is varies, depending on the size and capitalization of the company — as previously mentioned in Section A.2 above.

Pursuant to Article 32 of BKPM Regulation No. 5 of 2021 on the Guidelines and Procedures for the Supervision of Risk-Based Business Licensing (“**BKPM Regulation No. 5/2021**”), the details of the LKPM submission obligation are as follows:

- (a) *Micro-scale businesses* are not obliged to submit LKPM to the BKPM;
- (b) *Small-scale businesses* are obliged to submit LKPM to the BKPM semi-annually (once every six months), where the First Semester LKPM shall be submitted no later than 10 July of the current reporting year and the Second Semester LKPM shall be submitted no later than 10 January of the following year.
- (c) *Medium and Large-scale business* are obliged to submit LKPM to the BKPM quarter-annually (once every three months), where the First Quarter LKPM shall be submitted no later than 10 April of the current reporting year, the Second Quarter LKPM shall be submitted no later than 10 July of the current reporting year, the Third Quarter LKPM shall be submitted no later than 10 October of the current reporting year, and the Fourth Quarter LKPM shall be submitted no later than 10 January of the following year.

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Pursuant to Article 47 of BKPM Regulation No. 5/2021, failure to comply or fulfil the aforementioned obligations shall result in the company being subject to administrative sanction, in the forms of:

- (a) Written Warnings;
- (b) Temporary suspension of business activities;
- (c) Revocation of business license; or
- (d) Revocation of business license to support business activities.

Employment Licenses, Work Safety and Health Requirements and Employee Social and Health Insurance

Employment Licenses

Basic provision on manpower issues in Indonesia is generally stipulated in Law No. 13 of 2003 regarding Manpower as partially amended by the Job Creation Law (as amended, the “**Employment Law**”). Based on Article 42 of the Employment Law in conjunction with Article 6 of Government Regulation No. 34 of 2021 regarding the Recruitment of Foreign Workers (“**GR No. 34/2021**”), the employer of foreign workers must have a Foreign Workers Recruitment Plan (*Rencana Penggunaan Tenaga Kerja Asing* — “**RPTKA**”) which are validated by the Ministry of Manpower (“**MOM**”). After obtaining RPTKA, pursuant to Article 27 of GR No. 34/2021, the relevant foreign workers who reside in Indonesia are required to obtain stay permits, namely Limited Stay Permit Permit (*Izin Tinggal Terbatas* — “**ITAS**”) which further regulated in the Minister of Law and Human Rights Regulation No. 22 of 2023 on Visa and Stay Permit.

Based on Article 7 of GR No. 34/2021, the Employer who employs foreign workers is required to:

- (a) appoint Indonesian workers who are employed for transfer of technology and expertise from the foreign workers (“**Counterpart Workers**”);
- (b) carry out education and job training for the Counterpart Workers in accordance with the qualifications for the position occupied by the foreign workers;
- (c) return the foreign workers to their country of origin after the employment agreement expires; and
- (d) facilitate educations and trainings for foreign workers to learn Indonesian language.

REGULATIONS

With regards to the abovementioned obligations, pursuant to Article 32 of GR No. 34/2021, the employer who employs foreign workers has an obligation to submit a report every 1 (one) year to the Minister of Manpower or appointed official for the implementation of:

- (a) Foreign workers utilization;
- (b) Work education and job training for the Counterpart Workers; and
- (c) Transfer of technology and skill from foreign workers to Counterpart Workers.

Based on Article 36 of GR No. 34/2021, failure to comply or fulfil the aforementioned obligations shall result in the company being subject to administrative sanctions, in the forms of:

- (a) Fines;
- (b) Temporary suspension of the RPTKA Ratification application process; and/or
- (c) Revocation of RPTKA Ratification.

In addition, Law No. 7 of 1981 on the Mandatory Manpower Report in a Company (the "**Manpower Report Law**") stated that every company in Indonesia (including PMA Company) must submit an annual report regarding its manpower (known as *Wajib Lapor Ketenagakerjaan di Perusahaan* — "**WLKP**") to the relevant authority. The consequences for not complying with the obligation to report WLKP pursuant to Article 10 of the Manpower Report Law are such as:

- (a) Fines in the maximum amount of IDR 1.000.000,- (one million Indonesian Rupiah); or
- (b) Detention for up to 3 (three) Months if the employer has failed to comply with its obligation for the second time or more.

Pursuant to Article 108 of the Employment Law, a company that employs at least 10 (ten) employees must have a company regulation which at least regulating as follow:

- (a) Rights and obligation of Employer;
- (b) Rights and obligation of Worker;
- (c) Working terms and conditions;
- (d) Company procedure; and
- (e) Validity period of company regulation.

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Pursuant to Article 111 of the Employment Law, company regulation will remain effective for the period of 2 years after it has been ratified by the Ministry of Manpower. Based on Article 188 the Employment Law, violation towards Article 111 (3) of the Employment Law shall result in the company being subject to criminal sanction in the form of imposition of fines with the minimum amount of IDR 5.000.000,- (five million Indonesian Rupiah) and maximum of IDR 50.000.000,- (fifty million Indonesian Rupiah).

Work Safety and Health Requirements

The Indonesian law protected every employee to have the right to his safety working in Indonesia which is governed under the provisions on health and safety protection that are generally governed under Law of the Republic of Indonesia No. 1 of 1970 on Occupational Health and Safety ("**Occupational Health and Safety Law**"). The provision set out under the Occupational Health and Safety Law covers all working places conducted in the territory of the Republic of Indonesia, including workplaces conducted underwater and/or above water for the employees that working in a place that involves machinery, and/or any other dangerous tools that may cause harm.

An employer shall provide its employee occupational health and safety protection. Pursuant to Article 87 of the Employment Law in conjunction with Government Regulation Number 50 of 2012 on Implementation of Occupational Health and Safety Management stated that: (i) every company which has 100 (one hundred) or more employees, or, (ii) whose works may cause harm or occupational accidents - must implement Occupational Health and Safety Management System.

Any violation of Article 87 of the Employment Law would result in administrative sanctions governed under Article 190 of the Employment Law, which are:

- (a) Notification,
- (b) Written warning,
- (c) Limitation of the business activities,
- (d) Suspension of the business activities,
- (e) Annulment of approval(s),
- (f) Annulment of registration(s),
- (g) Temporary termination of all or parts of the production unit, and
- (h) License revocation.

REGULATIONS

Employee Social and Health Insurance

Pursuant to Article 14 and 15 of Law No. 24 of 2011 on Agency of Employee Social Security (*Badan Penyelenggaraan Jaminan Sosial* — “**BPJS**”) as partially amended by Job Creation Law (as amended, “**BPJS Law**”), in conjunction with:

- (a) Article 11 of Government Regulation No. 37 of 2021 on the Implementation of Loss of Job Security Program (“**GR No. 37/2021**”);
- (b) Article 3 (1) of Government Regulation No. 86 of 2013 on Guidelines of Administrative Sanctions of Employer Besides Government and Everyone Beside Employer, Worker, and Tuitions Recipient for Social Security Implication (“**GR No. 86/2013**”);
- (c) Article 30 of Presidential Regulation No. 82 of 2018 on Health Care Security which has been amended by Presidential Regulation No. 64 of 2020 (“**PR No. 82/2018**”);
- (d) BPJS Regulation No. 6 of 2018 on Health Insurance Program Participation Administration as partially amended by BPJS Regulation No. 6 of 2019 on Amendment BPJS Regulation No. 6 of 2018 on Health Insurance Program Participation Administration (“**BPJS Regulation No. 6/2018**”);

any Indonesian Company as an employer is obliged to register themselves and their workers for BPJS.

Under Article 5 and Article 6 of the BPJS Law, BPJS is classified into two types, which are as follows:

- (a) Employment BPJS, which carry out the programs of:
 - i. Work accident security;
 - ii. Old age security;
 - iii. Pension security;
 - iv. Casualty security; and
 - v. Loss of job security.
- (b) Health BPJS, which conducts health security for the workers.

Pursuant to Article 14 of the BPJS Law, domestic employee and foreign employee who work for a minimum of 6 (six) months in Indonesian territory, is obliged to obtain BPJS.

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Pursuant to Article 6 of the BPJS Regulation No. 6/2018, everyone is obliged to participate and pay for the Contribution of the health insurance program. Moreover, health insurance programs can be registered directly or indirectly through Health BPJS and the register is eligible to opt for the First Level Health Facilities. Once the registration is deemed correct and complete, the membership card will be issued. Based on Article 7 of the BPJS Regulation No. 6/2018, the registration for health insurance participants is carried out through the following registration channels:

- (a) Registration application for workers;
- (b) Registration application for residents registered by the Regional Government;
- (c) Mobile application of National Health Insurance;
- (d) Health BPJS Sites;
- (e) Health BPJS care center No. 1500 400;
- (f) Mobile customer service;
- (g) Branch office counter or regency/city office or other service unit determined by BPJS Health;
- (h) Other parties who cooperate with Health BPJS; and
- (i) Integration system.

The registration is conducted through the Health BPJS information system which integrated with the Single Identity Number (*Nomor Induk Kependudukan* — “**NIK**”).

According to Article 19 of the BPJS Law, the Employer is also obliged to pay a contribution for BPJS of its employees every month. The contribution shall be collected from the employer and from the employees. Based on Article 17 of the BPJS Law in conjunction with Article 5 (2) the GR No. 86/2013, the non-compliance of this obligation will be subject to administrative sanctions, in the form of:

- (a) Written warning,
- (b) Fines payment, and/or
- (c) Rejection to obtain public services.

The sanction will be given in stages. However, if the employer has been given a sanction in form of point c above, then the employer will be denied from applying any licenses related to its employee or its business. Therefore, it is crucial for the employer to register both BPJS.

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Following the issuance of Job Creation Law, the Government has now issued GR No. 37/2021 which sets out further provisions on the organization of the unemployment insurance program (*jaminan kehilangan pekerjaan* — “**JKP**”), a program held by the Central Government and BPJS employment that guarantees workers that have been laid off to obtain certain benefits.

Based on Article 2 of GR No. 37/2021, employers are required to register their workers as members of the JKP program. To become the member of JKP, an employee must the following requirements:

- (a) Indonesian citizen;
- (b) below the age of 54 at the time of registration;
- (c) have a working relationship with the relevant employers;
- (d) Must be registered as members of the following other social security programs:
 - i. For workers employed by large and medium-scale enterprises included on: (i) The National Health Security (*Jaminan Kesehatan Nasional* — “**JKN**”) program; (ii) The Work Accident Insurance (*Jaminan Kecelakaan Kerja* — “**JKK**”) program; (iii) The Old-Age Benefit (*Jaminan Hari Tua* — “**JHT**”) program; (iv) The Pension Insurance (*Jaminan Pensiun* — “**JP**”) program; and (v) The Life Insurance (*Jaminan Kematian* — “**JKM**”) program; and
 - ii. For workers who are employed by small and micro-scale enterprises: included at least on JKN, JKK, JHT, and JKM program.

Further, based on Article 37 of GR No. 37/2021, all employers (with the exception of micro-scale employers) that fail to register their workers under the JKP program will result in their having to provide the following benefits to workers if they are terminated:

- (a) Cash payments, in accordance with the provisions elaborated upon in the above table; and
- (b) Work training.

REGULATIONS

The brief summary on the calculation of the contribution of BPJS is as follows:

| <u>Type of BPJS</u> | <u>Contribution</u> | <u>Late Payment Penalties</u> | <u>Regulation</u> |
|-----------------------------------|--|---|--|
| Employment Social Security | | | |
| JKK | 0.24% (low risk level) to 1.74% (very high risk level) of the monthly wages (to be paid by Employer). | 2% fines for every month late payment of the contribution | Government Regulation ("GR") No. 44 of 2015 which lastly amended by GR No. 49 of 2023 (as amended "GR No 49/2023") |
| JHT | 2% of the monthly wages (to be paid by the Employee); and 3.7% of the monthly wages (to be borne by the Employer). | 2% fines for every month late payment of the contribution | GR No. 46 of 2015 as amended by GR No. 60 of 2015 |
| JP | 2% of the monthly wages (to be paid by the Employer); and 1% of the monthly wages (to be borne by the Employee). | 2% fines for every month late payment of the contribution | GR No. 45 of 2015 |
| JKM | 0.30% of the monthly wages (paid by the Employer). | 2% fines for every month late payment of the contribution | GR No 49/2023 |
| JKP | Paid from the contribution of JKK and JKM | — | GR No. 37/2021 |
| Health Security | | | |
| Health BPJS | 4% of the monthly wages (to be paid by the Employer); and 1% of the monthly wages (to be paid by the Employee). | Temporary suspension of social security coverage | Presidential Regulation ("PR") No. 82 of 2018 which lastly amended by PR No. 64 of 2020. |

REGULATIONS

Regulations on Data Privacy

Personal data protection in Indonesia is mainly regulated under Law of the Republic of Indonesia No. 27 of 2022 on Personal Data Protection ("**PDP Law**"). In addition to the PDP Law, personal data protection and data privacy are also governed in various sectoral laws, among others MOCI Regulation No. 20 of 2016 on Personal Data Protection in Electronic Systems and Government Regulation No. 71 of 2019 on the Organization of Electronic Systems and Transaction.

The personal data controller and the personal data processor must firstly obtain a proper prior consent from the personal data subject before conducting the processing of personal data, which includes the following actions:

- (a) acquisition and collection;
- (b) filtering and analysis;
- (c) storage;
- (d) fixes and updates;
- (e) display, announcement, transfer, dissemination or disclosure; and/or
- (f) deletion or destruction;

The processing of personal data must be done in accordance with the data protection data principles. Non-compliance to this obligation can be imposed with:

- (a) Administrative sanctions, in the form of:
 - i. written warning;
 - ii. temporary suspension of the personal data processing;
 - iii. deletion or destruction of the personal data; and/or
 - iv. administrative fines in the maximum amount of 2% (two percent) from the annual income or annual revenue against the violation variable.
- (b) Criminal sanctions, in the form of:
 - i. imprisonment in the range maximum period of 4 (four) years to 6 (six) years, and/or
 - ii. fines in the range maximum amount of IDR 4.000.000.000,- (four billion Indonesian Rupiah) to IDR 6.000.000.000,- (six billion Indonesian Rupiah).

REGULATIONS

- (c) Additional sanctions to the criminal sanctions, in the form of:
 - i. Confiscation of profits and/or assets which have been obtained from criminal acts, and
 - ii. Compensation payment.

If the criminal acts relating to the personal data protection are conducted by the corporation (either legal entity or non-legal entity) ("**Corporation**"), then the criminal sanction will be imposed to their management, controller, commanding officer, beneficial owner, and/or such Corporation itself. The criminal sanction that can be imposed to the Corporation is in the form of fines only and additional criminal sanctions in the form of:

- (a) confiscation of profits and/or assets obtained or proceeds from crimes;
- (b) suspension of the entire or part of the Corporation's business;
- (c) permanent prohibition of doing certain actions;
- (d) shutdown of the entire or part of the Corporation's place of business and/or activities;
- (e) fulfilment of the obligations that have been neglected;
- (f) payment of compensation;
- (g) revocation of license; and/or
- (h) dissolution of the Corporation.

Transaction Requirements

Mandatory Use of Rupiah Currency

Bank of Indonesia ("**BI**"), as the authorized authority which supervises the monetary and the banking system of Indonesia, issued Bank Indonesia Regulation No. 17/3/PBI/2015 on Mandatory Use of Rupiah in the Territory of the Republic of Indonesia ("**BI Regulation No. 17/2015**") and Circular Letter of Bank Indonesia No. 17/11/DKSP of 2015 on Mandatory Use of Rupiah in the Territory of the Republic of Indonesia ("**BI Circular Letter No. 17/2015**"), in order to achieve and maintain the stability of Rupiah as the official currency of Indonesia.

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Under Article 2 and 3 of BI Regulation No. 17/2015, BI provides the obligation for all parties (regardless of the nationality) to use Indonesian Rupiah as the lawful currency of Indonesia in any transactions (both cash and non-cash transactions) conducted within the territory of the Republic of Indonesia (“**Indonesia**”). The mandatory use of Rupiah is applicable to any transactions that have met the following criteria:

- (a) Intended for payment purposes,
- (b) Intended to fulfill obligations that must be performed by money, and/or
- (c) Other financial services transactions, such as deposit money into a bank account — whether it is conducted by Indonesian or non-Indonesian parties.

Article 4 and 5 of BI Regulation No. 17/2015 further set the exemptions of mandatory use of Rupiah as follows:

- (a) Types of transactions:
 - i. certain transactions in the framework of implementing state revenues and expenditures;
 - ii. acceptance or distribution of grants from or to outside the Indonesia;
 - iii. international trading transactions;
 - iv. Bank deposit in the form of foreign exchange; or
 - v. international financing transactions.
- (b) Transactions using foreign currency, which covers:
 - i. business activities in a foreign exchange conducted by Banks pursuant to the law of banking and sharia banking;
 - ii. commercial paper transactions issued by the Indonesian Government in foreign exchange, in primary markets and secondary markets pursuant to the law related to government debt securities and sharia government debt securities;
 - iii. the agreement on the strategic infrastructure projects in which has been agreed that the payment using foreign currency and has obtained the approval from BI.

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Should a violation of PBI No. 17/2015 incurred, will be subject to sanctions in the form of a one-year imprisonment (*pidana kurungan*) or fines of IDR 200.000.000 (two hundred million Indonesian Rupiah) — at the maximum in accordance with Article 33 of Law of the Republic of Indonesia No. 7 of 11 on Currency Law. Moreover, Article 18 and 20 of PBI No. 17/2015 also stipulates an administrative sanction should any party refuse to use Rupiah in any non-cash transactions, with the form of sanctions as follows:

- (a) written warning;
- (b) fines with the value of maximum 1% (one percent) of the transaction value (the maximum fines is amounting to IDR 1.000.000.000,- (one billion Indonesian Rupiah));
- (c) prohibition to participate in the payment transaction; and/or
- (d) recommendation letter of BI to the authorized institution for further actions.

Offshore Loan Requirement

Furthermore, aside from the general transactions regulation as stipulated above, the Indonesian law also regulates about the matters on Offshore Loan Agreements (*Perjanjian Utang Luar Negeri*). Pursuant to Article 2 of Bank Indonesia Regulation No. 16/20/PBI/2014 of 2014 on The Implementation of Precautionary Principles for the Management of Foreign Loans of Non-Bank Corporations, as amended by Bank Indonesia Regulation No. 18/4/PBI/2016 of 2016 (as amended, "**BI Regulation No. 18/4/2016**"), non-bank corporations who have offshore loans (*utang luar negeri* — ULN) and/or entered into offshore loan agreements in foreign currencies, have the obligation to implement precautionary principles (*prinsip kehati-hatian*). These precautionary principles refer to the following:

- (a) Fulfilment of Hedging Ratio (*Rasio Lindung Nilai*)

Pursuant to Article 3 of the BI Regulation No. 18/4/2016, non-bank corporations who have offshore loans must fulfil a certain minimum hedging ratio by conducting a foreign exchange hedging transaction against Rupiah, with an Indonesian Bank.

A certain minimum hedging ratio is set at 25% (twenty five percent) of:

- i. negative difference between the foreign currency assets and foreign currency liabilities, which will be mature up to 3 (three) months from the end of the quarter; and
- ii. negative difference between foreign currency assets and foreign currency liabilities foreigners, with maturities of more than 3 (three) months up to the next 6 (six) months from the end of the quarter.

REGULATIONS

(b) Fulfilment of Liquidity Ratio (*Rasio Likuiditas*)

Pursuant to Article 4 of the BI Regulation No. 18/4/2016, non-bank corporations who have offshore loans must fulfil a certain minimum liquidity ratio, minimum 70% (seventy percent), by providing adequate foreign exchange assets against foreign exchange liabilities that will be due in up to the next 3 (three) months from the end of quarters.

(c) Fulfilment of Credit Rating (*Peringkat Utang*)

Pursuant to Article 5 (1) of the BI Regulation No. 18/4/2016, non-bank corporations who have offshore loans must fulfil the minimum credit rating (equivalent to BB-) as issued by rating agencies that are acknowledged by bank of Indonesia. Furthermore, based on Article 5 (4) of the BI Regulation No. 18/4/2016, this obligation of credit rating fulfilment shall be conducted at the time when the loans are signed and/or issued.

Based on Article 12 of the BI Regulation No. 18/4/2016, failure to fulfil any of the abovementioned obligations, an administrative sanction in the form of written warnings shall be imposed.

In addition to the aforementioned obligations in conducting offshore loans, such corporations also have the obligation of reporting the related offshore loans to 2 (two) relevant authorities, i.e., Bank of Indonesia (*Bank Indonesia*) and the Ministry of Finance of the Republic of Indonesia ("**MOF**").

(a) Reporting to the Bank of Indonesia

In relation to the execution of offshore loans, based on the BI Regulation No. 14/21/PBI/2012 of 2012 ("**BI Regulation No. 14/21/PBI/2012**"), Indonesian borrower who receives offshore loan facility, either in foreign currency and/or Rupiah, is required to file monthly reports to BI at the latest by the 15th date of the following month. There are namely two types of reporting that must be conducted to the Bank of Indonesia:

- i. Report of Foreign Exchange Traffic Activities (*Laporan Lalu Lintas Devisa*) as mandated under Article 3 (1) of BI Regulation No. 21/2/PBI/2019 Tahun 2019 on Reporting of Foreign Exchange Traffic Activities ("**BI Regulation No. 21/2/2019**"). Based on Article 13 (c) of the BI Regulation No. 21/2/2019, failure to fulfil this obligation shall result in the imposition of administrative sanction in the form of written warnings; and
- ii. Report on the Implementation of Precautionary Principles (*Laporan Penerapan Prinsip Kehati-hatian*) as mandated under Article 11 (1) of BI Regulation No. 16/22/PBI/2014 Tahun 2014 on the Reporting of Foreign Exchange Traffic Activities and Activity of the Implementation of Precautionary Principles as partially revoked by BI Regulation No. 21/2/2019 (as amended, "**BI Regulation No. 16/22/2014**"). In the event of a failure to fulfil this reporting obligation, pursuant to the BI Circular

REGULATIONS

Letter No. 17/3/DSTA of 2015 on the Reporting of Implementation of Precautionary Principles in the Organization of Non-Bank Corporation Offshore Loans, as partially amended by BI Circular Letter No. 17/24/DSTA Tahun 2015, such company shall be imposed of an administrative sanctions in the form of administrative fines at a maximum amount of IDR 10.000.000,- (ten million Indonesian Rupiah) per offshore loans.

Furthermore, under the BI Regulation No. 14/21/PBI/2012: (i) if the offshore loan facility report submitted is incomplete and/or incorrect without any correction made, the company may be subjected to fine in the amount up to IDR 10.000.000,- (ten million Indonesian Rupiah), (ii) the there is a delay in the submission of offshore loan report, the company may be subjected to fine in the amount of IDR 500.000,- (five hundred thousand Rupiah) each day of late submission, or up to a total of IDR 5.000.000,- (five million Indonesian Rupiah), and (iii) if the company fails to submit the offshore loan report, it may be subjected to fine in the amount of IDR 10.000.000,- (ten million Indonesian Rupiah).

(b) Reporting to the MOF

For the execution of offshore loans, pursuant to Article 3 (2) of MOF Decree No. KEP-261/MK/IV/5/1973 Tahun 1973 on Provisions of the Implementation of Offshore Credit Acceptance, as partially amended and revoked by MOF Decree No. 417/KMK.013/1989 Tahun 1989 and MOF Decree No. 279/KMK.01/1991 Tahun 1991 (collectively shall be referred to as the "**MOF Decree No. 261/1973**"), the relating companies shall conduct reporting of realization of offshore loans to the MOF. However, it shall be noted that failure to fulfil this obligation will not have any legal consequences towards the relating company.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

We are a leading technology-empowered, data-driven logistics transaction platform with a global footprint. According to Frost & Sullivan, we are the largest logistics transaction platform in the world by closed-loop freight GTV in the first half of 2023, and the largest intra-city logistics transaction platform in the world by closed-loop freight GTV in the first half of 2023. We are also the world’s largest logistics transaction platform by average merchant MAUs in the first half of 2023, and the largest freight transaction platform globally in terms of number of fulfilled orders in the first half of 2023, according to Frost & Sullivan. In 2023, our platform facilitated over 588.4 million fulfilled orders with a global freight GTV of US\$8,736.3 million. During the same period, we connected with approximately 13.4 million average merchant MAUs and 1.2 million average carrier MAUs in over 400 cities across 11 markets globally.

Our Group was founded by Mr. Chow, the Chairman of the Board, executive Director and Chief Executive Officer. For the biography and industry experience of Mr. Chow, see “Directors and Senior Management — Board of Directors — Executive Directors”.

BUSINESS MILESTONES

The following is a summary of our Group’s key business development milestones:

| <u>Year</u> | <u>Event</u> |
|----------------|---|
| 2013 | We started our logistics business under the brand name <i>EasyVan</i> in Hong Kong |
| 2014 | We changed our brand name from <i>EasyVan</i> to <i>Lalamove</i> |
| | We began the operations of our logistics transaction platform in the PRC under the brand name of <i>Huolala</i> |
| 2014 | We began to expand our footprint to Southeast Asian markets, including Thailand and Singapore, with our proven technology-driven business model in the logistics market |
| 2016 | We expanded our footprint into the Philippines |
| 2017 | We started offering integrated enterprise services |
| | We started offering value-added services to carriers |
| | We expanded our footprint into Vietnam |
| 2018 | We expanded into the inter-city market of the PRC |
| | We expanded our footprint into Indonesia and Malaysia |

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

| Year | Event |
|----------------|--|
| 2019 | <p>We started offering LTL services</p> <p>We started offering home-moving services</p> <p>We launched our logistics transaction platform in Brazil, our first LatAm market</p> <p>We expanded our footprint into Mexico</p> |
| 2022 | <p>Our global freight GTV reached US\$6.7 billion</p> <p>We expanded our footprint into Bangladesh</p> <p>Our footprint spanned across over 400 cities globally</p> |
| 2023 | <p>We started offering two-wheeler door-to-door delivery services in selected Mainland Chinese cities on a pilot basis</p> |

OUR MAJOR SUBSIDIARIES AND OPERATING ENTITIES

The following entities have made material contributions to our results of operations during the Track Record Period:

| Name of Entity | Place of Incorporation | Date of Establishment and Commencement of Business | Principal Business Activities |
|--|---------------------------|---|---|
| <u>Subsidiaries</u> | | | |
| Shenzhen Yishi ⁽¹⁾ | PRC | February 10, 2015 | Freight platform operation and logistics services |
| Shenzhen Lalapeisong | PRC | November 4, 2015 | Lease and sales of vehicles |
| Shenzhen Lala Management Service Consultancy Co., Ltd. (深圳啦啦管理服務諮詢有限公司) | PRC | March 3, 2021 | Corporate management and human resources consultancy services |

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

| Name of Entity | Place of Incorporation | Date of Establishment and Commencement of Business | Principal Business Activities |
|---|---------------------------|---|--|
| <u>Consolidated Affiliated Entities</u> ⁽¹⁾ | | | |
| Shenzhen Huolala | PRC | August 31, 2016 | LTL and home-moving services |
| Lala Tianjin | PRC | November 7, 2019 | Online freight and integrated enterprise platform services |
| Tianjin Huolala | PRC | March 23, 2020 | Freight and home-moving information matching |

Note:

(1) We have adopted a series of PRC Contractual Arrangements among Shenzhen Yishi, the PRC Consolidated Affiliated Entities and the PRC Registered Shareholders, pursuant to which our Company shall exercise control over the business operation of the PRC Consolidated Affiliated Entities and enjoy substantially all the economic interests derived therefrom through Shenzhen Yishi. See “Contractual Arrangements — The PRC Contractual Arrangements” for other PRC Consolidated Affiliated Entities and details of our PRC Contractual Arrangements.

CORPORATE DEVELOPMENT AND MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

(1) Incorporation of our Company

Our Company was incorporated in the Cayman Islands on October 27, 2014 as an exempted company with limited liability. At the time of formation, our Company had an authorized share capital of US\$50,000.00 divided into 50,000 ordinary shares with a par value of US\$1.00 each. Upon incorporation of our Company, we issued 50,000 ordinary shares to Mr. Chow.

(2) Share subdivision

On December 17, 2014, we conducted a share subdivision pursuant to which each ordinary share with a par value of US\$1.00 each in the Company’s issued and unissued share capital was subdivided into 1,000 ordinary shares with a par value of US\$0.001 each.

(3) Major shareholding changes of our Company during the Track Record Period and up to the Latest Practicable Date

The major shareholding changes of our Company during the Track Record Period and up to the Latest Practicable Date are as set out below:

(a) *Transfer of ordinary shares of our Company by Mr. Chow to [REDACTED] Investors*

On March 4, 2021, Mr. Chow entered into share transfer agreement with Highlight Capital L.P., pursuant to which Mr. Chow transferred 678,145 ordinary shares of our Company to Highlight Capital L.P. at a consideration of approximately US\$40 million.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

On December 8, 2021, Mr. Chow transferred 328,249 ordinary shares of our Company to VIP IV Nominees Limited at a consideration of approximately US\$25 million.

On December 12, 2022, Mr. Chow transferred 2,171,364 ordinary shares of our Company to Rhododendron Investment Limited at a consideration of US\$100 million.

For each of the share transfers above, the consideration were determined based on arm’s length negotiation between the parties taking into account the relevant Shareholders’ assessment of the operating results of our Company and status of our business at the relevant time.

(b) Establishment of Family Trust by Mr. Chow

On September 1, 2021, Mr. Chow transferred 46,281,146 ordinary shares of our Company to Lalatech Underscore at nil consideration for the purpose of setting up the Chow’s Family Trust, which was established by Mr. Chow (as settlor) for the benefit of himself and his family. On November 16, 2021 and September 8, 2022, Lalatech Underscore transferred 1,365,514 ordinary shares and 2,805,375 ordinary shares of our Company to Mr. Chow at nil consideration, respectively.

(c) Repurchase of ordinary shares by our Company from our Directors in February 2023

In February 2023, our Company repurchased 1,141,552 ordinary shares from Mr. Chow and 54,537 ordinary shares from Mr. Tam. The repurchase price of the Share Repurchase was US\$57.57 per share, which was determined after arm’s length negotiations among the parties taking into account the relevant shareholders’ assessment of the operating results of our Company and the status of our business at the relevant time.

(d) Repurchase of ordinary shares and Preferred Shares by our Company from our [REDACTED] Investors in February 2023

In February 2023, our Company repurchased a total of 72,515 ordinary shares and 1,885,549 Preferred Shares from certain [REDACTED] Investors. The repurchase price of the Share Repurchase was US\$57.57 per share, which was determined after arm’s length negotiations among the parties taking into account the relevant shareholders’ assessment of the operating results of our Company and the status of our business at the relevant time.

(4) The [REDACTED] Investments

Between December 2014 and November 2021, we conducted several rounds of [REDACTED] financing. See “— [REDACTED] Investments” for the shareholding changes resulting from the [REDACTED] Investments, and “Statutory and General Information — A. Further Information about Our Group — 2. Changes in the Share Capital of our Company, Our Major Subsidiaries and Operating Entities” in Appendix IV for details of changes in the share capital of our Company during the two years immediately preceding the date of this Document.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR CONTRACTUAL ARRANGEMENTS

We conduct part of our business operation in the PRC and Indonesia under the Contractual Arrangements, which were put in place for the Company to obtain control over the Consolidated Affiliated Entities. See “Contractual Arrangements” for further details of the Contractual Arrangements in the PRC and Indonesia.

ISSUE OF SHARES PURSUANT TO THE SHARE INCENTIVE PLAN

In connection with the Share Incentive Plan, the Company (i) issued 2,198,910 ordinary shares of the Company on September 3, 2021 to Matpo Development Limited, which was designated by Mr. Tam upon the vesting of his corresponding restricted shares, and (ii) [issued] [12,563,549] ordinary shares of the Company on [●], 2024 to [●], a wholly-owned subsidiary of the ESOP Trustee at par value to facilitate administration of the Share Incentive Plan.

[REDACTED] OF OUR SHARES

On [REDACTED], our Shareholders [resolved], among other things, subject to the [REDACTED] becoming unconditional and immediately before completion of the [REDACTED], (i) to conduct the [REDACTED] pursuant to which each share in all the issued and unissued share capital at the time was split into [REDACTED] shares of the corresponding class with a par value of US\$[REDACTED] each; (ii) that the ordinary shares held by Mr. Chow (a) directly, and (b) indirectly through Lalatech Underscore under the Chow’s Family Trust, shall be [REDACTED] as Class A Shares and all the other ordinary shares shall be [REDACTED] as Class B Shares; and (iii) that all the issued Preferred Shares will be [REDACTED] as Class B Shares.

After these changes are effected, the authorized share capital of our Company shall be US\$500,000 divided into (i) [REDACTED] Class A Shares with a par value of US\$[REDACTED] and (ii) [REDACTED] Class B Shares with a par value of US\$[REDACTED], respectively. The issued share capital (assuming the [REDACTED] is not exercised and the [REDACTED] are completed) shall be US\$[REDACTED] divided into (i) [REDACTED] Class A Shares with a par value of US\$[REDACTED] and (ii) [REDACTED] Class B Shares with a par value of US\$[REDACTED], respectively.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

CAPITALIZATION OF OUR COMPANY

The following table sets out our shareholding structure as of the date of this Document and immediately upon the completion of the [REDACTED], assuming (i) the [REDACTED] is not exercised and (ii) the [REDACTED] are completed.

| Shareholder | Ordinary shares | Series | | | | | | | | | | Aggregate ownership percentage as of the Latest Practicable Date | Aggregate ownership percentage upon the completion of the [REDACTED] ⁽¹⁾ | Aggregate number of Shares upon the completion of the [REDACTED] ⁽¹⁾ | Aggregate ownership percentage upon the completion of the [REDACTED] ⁽¹⁾ | | |
|--|-----------------|---------------------------|----------------------------|---------------------------|---------------------------|---------------------------|----------------------------|---------------------------|----------------------------|---------------------------|---------------------------|--|---|---|---|------------|-------------|
| | | Series A Preferred Shares | Series A+ Preferred Shares | Series B Preferred Shares | Series C Preferred Shares | Series D Preferred Shares | Series D2 Preferred Shares | Series E Preferred Shares | Series E2 Preferred Shares | Series F Preferred Shares | Series G Preferred Shares | | | | | | |
| Mr. Chow | 533,091 | — | — | — | — | — | — | — | — | — | — | — | — | 533,091 | 0.31% | [REDACTED] | [REDACTED]% |
| Lalatech Underscore Limited ⁽²⁾ | 42,110,257 | — | — | — | — | — | — | — | — | — | — | — | — | 42,110,257 | 24.74% | [REDACTED] | [REDACTED]% |
| Matpo Development Limited ⁽³⁾ | 2,141,006 | — | — | — | — | — | — | — | — | — | — | — | — | 2,141,006 | 1.26% | [REDACTED] | [REDACTED]% |
| Aplex Capital Holdings Limited | 104,823 | — | — | — | — | — | — | — | — | — | — | — | — | 104,823 | 0.06% | [REDACTED] | [REDACTED]% |
| Lighthouse International Growth Fund L.P. | 405,969 | — | — | — | — | — | — | — | — | — | — | — | — | 405,969 | 0.24% | [REDACTED] | [REDACTED]% |
| HH HLL Holdings Limited | 2,786,848 | 1,048,756 | 1,389,836 | 90,467 | — | 5,014,535 | 287,551 | 620,482 | — | 1,653,250 | — | — | — | 12,891,725 | 7.57% | [REDACTED] | [REDACTED]% |
| Beacon Summit Limited | 477,555 | — | — | — | — | — | — | — | — | — | — | — | — | 477,555 | 0.28% | [REDACTED] | [REDACTED]% |
| Jade Creek Limited | 474,137 | — | — | — | — | — | — | — | — | — | — | — | — | 474,137 | 0.28% | [REDACTED] | [REDACTED]% |
| Sunrise Oriental Group Holdings Limited | 12,625 | — | — | — | — | — | — | — | — | — | — | — | — | 12,625 | 0.01% | [REDACTED] | [REDACTED]% |
| MCF2 Holdings | 59,921 | — | — | — | 948,743 | 171,522 | — | — | — | — | — | — | — | 1,180,186 | 0.69% | [REDACTED] | [REDACTED]% |
| Highlight Capital L.P. | 678,145 | — | — | — | — | — | — | — | — | — | — | — | — | 678,145 | 0.40% | [REDACTED] | [REDACTED]% |
| Joyness Service Global Holdings Limited | 87,375 | — | — | 103,810 | — | — | — | — | — | — | — | — | — | 191,185 | 0.11% | [REDACTED] | [REDACTED]% |
| 01VC Fund I, L.P. | — | 4,305,642 | — | — | — | — | — | — | — | — | — | — | — | 4,305,642 | 2.53% | [REDACTED] | [REDACTED]% |
| Sirius Venture Capital Pte. Ltd. | — | 200,000 | — | — | — | — | — | — | — | — | — | — | — | 200,000 | 0.12% | [REDACTED] | [REDACTED]% |

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

| Shareholder | Ordinary shares | Series | | | | | | | | | | Aggregate number of shares as of the Latest Practicable Date | Aggregate ownership percentage as of the Latest Practicable Date | Aggregate number of Shares upon the completion of the (REDACTED) ⁽¹⁾ | Aggregate ownership percentage upon the completion of the (REDACTED) ⁽¹⁾ | | |
|---|-----------------|---------------------------|----------------------------|---------------------------|---------------------------|---------------------------|----------------------------|---------------------------|----------------------------|---------------------------|---------------------------|--|--|---|---|------------|-------------|
| | | Series A Preferred Shares | Series A+ Preferred Shares | Series B Preferred Shares | Series C Preferred Shares | Series D Preferred Shares | Series D2 Preferred Shares | Series E Preferred Shares | Series E2 Preferred Shares | Series F Preferred Shares | Series G Preferred Shares | | | | | | |
| HCM VC Investments Limited | — | 9,055,284 | — | — | — | — | — | — | — | — | — | — | — | 9,055,284 | 5.32% | (REDACTED) | (REDACTED)% |
| TimeWorth Investments Limited | — | 50,000 | — | — | — | — | — | — | — | — | — | — | — | 50,000 | 0.03% | (REDACTED) | (REDACTED)% |
| NG, Shin Ein | — | 155,440 | — | — | — | — | — | — | — | — | — | — | — | 155,440 | 0.09% | (REDACTED) | (REDACTED)% |
| The Aria Group Limited (BYI) | — | 155,440 | 231,927 | — | — | — | — | — | — | — | — | — | — | 387,367 | 0.23% | (REDACTED) | (REDACTED)% |
| ML1 Holding Co. | — | 2,360,734 | 2,850,354 | 625,919 | — | — | — | — | — | — | — | — | — | 8,154,481 | 4.79% | (REDACTED) | (REDACTED)% |
| ML2 Holding Co. | — | 655,061 | 790,923 | 173,682 | — | — | — | — | — | — | — | — | — | 2,262,725 | 1.33% | (REDACTED) | (REDACTED)% |
| Ocean Prosperity Limited | — | 368,899 | 37,360 | 366,286 | 1,001,382 | — | 21,324 | — | — | — | — | — | — | 1,795,251 | 1.05% | (REDACTED) | (REDACTED)% |
| Cheung Wan Ping Ivy | — | — | 117,290 | 92,771 | 50,215 | — | — | — | — | — | — | — | — | 260,276 | 0.15% | (REDACTED) | (REDACTED)% |
| Crystal Stream Fund II, L.P. | — | — | 799,241 | 904,665 | 758,994 | — | — | — | — | — | — | — | — | 2,462,900 | 1.45% | (REDACTED) | (REDACTED)% |
| Mindworks Ventures Limited | — | — | 497,332 | — | — | — | — | — | — | — | — | — | — | 497,332 | 0.29% | (REDACTED) | (REDACTED)% |
| Mindworks Ventures Fund 3 SPC — Fund SP | — | — | 225,037 | — | — | — | 188,045 | 44,238 | — | — | — | — | — | 457,320 | 0.27% | (REDACTED) | (REDACTED)% |
| Xiang He Fund I Alpha, L.P. | — | — | — | — | — | — | 183,198 | — | — | — | — | — | — | 183,198 | 0.11% | (REDACTED) | (REDACTED)% |
| Shunwei HLL Limited | — | — | 300,050 | — | — | — | 8,147,282 | 814,862 | — | — | 383,586 | — | — | 9,645,780 | 5.67% | (REDACTED) | (REDACTED)% |
| HSG Growth VI 2020-L, L.P. | — | — | 52,448 | — | 1,018,308 | — | — | — | — | — | — | — | — | 1,070,756 | 0.63% | (REDACTED) | (REDACTED)% |
| Rhododendron Investment Limited | 2,171,364 | — | 637,119 | 348,557 | — | — | — | — | — | — | — | — | — | 4,470,034 | 2.63% | (REDACTED) | (REDACTED)% |
| Moonlight Miracle Holdings, LP | — | — | — | 188,415 | — | — | — | — | — | — | — | — | — | 188,415 | 0.11% | (REDACTED) | (REDACTED)% |
| Xiang He Fund I, L.P. | — | — | — | — | 3,601,820 | 2,048,750 | 438,262 | — | — | — | 318,143 | — | — | 6,406,975 | 3.76% | (REDACTED) | (REDACTED)% |

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

| Shareholder | Series | | | | | | | | | | Aggregate ownership percentage as of the Latest Practicable Date | Aggregate ownership percentage upon the completion of the (REDACTED) ⁽¹⁾ | Aggregate ownership percentage upon the completion of the (REDACTED) ⁽¹⁾ | | | |
|--|-----------------|---------------------------|----------------------------|------------------------|---------------------------|---------------------------|---------------------------|----------------------------|---------------------------|----------------------------|--|---|---|---------------------------|---------------------------|--|
| | Ordinary shares | Series A Preferred Shares | Series A+ Preferred Shares | Pre-B Preferred Shares | Series B Preferred Shares | Series C Preferred Shares | Series D Preferred Shares | Series D2 Preferred Shares | Series E Preferred Shares | Series E2 Preferred Shares | | | | Series F Preferred Shares | Series G Preferred Shares | Aggregate number of shares as of the Latest Practicable Date |
| 2807546 ONTARIO LIMITED | — | — | — | — | 1,017,218 | — | — | — | — | — | 1,695,364 | — | 2,712,582 | 1.60% | (REDACTED) | (REDACTED)% |
| Martlet International Limited | — | — | — | — | 155,280 | — | — | — | — | — | — | — | 305,165 | 0.18% | (REDACTED) | (REDACTED)% |
| Eastern Bell International III Limited | — | — | — | — | — | 642,783 | — | — | — | — | — | — | 642,783 | 0.38% | (REDACTED) | (REDACTED)% |
| 01VC Huolala, LLC | — | — | — | — | — | 257,113 | — | — | — | — | — | — | 257,113 | 0.15% | (REDACTED) | (REDACTED)% |
| HSG Growth V 2018-C Holdco A, Ltd. | — | — | — | — | — | — | 4,409,641 | — | — | — | — | — | 4,409,641 | 2.59% | (REDACTED) | (REDACTED)% |
| Victory Mount Limited | — | — | — | — | — | — | 589,751 | — | — | — | — | — | 589,751 | 0.35% | (REDACTED) | (REDACTED)% |
| SC GGFII Holdco, Ltd. | — | — | — | — | — | — | — | 2,684,313 | — | — | — | — | 2,684,313 | 1.58% | (REDACTED) | (REDACTED)% |
| Skyeus Music Fund, L.P. | — | — | — | — | — | — | — | 1,325,597 | — | — | — | — | 1,325,597 | 0.78% | (REDACTED) | (REDACTED)% |
| SC GGF III Holdco, Ltd. | — | — | — | — | — | — | — | — | 3,065,929 | 1,878,648 | — | — | 4,944,577 | 2.90% | (REDACTED) | (REDACTED)% |
| AUT-XII Holdings Limited | — | — | — | — | — | — | — | — | 1,922,384 | — | — | — | 1,922,384 | 1.13% | (REDACTED) | (REDACTED)% |
| Astrend Opportunity III Alpha Limited | — | — | — | — | — | — | — | — | 961,192 | — | — | — | 961,192 | 0.56% | (REDACTED) | (REDACTED)% |
| LLMV Holdings Limited | — | — | — | — | — | — | — | — | — | 1,653,250 | — | — | 1,653,250 | 0.97% | (REDACTED) | (REDACTED)% |
| HSG Growth VI 2020-G, L.P. | — | — | — | — | — | — | — | — | — | 610,331 | — | — | 610,331 | 0.36% | (REDACTED) | (REDACTED)% |
| HCEP Master Fund Golden Spectrum Limited | — | — | — | — | — | — | — | — | — | 164,793 | — | — | 164,793 | 0.10% | (REDACTED) | (REDACTED)% |
| D1 Master Holdco I LLC | — | — | — | — | — | — | — | — | — | 1,157,275 | — | — | 1,157,275 | 0.68% | (REDACTED) | (REDACTED)% |
| | — | — | — | — | — | — | — | — | — | 2,288,740 | — | — | 2,630,118 | 1.54% | (REDACTED) | (REDACTED)% |

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

| Shareholder | Series | | | | | | | | | | Aggregate ownership percentage as of the Latest Practicable Date | Aggregate number of Shares upon the completion of the (REDACTED) ⁽¹⁾ | Aggregate ownership percentage upon the completion of the (REDACTED) ⁽¹⁾ | | | |
|--|-----------------|---------------------------|----------------------------|------------------------|---------------------------|---------------------------|---------------------------|----------------------------|---------------------------|----------------------------|--|---|---|---------------------------|---------------------------|--|
| | Ordinary shares | Series A Preferred Shares | Series A+ Preferred Shares | Pre-B Preferred Shares | Series B Preferred Shares | Series C Preferred Shares | Series D Preferred Shares | Series D2 Preferred Shares | Series E Preferred Shares | Series E2 Preferred Shares | | | | Series F Preferred Shares | Series G Preferred Shares | Aggregate number of shares as of the Latest Practicable Date |
| MLLM LP | — | — | — | — | — | — | — | — | — | — | — | — | 1,653,250 | 0.97% | [REDACTED] | [REDACTED]% |
| Crescent Ocean Limited | — | — | — | — | — | — | — | — | — | — | — | — | 1,695,363 | 1.00% | [REDACTED] | [REDACTED]% |
| AMF-3 Holdings Limited | — | — | — | — | — | — | — | — | — | — | — | — | 1,695,363 | 1.00% | [REDACTED] | [REDACTED]% |
| Axiom Asia Opportunity Fund, L.P. | — | — | — | 188,413 | — | — | — | — | — | — | — | — | 188,413 | 0.11% | [REDACTED] | [REDACTED]% |
| Internet Fund VI PTE. LTD | — | — | — | — | — | — | — | — | — | 1,695,364 | — | — | 1,695,364 | 1.00% | [REDACTED] | [REDACTED]% |
| Star Link Limited | — | — | — | — | — | — | — | — | — | 847,682 | — | — | 847,682 | 0.50% | [REDACTED] | [REDACTED]% |
| Ab Initio Capital, L.P. | — | — | — | — | — | — | — | — | — | 847,682 | — | — | 847,682 | 0.50% | [REDACTED] | [REDACTED]% |
| Xiang He Fund Delta, L.P. | — | — | — | — | — | — | — | — | — | 644,238 | — | — | 644,238 | 0.38% | [REDACTED] | [REDACTED]% |
| VIP IV NOMINEES LIMITED | 328,249 | — | — | — | — | — | — | — | — | 1,695,364 | 262,599 | — | 2,286,212 | 1.34% | [REDACTED] | [REDACTED]% |
| FWD Life Insurance Company (Bermuda) Limited | — | — | — | — | — | — | — | — | — | 1,271,522 | — | — | 1,271,522 | 0.75% | [REDACTED] | [REDACTED]% |
| FWD Life (Hong Kong) Limited | — | — | — | — | — | — | — | — | — | 84,768 | — | — | 84,768 | 0.05% | [REDACTED] | [REDACTED]% |
| Eastern Bell International XXVI Limited | — | — | — | — | — | — | — | — | — | 254,304 | — | — | 254,304 | 0.15% | [REDACTED] | [REDACTED]% |
| CoreView Master Fund Limited | — | — | — | — | — | — | — | — | — | 847,682 | — | — | 847,682 | 0.50% | [REDACTED] | [REDACTED]% |
| Legend Venture Limited | — | — | — | — | — | — | — | — | — | 508,609 | — | — | 508,609 | 0.30% | [REDACTED] | [REDACTED]% |
| Power Mars Limited | — | — | — | — | — | — | — | — | — | 296,688 | — | — | 296,688 | 0.17% | [REDACTED] | [REDACTED]% |
| Pride Aim Limited | — | — | — | — | — | — | — | — | — | 84,768 | — | — | 84,768 | 0.05% | [REDACTED] | [REDACTED]% |
| Novel Skyline Limited | — | — | — | — | — | — | — | — | — | 59,338 | — | — | 59,338 | 0.03% | [REDACTED] | [REDACTED]% |

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| Shareholder | Series | | | | | | | | | | Aggregate ownership percentage as of the Latest Practicable Date | Aggregate ownership percentage upon the completion of the (REDACTED) ⁽¹⁾ | Aggregate ownership percentage upon the completion of the (REDACTED) ⁽¹⁾ | | | |
|---|-------------------|---------------------------|----------------------------|------------------------|---------------------------|---------------------------|---------------------------|----------------------------|---------------------------|----------------------------|--|---|---|---------------------------|---------------------------|----------------|
| | Ordinary shares | Series A Preferred Shares | Series A+ Preferred Shares | Pre-B Preferred Shares | Series B Preferred Shares | Series C Preferred Shares | Series D Preferred Shares | Series D2 Preferred Shares | Series E Preferred Shares | Series E2 Preferred Shares | | | | Series F Preferred Shares | Series G Preferred Shares | |
| Wisteria Synergy Limited | — | — | — | — | — | — | — | — | — | — | — | — | 67,815 | 0.04% | (REDACTED) | (REDACTED)% |
| Brilliant Flame Group Limited | — | — | — | — | — | — | — | — | — | — | — | — | 169,536 | 0.10% | (REDACTED) | (REDACTED)% |
| PA FRL LIMITED | — | — | — | — | — | — | — | — | — | — | — | — | 508,609 | 0.30% | (REDACTED) | (REDACTED)% |
| BNR Lotus Investment LP | — | — | — | — | — | — | — | — | — | — | — | — | 339,073 | 0.20% | (REDACTED) | (REDACTED)% |
| Primus Ginzburg Limited | — | — | — | — | — | — | — | — | — | — | — | 65,650 | 0.04% | (REDACTED) | (REDACTED)% | |
| Two Hearts Investments Limited | — | — | — | — | — | — | — | — | — | — | — | 656,497 | 0.39% | (REDACTED) | (REDACTED)% | |
| Vitruvian DS Opportunities (G) LP | — | — | — | — | — | — | — | — | — | — | — | 722,147 | 0.42% | (REDACTED) | (REDACTED)% | |
| ESOP Trust [12,563,549] | — | — | — | — | — | — | — | — | — | — | — | [12,563,549] | 7.38% | (REDACTED) | (REDACTED)% | |
| Other public (REDACTED) taking part in the (REDACTED) | — | — | — | — | — | — | — | — | — | — | — | — | — | — | (REDACTED) | (REDACTED)% |
| Total | 64,934,914 | 18,696,634 | 7,016,246 | 6,156,588 | 9,351,561 | 10,517,439 | 7,560,122 | 5,331,181 | 5,332,121 | 5,949,505 | 26,368,669 | 3,019,887 | 170,234,867 | 100.00% | (REDACTED) | 100.00% |

Notes:

- (1) The ownership percentage set forth in the table above is based on a one share one vote basis. Our Company will adopt a WVR Structure with two classes of Shares, namely Class A Shares and Class B Shares. Class A Shares entitle the holders to ten votes per share and Class B Shares entitle the holders to one vote per share on any resolution tabled at the Company’s general meeting, save for resolutions with respect to any Reserved Matters, in which case the holder of Class A Shares or Class B Shares shall be entitled to one vote per share. Class A Shares and Class B Shares rank *pari passu* in all other respects. Upon the completion of the [REDACTED], (i) each ordinary share held by any Shareholder other than Mr. Chow and Lalatech Underscore, which is controlled by Mr. Chow, and (ii) each Preferred Share will automatically convert into one Class B Share. Therefore the ownership percentage set out in the table above does not reflect Shareholders’ voting rights upon completion of the [REDACTED].
- (2) Mr. Chow is deemed to be interested in the shares held by Lalatech Underscore. Lalatech Underscore is wholly-owned by Lalatech One, the entire interest in which is held under the Chow’s Family Trust established by Mr. Chow (as settlor) for the benefit of Mr. Chow and his family.
- (3) Matpo Development Limited is a limited liability company incorporated in the BVI and is held through a trust established on September 3, 2021 by Mr. Tam as the settlor, with Infiniti Trust (Asia) Limited as the trustee and Mr. Tam as one of the beneficiaries.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

We have not conducted any acquisitions, disposals or mergers during the Track Record Period that we consider material to us.

ARRANGEMENTS BETWEEN OUR GROUP AND THE XIAOLA GROUP

We started to explore the possibility of entering the online ride-hailing industry in the PRC in May 2021, but decided in June 2021 not to commence an online ride-hailing platform business for the time being, in order to focus on our existing businesses.

In June 2021, certain former employees of our Company (the “**Xiaola Founders**”), who are Independent Third Parties, established XIAOLA Global Holding Limited (“**Xiaola**”) as the BVI holding company of certain other subsidiaries and PRC operating entities (the “**Xiaola PRC OpCos**”, and together with Xiaola, the “**Xiaola Group**”). Xiaola officially commenced operations of its online ride-hailing platform business in the PRC by launching its mobile app *Xiaola Chuxing* in the same month.

Although we decided to focus on our existing businesses and not to commence a standalone online ride-hailing platform business within our Group, we believe that a debt investment in the Xiaola Group as a creditor with a right to convert our debt position into equity interests would potentially enable us to benefit from any long-term upside of Xiaola’s online ride-hailing business in the PRC. Accordingly, in the fourth quarter of 2021, our Group entered into a series of agreements with the Xiaola Group, details of which are set out below:

- *Business Cooperation and Non-Compete Agreement* (the “**Business Cooperation and Non-Compete Agreement**”) — dated September 30, 2021 and entered into between certain PRC subsidiaries of our Company and the Xiaola PRC OpCos, pursuant to which each party, agreed, among other things, (i) not to, without the other party’s prior written consent, participate or invest in any business in competition with the other party’s main business, and (ii) to strengthen cooperation with the other party and endeavor to introduce the other party to business opportunities within the scope of the other party’s main business. The Business Cooperation and Non-Compete Agreement was entered into in order to ensure the independence of the Xiaola Group from the Group while maximizing the interests of both groups through promoting and strengthening cooperation between both groups and avoiding conflict of interests between both groups through investing or participating in other competing business;
- *Offshore Transitional Services Agreement* (the “**Offshore Transitional Services Agreement**”) — dated October 15, 2021 and entered into between our Company and Xiaola pursuant to which, among other (i) certain transitional services provided by our Company to the Xiaola Group historically were formalized, and (ii) Xiaola expects to procure certain general corporate services, including in-house legal, compliance and risk management services, corporate finance and treasury services, corporate communication services, and corporate recruiting and payroll services (the “**Transitional Services**”), from

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the headquarter offices of our Company at agreed prices based on the actual costs incurred including labor and administrative costs, for a transitional period of 24 months, subject to certain exceptions. Such Transitional Services include, among others, establishment of internal audit program on audit internal controls and procedures, assistance with treasury functions, oversight of internal audit and tax services, advice on legal and regulatory compliance matters, contract covenant compliance services and advice on company secretarial matters. The rationale for providing the Transitional Services to Xiaola is to ensure sound corporate governance during its initial stages of development, with the services provided by experienced members of the Group;

- *Onshore Transitional Services Agreement* (the “**Onshore Transitional Services Agreement**”, and together with the Offshore Transitional Services Agreement, the “**Transitional Services Agreements**”) — dated November 30, 2021 and entered into between Shenzhen Yishi and the PRC OpCo, pursuant to which the parties agreed that the PRC OpCo would procure certain services including, among others, financial and legal consultation, from Shenzhen Yishi, based on the actual costs incurred including labor and administrative costs, for a transitional period from December 1, 2021 to December 31, 2024. The rationale for the Onshore Transitional Services Agreement is similar to that for the Offshore Transitional Services Agreement;
- *Debt Confirmation and Assurance Agreement* (the “**Debt Confirmation and Assurance Agreement**”) — dated September 30, 2021, entered into between Shenzhen Yishi and certain Xiaola PRC OpCos and supplemented by a supplemental agreement dated November 30, 2021, pursuant to which the parties confirmed, among others the total amount of receivables owed by the Xiaola PRC OpCos to Shenzhen Yishi as of the date thereof (i.e. before the date of the Offshore Financing Agreement (as define below)) in connection with cash and service advances provided by Shenzhen Yishi to the Xiaola PRC OpCos during the period from June 15, 2021 to the date of such agreement. Further to the Debt Confirmation and Assurance Agreement, the same parties entered into a Supplementary Agreement on November 30, 2021, under which the parties agreed that the accounts receivable and interest to be paid under the Debt Confirmation and Assurance Agreement shall be repaid by the Xiaola PRC OpCos to Shenzhen Yishi on or before December 31, 2024, or otherwise on or before another date as agreed upon between the parties; and
- *Offshore Financing Agreements* (the “**Offshore Financing Agreements**”) – including (i) a promissory note dated October 15, 2021 issued by Xiaola to our Company, pursuant to which our Company agreed to extend a working capital loan of US\$130 million to provide Xiaola with short-term working capital support for a term of two years at an interest rate of 6-month USD LIBOR plus 5% per annum; (ii) a deed of guarantee provided by the Xiaola Founders to guarantee Xiaola’s repayment obligations; (iii) share charges over shares in Xiaola held by the Xiaola Founders to secure Xiaola’s repayment obligations; and (iv) a warrant dated October 15, 2021, pursuant to which our Company was granted the right to acquire a controlling stake of 50.1% in Xiaola, at our Company’s sole discretion at the fair market value of such shares at the time of exercise of the Warrant to be agreed by our Company and Xiaola, subject to the fulfilment of certain conditions.

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Given Xiaola focuses on PRC operations and its cash needs are primarily for RMB, we made further arrangements with Xiaola in April 2022 to terminate the Offshore Financing Agreements and instead enter into onshore financing arrangements with the Xiaola Group, in the form of a convertible loan, details of which are set out below.

Pursuant to the Convertible Loan Investment Agreement (the “**Convertible Loan Investment Agreement**”), and together with the Business Cooperation and Non-Compete Agreement, the Transitional Services Agreements and the Debt Confirmation and Assurance Agreement, the “**Arrangements with Xiaola**”) dated April 22, 2022 and entered into between Shenzhen Yishi, Shenzhen Lalapeisong (together with Shenzhen Yishi, the “**Shenzhen Entities**”), Xiaola and certain PRC subsidiaries of Xiaola (together with Xiaola, the “**Xiaola Entities**”), the parties agreed that the Shenzhen Entities shall provide financial support to the Xiaola Entities for a maximum total aggregate amount of RMB1,200 million (approximately US\$174.6 million) (the “**Onshore Working Capital Loan**”), including assistance in the form of third-party payments, lendings and direct payments to the Xiaola Entities, for the period until December 31, 2024. The financial support provided by the Shenzhen Entities shall be used for the purposes of business activities relating to the Xiaola Entities’ main business and other purposes with the prior written consent of the Shenzhen Entities. The Shenzhen Entities shall from time to time enter into specific agreements in relation to financial support to be provided within the maximum amount of RMB1,200 million under the Convertible Loan Investment Agreement.

Subject to certain conditions under the Convertible Loan Investment Agreement, the Shenzhen Entities shall have the right to convert all or part of the indebtedness into equity interests in the Xiaola Group, upon the satisfaction of certain conditions, including (a) the total revenue of the Xiaola Group having reached not less than RMB120 million for the most recent financial year prior to the conversion, and (b) the Xiaola Group having adopted and implemented appropriate compliance programs to ensure the compliance of its business operations with all applicable laws and regulations in all material respects to minimize potential liabilities to the Xiaola Group, as determined by the board of our Company after taking into account independent legal advice to be obtained from a reputable PRC counsel. The issue of equity interests in the Xiaola Group under the conversion shall be subject to approval by the supermajority (i.e. holders holding more than 67% of the series pre-A preferred shares of Xiaola on an as-converted to ordinary shares basis) of the series pre-A preferred shareholders of Xiaola. The conversion price shall be determined through negotiations between the board of directors of the Shenzhen Entities and our Company, based on the independent valuations performed by a reputable financial consultant to be engaged by the Shenzhen Entities, and the equity interests in the Xiaola Group to be acquired by the Shenzhen Entities upon conversion shall not exceed 51%. As of the Latest Practicable Date, the Company does not have any plan of converting its loans/advances granted to the Xiaola Group into equity interests therein.

Given Xiaola and the entities under the Xiaola Group are not connected persons of our Company, the Arrangements with Xiaola will not constitute continuing connected transactions of our Company after the [REDACTED]. Other than our obligations under the Arrangements with Xiaola, our Company is not contractually obliged and has not committed to further investment in Xiaola Group. Other than the Onshore Working Capital Loan, our Company is under no obligation to provide any additional funding to support the future business operations and capital needs of the Xiaola Group thereafter.

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If Xiaola’s business and financial conditions deteriorated or if Xiaola were subject to material liabilities arising from its failure to comply with applicable laws and regulations, Xiaola’s ability to fulfil its debt obligations to us could be adversely affected. To the best of our Directors’ knowledge based on currently available information, the maximum financial exposure of the Group under the Arrangements with Xiaola would equal the outstanding amount of the Onshore Working Capital Loan (i.e., RMB1,200 million). Further, we recorded a material increase in the fair value losses of financial instruments measured at fair value through profit or loss from US\$21.6 million in 2021 to US\$67.3 million in 2022 and recorded fair value gains of financial instruments measured at fair value through profit or loss of US\$6.4 million in 2023, primarily due to changes in the fair market values of loans extended to Xiaola based on our prudent assessment of Xiaola’s prospects. We may continue to incur such fair value losses in future periods before the loan is fully discharged or terminated. See “Risk Factors — We are exposed to risks and uncertainties associated with strategic transactions or acquisitions” for details.

As advised by our PRC Legal Advisor, given that since the establishment of Xiaola, the corporate structure of Xiaola’s business has been legally independent from our Group, our involvement in the peripheral activities of Xiaola by way of provision of the transitional services does not contravene or contradict with any relevant PRC laws and regulations; and the risks of our Group being subject to any legal liabilities that may be imposed on Xiaola under applicable PRC laws and regulations as a result of any non-compliance of Xiaola’s PRC operations since its establishment is remote.

The Arrangements with Xiaola have not resulted or involved any transfer of innovative elements or technologies of our Company to the Xiaola Group. Given the Xiaola Founders participated in our Company’s initial studies of the potential online ride-hailing platform business prior to their departure from our Company and their establishment of the Xiaola Group, the Company believes that they may have drawn inspiration from certain ideas or technologies involved in such initial studies, but there has been no proprietary transfer of innovative elements or technologies of our Company to the Xiaola Group.

In February 2023, Xiaola conducted its series pre-A financing in which certain institutional [REDACTED] Investors of our Company subscribed for series pre-A preferred shares in Xiaola.

PREVIOUS PLANS FOR U.S. [REDACTED]

In June 2021, we filed a confidential draft registration statement with the United States Securities and Exchange Commission for a potential [REDACTED] in the United States. We had not included a WVR structure in the draft registration statement. In July 2021, we decided not to proceed with such plan and instead pursue a [REDACTED] in Hong Kong.

Our Board is of the view that the [REDACTED] will provide us with the necessary funding to further develop our business. We also believe that the [REDACTED] on the Stock Exchange will present us with an opportunity to further expand our [REDACTED] base and broaden our access to capital markets.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Our Directors confirm that there are no matters relating to the U.S. [REDACTED] attempt which may pose an adverse implication on the [REDACTED], or is required to be brought to the attention of the Stock Exchange, Shareholders or potential [REDACTED] in Hong Kong, or may affect the suitability of our Company to [REDACTED] the Shares on the Stock Exchange, which should be highlighted in this Document for the [REDACTED] to form an informed assessment of our Company. There are no major outstanding comments or concerns raised by the U.S. SEC, and there are no implications on our [REDACTED] on the Stock Exchange.

Based on the information provided by the Company in connection with the previous U.S. [REDACTED] attempt and the independent due diligence performed by the Joint Sponsors, to the best of the Joint Sponsors’ knowledge, the Joint Sponsors did not identify any material issues in relation to the Company’s previous U.S. [REDACTED] attempt or any other matters that needed to be brought to the Exchange’s attention.

[REDACTED] INVESTMENTS

1. Overview

We have received several rounds of [REDACTED] Investments since our establishment, which are summarized below.

| Round | Date of initial investment agreement | Closing date | Total number of shares under the investment agreement | Cost per share paid to our Company | Amount of consideration | Post-money valuation of the Group at each round of [REDACTED] Investment | Discount to the [REDACTED] ⁽¹⁾ |
|-----------------|--------------------------------------|--------------------|---|------------------------------------|-------------------------|--|---|
| 1. Series A | December 30, 2014 | September 4, 2015 | 19,041,448 Series A Preferred Shares | US\$0.32 | US\$6,150,000 | US\$[REDACTED] | [REDACTED]% |
| 2. Series A+ | September 2, 2015 | September 10, 2015 | 7,173,835 Series A+ Preferred Shares | US\$0.99 | US\$7,089,000 | US\$[REDACTED] | [REDACTED]% |
| 3. Series Pre-B | June 22, 2016 | July 11, 2016 | 7,212,939 Series Pre-B Preferred Shares | US\$1.08 | US\$7,775,000 | US\$[REDACTED] | [REDACTED]% |
| 4. Series B | December 16, 2016 | January 3, 2017 | 10,189,183 Series B Preferred Shares | US\$2.57 | US\$26,182,000 | US\$[REDACTED] | [REDACTED]% |
| 5. Series C | September 8, 2017 | September 28, 2017 | 10,729,341 Series C Preferred Shares | US\$5.69 | US\$61,000,000 | US\$[REDACTED] | [REDACTED]% |
| 6. Series D | June 15, 2018 | November 6, 2018 | 7,713,403 Series D Preferred Shares | US\$15.56 | US\$120,000,000 | US\$[REDACTED] | [REDACTED]% |
| 7. Series D2 | November 13, 2018 | November 30, 2018 | 5,466,537 Series D2 Preferred Shares | US\$22.04 | US\$120,500,000 | US\$[REDACTED] | [REDACTED]% |
| 8. Series E | January 22, 2020 | February 26, 2020 | 5,434,949 Series E Preferred Shares | US\$37.72 | US\$205,000,000 | US\$[REDACTED] | [REDACTED]% |
| 9. Series E2 | September 29, 2020 | October 14, 2020 | 6,111,192 Series E2 Preferred Shares | US\$50.73 | US\$310,000,000 | US\$[REDACTED] | [REDACTED]% |

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| Round | Date of initial investment agreement | Closing date | Total number of shares under the investment agreement | Cost per share paid to our Company | Amount of consideration | Post-money valuation of the Group at each round of [REDACTED] Investment | Discount to the [REDACTED] ⁽¹⁾ |
|--------------|--------------------------------------|-------------------|---|------------------------------------|-------------------------|--|---|
| 10. Series F | January 3, 2021 | April 14, 2021 | 26,583,296 Series F Preferred Shares | US\$58.98 | US\$1,568,000,000 | US\$[REDACTED] | [REDACTED]% |
| 11. Series G | November 4, 2021 | February 28, 2022 | 3,019,887 Series G Preferred Shares | US\$76.16 | US\$230,000,000 | US\$[REDACTED] | [REDACTED]% |

Note:

(1) The discount to the [REDACTED] is calculated based on the assumption that (i) the [REDACTED] is HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED], and (ii) the [REDACTED] are completed.

2. Principal terms of the [REDACTED] Investments and [REDACTED] Investors’ rights

Use of proceeds from the [REDACTED] Investments

We utilized the [REDACTED] from the [REDACTED] Investments involving issue of shares to the [REDACTED] Investors for the operations of our Company and in accordance with the business plan or budget as approved by the Board. As of the Latest Practicable Date, less than half of the funds raised from the [REDACTED] Investments have been utilized.

Strategic benefits the [REDACTED] Investors brought to our Company

At the time of the [REDACTED] Investments, our Directors were of the view that our Company would benefit from the additional capital provided by the [REDACTED] Investors’ investments in our Company and their knowledge and experience. Our [REDACTED] Investors include renowned professional strategic investors, which can provide us with professional advice on our Group’s development and improve our corporate governance, financial reporting and internal control.

Our Company is also of the view that the [REDACTED] Investors’ investments demonstrated their confidence in our Group’s operations and served as an endorsement of our Company’s performance, strengths and prospects.

Basis of determining the consideration paid

The consideration for the [REDACTED] investments were determined based on arm’s length negotiations between our Company and the [REDACTED] Investors taking into account the relevant shareholders’ assessment of the operating results of our Company and the status of our business at the relevant time.

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Lock-up requirement under the Guide For New Listing Applicants

Whilst the [REDACTED] Investors are not subject to any lock-up arrangement at the time of their [REDACTED] Investments pursuant to the relevant agreements, lock-up undertakings will be given to the [REDACTED], pursuant to which [each] [REDACTED] Investor will agree that, subject to the terms of such lock-up undertakings, it will not, whether directly or indirectly, at any time during the period of six months from the [REDACTED] dispose of any of the Shares held by such [REDACTED] Investor. For further information about lock-up arrangements by the [REDACTED] Investors to the [REDACTED], please refer to “[REDACTED]”.

Principal [REDACTED] Investors which are sophisticated investors (including Hillhouse and Sequoia Capital, the information of which are set out under “5. Information on the [REDACTED] Investors” in this section below) will retain at least an aggregate of 50% of their investment at the time of [REDACTED] for a period of at least six months following the [REDACTED], in accordance with Chapter 2.2 of the Guide For New Listing Applicants issued by the Stock Exchange.

3. Special Rights of the [REDACTED] Investors

All of our [REDACTED] Investors are currently bound by the terms of the currently effective articles of association of our Company, which will be replaced by our Articles effective upon the completion of the [REDACTED]. Pursuant to the Amended and Restated Shareholders’ Agreement dated November 8, 2021 entered into, among others, by our Company, holders of the ordinary shares and Preferred Shares (the “Shareholders’ Agreement”), the [REDACTED] Investors were granted certain special rights in relation to our Company.

The redemption rights under the currently effective articles of association of our Company shall cease to be exercisable immediately before the first filing of our application for the [REDACTED] on the Stock Exchange. The redemption rights shall resume to be exercisable upon the earliest of (i) the withdrawal, rejection or lapse of the [REDACTED] by our Company; or (ii) the failure by our Company to achieve a qualified [REDACTED] within 24 months from the date of first filing of the [REDACTED] by the Company. All other special rights of the [REDACTED] Investors granted under the foregoing documents will be automatically terminated upon the completion of a qualified [REDACTED].

All ordinary shares held by Shareholders (other than Mr. Chow and Lalatech Underscore) and all of the Preferred Shares will be converted to Class B Shares of US\$[REDACTED] par value each on a one-to-one basis upon completion of the [REDACTED], as a result of the [REDACTED], at which time our share capital will comprise two classes of shares, Class A Shares and Class B Shares. For further information on the rights attached to our Class A Shares and Class B Shares, see “Share Capital”.

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4. Public Float

Upon the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and the [REDACTED] are completed), the Shares held by certain of our Shareholders who are, or are indirectly controlled by, our core connected persons, will not be counted towards the public float. Details of these Shareholders and their controllers (if applicable) are set out below:

- Mr. Chow, our executive Director, holding [REDACTED]% of the issued share capital of our Company directly and indirectly through Lalatech Underscore (on a one share, one vote basis);
- MCF2 Holdings, ML1 Holding Co., ML2 Holding Co., Mindworks Ventures Fund 3 SPC – Fund SP and MLLM LP, collectively holding [REDACTED]% of the issued share capital of our Company (on a one share, one vote basis), are investment vehicles of MindWorks Capital (概念資本) and are ultimately controlled by Mr. Chang David Shui Kei, our non-executive Director; and
- Star Link Limited, holding [REDACTED]% of the issued share capital of our Company (on a one share, one vote basis), is controlled by GAW Capital Partners. Mr. Goodwin Gaw, our independent non-executive Director, is the chairman and one of the managing principals of GAW Capital Partners and controls GAW Capital Partners.

Shares held by Shareholders other than as set out above will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after [REDACTED] as they will not be substantial shareholders of our Company upon [REDACTED]. In addition, they will not be core connected persons of our Company upon [REDACTED] and are not accustomed to take instructions from core connected persons in relation to the acquisition, disposal, voting or other disposition of their Shares and their acquisition of Shares were not financed directly or indirectly by core connected persons. Details of their shareholding are listed below.

5. Information on the [REDACTED] Investors

Set out below is a description of our [REDACTED] Investors.

Hillhouse

Each of HH HLL Holdings Limited (“**HH HLL**”), AUT-XII Holdings Limited (“**AUT-XII**”) and LLMV Holdings Limited (“**LLMV**”) is an exempted company registered in the Cayman Islands with their respective ownerships controlled by Hillhouse Fund IV, L.P., which is managed and controlled by Hillhouse Investment Management, Ltd. (“**Hillhouse**”), an exempted company incorporated under the laws of Cayman Islands.

Founded in 2005, Hillhouse Investment is dedicated to investing in high-quality businesses for the long term. With nearly two decades of experience, Hillhouse collaborates with industry-defining enterprises, aiming to establish alignment with sustainable, forward-thinking companies across healthcare, business services, consumer, and industrial sectors. Hillhouse is a diversified asset manager with strategies across equities, credit, and real assets. The firm manages capital for global institutions, including non-profit foundations, endowments, and pensions.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

HongShan (formerly known as Sequoia China)

Ocean Prosperity Limited and HSG Growth V 2018-C Holdco A, Ltd. are exempted companies with limited liability incorporated under the laws of the Cayman Islands. Ocean Prosperity Limited is wholly owned by Sequoia Capital Global Growth Fund III — China Annex Fund, L.P., the general partner of which is SCGGF III — China Management, L.P., whose general partner in turn is HSG Holding Limited. HSG Growth V 2018-C Holdco A, Ltd. is wholly owned by HSG Growth V 2018-C, L.P., the general partner of which is HSG Growth V Management, L.P., whose general partner in turn is HSG Holding Limited. HSG Growth VI 2020-L, L.P. and HSG Growth VI 2020-G, L.P. are exempted limited partnerships formed under the laws of the Cayman Islands. The general partner of HSG Growth VI 2020-G, L.P. is HSG Growth VI Management, L.P., whose general partner is HSG Holding Limited. The general partner of HSG Growth VI 2020-L, L.P. is HSG Offshore Fund Management, L.P., whose general partner is HSG Holdings X, Ltd. Each of HSG Holding Limited and HSG Holdings X, Ltd. is wholly owned by SNP China Enterprises Limited, which in turn is wholly owned by Mr. Neil Nanpeng Shen. Each of Sequoia Capital Global Growth Fund III — China Annex Fund, L.P., HSG Growth V 2018-C, L.P., HSG Growth VI 2020-L, L.P. and HSG Growth VI 2020-G, L.P. is an investment fund whose primary purpose is to make equity investments in private companies.

HCEP

HCEP Master Fund is an exempted company with limited liability incorporated under the laws of the Cayman Islands. The investment manager of HCEP Master Fund is HCEP Management Limited, which is in turn wholly-owned by HCEP Management Holding Limited. HCEP Master Fund is an investment fund whose primary purpose is to make China-related equity investments. HCEP Management Limited was incorporated under the laws of Hong Kong in 2020.

Sequoia Capital

SC GGFII Holdco, Ltd. and SC GGF III Holdco, Ltd. are exempted companies with limited liability incorporated under the laws of the Cayman Islands. SC GGFII Holdco, Ltd. is owned by Sequoia Capital Global Growth Fund II, L.P. and Sequoia Capital Global Growth II Principals Fund, L.P. SC Global Growth II Management, L.P. is the general partner of Sequoia Capital Global Growth Fund II, L.P. and Sequoia Capital Global Growth II Principals Fund, L.P. The general partner of SC Global Growth II Management, L.P. is SC US (TTGP), Ltd (“SC US”). SC GGF III Holdco, Ltd. is wholly owned by Sequoia Capital Global Growth Fund III — Endurance Partners, L.P., whose general partner is SCGGF III — Endurance Partners Management, L.P. The general partner of SCGGF III — Endurance Partners Management, L.P. is SC US. The directors and stockholders of SC US who exercise voting and investment discretion with respect to the shares held by SC GGFII Holdco, Ltd. and SC GGF III Holdco, Ltd. are Messrs. Roelof Botha and Douglas Leone. As a result, and by virtue of the relationship described, each such person may be deemed to share voting and dispositive power with respect to the shares held by SC GGFII Holdco, Ltd. and SC GGF III Holdco, Ltd. Each of Sequoia Capital Global Growth Fund II, L.P., Sequoia Capital Global Growth II Principals Fund, L.P. and Sequoia Capital Global Growth Fund III — Endurance Partners, L.P. is an investment fund whose primary purpose is to make equity investments in private companies.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Mindworks

Each of MCF2 Holdings, ML1 Holding Co., ML2 Holding Co. and Mindworks Ventures Fund 3 SPC — Fund SP is a company incorporated in the Cayman Islands. Mindworks Ventures Limited is a limited liability company incorporated in the BVI. MLLM LP is a limited partnership established under the laws of BVI. MCF2 Holdings, ML1 Holding Co., ML2 Holding Co., Mindworks Ventures Fund 3 SPC — Fund SP and MLLM LP are ultimately controlled by Mr. Chang David Shui Kei (our non-executive Director), the Founder and Founding Partner of MindWorks Capital (概念資本). Headquartered in Hong Kong, MindWorks Capital is a Pan-Asia focused venture capital firm.

Shunwei

Shunwei HLL Limited is wholly owned by Shunwei China Internet Opportunity Fund II, L.P., whose general partner is Shunwei Capital Partners III GP, L.P. Shunwei Capital Partners III GP Limited is the general partner of Shunwei Capital Partners III GP, L.P. Astrend Opportunity III Alpha Limited is wholly owned by Shunwei China Internet Opportunity Fund III, L.P., whose general partner is Shunwei Capital Partners IV GP, L.P. Shunwei Capital Partners IV GP Limited is the general partner of Shunwei Capital Partners IV GP, L.P. Silver Unicorn Ventures Limited holds more than 50% of the issued and outstanding shares in each of Shunwei Capital Partners III GP Limited and Shunwei Capital Partners IV GP Limited, and Mr. Koh Tuck Lye is the sole shareholder of Silver Unicorn Ventures Limited. Golden Spectrum Limited is controlled by Mr. Koh Tuck Lye.

Mr. Koh Tuck Lye co-founded Shunwei Capital in 2011, a China-based technology focused venture capital fund with about US\$6 billion under management, and has served as its chief executive officer since then.

Xiang He

The general partner of each of Xiang He Fund I, L.P., Xiang He Fund I Alpha, L.P. and Xiang He Fund Delta, L.P. is Xiang He Partners I, L.P., whose general partner is Xiang He I GP, LTD, a company 100% ultimately owned by Mr. Tang Hesong, an Independent Third Party and the founding partner of Xiang He Capital (襄禾資本). Xiang He Capital is a venture capital firm focusing on early-stage investments in frontier technology, new energy, and internet and internet-enabled businesses in China.

Crystal Stream

HCM VC Investments Limited (“**HCM VC**”) is a company incorporated under the laws of the British Virgin Islands and is owned as to 90% shareholding interest by Crystal Stream HY Management L.P., which is in turn managed by its general partner, Crystal Stream Investment GP, Ltd. (“**Crystal Stream**”). Crystal Stream Fund II, L.P. (“**CS Fund II**”) is a limited partnership established under the laws of the Cayman Islands, and its general partner is Crystal Stream Capital Management Limited, which is in turn ultimately managed by Crystal Stream.

Founded in 2013, Crystal Stream is a venture capital firm that focuses on entrepreneurial early-stage incubation and invests in start-up companies in the TMT, consumer, high-tech and new energy sectors.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Aplex

Aplex Capital Holdings Limited is a limited company established under the laws of BVI as an investment holding company and its ultimate beneficial owner is Wan Chak Lam, a private investor and an Independent Third Party.

Lighthouse Capital

Lighthouse International Growth Fund L.P. and Highlight Capital L.P. are limited partnerships established under the laws of Cayman Islands. The general partners of Lighthouse International Growth Fund L.P. and Highlight Capital L.P. are Lighthousecap International INC. Lighthouse Capital is China's leading investment bank, providing services to leading tech, industrial and new economy entrepreneurs. The services it provides include financial advisory, asset management, M&A, securities underwriting, industry consulting and other value added services.

Epic Faith

Beacon Summit Limited is a limited company established under the laws of Cayman Islands as an investment holding company. Victory Mount Limited is a limited company established under the laws of Cayman Islands as an investment holding company. Beacon Summit Limited and Victory Mount Limited are held by Epic Faith Limited, an Independent Third Party.

Prime Land

Jade Creek Limited is a limited company established under the laws of BVI as an investment holding company. Jade Creek Limited is wholly-owned by Prime Land L.P., a private fund domiciled in the Cayman Islands. Prime River Limited, an Independent Third Party, is the general partner of Prime Land L.P..

01VC

01VC Fund I, L.P. is an exempted limited partnership registered in the Cayman Islands and is managed by 01VC Advisor Ltd, an exempted limited company incorporated in the Cayman Islands. 01VC Huolala, LLC is a limited company established under the laws of Delaware, USA, which is wholly owned by Macro Continental, Inc., SC Capital Limited and Viceroy Ventures Inc.. 01VC is an early stage investor in tech enabled logistics, B2B solutions, supply chain, and industrial automation.

Sirius

Sirius Venture Capital Pte. Ltd. is a private limited company incorporated in Singapore as an investment holding and business consultancy company and it is 100% owned by Wong Hin Sun, Eugene. Mr. Wong is the founder of Sirius Venture Capital Pte. Ltd., a firm focused on investing in growth companies in Singapore and overseas.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

TimeWorth

TimeWorth Investments Limited is a limited company established under the laws of BVI and its ultimate beneficial owner is Ling Clarence Chun Kit, a private investor and an Independent Third Party.

Ng Shin Ein

Ng Shin Ein, is a Singapore resident and an individual [REDACTED] Investor of the Company. Ms. Ng co-founded Gryphus Capital Management Pte Ltd, a pan-Asian private equity firm in 2010. To the best knowledge of our Directors, Ms. Ng is an Independent Third Party.

Aria Group

The Aria Group Limited (BVI) is a limited company established under the laws of BVI as an investment holding company and its ultimate beneficial owner is Kwong Ka Wing Kevin, an Independent Third Party. Mr. Kwong is the founder of Aria Group, a technology venture capital firm founded in 2012. To the best knowledge of our Directors, Mr. Kwong is an Independent Third Party.

Cheung Wan Ping Ivy

Cheung Wan Ping Ivy, is a Hong Kong resident and an individual [REDACTED] Investor of the Company. To the best knowledge of our Directors, Cheung Wan Ping Ivy is a private investor and an Independent Third Party.

Tencent

Rhododendron Investment Limited is a limited liability company established under the laws of BVI and is a wholly-owned subsidiary of Oriental Power Holdings Limited (“**Oriental Power**”). Oriental Power is wholly owned by Tencent Holdings Limited (“**Tencent Holdings**”), a company listed on the Main Board of the Stock Exchange (HKEX: 700). Tencent Holdings is a leading provider of Internet value-added services in China, including communications and social, digital content, advertising, fintech and cloud services. Oriental Power and Tencent Holdings are both Independent Third Parties.

OTPP

2807546 Ontario Limited is a limited company wholly owned by Ontario Teachers’ Pension Plan Board. Ontario Teachers’ Pension Plan Board, or OTPP, is the largest single-profession pension plan in Canada, with C\$247.2 billion of assets under management of December 31, 2022. It is an independent organization responsible for investing the pension fund’s asset and administers the pensions of 336,000 active and retired teachers in Ontario. OTPP has offices in Toronto, Hong Kong, London, Mumbai, San Francisco and Singapore.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Axiom Asia Private Capital

Axiom Asia Opportunity Fund L.P. is a limited partnership established under the laws of Cayman Islands and associated with Axiom Asia Private Capital, an independent fund management firm focused on investing in the Asia Pacific region. Established in 2006, Axiom Asia Private Capital currently manages several private equity funds. The general partner of Axiom Asia Opportunity Fund L.P. is Mission Capital Opportunity GP L.P.

Martlet

Martlet International Limited is a limited company established under the laws of BVI as an investment holding company and is majority owned by Li Wanqiang, Wang Xin and Liu Fang, who are private investors and Independent Third Parties.

Eastern Bell

Eastern Bell International III Limited and Eastern Bell International XXVI Limited are limited companies established under the laws of BVI. The shareholder of Eastern Bell International III Limited is Shanghai Dingbi Business Consulting Partnership (LP). The shareholder of Eastern Bell International XXVI Limited is Eastern Bell Capital Fund II, L.P. Both Eastern Bell International III Limited and Eastern Bell International XXVI Limited are ultimately managed by Eastern Bell Capital (鐘鼎資本), a venture capital institute founded in 2010 focusing on supply-chain-themed investment.

Skycus Music

Skycus Music Fund, L.P. is a limited partnership established under the laws of Cayman Islands. Its general partner is Parallel Universes Asset Management Limited. The only limited partner of Skycus Music Fund, L.P. is Skycus China Fund, L.P., which is a fund that focuses on investment opportunities being created in emerging industries driven by innovations, and traditional industries being transformed and upgraded.

D1 Capital

D1 Master Holdco I LLC, a limited liability company organized under the laws of the State of Delaware, USA is wholly-owned by D1 Capital Partners Master LP, an exempted limited partnership organized under the laws of the Cayman Islands. The general partner of D1 Capital Partners Master LP is D1 Capital Partners GP Sub LLC, a limited liability company organized under the laws of the State of Delaware, USA, and D1 Capital Partners GP Sub LLC is ultimately controlled by D1 Capital Partners GP LLC, a limited liability company organized under the laws of the State of Delaware, USA. D1 Master Holdco I LLC and D1 Capital Partners Master LP are directly or indirectly controlled by D1 Capital Partners GP LLC, as well as their investment manager, D1 Capital Partners L.P., a limited partnership organized under the laws of the state of Delaware, USA, both of which are ultimately controlled by Daniel Sundheim, an Independent Third Party.

D1 Capital Partners L.P. manages private investment vehicles and other accounts which invest globally, in both public and private companies, primarily in the technology, media and telecom, industrials, healthcare, consumer, real estate and financial services sectors.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Boyu

Crescent Ocean Limited is a limited company established under the laws of BVI and is wholly owned by Boyu Capital Opportunities Master Fund, which is managed by Boyu Capital Management (Singapore) Pte. Ltd. Boyu Capital Management (Singapore) Pte. Ltd. is a member of Boyu group. Founded in 2011, Boyu group is a private investment firm with an integrated, synergistic platform that specializes in private equity, public equity, venture capital, fixed assets and special situations. Employing a theme-driven and long-term oriented approach, Boyu provides growth and transformational capital for leading businesses and entrepreneurs in areas that include technology, healthcare, consumer and business services.

Aspex

AMF-3 Holdings Limited is a limited liability company established under the laws of BVI and is wholly-owned by Aspex Master Fund (“**Aspex**”), a Cayman Islands exempted company incorporated with limited liability operating as a private investment fund, which is managed by Aspex Management (HK) Limited (“**Aspex Management**”). Aspex Management is a licensed corporation established in Hong Kong to carry out type 9 (asset management) regulated activities under the SFO in Hong Kong and serves as investment manager to Aspex. Aspex Management is an Independent Third Party. Aspex Management utilises a bottom-up, research-intensive, fundamentally-driven equity investment strategy focuses on companies based in or heavily exposed to the Pan-Asia region.

Tiger

Internet Fund VI Pte. Ltd. is a Singapore private limited company and investment company that focuses on investing in internet, technology and software companies. It is managed by Tiger Global Singapore Pte. Ltd., which is an affiliate of Tiger Global Management, LLC, a Delaware limited liability company. The registered address of Internet Fund VI Pte. Ltd. is 8 Temasek Boulevard #32-02, Suntec Tower Three, Singapore 038988.

GAW

Star Link Limited is a limited liability company established under the laws of Hong Kong as an investment holding company and is wholly-owned by Success Unique Limited. Star Link Limited is controlled by GAW Capital Partners, a private equity fund management company focusing on real estate markets in Asia Pacific and other high barrier-to-entry markets globally. Mr. Goodwin Gaw, our independent non-executive Director, is the Chairman and one of the managing principals of GAW Capital Partners.

ABI Capital

Archerman Capital Management LLC (previously known as Ab Initio Capital Management LLC) is the management company of Ab Initio Capital L.P., which is a limited partnership incorporated in Delaware, USA and an Independent Third Party. Archerman Capital is a Boston-headquartered global investment firm that mainly invests in growth equity in TMT and deep tech sectors.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Vitruvian Partners

VIP IV Nominees Limited is a limited company established in the United Kingdom and which is part of the Vitruvian Investment Partnership IV (“**VIP IV**”) fund structure. Vitruvian DS Opportunities (G) LP (“**VDSO (G)**”) is a limited partnership established in the United Kingdom. Each of VIP IV and VDSO (G) is an Independent Third Party and is managed by Vitruvian Partners LLP (“**Vitruvian**”), which is authorised and regulated by the United Kingdom Financial Conduct Authority. Vitruvian is an international investment firm headquartered in London with offices across Stockholm, Munich, Madrid, Luxembourg, San Francisco and Shanghai. Vitruvian focuses on dynamic situations characterised by high growth and change across asset-light industries.

FWD

FWD Life Insurance Company (Bermuda) Limited (“**FWD Bermuda**”) is a company incorporated in Bermuda with limited liability. FWD Life (Hong Kong) Limited (“**FWD HK**”) is a company incorporated under the laws of Hong Kong. Both FWD Bermuda and FWD HK are indirect subsidiaries of FWD Group Holdings Limited, a company incorporated in the Cayman Islands. FWD Group is a Pan-Asian life insurer whose regional footprint spans across Hong Kong (and Macau), Thailand (and Cambodia), Japan, the Philippines, Indonesia, Singapore, Vietnam and Malaysia.

CoreView

CoreView Master Fund Limited is an exempted company incorporated under the laws of Cayman Islands and managed by CoreView Capital Management Limited (“**CoreView Capital**”). CoreView Capital makes long-term investments in high quality businesses in both public and private markets.

BOC

Legend Venture Limited is a limited liability company incorporated in Hong Kong and is wholly-owned by Bank of China Group Investment Limited, an Independent Third Party.

Power Mars

Power Mars Limited is a limited liability company incorporated in the BVI and is owned by an independent private investor.

C Ventures Fund

Pride Aim Limited is a limited liability company incorporated in the BVI and is wholly-owned by C Ventures Fund III L.P.. Wisteria Synergy Limited is a limited liability company incorporated in the BVI and is wholly-owned by C Ventures Fund II L.P.. Each of C Ventures Fund III L.P. and C Ventures Fund II L.P. is a venture capital fund managed by an Independent Third Party.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Novel Skyline

Novel Skyline Limited is a limited liability company incorporated in the BVI and is owned by a conglomerate focusing on property, hotels, infrastructure and services and department stores.

Brilliant Flame

Brilliant Flame Group Limited is a limited liability company incorporated in the BVI and is owned by an integrated investment platform.

China Ping An

PA FRL Limited is a limited liability company incorporated in the Cayman Islands and is wholly owned by Ping An Global PE Fund SPC — Helena Fund SP, a Cayman Islands fund whose management shares are indirectly wholly held by China Ping An Insurance Overseas (Holdings) Limited (“**PAOH**”), PAOH is a wholly-owned subsidiary of Ping An Insurance (Group) Company of China, Ltd. (Stock code: 2318).

BNR Lotus

BNR Lotus Investment LP is a limited partnership registered in the Cayman Islands and the general partner of which is Lotus GP Co., Ltd. One of the limited partners of BNR Lotus Investment LP is Tundra Investment Co., Ltd., which holds 50% partnership interest in BNR Lotus Investment LP.

Meituan

Each of Two Hearts Investments Limited and Joyness Service Global Holdings Limited is a limited liability company incorporated in the BVI and is ultimately wholly-owned by Meituan (SEHK: 3690).

Hong Kong Science and Technology Parks

Primus Ginzburg Limited is a limited liability company incorporated in Hong Kong and is wholly-owned by Hong Kong Science and Technology Parks Corporation (香港科技園公司) (“**HKSTP**”). HKSTP Venture Fund is the corporate investment arm of HKSTP, a statutory body established by the Government back in 2001 that aims to create a vibrant innovation and technology ecosystem to deliver social and economic benefits to Hong Kong and the region and to build a future abundant with innovation opportunities for the younger generation. In 2015, HKSTP management launched the HKSTP Venture Fund to further drive innovation and build the investment ecosystem in Hong Kong. Today, HKSTP Venture Fund is primarily an active investor targeting early-stage and growth-stage investment opportunities in Hong Kong Science Park.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Sunrise Oriental

Sunrise Oriental Group Holdings Limited is a limited liability company incorporated in the BVI and is owned by Moonlight Miracle Holdings LP, a private investor and an Independent Third Party.

Moonlight Miracle

Moonlight Miracle Holdings LP is a limited partnership established under the laws of Cayman Islands. Moonlight Miracle Holdings Limited is the general partner of Moonlight Miracle Holdings LP.

COMPLIANCE WITH THE [REDACTED] INVESTMENT GUIDANCE

Based on the review of the relevant agreements, the Joint Sponsors are of the view that the terms of the [REDACTED] investments by the [REDACTED] Investors as described above are in compliance with the [REDACTED] Investment Guidance in Chapter 4.2 of the Guide for New Listing Applicants issued by the Stock Exchange.

PRC REGULATORY REQUIREMENTS

M&A Rules

Under the M&A Rules issued on August 8, 2006, effective as of September 8, 2006 and amended in June 2009, a foreign investor is required to obtain necessary approvals when it:

- (a) acquires the equity of a domestic non-foreign invested enterprise thereby converting the domestic enterprise into a foreign-invested enterprise;
- (b) subscribes for the increased capital of a domestic non-foreign invested enterprise so as to convert the domestic enterprise into a foreign-invested enterprise;
- (c) establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise; or
- (d) purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise.

The M&A Rules, among other things, further purports to require that an offshore special vehicle, or a special purpose vehicle, that is controlled directly or indirectly by PRC companies or individuals and that is formed for the purpose of an overseas [REDACTED] of the interests in a PRC company, shall obtain the approval of the CSRC prior to the [REDACTED] and [REDACTED] of such special purpose vehicle's securities on an overseas stock exchange, in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

The application of the M&A Rules remains unclear. Our PRC Legal Advisor has advised us that, based on its understanding of the current PRC laws and regulations, we are not required to submit an application to the CSRC for the approval of the [REDACTED] and [REDACTED] of our Shares on the Stock Exchange under the M&A Rules, given that (i) our PRC subsidiaries that are foreign invested enterprises were incorporated as a wholly foreign-owned enterprise by means of direct investment rather than by merger or acquisition of equity interest or assets of a PRC domestic company owned by PRC entities or individuals as defined under the M&A Rules that are our beneficial owners; and (ii) we do not constitute a "special purpose vehicle" to which the relevant provisions of the M&A Rules are applicable. However, our PRC Legal Advisor has further advised us that there remains some uncertainty as to how the M&A Rules will be interpreted or implemented in the context of an overseas [REDACTED] and its opinions summarized above are subject to any new laws, regulations and rules or detailed implementations and interpretations in any form relating to the M&A Rules.

SAFE Registration in the PRC

Pursuant to the SAFE Circular 37, promulgated by SAFE and which became effective on July 4, 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties.

As confirmed by our Company, Mr. Chow is not a PRC domestic resident individual as defined by the SAFE Circular 37. Our PRC Legal Advisor is of the view that Mr. Chow is not required to conduct registration pursuant to the requirements of SAFE Circular 37.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Notes:

- (1) Our Company will adopt a WVR Structure through two classes of Shares, Class A Shares and Class B Shares. Class A Shares entitle the Shareholders to 10 votes per share and Class B Shares entitle the Shareholders to one vote per share. Class A Shares and Class B Shares rank *pari passu* in all other respects. Each Preferred Share will automatically convert into one Class B Share upon the completion of the [REDACTED], assuming the [REDACTED] are completed.
- (2) Includes shares held by Mr. Chow beneficially and shares held by Lalatech Underscore. Mr. Chow is deemed to be interested in the shares held by Lalatech Underscore. Lalatech Underscore is wholly-owned by Lalatech One. The entire interest in Lalatech One is held under the Chow’s Family Trust established by Mr. Chow (as settlor) for the benefit of himself and his family. See “Relationship with our Controlling Shareholders” for details.
- (3) Hillhouse holds its interest through HH HLL Holdings Limited, AUT-XII Holdings Limited and LLMV Holdings Limited. See “[REDACTED] Investments — 5. Information on the [REDACTED] Investors — Hillhouse” for details.
- (4) HongShan holds its interest through Ocean Prosperity Limited, HSG Growth VI 2020-L, L.P., HSG Growth V 2018-C Holdco A, Ltd., and HSG Growth VI 2020-G, L.P. See “[REDACTED] Investments — 5. Information on the [REDACTED] Investors — HongShan” for details.
- (5) Sequoia Capital holds its interest through SC GGFII Holdco, Ltd. and SC GGF III Holdco, Ltd.. See “[REDACTED] Investments — 5. Information on the [REDACTED] Investors — Sequoia Capital” for details.
- (6) Mindworks holds its interest through MCF2 Holdings, ML1 Holding Co., ML2 Holding Co., Mindworks Ventures Limited, Mindworks Ventures Fund 3 SPC — Fund SP and MLLM LP. See “[REDACTED] Investments — 5. Information on the [REDACTED] Investors — Mindworks” for details.
- (7) Shunwei holds its interest through Shunwei HLL Limited, Astrend Opportunity III Alpha Limited and Golden Spectrum Limited. See “[REDACTED] Investments — 5. Information on the [REDACTED] Investors — Shunwei” for details.
- (8) Crystal Stream holds its interest through HCM VC Investments Limited and Crystal Stream Fund II, L.P. See “[REDACTED] Investments — 5. Information on the [REDACTED] Investors — Crystal Stream” for details.
- (9) Xiang He holds its interest through Xiang He Fund I, L.P., Xiang He Fund I Alpha, L.P. and Xiang He Fund Delta, L.P.. See “[REDACTED] Investments — 5. Information on the [REDACTED] Investors — Xiang He” for details.
- (10) Matpo Development Limited is a limited liability company incorporated in the BVI and is held through a trust established on September 3, 2021 by Mr. Tam as the settlor with Infiniti Trust (Asia) Limited as the trustee and Mr. Tam as one of the beneficiaries.
- (11) For further details of other [REDACTED] Investors, see “The [REDACTED] Investments — 5. Information on the [REDACTED] Investors” for details.
- (12) Other subsidiaries of our Company include:
 - (a) Lalamove (Japan) Holding Limited, a limited company incorporated in BVI and a directly wholly-owned subsidiary of our Company, which wholly-owns Lalamove (Japan) Management Limited, a limited company incorporated in the BVI.
 - (b) Capital L Limited, a limited company incorporated in the Cayman Islands and a directly wholly-owned subsidiary of our Company, which wholly-owns Capital L Global Fund I L.P., a limited partnership established in the Cayman Islands.
 - (c) EasyVan Holdings Limited, a limited company incorporated in the BVI and a directly wholly-owned subsidiary of our Company, which wholly-owns Easy Mobile Logistics Hong Kong Limited, a limited company incorporated in Hong Kong.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

- (d) Huolala Global Asset Management Limited, a limited company incorporated in the BVI and a directly wholly-owned subsidiary of our Company, which further wholly-owns:
- i. Huolala Eastern China Investment Management Limited, Lala Greater Bay Area Financial Technology Limited, Lala Greater Bay Area Payment Technology Limited, and Lala Greater Bay Area Insurance Agent Limited, each of which is a limited company incorporated in Hong Kong;
 - ii. Lala Greater Bay Area Factoring Limited, a limited company incorporated in Hong Kong, which in turn wholly-owns Guangzhou Yirenxing Commercial Baoli Co., Ltd. (廣州易人行商業保理有限公司), a limited company established in the PRC;
 - iii. Lala Greater Bay Area Financial Leasing Limited, a limited company incorporated in Hong Kong, which in turn wholly-owns Guangzhou Yirenxing Finance Lease Co., Ltd. (廣州易人行融資租賃有限公司), a limited company established in the PRC; and
 - iv. Lala Investment Management Limited, a limited company incorporated in Hong Kong, which in turn wholly owns Laforuite (Xiamen) Private Equity Fund Management Co., Ltd. (拉弗睿特(廈門)私募基金管理有限公司), a limited company established in the PRC.
- (e) EasyVan Holdings (SG) Limited, a limited company incorporated in Seychelles and is directly owned as to 99.9995% by our Company and 0.0005% by Sloan Lachlan Sherwood, an Independent Third Party. EasyVan (SG) Pte. Ltd. is a limited liability company incorporated in the Singapore, and is a direct wholly-owned subsidiary of EasyVan Holdings (SG) Limited.
- (f) Huolala Technology Limited, a limited company incorporated in the BVI and a directly wholly-owned subsidiary of our Company, which wholly-owns Huolala Technology Holdings Limited, a limited company incorporated in Hong Kong.
- (g) Lalamove (India) Limited, a limited company incorporated in the BVI and a directly wholly-owned subsidiary of our Company, which owns Lalamove Bangladesh Limited (a limited company incorporated in Bangladesh) in equal share with our Company. Lalamove (India) Limited also owns 99.999998% of the shareholding interest in Lalamove (India) Private Limited (a limited company incorporated in India), and 0.000002% of the shareholding interest in Lalamove (India) Private Limited is owned by Suraj Maruti Sawant, an Independent Third Party.
- (h) LalaMove Taiwan Limited, a limited company incorporated in the BVI and a directly wholly-owned subsidiary of our Company.
- (i) Lalamove (USA) Limited, a limited company incorporated in the BVI and a directly wholly-owned subsidiary of our Company.
- (j) LalaMove (Brazil) Limited, a limited company incorporated in the BVI and a directly wholly-owned subsidiary of our Company, which owns:
- i. 99% of the shareholding interest in Lalamove Technologia (Brasil) Ltda., a limited company incorporated in Brazil. 1% of the shareholding interest in Lalamove Technologia (Brasil) Ltda. is owned by Lala Automotive (Brazil) Limited, a limited company incorporated in the BVI and an indirect wholly-owned subsidiary of our Company; and
 - ii. 1% of the shareholding interest in Lalamove Technologia (Mexico) Sa De Cv, a limited company incorporated in Mexico. 99% of the shareholding interest in Lalamove Technologia (Mexico) Sa De Cv is owned by LalaMove (Mexico) Limited, a limited company incorporated in the BVI and a direct wholly-owned subsidiary of our Company.

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- (k) Lalamove Philippines, Inc., a limited company incorporated in the Philippines and is owned as to 99.995% directly by our Company and 0.005% by Mr. Chow, Mr. Tam, Nelson Malinao Judaya, Richard Henrick I. Beltran and Djon Paolo Nacario in equal share, each of whom is an Independent Third Party (except Mr. Chow and Mr. Tam). Lalamove Philippines, Inc. in turn owns 2.28% of the shareholding interest in Lalamove Logistics, Inc., a limited company incorporated in the Philippines. 97.71% of the shareholding interest in Lalamove Logistics, Inc. is owned by Lalamove Media Philippines Inc., an investment holding company established in the Philippines and majority held by one of our employee. The other 0.01% of the shareholding interest in Lalamove Logistics, Inc. is owned by Loo Kari Pui Paul (executive Director), and Nelson Malinao Judaya, Chryssilla Carissa P. Bautista and Djon Paolo Nacario (each of whom is a director of Lalamove Logistics, Inc.) in equal share.
- (l) CGG Global Holding Limited, a limited company incorporated in the BVI and a directly wholly-owned subsidiary of our Company, which wholly-owns CGG Auto (China) Holding Limited, a limited company incorporated in Hong Kong, and in turn owns Beijing Jiche Zhihui Technology Co., Ltd. (北京吉車智匯科技有限公司), a limited company established in the PRC.
- (m) Lalamove (Bangladesh) Limited, a limited company incorporated in the BVI and a directly wholly-owned subsidiary of our Company.
- (n) Lalamove (Bangladesh) Holding Limited, a limited company incorporated in the BVI and a directly wholly-owned subsidiary of our Company.
- (o) Lalamove Asset Holding Limited, a limited company incorporated in the Cayman Islands and a directly wholly-owned subsidiary of our Company, which wholly-owns Lalamove Supply Chain Investment Holdings Co., Ltd, a limited company incorporated in the BVI. Lalamove Supply Chain Investment Holdings Co., Ltd in turn wholly owns Lalamove China Supply Chain Investment 1 Co., Ltd, a limited company incorporated in the BVI, which further owns Lalamove China Supply Chain Development 1 Co., Limited, a limited company incorporated in Hong Kong. Lalamove China Supply Chain Development 1 Co., Limited wholly owns Lala (Suzhou) Modern Supply Chain Co., Ltd. (啦啦(蘇州)現代供應鏈有限公司), a limited company established in the PRC.
- (13) Shenzhen Yishi has six direct wholly-owned subsidiaries, including Tianjin Jiji Huoyun Co., Ltd. (天津吉吉貨運有限公司), Anhui Lala Shuzi Technology Co., Ltd. (安徽啦啦數字科技有限公司), Huolala (Shenzhen) Technology Holding Co., Ltd. (貨拉拉(深圳)科技控股有限公司), Guangzhou Yishipai Transportation Co., Ltd. (廣州依時派運輸有限公司), Hangzhou Tuantuan Storage Co., Ltd. (杭州團團倉儲有限公司) and Shenzhen Lahuola Distribution Co., Ltd. (深圳拉貨配送有限公司) each of which is a limited company established in the PRC. Huolala (Shenzhen) Technology Holding Co., Ltd. (貨拉拉(深圳)科技控股有限公司) in turn wholly-owns Huolala Investment (Tianjin) Co., Ltd. (貨拉拉投資(天津)有限公司), a limited company established in the PRC. Anhui Lala Shuzi Technology Co., Ltd. (安徽啦啦數字科技有限公司) in turn wholly-owns Anhui Lala Logistics Technology Co., Ltd. (安徽啦啦物流科技有限公司), a limited company established in the PRC.
- (14) Shenzhen Lalapeisong has 61 wholly-owned subsidiaries, including Guangzhou Lala Distribution Co., Ltd. (廣州市啦啦配送有限公司); Guangzhou Huomanman Automobile Consulting Co., Ltd. (廣州貨滿滿汽車諮詢有限公司); Chengdu Lala Distribution Service Co., Ltd. (成都市啦啦配送服務有限公司); Chengdu Yishipai Transportation Co., Ltd. (成都依時派運輸有限公司); Xi'an Huolala Freight Transport Co., Ltd. (西安貨拉拉貨物運輸有限公司); Dongguan Lala Distribution Co., Ltd. (東莞市啦啦配送有限公司); Tianjin Lala Transportation Co., Ltd. (天津市啦啦運輸有限公司); Shanghai Yishipai Transportation Co., Ltd. (上海依時派運輸有限公司); Shanghai Lala Logistics Distribution Co., Ltd. (上海啦啦物流配送有限公司); Hangzhou Lahuola Distribution Co., Ltd. (杭州拉貨配送有限公司); Hangzhou Yishipai Transportation Co., Ltd. (杭州依時派運輸有限公司); Fuzhou Lala Logistics Co., Ltd. (福州啦啦物流有限公司); Foshan Jiji Freight Co., Ltd. (佛山吉吉貨運有限公司); Xiamen Yishipai Transportation Co., Ltd. (廈門依時派運輸有限公司); Suzhou Yishipai Transportation Co., Ltd. (蘇州依時派運輸有限公司); Beijing Jiji Freight Co., Ltd. (北京吉吉貨運有限公司); Kunshan Yishipai Freight Co., Ltd. (崑山依時派貨運有限公司); Chongqing Lala Logistics Co., Ltd. (重慶啦啦物流有限公司); Wuhan Huomanman Transportation Co., Ltd. (武漢貨滿滿運輸有限公司); Wuhan Lahuola Auto Service Co., Ltd. (武漢拉貨配送汽車服務有限公司); Ningbo Yinzhou Yishipai Transportation Co., Ltd. (寧波鄭州區依時派運輸有限公司); Jinhua Lala Cargo Transportation Co., Ltd. (金華啦啦貨物運輸有限公司); Hefei Lala Distribution Co., Ltd. (合肥市啦啦配送有限公司); Nanjing Yishipai Transportation Co., Ltd. (南京依時派運輸有限公司); Qingdao Yishipai Transportation Co., Ltd. (青島依時派運輸有限公司); Zhongshan Yishipai Cargo Transportation Co., Ltd. (中山依時派貨物運輸有限公司); Zhengzhou Yishipai Cargo Transportation Co., Ltd. (鄭州依時派貨物運輸有限公司); Kunming Shipai Transportation Co., Ltd. (昆明時派運輸有限公司); Jinan Yishipai Transportation Co., Ltd. (濟南依時派運輸有限公司); Taiyuan Huolala Transportation Co., Ltd. (太原貨拉拉運輸有限公司); Changsha Huomanman Transport Co., Ltd. (長沙貨滿滿運輸有限公司); Shenyang Lala Distribution Co., Ltd. (瀋陽市啦啦配送有限公司); Guiyang Huolala Transportation Co., Ltd. (貴陽貨拉拉運輸有限公司); Nanning Yishipai Transportation Co., Ltd. (南寧依時派運輸有限公司); Nanchang Yishipai Transportation Co., Ltd. (南昌市依時派運輸有限公司); Qujing Lala Distribution Co., Ltd. (曲靖市啦

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- 啦配送有限公司); Wuxi Yishipai Transportation Co., Ltd. (無錫依時派運輸有限公司); Xuzhou Lala Freight Co., Ltd. (徐州啦啦貨運有限公司); Qingdao Lala New Energy Technology Co., Ltd. (青島啦啦新能源科技有限公司); Nanjing Lala Distribution Co., Ltd. (南京市啦啦配送有限公司); Shijiazhuang Yishipai Road Transportation Co., Ltd. (石家莊依時派道路運輸有限公司); Nantong Jiji Transportation Co., Ltd. (南通吉吉貨運有限公司); Changzhou Yishipai Transportation Co., Ltd. (常州依時派運輸有限公司); Huizhou Lala Distribution Co., Ltd. (惠州市啦啦配送有限公司); Wenzhou Lala Distribution Co., Ltd. (溫州市啦啦配送有限公司); Quanzhou Lala Distribution Co., Ltd. (泉州市啦啦配送有限公司); Heze Lala Distribution Service Co., Ltd. (荷澤市啦啦配送服務有限公司); Mianyang Yishipai Logistics Co., Ltd. (綿陽市依時派物流有限公司); Deyang Lala Logistics Distribution Co., Ltd. (德陽市啦啦物流配送有限公司); Shenzhen Yishipai Transportation Co., Ltd. (深圳依時派運輸有限公司); Suzhou Huolala Transportation Co., Ltd. (蘇州貨拉拉運輸有限公司); Foshan Yishipai Transportation Co., Ltd. (佛山依時派運輸有限公司); Guangzhou Jiji Freight Co., Ltd. (廣州吉吉貨運有限公司); Jinhua Yishipei Automobile Information Consulting Co., Ltd. (金華依時配汽車信息諮詢有限公司); Tianjin Lahuola Car Services Co., Ltd. (天津拉貨啦汽車服務有限公司); Shanghai Yishipai Automobile Service Co., Ltd. (上海依時派汽車服務有限公司); Linyi Yishipai Transportation Co., Ltd. (臨沂依時派運輸有限公司); Weifang Yishipai Transportation Co., Ltd. (濰坊依時派運輸有限公司); Guangzhou Layunla Transportation Co., Ltd. (廣州拉貨啦配送有限公司); Shijiazhuang Layunla Transportation Co., Ltd. (石家莊拉貨啦運輸有限公司) and Zhengzhou Layunla Transportation Co., Ltd. (鄭州拉貨啦配送有限公司).
- (15) We entered into the PRC Contractual Arrangements with the Consolidated Affiliated Entity Holdcos, including Shenzhen Huolala, Tianjin Huolala, Beijing Jiche, Lala Energy, Lala Tianjin, Guangzhou Layi, Full Truck, which are directly held by Shenzhen Qiaoguan, a limited liability company established under the laws of the PRC and owned as to 50% by Guangzhou Qiaoguan and 50% by Mr. He. For further details, see “Contractual Arrangements – The PRC Contractual Arrangements”.
- (16) Lalamove Logistik is owned as to 50% by CUG and 50% by CUTG. We entered into the Indonesian Contractual Arrangements with CUG and CUTG. For further details, see “Contractual Arrangements – The Indonesian Contractual Arrangements”.
- (17) To comply with the relevant Thai laws and regulations on foreign invested companies and allot the Group to exercise effective control over Lalamove Holding (Thailand) Limited (“**Lalamove Thailand**”), we conducted a share restructuring and adopted the preference shares structure in Lalamove Thailand. The remaining share capital of 51% in Lalamove Thailand is held by Mr. Santit Jirawongkraisorn, a Thai national and an Independent Third Party. The shares held by Lalamove Thailand Limited and Huolala S.E.A. Limited are all ordinary shares issued by Lalamove Thailand, while the shares held by Mr. Santit Jirawongkraisorn are all preference shares issued by Lalamove Thailand. Under the preference shares structure arrangement, one ordinary share was equivalent to 51 preference shares in term of voting power and entitlement to economic interests in Lalamove Thailand. Accordingly, through Lalamove Thailand Limited and Huolala S.E.A. Limited (each of which is our wholly-owned subsidiary), our Group had an aggregate of 98% voting rights and entitlement to economic interests in Lalamove Thailand. As advised by our legal advisor as to Thailand law, the preference shares structure in Lalamove Thailand enabled Lalamove Thailand Limited and Huolala S.E.A. Limited to exercise effective control over Lalamove Thailand.
- (18) Lala App Philippines Inc. is owned as to 99.9980% by Lala App Holdings Limited, and 0.0005% by Gary Hui, 0.0005% by Fong Chun Hok, 0.0005% by April Dannah Licup. Majarocon and 0.0005% by Sylvette Y. Tankiang.
- (19) Lala Automotive Philippines Inc. is owned as to 99.9962% by Lala Automotive (Philippines) Limited, and 0.00095% by Mr. Chen Guo Ji, our chief financial officer, 0.00095% by Mr. Chow, 0.00095% by Nelson Malimao Judaya and 0.00095% by Yu Jiefu.
- (20) Hangzhou Shenlala Technology Co., Ltd. (杭州深啦啦科技有限公司), a limited company established in the PRC, is owned as to 60% by Shenzhen Qianhai Lala Investment Consulting Co., Ltd. (深圳市前海啦啦投資諮詢有限公司) and 40% by Shenzhen Zhenlala Technology Co., Ltd. (深圳臻啦啦科技有限責任公司) which is an Independent Third Party.
- (21) LaLa Autobot Company Limited is a limited company incorporated in the Cayman Islands and a direct subsidiary of our Company. It is owned as to 82.62% by our Company, and 4.51%, 2.26%, 2.26%, 4.06%, 2.26%, 1.13% and 0.90% by Asiafreight Capital (Cayman) Limited, Hillhouse Investment Fund VI, Ltd., Hillhouse Investment Climate Ltd., Eastern Bell International XXVIII Limited, HKLL Holdings Limited, Astrand V Beta Limited and Crystal Stream Investment III Holdings L.P., respectively, each of which is an Independent Third Party and is entitled to certain minority shareholders’ rights (including but not limited to dividend rights and redemption rights). For details, please refer to Note 24(c) to the Accountants’ Report in Appendix I.

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THE PRC CONTRACTUAL ARRANGEMENTS

Introduction

Regulatory Background

Foreign investment activities in the PRC are mainly governed by the Special Administrative Measures (Negative List) for the Access of Foreign Investment (《外商投資准入特別管理措施(負面清單)》) (the “**Negative List**”) and the Catalog of Industries for Encouraged Foreign Investment (2022 Version) (《鼓勵外商投資產業目錄(2022年版)》) (the “**Encouraged Catalog**”), which were promulgated and are amended from time to time jointly by the Ministry of Commerce and the NDRC. The Negative List and the Encouraged Catalogue divide industries into three categories in terms of foreign investment, namely, “encouraged”, “restricted” and “prohibited”. Industries not listed under the Negative List and the Encouraged Catalogue are generally deemed as falling into a fourth category of “permitted”. The currently effective Negative List is the 2021 Negative List (i.e. Special Administrative Measures for Foreign Investment Access (Negative List 2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》), which became effective on January 1, 2022.

According to the Negative List and other applicable PRC laws, “value-added telecommunication services” falls within the “restricted” category and accordingly, foreign investors are in general not allowed to hold more than 50% equity interests in any enterprise conducting value-added telecommunication services (excluding e-commerce, domestic multi-party communication, storage-forwarding and call centers).

Under the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the “**FITE Regulations**”) promulgated by the State Council on December 11, 2001, in addition to the requirement that foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services, the main foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in, and a proven track record of good performance of, operating value-added telecom businesses overseas (the “**Qualification Requirements**”). There was no clear guidance or interpretation on the Qualification Requirements.

The FITE Regulations were recently amended and took effect from May 1, 2022 (the “**2022 FITE Regulations**”). The 2022 FITE Regulations removed the Qualification Requirements as stipulated in the previous version. The newly amended 2022 FITE Regulations currently lack clear, specific and updated guidance for foreign-invested enterprises to apply for the value-added telecommunication business operation license. It remains uncertain whether the PRC government authorities will further issue detailed implementation rules for the 2022 FITE Regulations and impose additional requirements for foreign investors that invest in a company providing value-added telecommunication services in China in practice.

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Our PRC logistics platform business

We primarily engage in the provision of logistics transaction platform services in the PRC (the “**Relevant Business**”) which falls within the scope of “value-added telecommunication services” as confirmed by the MIIT, and is subject to foreign investment restriction (i.e. foreign investor is not allowed to hold more than 50% of the equity interests) in accordance with the Negative List and other applicable PRC laws.

As such, we operate the Relevant Business under the PRC Contractual Arrangements in order to comply with PRC laws and regulations and maintain effective control over the Relevant Business. We, through our wholly-owned subsidiary, Shenzhen Yishi, entered into the PRC Contractual Arrangements with the Consolidated Affiliated Entity Holdcos and the PRC Registered Shareholders. Pursuant to the PRC Contractual Arrangements, Shenzhen Yishi acquired effective control over our PRC Consolidated Affiliated Entities and is entitled to all the economic benefits derived from their operations. For the years ended December 31, 2021, 2022 and 2023, the revenue generated from the Relevant Business through Shenzhen Yishi amounted to, US\$189.7 million, US\$553.8 million and US\$754.1 million, representing approximately 22%, 53% and 57% of our total revenue, respectively.

For the operation of the Relevant Business, each of the following PRC Consolidated Affiliated Entities holds an ICP License for Internet information services:

- (i) Lala Tianjin, which is principally engaged in the provision of online freight and integrated enterprise platform services;
- (ii) Shenzhen Huolala, which is principally engaged in the provision of LTL and home-moving services;
- (iii) Tianjin Huolala, which is principally engaged in freight and home-moving information matching business;
- (iv) Tianjin Jiche, which is principally engaged in the provision of online sales of energy services;
- (v) Beijing Jiche, which is principally engaged in the provision of other value-added aftermarket services; and
- (vi) Full Truck, which is principally engaged in internal support service.

As at the Latest Practicable Date, Guangzhou Layi and Lala Energy do not carry out any substantive business. However, they have obtained ICP Licenses to commence, and will only engage in, the Relevant Business which falls under the “restricted” business category under the Negative List.

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On September 2, 2021 and February 6, 2023 (the latter of which was after the effective date of the 2022 FITE Regulations), our PRC Legal Advisor and the PRC legal advisor of the Joint Sponsors consulted an officer of the MIIT (the “**MIIT Consultation**”), who provided confirmations that (i) PRC entities require ICP Licenses to carry out the Relevant Business; (ii) the PRC Contractual Arrangements are not prohibited by the MIIT, and the execution and performance of the PRC Contractual Arrangements do not require the approval or permission from, or filing with, the MIIT; and (iii) notwithstanding the 2022 FITE Regulations, there has been no substantive change in the regulatory environment with respect to the engagement of foreign-invested enterprises in value-added telecommunication services compared to the period before the implementation of 2022 FITE Regulations. As advised by our PRC Legal Advisor, (i) the MIIT Consultation was made with a competent officer who has the appropriate authority, and (ii) MIIT is the competent and ultimate authority to confirm matters relating to the operations of Relevant Business (to the extent value-added telecommunication services are concerned) and application for ICP Licenses of foreign invested entities.

On April 20, 2023, our PRC Legal Advisor and the PRC legal advisor of the Joint Sponsors consulted an officer of ICT Services Consulting Center (信息通信業務受理中心) of China Academy of Information and Communications Technology (中國信息通信研究院, “**CAICT**”) who confirmed that there are substantial uncertainties as to whether ICP Licenses can be obtained by foreign-invested enterprises. As advised by our PRC Legal Advisor, ICT Services Consulting Center of CAICT is under the leadership of MIIT and is responsible for approvals for ICP Licenses of foreign invested entities, and thus has competent authority to address the inquiries.

As advised by our PRC Legal Advisor, as of the Latest Practicable Date, (i) the Group requires ICP Licenses to carry out the Relevant Business in the PRC, and it is not viable for the Group to obtain the requisite ICP Licenses through direct ownership in the relevant entities and engage directly in the Relevant Business in the PRC; (ii) there were no clear guidelines, explanations or criteria in respect of the implementation of the 2022 FITE Regulations; and (iii) based on the current regulatory requirements and the MIIT Consultation, the above regulatory changes would not affect the validity and the legality of our ICP Licenses. Hence, the Directors are of the view that it is not viable for the Group to obtain the requisite ICP Licenses through direct ownership in the relevant entities and engage directly in the Relevant Business in the PRC. Our PRC Legal Advisor further advises that (a) based on the MIIT Consultation, the adoption of the PRC Contractual Arrangements is unlikely to be deemed ineffective or invalid under the current applicable PRC laws and regulations; and (b) the adoption of the PRC Contractual Arrangements does not constitute a breach of the relevant PRC laws and regulations. As of the Latest Practicable Date, we had not received any inquiry or notice from the competent authorities regarding the validity of our ICP Licenses. We will closely monitor any future development relating to the 2022 FITE Regulations and will take all necessary actions to comply with applicable laws, regulations and specific requirements or guidance.

In order to support the operation of our digital map to facilitate merchants’ selection of pick-up and drop off locations, Full Truck has obtained Surveying Certificates (測繪資質證書) required for such ancillary business. Details of the regulatory requirements for obtaining the Surveying Certificates are set out in “Regulations – Regulations related to Internet Mapping Services”. The Surveying Certificates perform a meaningful ancillary function of supporting our operation of digital map and optimizing it for the use of road freight transportation carriers.

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On March 21, 2023, our PRC Legal Advisor and the PRC legal advisor of the Joint Sponsors conducted a telephone consultation with the MNR, during which the MNR advised that (i) in practice, applications of foreign invested entities for Surveying Certificates will generally not be approved; and (ii) current laws and regulations do not prohibit foreign invested entities from controlling entities holding Surveying Certificates through contractual arrangements. As confirmed by our PRC Legal Advisor, the MNR is the competent authority to confirm matters relating to application of foreign invested entities for Surveying Certificates. We believe the Surveying Certificates are necessary to support the operation of our digital map to support the road freight transportation carriers and merchants.

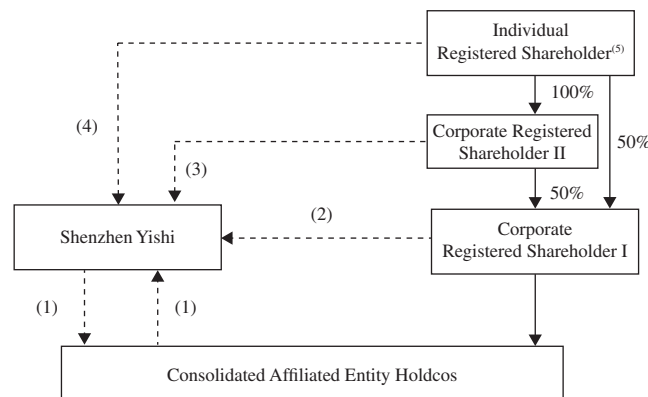
Having considered (i) the fact that ICP Licenses and Surveying Certificate are or will be required for the operation of the Relevant Business of our Consolidated Affiliated Entity Holdcos and their subsidiaries and (ii) the substantial uncertainties for a foreign-invested entity to obtain the same, as compared to domestic companies, we determined that it is not viable for our Company or our subsidiaries to hold any direct equity interest in the Consolidated Affiliated Entity Holdcos.

Accordingly, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, we would gain effective control over, and receive all the economic benefits generated by the business currently operated by the Consolidated Affiliated Entity Holdcos through the PRC Contractual Arrangements between Shenzhen Yishi, a wholly-owned subsidiary of our Company established in the PRC, on the one hand, and each of the Consolidated Affiliated Entity Holdcos and the PRC Registered Shareholders, on the other hand.

For further details of the limitations on foreign ownership in PRC companies conducting the Relevant Business, and the licensing and approval requirements applicable to the Relevant Business under PRC laws and regulations, please refer to “Regulations — Regulations Related to Foreign Investment”.

Overview of the PRC Contractual Arrangements

In order to comply with PRC laws and regulations while availing ourselves of international capital markets and maintaining effective control over all of our operations, we have entered into the PRC Contractual Arrangements. The following simplified diagram illustrates the flow of economic benefits from the Consolidated Affiliated Entity Holdcos and their subsidiaries to our Group stipulated under the PRC Contractual Arrangements:



“—” denotes legal and beneficial ownership in the equity interest

“.....” denotes the PRC Contractual Arrangements

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Notes:

- (1) Shenzhen Yishi provides several consultation services in exchange for service fees from the Consolidated Affiliated Entity Holdcos. See “Summary of the Material Terms under the Contractual Arrangements in the PRC — Exclusive Business Cooperation Agreement”.
- (2) In respect of each Consolidated Affiliated Entity Holdco:
 - the Corporate Registered Shareholder I executed the Exclusive Option Agreement (as defined below) in favour of Shenzhen Yishi, for the acquisition of 100% of the equity interests and/or assets in the Consolidated Affiliated Entity Holdco. See “Summary of the Material Terms under the Contractual Arrangements in the PRC — Exclusive Option Agreement”;
 - the Corporate Registered Shareholder I pledged as first charge all of its equity interests in the Consolidated Affiliated Entity Holdco to Shenzhen Yishi as collateral security for any or all of its payments due to Shenzhen Yishi and to secure performance of its obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and the Power of Attorney (as defined below). See “Summary of the Material Terms under the Contractual Arrangements in the PRC — Share Pledge Agreement”;
 - the Corporate Registered Shareholder I executed the Powers of Attorney in favour of Shenzhen Yishi, see “Summary of the Material Terms under the Contractual Arrangements in the PRC — Powers of Attorney”.
- (3) The Corporate Registered Shareholder II and the Individual Registered Shareholder pledged as first charge all of his/its (as applicable) equity interests in the Corporate Registered Shareholder I to Shenzhen Yishi as collateral security to secure performance of his/its (as applicable) obligations in maintaining the stability of the PRC Contractual Arrangements.
- (4) The Individual Registered Shareholder pledged as first charge all of his equity interests in the Corporate Registered Shareholder II to Shenzhen Yishi as collateral security to secure performance of his obligations in maintaining the stability of the PRC Contractual Arrangements. The spouse of the Individual Registered Shareholder has signed spousal consent letters, pursuant to which she unconditionally and irrevocably agrees that she is aware of the contractual arrangements, and have no objection regarding such PRC Contractual Arrangements. See “Summary of the Material Terms under the Contractual Arrangements in the PRC — Spousal Consent”.
- (5) The Individual Registered Shareholder is an employee of our Company and a director of certain subsidiaries of our Company, and accordingly a connected person of our Company at subsidiary level. The transactions contemplated under the PRC Contractual Arrangements will constitute continuing connected transactions under Chapter 14A of the Listing Rules. For details, see “Connected Transactions”.

The payment of the service fees pursuant to the PRC Contractual Arrangements entered between the Consolidated Affiliated Entity Holdcos and Shenzhen Yishi would result in Shenzhen Yishi incurring additional income tax and VAT while the income tax and VAT to be paid by the Consolidated Affiliated Entity Holdcos will decrease by a corresponding amount to offset such increase. Therefore, the adoption of the PRC Contractual Arrangements would not have any financial impact on the Group as if the PRC Contractual Arrangements were adopted throughout the Track Record Period.

Summary of the Material Terms under the Contractual Arrangements in the PRC

Exclusive Option Agreement

Shenzhen Yishi and the PRC Registered Shareholders entered into an exclusive option agreement with Lala Tianjin, Shenzhen Huolala, Tianjin Huolala, Beijing Jiche, Full Truck and Lala Energy on September 28, 2021 and with Guangzhou Layi on April 13, 2022 (collectively, the “**Exclusive Option Agreement**”), pursuant to which Shenzhen Yishi (or a third party designated by

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it, the “**designee**”) will be granted an irrevocable, unconditional and exclusive right to purchase all or any part of the equity interest in and/or assets of each Consolidated Affiliated Entity Holdco for a purchase price which shall be the lowest amount permissible, unless the relevant government authorities or the PRC laws request that another amount be used as the purchase price, in which case the price may be adjusted based on the valuation of the equity interests if required by the then-applicable PRC laws. At Shenzhen Yishi’s request, the Corporate Registered Shareholder I and/or the Consolidated Affiliated Entity Holdco will promptly and unconditionally transfer their respective equity interests in and/or the relevant assets of the Consolidated Affiliated Entity Holdco to Shenzhen Yishi (or its designee) after Shenzhen Yishi exercises its purchase right. The Corporate Registered Shareholder I and the Consolidated Affiliated Entity Holdco have also undertaken that, subject to the relevant laws and regulations, they will return to Shenzhen Yishi any consideration they receive in the event that Shenzhen Yishi exercises the options under the Exclusive Option Agreement to acquire the shares and/or assets of the Consolidated Affiliated Entity Holdco.

As provided in the Exclusive Option Agreement, without the prior written consent of Shenzhen Yishi, the Consolidated Affiliated Entity Holdco shall not, among other things, (i) sell, transfer, pledge or dispose of in any manner any of its assets, business or income (other than in the ordinary course of business), or allow the aforementioned to be the subject of a guarantee; (ii) provide any person with any loan, guarantee or credit; (iii) incur, inherit, guarantee or allow any debt that is not incurred in the ordinary course of business of the Consolidated Affiliated Entity Holdco or not disclosed and consented in writing to by Shenzhen Yishi; (iv) execute any material contract (a material contract is defined as a contract with nominal value above RMB1,000,000), except if in the ordinary course of business; (v) increase or reduce its registered capital, or alter the structure of the registered capital in any other way; (vi) supplement, modify or amend the Consolidated Affiliated Entity Holdco’s Articles of Association in any way; and (vii) consolidate or merge with any third party, or acquire or invest in any third party. Therefore, due to the relevant restrictive provisions in the agreements, the potential adverse effect on Shenzhen Yishi and us in the event of any loss suffered from the Consolidated Affiliated Entity Holdco and/or its subsidiaries minimized.

In order to prevent the flow of the relevant assets and value of the Consolidated Affiliated Entity Holdcos to the Corporate Registered Shareholder I, during the term of the Exclusive Option Agreement, the Consolidated Affiliated Entity Holdco is not allowed to make any distributions to its shareholder(s) without the prior written consent of Shenzhen Yishi. In the event that the Corporate Registered Shareholder I receives any dividend, profit or distribution from the Consolidated Affiliated Entity Holdco and subject to the PRC laws, the Corporate Registered Shareholder I must pay or transfer such dividend, profit or distribution to Shenzhen Yishi in three business days. If Shenzhen Yishi exercises its purchase right, all or any part of the equity interests in and/or assets of the Consolidated Affiliated Entity Holdco acquired would be transferred to Shenzhen Yishi and the benefits of equity ownership and/or assets, as applicable, would flow to us and our Shareholders.

The Exclusive Option Agreement shall remain effective until, among others, the transfer of all the shares of Consolidated Affiliated Entity Holdcos held by the Corporate Registered Shareholder I to Shenzhen Yishi and/or its designee(s).

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Exclusive Business Cooperation Agreement

Shenzhen Yishi and the PRC Registered Shareholders entered into an exclusive business cooperation agreement with Lala Tianjin, Shenzhen Huolala, Tianjin Huolala, Beijing Jiche, Full Truck and Lala Energy on September 28, 2021 and with Guangzhou Layi on April 13, 2022 (the "**Exclusive Business Cooperation Agreement**"), pursuant to which, in exchange for service fees, each of the Consolidated Affiliated Entity Holdcos will agree to engage Shenzhen Yishi as its exclusive provider of the following services:

- use of any technology and software relevant to the Consolidated Affiliated Entity Holdco's principal business legally owned by Shenzhen Yishi;
- design, development, maintenance and updating of technology in respect of the Consolidated Affiliated Entity Holdco's principal business, and provision of relevant technological consultation and technology services;
- design, installation, daily management, maintenance and updating of computer network systems and relevant databases;
- providing technical support and professional training services to relevant personnel of the Consolidated Affiliated Entity Holdco;
- providing assistance in collection and research of relevant technology and market information (excluding market research business that wholly foreign owned enterprises are prohibited from conducting under PRC laws);
- providing enterprise management consultation;
- providing marketing and promotional services;
- developing and testing new products;
- leasing of equipment or assets; and
- other relevant services requested by the Consolidated Affiliated Entity Holdcos from time to time to the extent permitted under PRC laws.

Under each Exclusive Business Cooperation Agreement, the service fee shall consist of 100% of the total consolidated pre-tax profit of each Consolidated Affiliated Entity Holdco and its subsidiaries, after the deduction of any accumulated deficit of such Consolidated Affiliated Entity Holdco and its subsidiaries in respect of the preceding financial year(s) (if applicable) and after the deduction of costs, expenses, taxes and other necessary deductions required in the course of business of the Consolidated Affiliated Entity Holdco. Notwithstanding the foregoing, Shenzhen Yishi may adjust the amount of service fee according to the actual circumstances surrounding (i) Shenzhen Yishi's provision of technological consultation and services and (ii) the business conditions and the development needs of each Consolidated Affiliated Entity Holdco.

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Without Shenzhen Yishi’s prior written consent, during the term of the Exclusive Business Cooperation Agreement, the Consolidated Affiliated Entity Holdcos will not, and will cause their subsidiaries not to, accept consultation and/or services pertaining to the Exclusive Business Cooperation Agreement provided by any third party.

Unless terminated in accordance with the provisions of the Exclusive Business Cooperation Agreement or terminated in writing by Shenzhen Yishi, the Exclusive Business Cooperation Agreement shall remain effective perpetually. Pursuant to the Exclusive Business Cooperation Agreement, Shenzhen Yishi has the exclusive and proprietary rights to all intellectual properties developed by the Consolidated Affiliated Entity Holdcos arising from the performance of the Exclusive Business Cooperation Agreement, unless otherwise regulated by mandatory provisions of PRC laws.

Share Pledge Agreement

The Corporate Registered Shareholder I and Shenzhen Yishi entered into a share pledge agreement with Lala Tianjin, Shenzhen Huolala, Tianjin Huolala, Beijing Jiche, Full Truck and Lala Energy on September 28, 2021 and with Guangzhou Layi on April 13, 2022 (collectively, the “**Holdco Share Pledge Agreement**”), pursuant to which the Corporate Registered Shareholder I will pledge as first charge all of its equity interests in the Consolidated Affiliated Entity Holdcos to Shenzhen Yishi as collateral security for any or all of their payments due to Shenzhen Yishi and to secure performance of their obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and the Powers of Attorney (collectively, the “**Master Contracts**”). Further, each of the Corporate Registered Shareholder II and the Individual Registered Shareholder entered into the share pledge agreements with Shenzhen Yishi and the Corporate Registered Shareholder I, pursuant to which (i) the Corporate Registered Shareholder II and the Individual Registered Shareholder pledged as first charge all of his/its equity interests in the Corporate Registered Shareholder I to Shenzhen Yishi as collateral security to secure performance of his/its obligations in maintaining the stability of the contractual arrangement, and (ii) the Individual Registered Shareholder pledged as first charge all of his equity interests in the Corporate Registered Shareholder II to Shenzhen Yishi as collateral security to secure performance of his obligations in maintaining the stability of the contractual arrangement (collectively with the Holdco Share Pledge Agreement, the “**Share Pledge Agreement**”). The Share Pledge Agreement will remain binding until (i) the Master Contracts expire or otherwise cease to be in effect, (ii) all service fees under the Master Contracts have been fully paid and the Consolidated Affiliated Entity Holdcos, the Corporate Registered Shareholder I and the shareholders of the Corporate Registered Shareholder I discharge all of their obligations under the Master Contracts, and (iii) the Corporate Registered Shareholder I has transferred all of their shares in the Consolidated Affiliated Entity Holdcos to Shenzhen Yishi and/or its designee pursuant to the Exclusive Option Agreement. In addition, under the Share Pledge Agreement, neither the PRC Registered Shareholders nor the Consolidated Affiliated Entity Holdcos may transfer or permit the encumbrance in any of their equity interests without Shenzhen Yishi’s prior written consent, unless for the performance of the Exclusive Option Agreement and the Share Pledge Agreement. Should an event of default (as provided in the Share Pledge Agreement) occur, unless it is successfully resolved to Shenzhen Yishi’s satisfaction, Shenzhen Yishi may, at the time of or at any time after the occurrence of such default, demand in writing that the PRC Registered Shareholders and/or the Consolidated Affiliated Entity Holdcos immediately pay all outstanding payments due under the Master Contracts or implement the pledge under the Share Pledge Agreement.

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We have registered the pledge of all the equity interests in (i) Beijing Jiche, Lala Energy, Tianjin Huolala, Shenzhen Huolala and Lala Tianjin in May 2021, (ii) Full Truck in June 2021, and (iii) Guangzhou Layi in August 2022 with the relevant administration for market regulation of the PRC.

Powers of Attorney

Powers of Attorney have been executed by the Corporate Registered Shareholder I on September 28, 2021 (with respect to Lala Tianjin, Shenzhen Huolala, Tianjin Huolala, Beijing Jiche, Full Truck and Lala Energy) and April 13, 2022 (with respect to Guangzhou Layi), whereby the Corporate Registered Shareholder I will irrevocably, unconditionally and exclusively appoint Shenzhen Yishi or a designated person as their exclusive agent to act on their behalf on all matters concerning the Consolidated Affiliated Entity Holdcos and to exercise all of their rights as a registered shareholder of the Consolidated Affiliated Entity Holdcos. These rights include (i) the right to propose, convene and attend shareholders' meetings; (ii) the right to exercise shareholders' voting rights, including but not limited to the right to appoint and elect company directors and other senior management members whom shareholders have the right to appoint; (iii) the right to exercise shareholders' voting rights under the Consolidated Affiliated Entity Holdcos' memorandum of association; (iv) the right to sign shareholders meetings notices, memorandums and resolutions in the name of the Corporate Registered Shareholder I; and (v) the right to exercise shareholders' voting rights in the event of insolvency. The authorized person is entitled to sign minutes and file documents with the relevant company registry. As a result of the Powers of Attorney, we, through Shenzhen Yishi, are able to exercise management control over the activities that most significantly impact the economic performance of the Consolidated Affiliated Entity Holdcos. The Powers of Attorney shall remain effective for so long as the Corporate Registered Shareholder I holds equity interest in the Consolidated Affiliated Entity Holdcos.

Further, the Corporate Registered Shareholder II and the Individual Registered Shareholder have entered into an agreement on the stability of contractual arrangement with Shenzhen Yishi, whereby the Individual Registered Shareholder and the Corporate Registered Shareholder II will irrevocably, unconditionally and exclusively appoint Shenzhen Yishi or a designated person as his/its exclusive agent to act on his/its behalf on all matters concerning the Corporate Registered Shareholder I (in respect of the Corporate Registered Shareholder II and the Individual Registered Shareholder) and the Corporate Registered Shareholder II (in respect of the Individual Registered Shareholder) and to exercise all of his/its rights as a registered shareholder of the Corporate Registered Shareholder I and the Corporate Registered Shareholder II. These rights include the right to sign shareholders meetings notices, resolutions and file documents with the relevant company registry and other rights as a shareholder in accordance with law and the constitutional documents of the Corporate Registered Shareholder I and the Corporate Registered Shareholder II.

The PRC Registered Shareholders has undertaken that his/its authorities under the Powers of Attorney will not give rise to any actual or potential conflict of interest with Shenzhen Yishi and/or its overseas holding companies. In the event of any potential conflict of interest between the PRC Registered Shareholders and Shenzhen Yishi and/or its overseas holding companies, the PRC Registered Shareholders will give priority to protect and not prejudice the interests of Shenzhen Yishi or its overseas holding companies (including our Company).

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Dispute Resolution

Each of the agreements under the PRC Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the PRC Contractual Arrangements, any party has the right to submit the relevant dispute to the Shenzhen Court of International Arbitration (“SCIA”) for arbitration in accordance with the then effective arbitration rules. The seat of arbitration shall be in Shenzhen, and the arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that to the extent permitted by PRC law, the arbitral tribunal may award remedies over the shares or assets of the Consolidated Affiliated Entity Holdcos and its subsidiaries or injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding up of our Consolidated Affiliated Entity Holdcos. Any party may apply to the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company), the PRC and the places where the principal assets of Shenzhen Yishi or our Consolidated Affiliated Entity Holdcos are located for interim remedies or injunctive relief. During the arbitration, except for the disputed areas which are subject to arbitration, the parties shall continue to perform their other obligations under the PRC Contractual Arrangements.

However, our PRC Legal Advisor has advised that the above dispute resolution provisions may not be enforceable under the PRC laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of our Consolidated Affiliated Entity Holdcos pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. As a result, in the event that the relevant Consolidated Affiliated Entity Holdcos or any of the PRC Registered Shareholders breaches any of the PRC Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over the PRC Consolidated Affiliated Entities and conduct our business, as well as our financial conditions and results of operations, could be materially and adversely affected. Please also see “Risk Factors — Risks Related to Our Corporate Structure and the Contractual Arrangements”.

Succession

Pursuant to the PRC Contractual Arrangements, any inheritor of the PRC Registered Shareholder shall inherit any and all rights and obligations of the PRC Registered Shareholders under the PRC Contractual Arrangements as a result of their death, loss of capacity, marriage, divorce, bankruptcy, wind up or under other circumstances which would affect their exercise of equity interest in Shenzhen Yishi as if the inheritor was a signing party to such PRC Contractual Arrangements.

Conflicts of Interests

The Corporate Registered Shareholder I has given irrevocable undertaking in the Powers of Attorney which address potential conflicts of interests that may arise in connection with the PRC Contractual Arrangements. For further details, see “— Powers of Attorney” above.

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Loss Sharing

Under the relevant PRC laws and regulations, neither our Company nor Shenzhen Yishi is legally required to share the losses of, or provide financial support to, our Consolidated Affiliated Entity Holdcos. Further, our Consolidated Affiliated Entity Holdcos are limited liability companies and shall be solely liable for their own debts and losses with assets and properties owned by them. Shenzhen Yishi intends to continuously provide to or assist our Consolidated Affiliated Entity Holdcos in obtaining financial support when deemed necessary. In addition, given that our Group conducts part of its business operations in the PRC through our Consolidated Affiliated Entity Holdcos, which hold the requisite PRC operational licenses and approvals, and that their financial position and results of operations are consolidated into our Group’s financial statements under the applicable accounting principles, our Company’s business, financial position and results of operations would be adversely affected if our Consolidated Affiliated Entity Holdcos suffer losses.

However, as provided in the Exclusive Option Agreement, without the prior written consent of Shenzhen Yishi, each of the Consolidated Affiliated Entity Holdcos shall not, among others, (i) sell, transfer, pledge or dispose of in any manner any of its assets, business or income (other than in the ordinary course of business), or allow the aforementioned to be the subject of a guarantee; (ii) provide any person with any loan, guarantee or credit; (iii) incur, inherit, guarantee or allow any debt that is not incurred in the ordinary course of business of the Consolidated Affiliated Entity Holdcos or not disclosed and consented in writing to by Shenzhen Yishi; (iv) execute any material contract (a material contract is defined as a contract with nominal value above RMB1,000,000), except if in the ordinary course of business; (v) increase or reduce its registered capital, or alter the structure of the registered capital in any other way; (vi) supplement, modify or amend the Consolidated Affiliated Entity Holdcos’ articles in any way; and (vii) consolidate or merge with any third party, or acquire or invest in any third party. Therefore, due to the relevant restrictive provisions in the agreements, the potential adverse effect on Shenzhen Yishi and our Company in the event of any loss suffered from the Consolidated Affiliated Entity Holdcos can be limited to a certain extent.

Insurance

There are certain risks involved in our operations, in particular, those relating to our corporate structure and the Contractual Arrangements. A detailed discussion of material risks relating to our Contractual Arrangements is set forth in “Risk Factors — Risks Related to Our Corporate Structure and the Contractual Arrangements”. We have determined that the costs of insurance for the risks associated with business liability or disruption and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Accordingly, as of the Latest Practicable Date, our Company did not purchase any insurance to cover the risks relating to the Contractual Arrangements. For further details, see “Risk Factors — Risks Related to Our Business and Industry”.

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Spousal Consent

The spouse of the Individual Registered Shareholder has signed spousal consent letters (the “**Spousal Consent Letters**”) to the effect, among others, that: (i) she confirmed and agreed that the equity interests held by the Individual Registered Shareholder under the contractual arrangement are separate properties of the Individual Registered Shareholder and do not fall within the scope of communal properties of the Individual Registered Shareholder and his spouse; the Individual Registered Shareholder is entitled to deal with his own equity interests in the Corporate Registered Shareholder I and Corporate Registered Shareholder II under the contractual arrangement in accordance with the contractual arrangements. The spouse of the Individual Registered Shareholder confirmed that she will fully assist with the performance of the contractual arrangements at any time; (ii) the spouse unconditionally and irrevocably waives any right or benefits on such equity interests and assets in accordance with applicable laws and confirms that she will not have any claim on such equity interests and assets; and she has not and does not intend to participate in the operation and management or other voting matters of the Corporate Registered Shareholder I and Corporate Registered Shareholder II; (iii) the spouse confirmed that the Individual Registered Shareholder may further amend or terminate the contractual arrangements or enter into other alternative documents without the need for authorization or consent by the spouse; (iv) the spouse will enter into all necessary documents and take all necessary actions to ensure the due performance of contractual arrangements as amended from time to time; and (v) in the event that she obtains any shares in the Corporate Registered Shareholder I or Corporate Registered Shareholder II, she shall be bound by the PRC Contractual Arrangements and comply with the obligations thereunder as a shareholder of the Corporate Registered Shareholder I or Corporate Registered Shareholder II.

Company’s Confirmation

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating our businesses through our Consolidated Affiliated Entity Holdcos under the PRC Contractual Arrangements.

Legality of the Contractual Arrangements in the PRC

Based on the above, we believe that the PRC Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations. Our PRC Legal Advisor has also advised that:

- (a) as confirmed by the parties to the Contractual Arrangements, each of Shenzhen Yishi and the Consolidated Affiliated Entity Holdcos has obtained all necessary approvals and authorizations to execute and perform the PRC Contractual Arrangements;
- (b) each of the agreements is binding on the parties thereto and none of them would violate the provisions of the PRC Civil Code including in particular “impairing others’ legitimate rights and interests with malicious collusion” or fall within any of the circumstances under which a contract may become invalid pursuant to the PRC Civil Code;
- (c) none of the PRC Contractual Arrangements violates any provisions of the articles of association of our Consolidated Affiliated Entity Holdcos or Shenzhen Yishi;

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- (d) the execution and performance of the PRC Contractual Arrangements are not required to obtain any approval or authorization from the PRC governmental authorities, except that:
 - (i) the exercise of the option by our Shenzhen Yishi or its designee of its rights under the Exclusive Option Agreement to acquire all or part of the equity interests and/or the assets of our Consolidated Affiliated Entity Holdcos is subject to the approvals of and/or registrations with the PRC regulatory authorities respectively;
 - (ii) any share pledge contemplated under the Share Pledge Agreement is subject to the registration with local administration bureau for market regulation;
 - (iii) the arbitration awards/interim remedies provided under the dispute resolution provision of the PRC Contractual Arrangements shall be subject to the PRC courts' recognition; and
 - (iv) any transfer of pledged equities or assets under the Share Pledge Agreement is subject to the approval of and/or registration to PRC regulatory authorities.

- (e) each of the PRC Contractual Arrangements is valid, legal and binding upon each of the parties thereto under PRC laws, except for the following provisions regarding dispute resolution and liquidation:
 - (i) the PRC Contractual Arrangements provide that any dispute shall be submitted to the SCIA for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Shenzhen. They also provide that (i) the arbitrator may award interim remedies over the shares or assets of our Consolidated Affiliated Entity Holdcos and their subsidiaries or injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of our Consolidated Affiliated Entity Holdcos; (ii) pending the constitution of the arbitral tribunal and as appropriate, a party shall have the right to apply to a court of competent jurisdiction for issuance and/or enforcement of preservation or other applicable interim remedies to support the arbitral proceedings, including, without limitation, the judgment or award of seizing or freezing the breaching party's property or equity interests; (iii) after the arbitration award becomes effective, any party shall have the right to apply to a court of competent jurisdiction for enforcement of such arbitration award; and (iv) the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and the PRC (being the place of establishment of our Consolidated Affiliated Entity Holdcos) and other courts (including the places where the principal assets of Shenzhen Yishi or our Consolidated Affiliated Entity Holdcos are located) also have jurisdiction for the grant and/or enforcement of the interim remedies. However, our PRC Legal Advisor has advised that the interim remedies or enforcement order granted by arbitration commissions or overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC; and

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- (ii) the PRC Contractual Arrangements provide that Shenzhen Yishi has the right to appoint a liquidation committee upon the liquidation or winding up of the Consolidated Affiliated Entity Holdcos to manage the assets of the Consolidated Affiliated Entity Holdcos and their subsidiaries. The Consolidated Affiliated Entity Holdcos or their subsidiaries shall, to the extent permitted by PRC laws, sell all or part of the assets held by the same (such assets being the assets of the Corporate Registered Shareholder I corresponding to its percentage of equity interest in the Consolidated Affiliated Entity Holdcos held by them) to Shenzhen Yishi or other qualified person designated by Shenzhen Yishi at the lowest price permitted by the PRC laws. To the extent applicable by the then effective PRC laws, the Consolidated Affiliated Entity Holdcos shall release Shenzhen Yishi or the qualified person designated by it of any payment obligation arising therefrom, and any proceeds arising from such transactions shall be paid to Shenzhen Yishi or the qualified person designated by it as service fees under the Exclusive Business Cooperation Agreements. However, in the event of a liquidation or a winding up required by PRC laws, these provisions may not be enforceable under PRC Laws.

However, we have been advised by our PRC Legal Advisor that there are uncertainties regarding the interpretation and application of the current and future PRC laws and regulations over the validity of the PRC Contractual Arrangements. Accordingly, there can be no assurance that the PRC regulatory authorities will not take a view that is contrary to or otherwise different from the above opinions of our PRC Legal Advisor in the future. See “Risk Factors — Risks Related to Our Corporate Structure and the PRC Contractual Arrangements”.

Based on the above analysis and advice from our PRC Legal Advisor, and having considered the confirmations given by the governmental authorities during the consultations as mentioned above, the Directors are of the view that the adoption of the PRC Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations. See “Risk Factors — Risks Related to Our Corporate Structure and the PRC Contractual Arrangements”.

Our Group will exercise the call option under the Exclusive Option Agreement to unwind and terminate the PRC Contractual Arrangements as soon as practicable wholly or partially to the extent permissible under applicable PRC laws and regulations or if the relevant government authority eases the requirements on foreign-invested entities holding the ICP License or the Surveying Certificate under applicable PRC laws and regulations.

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Introduction

Regulatory background

Foreign investment in Indonesia is primarily governed under Law No. 25 of 2007 regarding Investment, issued on April 26, 2007, as partially amended by the Job Creation Law (together with Law No. 25 of 2007, the “**Investment Law**”), as implemented further under the 2021 Investment List (as defined below), and Indonesia Investment Coordinating Board (Badan Koordinasi Penanaman Modal, “**BKPM**”) Regulation No. 4 of 2021 and BKPM Regulation No. 5 of 2021. The Investment Law provides that all business sectors or business lines in Indonesia are open to foreign investments, except those business sectors or business lines that are expressly closed to, or restricted from, foreign investments or can only be carried out by the central government. The business sectors that are open to foreign investments consist of: (i) priority business sectors, (ii) business sectors allocated to be conducted via joint cooperation with cooperatives and micro, small and medium enterprises, (iii) business sectors that are open to foreign investments subject to certain conditions, and (iv) business sectors that are not included in the above-mentioned classifications.

Based on the Investment Law, the Indonesian government maintains a list of business activities that are open to foreign investments, that are fully open but subject to certain conditions, or that are closed to foreign investments, which is known as the “**Investment List**”. The current Investment List is set forth in PR No. 10 of 2021 (the “**PR 10/2021**”) regarding Investment Business Activities, dated February 2, 2021, as amended by PR No. 49 of 2021 dated May 24, 2021 (as amended, the “**2021 Investment List**”). The 2021 Investment List was issued to implement the Job Creation Law. Foreign investors who intend to invest in Indonesia are obligated to structure their investments in accordance with the restrictions or requirements applicable to their intended business activities under the 2021 Investment List. Pursuant to the 2021 Investment List, courier activities under the KBLI 53201 are opened for investment with a limitation that the foreign investor(s) can only have the maximum ownership of up to 49% (forty nine percent).

In addition to the 2021 Investment List, foreign investments are also regulated under the sectoral regulations of the relevant government institutions. Postal services in Indonesia are generally regulated under Law No. 38 of 2009 regarding Post, dated October 14, 2009, as amended by the Job Creation Law (as amended, the “**Postal Law**”). “**Postal Services**” are defined under Article 1(1) of the Postal Law as services relating to written communication and/or electronic letter, package, logistics, financial transaction, and postal agency service for public purposes. In addition to restrictions under the Investment Law, Postal Services are subject to other foreign ownership restrictions under the Postal Law.

Under the Postal Law, foreign investors cannot make equity investments in a “Postal Services Company” as defined under the Postal Law (i.e. an Indonesian company that engages in Postal Services) (a “**Postal Services Company**”), subject to limited exceptions for permitted foreign investments in companies that engage in certain types of postal activities. Under Article 12(1) of the Postal Law, a Foreign Postal Operator (as defined below) is allowed to provide postal services in

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Indonesia on the condition that it cooperate with a Domestic Postal Operator (as defined below) through a joint-venture company (an “**Indonesian-Foreign JV**”) which is majority-owned (i.e. 51% or above) by the Domestic Postal Operator and minority-owned by the Foreign Postal Operator (i.e. up to 49%). Under Article 11(2) of the Postal Law, a Foreign Non-Postal Operator (as defined below) is not allowed to own capital/shares in a Postal Services Company in Indonesia – but is only allowed to have a cooperation with a Domestic Postal Company. Under the Postal Law, “**Foreign Postal Operator**” is defined as a foreign company that provides postal services outside Indonesia, which requires that such foreign company directly engages in postal activities outside Indonesia and does not take into consideration any operations engaged by its affiliates. “**Domestic Postal Operator**” refers to an Indonesian domestic company that provides postal services. “**Foreign Non-Postal Operator**” refers to a foreign company which does not conduct postal services.

Under Article 12(1)(e) and (2) of the Postal Law, the operations of an Indonesian-Foreign JV are restricted within the provincial capitals of Indonesia and inter-city operations must only be conducted by Domestic Postal Operators.

Our postal and courier business

We engage in the operations of a logistics transaction platform in Indonesia which falls within the categories of Postal Services and courier services under the relevant Indonesian laws and regulations (the “**Indonesian Business**”). See “– Regulatory Background” above and “Regulations – Licensing Requirements – Business Licensing and Requirements for Courier Activities” for further details about the applicable laws and regulations in Indonesia.

The Indonesian Business includes two integrated elements, namely (i) intra-city services (the “**Intra-City Services**”) within provincial capitals, including, among others, Jakarta, Bandung, and Surabaya, Semarang and Yogyakarta (the “**Provincial Capitals**”); and (ii) inter-city services (the “**Inter-City Services**”) conducted (a) between any Provincial Capitals, and (b) from within to outside Provincial Capitals, or vice versa. The Intra-City Services and the Inter-City Services are both provided to our customers via the comprehensive logistics transaction platform we operate in Indonesia, through which customers may choose the pick-up and drop-off location (whether for inter-city or intra-city) within our operational areas for our courier services. In addition to sharing the common platform infrastructure, the Intra-City Services and the Inter-City Services are also built upon the same merchant base, data insight and technology infrastructure, and supported with common human resources and R&D efforts. The fully integrated provision of the Intra-City Services and the Inter-City Services on our logistics transaction platform in Indonesia enables us to (i) achieve synergies in scaling up and geographical expansion, (ii) cater to the diversified logistics needs of our merchants, and (iii) increase their loyalty to our brand and platform. As such, the Inter-City Services are inseparable from the Intra-City Services.

According to our Indonesian Legal Advisor, given the Inter-City Services are not allowed to be operated by an Indonesian-Foreign JV under Article 12(1)(e) and (2) of the Postal Law, our Company is not permitted to conduct the Indonesian Business which covers the Inter-City Services and the Intra-City Services through an Indonesian-Foreign JV. Accordingly, we conduct the Indonesian Business through Lalamove Logistik, one of our Consolidated Affiliated Entities which is wholly-owned by the Indonesian Registered Shareholders and considered as a Domestic Postal Operator under the applicable Indonesian laws and regulations.

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In line with the common practice in industries in Indonesia subject to foreign investment restrictions, Lalamove Indonesia has entered into the Indonesian Contractual Arrangements with the Indonesian Registered Shareholders in Lalamove Logistik to consolidate financial control over and derive the economic benefits from Lalamove Logistik to the extent permitted by laws. As at the Latest Practicable Date, Lalamove Logistik was held as to 50% by CUG and 50% by CUTG, both of which being the Indonesian Registered Shareholders. According to our Indonesian Legal Advisor, the Indonesian Contractual Arrangements are used to the extent necessary under the applicable laws and regulations in Indonesia and have been narrowly tailored to achieve our Company's business purposes as set out above and minimize the potential conflict with Indonesian laws and regulations.

Background of the Indonesian Registered Shareholders

To satisfy the Indonesian legal requirement of having at least two shareholders in an Indonesian Company, Lalamove Logistik is held as to 50% by CUG and CUTG, which are wholly local-owned companies incorporated in Indonesia. Our Directors believe that CUG and CUTG as local-owned companies which are experienced and have the expertise to facilitate our operations in Indonesia, are the appropriate entities to be entrusted with the roles as the registered shareholders of Lalamove Logistik. From the time that CUG and CUTG became the Indonesian Registered Shareholders, our Directors are of the view that they have proven to be trustworthy and committed to fulfilling their obligations as the Indonesian Registered Shareholders and providing support and assistance required as registered shareholders of Lalamove Logistik.

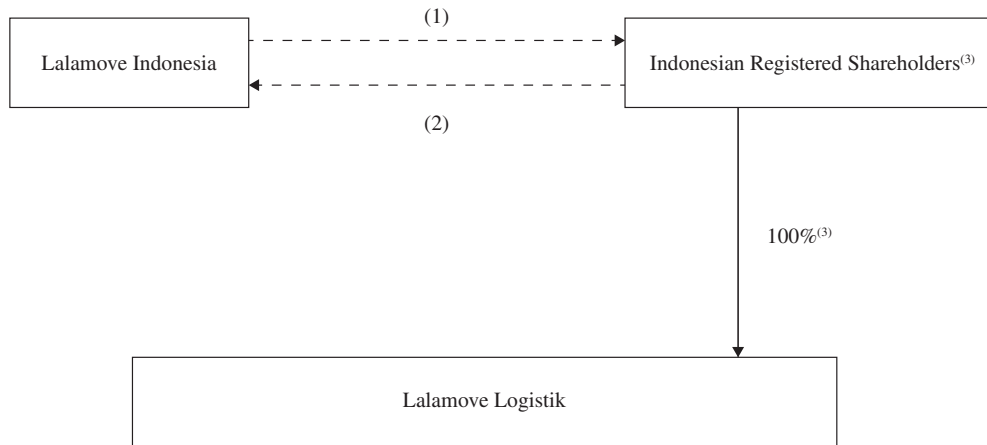
CUG and CUTG are both beneficially held as to 99% by Marlissa Dessy Setyo Utami and 1% by Endang Susani Listyowati, each of whom is a natural person and Indonesian national, who is an Independent Third Party and is not a connected person of our Company. Throughout the Track Record Period and as at the Latest Practicable Date, the Indonesian Individual Ultimate Shareholders were not directors of Lalamove Logistik and were not involved in the daily operation of Lalamove Logistik as Mr. Chow (with the assistance of other director(s) of Lalamove Logistik) has been responsible for all major decision making in Lalamove Logistik.

Under the Indonesian Contractual Arrangements, the Indonesian Registered Shareholders did not receive any benefits for becoming the holder of equity interests in Lalamove Logistik. In the event that there will be any business collaboration between the Indonesian Registered Shareholders and our Group, our Directors confirm that we will comply with the applicable requirements under the Listing Rules in relation to the transaction(s), including but not limited to Chapter 14A of the Listing Rules as amended from time to time, and all the applicable laws and regulations in Indonesia and/or the place where the transaction takes place.

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Overview of the Indonesian Contractual Arrangements

The following diagram illustrates the structure of the Indonesian Contractual Arrangements:



“—” denotes legal and beneficial ownership in the equity interest
“.....” denotes the Indonesian Contractual Arrangements

Notes:

- (1) Pursuant to the loan agreements between Lalamove Indonesia (as lender) entered into loan agreements with CUG and CUTG (as borrowers), Lalamove Indonesia agreed to provide a loan to each of CUG and CUTG to acquire the shares in Lalamove Logistik. Please refer to the paragraph headed “Loan Agreements” in this section for details.
- (2) Pursuant to the pledge of shares agreements, each of the Indonesian Registered Shareholders pledged its shares in Lalamove Logistik in favour of Lalamove Indonesia. For the enforcement of Lalamove Indonesia’s rights under the pledge of shares agreements, each of the Indonesian Registered Shareholders has granted consent to transfer its shares in Lalamove Logistik. Each of the Indonesian Registered Shareholders granted an irrevocable power of attorney to Lalamove Indonesia, pursuant to which each Indonesian Registered Shareholder appointed Lalamove Indonesia as its attorney to, among others, to sell and/or transfer the shares in Lalamove Logistik, and to do and perform all acts which a shareholder is entitled and empowered to do. The Indonesian Registered Shareholder and Lalamove Indonesia entered into assignment of dividends agreements, pursuant to which the Indonesian Registered Shareholders assigned and transferred all of their rights and interests in all of the dividends or other distributions paid out by Lalamove Logistik to Lalamove Indonesia. Under the call option agreements entered into the Indonesian Registered Shareholders and Lalamove Indonesia, the Indonesian Registered Shareholders further granted Lalamove Indonesia the option to require each of the Indonesian Registered Shareholders to sell its shares in Lalamove Logistik to Lalamove Indonesia. Further, the Indonesian Registered Shareholders and Lalamove Indonesia entered into an indemnity agreement, pursuant to which Lalamove Indonesia agreed to indemnify, protect and hold harmless each of the Indonesian Registered Shareholders against all losses incurred by the Indonesian Registered Shareholders resulting from or arising in connection with, among others, any loss or damage of Lalamove Logistik due to operational or non-operational activities. Please refer to the paragraphs headed “Pledge of Shares Agreements”, “Power of Attorney”, “Assignment of Dividends Agreement”, “Indemnity Agreement” and “Call Option Agreement” in this section for details.
- (3) Lalamove Logistik is held by the Indonesian Registered Shareholders, and specifically as to 50% by CUG and 50% by CUTG. CUG is held as to 99% by Marlissa Dessy Setyo Utami and 1% by Endang Susani Listyowati, both of which are Independent Third Parties. CUTG is held as to 99% by PT. Singa Biru Grup and 1% PT. Singa Biru Investama, both of which are companies incorporated in Indonesia and held as to 99% by Marlissa Dessy Setyo Utami and 1% by Endang Susani Listyowati, who are Independent Third Parties.

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Summary of Material Terms under the Indonesian Contractual Arrangements

Loan Agreements

Lalamove Indonesia (as lender) entered into loan agreements dated September 19, 2022 and first amendment thereof dated March 31, 2023 with effect retroactively on September 19, 2022 with CUG and CUTG (as borrowers) (collectively, the “**Loan Agreements**”), pursuant to which Lalamove Indonesia agreed to provide a loan (the “**Loan**”) in the sum of IDR 1,100,000,000,- (one billion one hundred million Indonesian Rupiah) to each of CUG and CUTG to acquire 1,100 shares in Lalamove Logistik (representing 50% shareholding interest of Lalamove Logistik), respectively.

The Loan was interest free and secured by the Pledge of Shares Agreements, the Power of Attorneys, the Assignment of Dividends Agreements, and the Call Option Agreements (collectively, the “**Security Documents**”). Pursuant to the Loan Agreements, CUG and CUTG agreed and undertook to exercise the voting rights attached to the shares of Lalamove Logistik in accordance with the instruction of Lalamove Indonesia, and provide powers of attorney in favor of Lalamove Indonesia to exercise the voting rights in any shareholders meeting of Lalamove Logistik.

If an event of default (including, among others, CUG or CUTG fails to perform or otherwise violates the Loan Agreements or the Security Documents, CUG and CUTG becoming insolvent, or Lalamove Logistik commenced its bankruptcy or liquidation proceedings) occurs under the Loan Agreements, Lalamove Indonesia may in its sole discretion (i) declare the Loan to be immediately due and payable; and (ii) immediately enforce all of its rights under the Loan Agreements and the Security Documents whereby Lalamove Indonesia has the right to (i) transfer the shares of Lalamove Logistik to any qualified party, (ii) deal with the assets of Lalamove Logistik, and (iii) manage the business and right to revenue of Lalamove Logistik.

Pledge of Shares Agreements

Lalamove Logistik, Lalamove Indonesia (as pledgee) and each of CUG and CUTG (as pledgor) entered into a pledge of shares agreement dated September 19, 2022 and the first amendment thereof dated March 31, 2023 with effect retroactively on September 19, 2022 (collectively, the “**Pledge of Shares Agreements**”), pursuant to which each of CUG and CUTG pledged its entire shareholding interest in Lalamove Logistik in favor of Lalamove Indonesia to secure the due punctual and complete performance of CUG’s and CUTG’s obligations to Lalamove Indonesia under the Loan Agreements. CUG and CUTG further undertakes to pledge any additional shares of Lalamove Logistik which each of it may at any time in the future owns by virtue of shares dividends, bonus shares or shares issued upon any option or otherwise.

Pursuant to the Pledge of Shares Agreements, CUG and CUTG shall deliver to Lalamove Indonesia all share certificates and other evidence of ownership in relation to the shares in Lalamove Logistik. Each of CUG and CUTG undertakes that during the term of the Pledge of Shares Agreements, without the prior written consent of Lalamove Indonesia, CUG and CUTG shall not, among others, sell or otherwise transfer the pledged shares, or allow any other pledge or encumbrance to be created with respect to the pledged shares. The Pledge of Shares Agreements shall remain valid

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and binding during the term of the Loan Agreements. The liability of CUG and CUTG and Lalamove Logistik shall not be affected, prejudiced or discharged by the bankruptcy or incapacity of the Company. Further, based on the provisions of the Loan Agreements, CUG and CUTG undertake that, subject to the relevant laws and regulations, they must return to Lalamove Indonesia any considerations they receive in the event that Lalamove Indonesia or its designated party acquires the shares of Lalamove Logistik.

For the enforcement of Lalamove Indonesia's rights under the Pledge of Shares Agreements, each of CUG and CUTG have granted consent to transfer their shares in Lalamove Logistik under the consents to transfer dated March 31, 2023 with effect retroactively on September 19, 2022.

The shares pledge by each of CUG and CUTG stipulated under the Pledge of Shares Agreements have been recorded in the Register of Shareholders issued and maintained by Lalamove Logistik (which was last issued on April 27, 2023) as required by the relevant laws and regulations in Indonesia.

As advised by our Indonesian Legal Advisor, save for the registration requirement in respect of the Pledge of Shares Agreements in the register of shareholders of Lalamove Logistik, there are no other registration requirements in Indonesia applicable to the Indonesian Contractual Arrangements.

Power of Attorney

Each of CUG and CUTG granted an irrevocable power of attorney to Lalamove Indonesia on March 31, 2023 with effect retroactively on September 19, 2022 (collectively, the "**Power of Attorney**"), pursuant to which CUG and CUTG appointed Lalamove Indonesia as its attorney to do and perform, among others, the following acts:

1. to sell and/or transfer its shares in Lalamove Logistik, and to receive the sale proceeds or selling price and give receipt therefore;
2. to represent CUG and CUTG wherever and towards any party or person whomsoever in any matter;
3. to do and perform all acts which a shareholder is entitled and empowered to do and to perform the sale of shares, including attending any shareholders meetings and to vote regarding the transfer of shares, to give consents, waivers and ratifications in respect thereof;
4. to receive any share certificates including any dividend coupons; and
5. to do everything necessary or considered necessary by Lalamove Indonesia concerning the shares of Lalamove Logistik.

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Assignment of Dividends Agreements

Each of CUG and CUTG, as assignor, and Lalamove Indonesia, as assignee, entered into an assignment of dividends agreement dated September 19, 2022 which has been amended by the first amendment thereof dated March 31, 2023 with effect retroactively on September 19, 2022 (collectively, the “**Assignment of Dividends Agreements**”), pursuant to which each of CUG and CUTG assigned and transferred all its right, title and interest in all dividends or other distributions (such as bonus shares) paid out by Lalamove Logistik to Lalamove Indonesia. The Assignment of Dividends Agreements shall remain valid until cancelled by Lalamove Indonesia in writing.

Indemnity Agreements

On September 19, 2022, each of CUG and CUTG and Lalamove Indonesia entered into an indemnity agreement and on March 31, 2023 entered into the first amendment with effect retroactively on September 19, 2022 (collectively, the “**Indemnity Agreements**”), pursuant to which Lalamove Indonesia agreed to indemnify, protect and hold harmless each of CUG and CUTG against all losses incurred by CUG and CUTG resulting from or arising in connection with (a) any loss or damage of Lalamove Logistik due to operational or non-operational activities, (b) any loss incurred in connection with CUG and CUTG holding any incumbent position in Lalamove Logistik, (c) any accrued and/or payable interests under the Loan Agreements, and (d) any assessment and/or penalty imposed by any governmental authority on CUG and CUTG as a result of the agreements under the Indonesian Contractual Arrangements or the operation by Lalamove Indonesia of Lalamove Logistik.

Call Option Agreements

Each of CUG and CUTG, as grantor, and Lalamove Indonesia, as grantee, entered into a call option agreement dated September 19, 2022 which has been amended by the first amendment to the call option agreement dated March 31, 2023 with effect retroactively on September 19, 2022 (collectively, the “**Call Option Agreements**”). Pursuant to the Call Option Agreements, each of CUG and CUTG agreed to grant Lalamove Indonesia the option to require each of CUG and CUTG to sell its shares in Lalamove Logistik (including all interest, security, dividend, rights, or other property in respect of the shares) to Lalamove Indonesia at a consideration of IDR 1,100,000,000,- (one billion one hundred million Indonesian Rupiah), which shall be settled using the Loan provided by Lalamove Indonesia to CUG and CUTG, respectively. Lalamove Indonesia may exercise the option by giving 5 days’ written notice to CUG or CUTG. Upon receipt of such written notice, CUG or CUTG shall procure that the shares in Lalamove Logistik are delivered to Lalamove Indonesia free from all encumbrance, and the share pledge under the relevant Pledge of Shares Agreements shall be released. The Call Option Agreements shall be effective during the term of the Loan Agreements.

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Spousal Consent

As at the Latest Practicable Date, the Indonesian Individual Ultimate Shareholders who have entered into the marriage relationship is only Marlissa Dessy Setyo Utami. The spouse of Marlissa Dessy Setyo Utami, an Indonesian Individual Ultimate Shareholder, has signed spousal consent letters (the "**Spousal Consent Letters**") which are integral and inseparable parts of the agreements under the Indonesian Contractual Arrangements, to the effect, among others, that: (i) he confirmed and agreed that the shares held (either directly or indirectly) by Marlissa Dessy Setyo Utami in the Indonesian Registered Shareholders under the Indonesian Contractual Arrangements are separate properties and do not fall within the scope of communal properties of Marlissa Dessy Setyo Utami and her spouse; (ii) he confirmed that Marlissa Dessy Setyo Utami is entitled to deal with her direct and indirect shares in the Indonesian Registered Shareholders and Lalamove Logistik in accordance with the agreements under the Indonesian Contractual Arrangements; (iii) he agreed to waive any rights to claim or benefits on such shares and assets of the Indonesian Registered Shareholders and Lalamove Logistik and confirmed that he will not have any claim on such shares and assets; and confirmed he has not and does not intend to participate in the operation and management or other voting matters of the Indonesian Registered Shareholders and Lalamove Logistik; (iv) he confirmed that Marlissa Dessy Setyo Utami or the Indonesian Registered Shareholders may further amend or terminate the Indonesian Contractual Arrangements or enter into other alternative documents without the need for his authorization or consent; (v) he will enter into all necessary documents and take all necessary actions to ensure the due performance of the Indonesian Contractual Arrangements as amended from time to time; and (vi) in the event that he obtains any shares or assets in the Indonesian Registered Shareholders or Lalamove Logistik for any reason whatsoever, he shall be bound by the Indonesian Contractual Arrangements and comply with the obligations thereunder to the Indonesian Registered Shareholders or Lalamove Logistik.

Dispute Resolution

All agreements comprising the Indonesian Contractual Arrangements contain a dispute resolution provision pursuant to which all disputes, controversies and conflicts between the parties in connection with the Indonesian Contractual Arrangements shall, so far as possible, be settled amicably between the parties.

Failing such amicable settlement, all disputes, controversies and conflicts arising out of or in connection with the Indonesian Contractual Arrangements shall refer to and be finally settled by arbitration in Hong Kong in accordance with the Arbitration Rules of the Hong Kong International Arbitration Centre. The arbitrators may award remedies over the shares and assets of Lalamove Logistik, injunctive relief (such as for the conduct of business or to compel the transfer of assets) or order the winding up of Lalamove Logistik. For the purpose of enforcing any international arbitral awards in Indonesia, the disputing parties shall go to the Clerks Office of the District Court of Central Jakarta. As advised by our Indonesian Legal Advisor, since both Hong Kong and Indonesia have ratified the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, any arbitral award issued by the Hong Kong International Arbitration Centre will be recognised and enforced in Indonesia upon obtaining an exequatur or ratification from the District Court of Central Jakarta under the provisions of the prevailing laws and regulations in Indonesia. In the event of pending the formation of the arbitral tribunal or in appropriate cases in the arbitration proceedings, the courts of Hong Kong, Cayman Islands and Indonesia should have jurisdiction to grant interim remedies that will support the further arbitration process to the extent permitted under the prevailing laws and regulations in respective jurisdictions.

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Conflicts of Interest

To ensure our effective control over Lalamove Logistik, we have implemented measures to protect against any potential conflicts of interest between Lalamove Indonesia and the Indonesian Registered Shareholders. Under the Power of Attorney, each of the Indonesian Registered Shareholders irrevocably appointed Lalamove Indonesia to act as its attorney to exercise its rights in connection with matters concerning its rights as shareholder of Lalamove Logistik, including the right to vote in a shareholders' meeting and to sell its shares. Further, each of CUG and CUTG are independent from the Company, and are not officers and/or directors of the Company.

Based on the above, our Directors are of the view that the risk of potential conflicts of interests is low and the measures we have adopted are sufficient to mitigate the risks associated with the potential conflicts of interest between our Group and the Indonesian Registered Shareholders, and to protect our Group's interest in Lalamove Logistik.

Termination

The Loan Agreements cannot be terminated unilaterally by CUG or CUTG in so far as the business activities and operations of Lalamove Logistik exists, and Lalamove Indonesia has the sole discretion to call for any repayment of the Loan and to terminate the Loan Agreement. No prepayment of the Loan under the Loan Agreements in whole or in part is permitted at any time during the term of the Loan Agreements.

Loss Exposure

Given that our Group has gained financial control and economic benefits over Lalamove Logistik through the use of the Indonesian Contractual Arrangements, the financial results of Lalamove Logistik have been consolidated into our Group's financial results under the applicable accounting principles. Accordingly, our Company's business, financial position and results of operations would be adversely affected if Lalamove Logistik suffers losses.

The revenue generated from Lalamove Logistik for each of the three years ended December 31, 2021, 2022 and 2023 was approximately US\$14.0 million, US\$7.0 million and US\$10.6 million, representing 1.7%, 0.7% and 0.8% of our total revenue, respectively (derived from a 100% indirect shareholding interest through the use of the Indonesian Contractual Arrangements).

Compliance by the Indonesian Registered Shareholders with their respective Obligations under the Contractual Arrangements

Pursuant to the Loan Agreements, the Indonesian Registered Shareholders agreed and undertook (i) to provide the powers of attorney in favour of Lalamove Indonesia; and (ii) that each of them will not sell, transfer or otherwise deal with the shares of Lalamove Logistik except on the reasonable and lawful written instructions of Lalamove Indonesia.

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Each of CUG and CUTG has provided the said powers of attorney in favour of Lalamove Indonesia as detailed under “Summary of Material Terms under the Indonesian Contractual Arrangements – Power of Attorney” in this section. If the Indonesian Registered Shareholders in their capacity as borrowers have breached the provision(s) of the respective Loan Agreements (as the case may be) or any other documents in the Indonesian Contractual Arrangements relating to them, Lalamove Indonesia shall be entitled to accelerate the repayment of the Loan and enforce the securities granted by the Indonesian Registered Shareholders, including to (i) declare the Loan to be immediately due and payable; and (ii) immediately enforce all of its rights under the Loan Agreements and the Security Documents whereby Lalamove Indonesia has the right to transfer the shares and assets of Lalamove Logistik to any qualified party. For details of the risks involved in the Indonesian Contractual Arrangements, see “Risk factors – Risks related to our Corporate Structure and the Contractual Arrangements”.

Winding up of the Indonesian Registered Shareholders

Pursuant to Article 3 of Law Number 40 of 2007 on Limited Liability Company as amended by the Job Creation Law (as amended, the “**Indonesian Company Law**”), unless the company is not incorporated properly and the shareholders conduct any unlawful and bad faith acts, the shareholders of a limited liability company are not personally liable for any contracts entered by the company and the company’s losses extending beyond the value of their shares. The shareholders of a limited liability company are also not personally liable for the obligations of the company because the limited liability company is a separate legal body and independent from its shareholders. Therefore, the shareholders are only liable for the capital they invest into the company.

As confirmed by our Indonesian Legal Advisor, (i) CUG and CUTG has been incorporated properly in accordance with the Indonesian Company Law, and (ii) the Indonesian Contractual Arrangements have complied with the requirement for the Board of Directors’ to represent the company under Article 98 of the Indonesian Company Law and Article 11 paragraph (2) of the articles of association of CUG and CUTG respectively. Therefore, the Indonesian Contractual Arrangements entered by CUG and CUTG will remain binding against CUG and CUTG in the occurrence of their winding up and their successors (as the case may be). In particular, the Indonesian Contractual Arrangements shall prevail over their respective debt arrangements and other legal instruments in any form entered into by it. Further, in the event CUG or CUTG becomes insolvent or unable to pay the debts as they become deal, it will constitute an event of default under the Loan Agreements, which will give Lalamove Indonesia the right to (i) declare the Loan to be immediately due and payable; and (ii) immediately enforce all of its rights under the Loan Agreements and the Security Documents whereby Lalamove Indonesia has the right to transfer the shares and assets of Lalamove Logistik to any qualified party. Accordingly, there are appropriate arrangements in place to protect our interests in the event of winding up of the Indonesian Registered Shareholders, and practical difficulties in enforcing the Indonesian Contractual Arrangements have been avoided.

Change in ultimate beneficial owners of Lalamove Logistik

The Indonesian Contractual Arrangements entered into by CUG and CUTG have complied with the requirements of Indonesian Company Law and the respective articles of association of CUG and CUTG, and will remain to be valid and legally binding against CUG and CUTG.

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However, if there is a breach of the Indonesian Contractual Arrangements by CUG or CUTG, this will constitute an event of default under the Loan Agreements.

Our Indonesian Legal Advisor are of the view that, in the event that there is a change in the ultimate beneficial owners of CUG or CUTG into another Indonesian individuals or Indonesian local companies (wholly local owned companies), both entities will remain bound to the Indonesian Contractual Arrangements and this will not cause any breach by Lalamove Logistik of the relevant foreign ownership restriction laws and regulations. However, in the event that there is any breach of the Indonesian Contractual Arrangements by CUG or CUTG, such default will allow Lalamove Indonesia to enforce the securities granted by CUG and CUTG, including without limitation to cause the entire shares registered under the name of CUG or CUTG in Lalamove Logistik to be transferred to Lalamove Indonesia or any third party appointed by Lalamove Indonesia in compliance with applicable Indonesian laws. The change in the registered shareholders of Lalamove Logistik with another Indonesian individuals and/or Indonesian local companies (wholly local owned companies) replacing CUG or CUTG will not result in Lalamove Logistik being in breach of foreign ownership restriction laws.

Death, bankruptcy and/or divorce of the Indonesian Ultimate Individual Shareholders

Pursuant to Article 833 of the Indonesian Civil Code, the legal beneficiary/heir will by law automatically own all goods, rights and receivables from the deceased person. Therefore, the shares in an Indonesian company could be inherited from its registered individual shareholder to his/her legal beneficiary/heir.

The Indonesian Individual Ultimate Shareholders are the Indonesian individual direct and indirect shareholders of the Indonesian Registered Shareholders (i.e. CUG and CUTG), and are thus the ultimate shareholders of Lalamove Logistik. Considering that the Indonesian Individual Ultimate Shareholders are registered as the shareholders of the Indonesian Registered Shareholders and not of Lalamove Logistik, the spouses, heirs, or other successors of the Indonesian Individual Ultimate Shareholders may only have access to the rights over the shares directly under the names of the Indonesian Individual Ultimate Shareholders in the Indonesian Registered Shareholders, but not the shares of the Indonesian Registered Shareholders in Lalamove Logistik. Therefore, as advised by our Indonesian Legal Advisor, the death, wills, divorce agreements, debt arrangements and other legal instruments entered into by any of the Indonesian Individual Ultimate Shareholders of Lalamove Logistik in their personal capacity (i) will only affect the direct shares ownership of the Indonesian Individual Ultimate Shareholders in the Indonesian Registered Shareholders, but (ii) will not affect the shares ownership of the Indonesian Registered Shareholders in Lalamove Logistik. Accordingly, the death, bankruptcy and/or divorce of the Indonesian Ultimate Individual Shareholders will not affect the Indonesian Contractual Arrangements which were entered into between Lalamove Indonesia and the Indonesian Registered Shareholders. In other words, the Indonesian Contractual Arrangements will still prevail over the respective wills, divorce agreements, debt arrangements and other legal instruments in any form entered into by the Indonesian Individual Ultimate Shareholders in the event of their death, bankruptcy and/or divorce (as applicable). Accordingly, there are appropriate arrangements in place to protect our interest in the event of death, bankruptcy and/or divorce of the Indonesian Individual Ultimate Shareholders, and practical difficulties in enforcing the Indonesian Contractual Arrangements have been avoided.

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Insurance

Our Company does not maintain any insurance policy to cover the risks relating to the Indonesian Contractual Arrangements. See "We do not have any insurance coverage to cover our risks relating to our Indonesian Contractual Arrangements, may impact our business, financial condition and results of operations." in "Risk Factors".

Legality of the Indonesian Contractual Arrangements

Our Indonesian Legal Advisor, after taking reasonable actions and steps to reach its legal conclusions, is of the following opinion that the Indonesian Contractual Arrangements are legally binding and enforceable on the Indonesian Registered Shareholders and Lalamove Indonesia and comply in fact and in good faith with all relevant Indonesia law and regulations, including the relevant Indonesia law which restricts an Indonesian-Foreign JV engaging in the Inter-City Services, based on the following reasons:

- (a) The Indonesian Contractual Arrangements are valid, legally binding and enforceable and comply in fact and in good faith with the relevant Indonesian laws and regulations, and will not be deemed as "concealing illegal intentions with a lawful form" and be voided under the laws and regulations currently prevailing in Indonesia, including those applicable to the business of Lalamove Logistik having considered:
 - (i) the Indonesian Contractual Arrangements had met the required basic elements to establish a contract as stipulated in the relevant Indonesian laws as stipulated in the provisions of the Article 1320 of Indonesian Civil Code;
 - (ii) the Indonesian Contractual Arrangements are based on customary loan transactions in nature and there existed no laws and regulations in Indonesia specifically disallowing foreign investors from using any loan and security documents to gain effective financial control of the Company, and neither the execution of the Indonesian Contractual Arrangements, nor the compliance by the Indonesian Registered Shareholders with or performance of the terms and provisions thereof would: (a) conflict with or result in a breach or violation of any terms, or constitute as a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument governed by Indonesia law, (b) contravene any judgment, decree or order of any court, arbitrator administrative agency or other governmental institution to which Indonesian Registered Shareholders or any of its assets are subject to, and (c) violate or contravene any provisions of the articles of association or the business license of Lalamove Logistik, laws, rules, or regulations in Indonesia;
 - (iii) the Indonesian Contractual Arrangements had not encountered any interference or encumbrance from any governing bodies of Indonesia and therefore were in compliance with the prevailing laws and regulations of Indonesia;

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- (iv) the Indonesian Contractual Arrangements were within the domain of private law in Indonesia which focuses on the legal relationship between the parties based on the principle of freedom of contract under the Indonesian laws; and
 - (v) in January 2022, our Indonesian Legal Advisor has conducted a formal interview with the relevant government authority, namely (i) the Coordinator of Commercial Postal Services; (ii) an officer of the Directorate of Postal Affairs; (iii) an officer of the Directorate of Postal Affairs; (iv) the Sub-coordinator of the Governance of Commercial Postal Services; (v) the Sub-coordinator of the Tariff of Commercial Postal Services; (vi) the Sub-coordinator of Data and Information of Commercial Postal Services; (vii) the Sub-coordinator of the Postal Industry Development; and (viii) the Sub-coordinator of Postal Cooperation, all of whom are from the Indonesian Minister of Communication and Informatics ("**MOCI**") which is the main supervising authority of the our operations in Indonesia, and obtained verbal guidance from a contact center service officer at the Ministry of Investment/Indonesia Investment Coordinating Board ("**BKPM**"), which is the agency overseeing foreign investments in Indonesia. During consultation with the MOCI and BKPM, MOCI confirmed that the structures of the Indonesian Contractual Arrangements are under the domain of private law in Indonesia, and MOCI does not regulate, supervise or intervene in the use or any dispute over the legality or enforceability of the Indonesian Contractual Arrangements. BKPM advised that BKPM would only supervise whether companies conduct their business in accordance with their licenses. BKPM does not supervise, and will not intervene in, the business arrangements adopted by private parties or any privately executed agreements.
- (b) The ownership structure does not, and the performance by the Group in Indonesia of its obligations under the ownership structure and the Indonesian Contractual Arrangements to which it is subject, and the consummation by our Group in Indonesia of the transactions contemplated therein will not: (i) result in any violation of the provisions of any of the group companies' constitutional documents or business license or any governmental authorizations; (ii) result in any violation of any laws and regulations of Indonesia; (iii) conflict with or result in a breach or violation of or constitute a default under any arbitration award or judgment, order of decree of any court of laws of Indonesia having jurisdiction over the group companies in Indonesia; or (iv) conflict with or result in a breach or violation of any terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument governed by laws and regulations of Indonesia to which our Group is a party or by which or to which any of such entities or individuals, or their respective properties or assets, is bound or subject.
- (c) No governmental authorizations are required to be obtained for the performance by any of the parties thereto of their obligations or for the transactions contemplated under the ownership structure and the Indonesian Contractual Arrangements and no stamp duty or similar tax is required to be paid in connection with the ownership structure and the Indonesian Contractual Arrangements.

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- (d) Our Group has the legal right and full power and authority to enter into and perform its obligations under the ownership structure and the Indonesian Contractual Arrangements. The ownership structure and the Indonesian Contractual Arrangements are valid and legally binding and enforceable obligations under laws of Indonesia.
- (e) Save for those set out under the Indonesian Contractual Arrangements, no other consent, approval or license required under the existing laws of Indonesia for the contractual arrangement under the Indonesian Contractual Arrangements.
- (f) The Indonesian Contractual Arrangements are in proper legal form under the laws of Indonesia for the enforcement thereof against each of the parties thereto in Indonesia without further action by any of the parties thereto; and to ensure the legality, validity, enforceability or admissibility in evidence of the Indonesian Contractual Arrangements in Indonesia, it is not necessary that any such Indonesian Contractual Arrangements be filed or recorded with any court or other authority in Indonesia.

As such, our Indonesian Legal Advisor is of the view that the adoption of the Indonesian Contractual Arrangements by Lalamove Logistik in Indonesia is unlikely to be deemed ineffective or invalid under the applicable laws and regulations in Indonesia. Further, our Indonesian Legal Advisor is of the view that the Contractual Arrangements are used to the extent necessary and subject to the applicable laws and regulations in Indonesia, and have been narrowly tailored to minimize the potential conflict with relevant Indonesian laws and regulations and enables the Group to achieve the contractual and financial control over Lalamove Logistik which engages in postal services within Indonesia.

Compliance with Laws and Regulations in Indonesia prior to the Existing Indonesian Contractual Arrangements

Lalamove Logistik was established on March 1, 2018 and obtained its legal entity status on March 6, 2018. It was held as to 50% by PT. Cekindo Bisnis Global and 50% by PT. Indo Bisnis Utama on its establishment. The consideration of the shares of Lalamove Logistik held by PT. Cekindo Bisnis Global and PT. Indo Bisnis Utama was financed from the loan provided by Lalamove Indonesia to each of them respectively and the shares were pledged by PT. Cekindo Bisnis Global and PT. Indo Bisnis Utama for the interest of Lalamove Indonesia as securities since March 6, 2018 until it was replaced by the existing Indonesian Contractual Arrangements between Lalamove Indonesia and the Indonesian Registered Shareholders, through the following arrangement which involved:

1. Lalamove Indonesia provided a loan to each of PT. Cekindo Bisnis Global and PT. Indo Bisnis Utama to acquire their shares held by them in Lalamove Logistik;
2. the shares held by PT. Cekindo Bisnis Global and PT. Indo Bisnis Utama respectively were pledged back to Lalamove Indonesia during the relevant times;
3. each of PT. Cekindo Bisnis Global and PT. Indo Bisnis Utama had assigned all rights to dividends in Lalamove Logistik to Lalamove Indonesia;

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4. PT. Cekindo Bisnis Global and PT. Indo Bisnis Utama had granted respective powers of attorney to Lalamove Indonesia to deal with their respective shares and also to exercise voting rights as a shareholder of Lalamove Logistik;
5. PT. Cekindo Bisnis Global and PT. Indo Bisnis Utama had granted respective call option to Lalamove Indonesia over the shares they respectively held in Lalamove Logistik; and
6. PT. Cekindo Bisnis Global, PT. Indo Bisnis Utama and Lalamove Indonesia entered into the indemnity agreements, pursuant to which Lalamove Indonesia agreed to indemnify, protect and hold harmless each of PT. Cekindo Bisnis Global and PT. Indo Bisnis Utama against all losses incurred by them resulting from or arising as a shareholder of Lalamove Logistik.

The above arrangement was terminated on March 6, 2023 for the shares held by PT. Cekindo Bisnis Global and PT. Indo Bisnis Utama, respectively. On September 7, 2022, PT. Cekindo Bisnis Global and PT. Indo Bisnis Utama transferred its 1,100 shares and 1,100 shares to CUG and CUTG, respectively.

As advised by our Indonesian Legal Advisor, the above historical arrangements allowed Lalamove Indonesia to maintain effective financial control over all of the issued shares at the establishment of Lalamove Logistik through the shares financing arrangements with PT. Cekindo Bisnis Global and PT. Indo Bisnis Utama as the registered founding shareholders of Lalamove Logistik. The above historical arrangements are similar to the existing Indonesian Contractual Arrangement, and comply in fact and in good faith with all relevant Indonesia law and regulations at the relevant time.

Unwinding the Indonesian Contractual Arrangements

In the event that Indonesian law in the future will allow (i) a Foreign Postal Operator to subscribe for entire shares in an existing established Indonesian-Foreign JV which engages in postal activities in Indonesia, and (ii) an Indonesian-Foreign JV to provide Inter-City Courier Services under the Postal Law, we will unwind the Indonesian Contractual Arrangements as soon as possible, so that Lalamove Logistik will become the wholly-owned direct subsidiary of our Group (including to exercise the rights of Lalamove Indonesia under the Call Option Agreements and Power of Attorneys). Lalamove Indonesia will receive the sale proceeds as repayment for the Loan Agreements to the extent permissible under such Indonesian law and/or regulation.

No consideration would be payable by Lalamove Indonesia or any member of our Group to CUG or CUTG in the unwinding of the Indonesian Contractual Arrangements mentioned above.

CONTRACTUAL ARRANGEMENTS

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Consolidation of Financial Results of our Consolidated Affiliated Entities

According to IFRS 10 — Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although our Company does not directly or indirectly own the Consolidated Affiliated Entities, the Contractual Arrangements as disclosed above enable our Company to exercise control over the Consolidated Affiliated Entities.

Under the Exclusive Business Cooperation Agreement, it is agreed that, in consideration of the services provided by Shenzhen Yishi, each of our Consolidated Affiliated Entity Holdcos will pay services fees to Shenzhen Yishi. The services fees, subject to Shenzhen Yishi’s adjustment, are equal to the entirety of the total consolidated profit of our Consolidated Affiliated Entity Holdcos (net of accumulated deficit of the Consolidated Affiliated Entity Holdcos in the previous financial years (if any), costs, expenses, taxes and payments required by the relevant laws and regulations to be reserved or withheld). Shenzhen Yishi may adjust the services scopes and fees at its discretion in accordance with PRC tax law and practice as well as the needs of the working capital of our Consolidated Affiliated Entity Holdcos. Shenzhen Yishi also have the right to periodically receive or inspect the accounts of our Consolidated Affiliated Entity Holdcos. Accordingly, Shenzhen Yishi has the ability, at its sole discretion, to extract all of the economic benefit of our Consolidated Affiliated Entity Holdcos through the Exclusive Business Cooperation Agreement.

In addition, under the Exclusive Business Cooperation Agreement and the Exclusive Option Agreement, Shenzhen Yishi has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of our Consolidated Affiliated Entity Holdcos as Shenzhen Yishi’s prior written consent is required before any distribution can be made. In the event that the Corporate Shareholder I of the Consolidated Affiliated Entity Holdcos receive any profit distribution or dividend from our Consolidated Affiliated Entity Holdcos, such registered shareholder must immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to our Company.

In respect of the Indonesian Contractual Arrangements, the consideration of the shares held by CUG and CUTG in Lalamove Logistik was financed from the loan granted by Lalamove Indonesia to CUG and CUTG. Further, based on the Indemnity Agreements, Lalamove Indonesia would indemnify, protect and hold harmless each of CUG and CUTG against all losses incurred by CUG and CUTG resulting from or arising in connection with (a) any loss or damage of Lalamove Logistik due to operational or non-operational activities, (b) any loss incurred in connection with CUG holding any incumbent position in Lalamove Logistik, (c) any accrued and/or payable interests under the Loan Agreements, and (d) any assessment and/or penalty imposed by any governmental authority on CUG and CUTG as a result of the agreements under the Indonesian Contractual Arrangements or the operation by Lalamove Indonesia of Lalamove Logistik. The Indonesian Contractual Arrangements were adopted to reflect (i) such commercial arrangements between Lalamove Indonesia and CUG and CUTG; (ii) the contribution and risks borne by Lalamove Indonesia; and (iii) to allow us to

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consolidate Lalamove Logistik into our Group’s financial results as a wholly-owned subsidiary. This kind of arrangement is widely practised in Indonesia where the maximum foreign ownership in companies carrying out certain business activities in Indonesia is restricted under law, as long as (a) both the foreign and Indonesian parties mutually consent to such kind of arrangement; and (b) neither the execution nor performance of the terms and provisions of such arrangement were in any way prohibited by the laws, rules, or regulations in Indonesia.

The Contractual Arrangements enable Shenzhen Yishi and Lalamove Indonesia to exercise effective control over the Consolidated Affiliated Entity Holdcos and Lalamove Logistik, respectively. Accordingly Shenzhen Yishi and Lalamove Indonesia has the right to variable returns from its involvement with the Consolidated Affiliated Entities. Accordingly, the Consolidated Affiliated Entities are accounted as subsidiaries of the Company for the purpose of the historical financial information for the Track Record Period and the historical financial information of the Consolidated Affiliated Entities for the Track Record Period are consolidated in the historical financial information of the Company for the Track Record Period. The basis for consolidating the results of the Consolidated Affiliated Entities is disclosed in Note 1 to the Accountants’ Report in Appendix I.

OUR DIRECTORS’ VIEW

Based on the above, our Directors are of the view that the Contractual Arrangements are narrowly tailored, as they are used to enable our Group to conduct businesses in industries that are subject to foreign investment restrictions in the PRC and Indonesia. Our Directors further believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements will be negotiated on arms’ length basis and entered into between Shenzhen Yishi or Lalamove Indonesia (as the case may be), Lalamove Logistik, our Consolidated Affiliated Entity Holdcos and the Registered Shareholders; (ii) by entering into the Exclusive Business Cooperation Agreement with Shenzhen Yishi, which is a PRC subsidiary of our Company, our Consolidated Affiliated Entity Holdcos will enjoy better economic and technical support from us, as well as a better market reputation after the [REDACTED], and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Foreign Investment Law

The FIL became effective on January 1, 2020 and replaced the Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中外合作經營企業法》) and the Wholly Foreign-Owned Enterprise Law (《外資企業法》). The FIL constitutes the legal foundation for foreign investment in the PRC. The FIL is formulated to further expand opening-up, vigorously promote foreign investment and protect the legitimate rights and interests of foreign investors. According to the FIL, China adopts a system of national treatment plus 2021 Negative List with respect to foreign investment administration, and the 2021 Negative List will be issued by, amended or released upon approval by the State Council, from time to time. The 2021 Negative List sets out the industries in which foreign investments are

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restricted. Foreign investments must satisfy certain conditions stipulated in the 2021 Negative List for investment in restricted industries. Foreign investment and domestic investment in industries outside the scope of the 2021 Negative List shall be treated equally. On December 26, 2019, the State Council issued the Implementation Regulations for the Foreign Investment Law of the PRC which became effective on January 1, 2020. The Implementation Regulations for the Foreign Investment Law of the PRC provide that foreign investments in sectors on the Negative List shall comply with special management measures in respect of shareholding, senior management personnel and other matters stipulated under the Negative List.

The FIL defines the foreign investment as the investment activities directly or indirectly conducted by foreign investors in the PRC, and sets forth the specific situations that should be regarded as foreign investment. Furthermore, the FIL stipulates that foreign investment includes the investment made in the PRC by foreign investors through any other means under the laws, administrative regulations and provisions stipulated by the State Council. Our PRC Legal Advisor confirmed that the FIL does not specify contractual arrangements as a form of foreign investment. In that regard, if there are no other promulgated national laws, administrative regulations, or regulatory requirements prohibiting or restricting the operation of or affecting the legality of contractual arrangements, the FIL will not have a material impact on the PRC Contractual Arrangements, and each of the agreements under the PRC Contractual Arrangements and the legality and validity of the PRC Contractual Arrangements would not be affected. See “Risk Factors — Risks Related to Our Corporate Structure and the Contractual Arrangements” for further details of the risks we face relating to our PRC Contractual Arrangements.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (b) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (c) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports; and
- (d) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of Shenzhen Yishi, Lalamove Indonesia and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

BUSINESS

WHO WE ARE

Over the past decade, we have seen how digital mobility platforms have transformed the way people move globally. Despite technological advancements, the transportation of goods, represented by the multi-trillion dollar logistics market, still lacks efficiency and quality. In 2023, around US\$11.0 trillion was spent globally on logistics, including US\$3.7 trillion spent on road freight, according to Frost & Sullivan. However, millions of merchants around the world, regardless of their sizes, still face a myriad of challenges as they rely heavily on traditional offline approaches — phone calls, agent referrals and acquaintances, to procure transportation services from carriers. Valuable time is lost and unnecessary costs are incurred in locating carriers. For many merchants, it is economically inefficient to own a fleet of vehicles with low utilization rates. On the other hand, carriers are constantly looking for more shipping orders to reduce idle capacity, fill return legs on round trips, and increase income. Today, millions of merchants and carriers underserved by the traditional logistics industry are in dire need of online, digitalized logistics platforms that can drive their businesses forward.

We are a leading technology-empowered, data-driven logistics transaction platform with a global footprint. According to Frost & Sullivan, we are:

- the world’s largest logistics transaction platform by closed-loop freight GTV, with a market share of 44.0% in the first half of 2023;
- the world’s largest intra-city logistics transaction platform by closed-loop freight GTV in the first half of 2023;
- the world’s largest logistics transaction platform by average merchant MAUs in the first half of 2023; and
- the world’s largest logistics transaction platform in terms of number of fulfilled orders in the first half of 2023.

In 2023, our platform facilitated over 588.4 million fulfilled orders with a global freight GTV of US\$8,736.3 million. In 2023, we had approximately 13.4 million average merchant MAUs and 1.2 million average carrier MAUs in over 400 cities across 11 markets globally.

We are an early mover and a major driving force of the digitalization of the road freight industry, especially in the intra-city freight segment, according to Frost & Sullivan. We launched our platform in Hong Kong in 2013, to digitalize the road freight industry, where transactions had been conducted largely offline. In 2014, we expanded into the road freight market in Mainland China, a massive, fast-growing market with tremendous potential for digitalization, as well as Southeast Asia. Since 2014, we have expanded to additional cities in Mainland China and Southeast Asia. We also started to enter other overseas markets, such as the LatAm markets in 2019.

BUSINESS

Over the years, we have built a platform addressing all major logistics needs in intra- and inter-city freight transactions, while providing diversified logistics services and value-added services to both merchants and carriers. Through technology, we connect merchants and carriers online, digitalize the transaction process, and optimize efficiency. On our platform, merchants have access to convenient, reliable and cost-effective freight services provided by a large pool of carriers, to fulfill their on-demand or pre-scheduled shipping orders. On the other hand, our platform enables carriers, who are mainly individuals, to meaningfully increase their income by making available a vast reservoir of shipping orders constantly matched with their capacity, work schedules and personal preferences. By delivering compelling value propositions to both merchants and carriers, we are able to rapidly scale our business around the world and strengthen our leading position in Asia.

We have achieved robust operational and financial growth since our inception. Our global GTV increased from US\$6,763.4 million in 2021 to US\$9,414.3 million in 2023, representing a CAGR of 18.0%. Specifically, in 2023, we achieved a global GTV of US\$9,414.3 million, constituting a year-over-year growth of 28.8% compared to 2022. Our revenue increased from US\$844.8 million in 2021 to US\$1,334.2 million in 2023, respectively, representing a CAGR of 25.7%. We incurred adjusted losses (non-IFRS) of US\$651.0 million and US\$12.1 million, respectively, in 2021 and 2022, and recorded an adjusted profit (non-IFRS) of US\$390.6 million in 2023. For a more detailed discussion of the changes in our global GTV and financial performance during the Track Record Period, see “Financial Information — Our Key Operating Metrics” and “Financial Information — Description of Selected Items from the Consolidated Statements of Profit or Loss and Other Comprehensive Income”.

OUR BUSINESS MODEL

We operate a marketplace model connecting and serving both merchants and carriers. Our platform facilitates closed-loop transactions from online shipping order booking to intelligent order matching, and automated dispatching to after-sale services. Pricing is largely determined upfront with full transparency to both merchants and carriers.



BUSINESS

We enjoy the following benefits from our powerful marketplace model:

- *Closed-loop.* We differ from information listing platforms that simply display request for freight delivery and contacts of carriers and merchants. Instead, we facilitate the freight transactions from end to end — from order placement, pricing determination, prepayment, freight matching, order tracking to payment settlement and confirmation. With agreed pricing, merchants “close” the transactions and securely settle payments when shipping orders are fulfilled by carriers. For merchants and carriers, transacting on our platform means they can easily and securely complete the transaction in one place. We believe this convenient, one-stop experience is a critical part of why many of them use our platform and enables us to improve user retention and nurture long-term user stickiness. Additionally, throughout the freight transportation cycle, we are able to monetize transactions on our platform through membership fees and commissions paid by carriers. By enabling merchants and carriers to confirm and settle payments via our platform, we generate valuable insight into whether the freight transactions we facilitate are actually completed and the value of these transactions, which is information critical to developing an effective commission-based fee model as the commission is charged as a percentage of such value. Further, the relevant insight generated throughout all major steps of the transaction cycle strengthens our proprietary know-how, which we leverage to optimize our technology, products and services across our geographic markets. During the Track Record Period, substantially all of the transactions completed through our platform were closed-loop transactions. According to Frost & Sullivan, in 2022, 23.8% of online road freight GTV globally was attributable to closed-loop transactions. According to the same source, we are currently the only digital freight platform in China and one of the very few platforms globally that generate over US\$1 billion in closed-loop freight GTV annually.
- *Highly scalable.* Our platform is built upon a common foundation of core technology and data infrastructure. It improves over time by accumulating operational know-how in all aspects of digitalized logistics transactions. Insight gained from millions of transactions then helps us optimize our entire platform to benefit all future transactions taking place across our markets, making our business model highly scalable. In Mainland China, where we have the largest presence, we have been able to scale rapidly despite the complex and diverse market dynamics across different parts of the country from mega cities to a large number of lower-tier cities. We replicate our success in intra-city freight service across Mainland China to other markets as we expand globally.
- *Expansive.* We started with a focus on the intra-city freight service. Our technology infrastructure, operational expertise and existing large merchant base allowed us to successfully expand our platform to serve the inter-city freight segment. As a natural extension of our merchants’ demand for logistics services, our inter-city freight business has allowed us to increase our wallet share of their logistics spending and is expected to be one of the key drivers of our long-term growth. Since the launch of our inter-city freight services through 2023, more than 70% of first-time merchants were existing merchants using our intra-city freight services. As we grew beyond serving small- and medium-sized merchants, we expanded our platform to serve large businesses by introducing enterprise services and to provide various value-added services to carriers. Overall, our platform is highly expansive across different segments, and its ability to address diverse logistics service demands significantly expands our addressable market.

BUSINESS

- *Network effect.* As we onboard and retain more merchants, the number of shipping orders generated on our platform increases, leading to higher utilization rate of vehicles and higher potential income for the carriers, which in turn attracts more carriers to our platform. The resulting higher order acceptance rate, reduced response time and optimized freight charges further incentivize more merchants to join the platform and place more shipping orders with higher value more frequently. For intra-city freight business, such network effects are largely localized. We have essentially created a large number of “local networks” of merchants and carriers in more than 400 cities worldwide as of December 31, 2023, which serves as our competitive moat as new players have to conquer city by city to effectively compete with us. As many of our carriers travel between different cities to take shipping orders, they also naturally contribute to the network effect of our growing inter-city freight services.
- *Hybrid monetization.* We pioneered the adoption of a hybrid monetization model for our intra-city freight services — where we generate revenues through a combination of carrier membership fees and commissions — across various cities in Mainland China. As of December 31, 2023, we operated our hybrid monetization model in all of the Mainland Chinese cities where we generated freight platform services revenue. Our freight platform services monetization rate in Mainland China increased from 7.6% in 2021 to 10.3% in 2023. Rather than a one-size-fits-all approach, in order to cater to diverse user needs and local market conditions across different regions, we have strategically adopted such hybrid monetization model with different membership and commission fee options available to carriers, based on our evaluation of the local market conditions. Such differentiated fee models not only allow us to monetize the freight transactions we facilitate but also allow carriers to maximize their earnings potential.
- *Asset-light.* We operate an asset-light business model. As a pure-play marketplace, we do not own a substantial number of vehicles or fleets. Rather, our platform allows merchants to choose from a variety of vehicles of different sizes for a diverse range of freight anytime, anywhere. We offer an enormous supply of capacity to merchants based on our expansive network of carriers.

OUR GLOBAL FOOTPRINT

We are a global platform striving to digitalize freight transactions across the world. We were founded in Hong Kong in 2013 and entered Mainland China and Southeast Asia in 2014. We are a trailblazer among China-based freight transaction platforms to expand overseas, according to Frost & Sullivan. Since 2014, we have expanded to additional cities in Mainland China and Southeast Asia, and have entered other overseas markets such as the LatAm markets. As of December 31, 2023, we had operations in over 400 cities across 11 markets in the world.

BUSINESS

Our deep industry knowledge and robust technology infrastructure support our global expansion. On top of these is our strong local operation team with market-specific insight that helps us rapidly launch and scale our business in different regions with locally-tailored strategies. Our local teams are capable of implementing our corporate-level initiatives that we believe are critical to our operations worldwide, such as brand promotion with “*Huolala*” or “*Lalamove*” stickers. We believe a global mindset coupled with localization strategy allow us to compete effectively across different overseas markets. For example, we entered into certain Southeast Asian markets with an initial focus on offering two-wheeler delivery. This has allowed us to quickly build presence and gain market shares in these regions as two-wheelers are a popular transportation option in the regions. As we continue to scale our business in Southeast Asia, we are strategically expanding our operations to offer more four-wheeler delivery services by replicating our success in Mainland China.

VALUE PROPOSITIONS TO OUR PLATFORM PARTICIPANTS

Our digital platform has transformed the road freight industry by effectively addressing the industry’s long-standing critical challenges and delivering compelling value to both merchants and carriers:

Benefits to Merchants

- *Instant access to a massive network of carriers.* Merchants can submit their shipping orders with a simple click of a button and complete the entire transaction on a single platform, instead of making multiple phone calls, asking acquaintances for referrals, negotiating prices or seeking the assistance from intermediaries in order to secure a carrier. Our platform offers a variety of vehicles with different capacities to suit different use cases. In 2023, we achieved an average order respond rate of more than 90%. Typically, a carrier can respond in approximately 15 seconds of submitting a shipping order, and for our intra-city services, a carrier can arrive at the pick-up location in around six minutes.
- *Cost-effective solutions.* Merchants can save logistics costs associated with owning and maintaining their own vehicles, as well as the commission fees paid to intermediaries. Our platform and AI-powered price prediction algorithms offer upfront price transparency so that merchants can make informed transportation and budgeting decisions.
- *Convenient and secure experience.* We perform background checks on drivers during the onboarding process. Merchants can conduct further screening based on driver reviews and ratings on our platforms. As a result, merchants can easily identify reliable carriers to complete the delivery. In addition, our mobile apps allow merchants to track the location and status of the vehicles.

Benefits to Carriers

- *Higher earning potential.* A myriad of job opportunities are available on our platform to carriers on a 24/7 basis. Through our platform, carriers can increase capacity utilization, reduce empty miles and increase income.

BUSINESS

- *Scheduling flexibility.* Carriers can choose to accept shipping orders on their own schedule. Shipping orders are submitted to our platform throughout the day and we dispatch them real-time to carriers as they come in. This gives carriers the flexibility to decide their own schedule and pick up shipping orders when they want to.
- *One-stop service offerings.* New carriers can join our platform and access our one-stop service offerings, such as vehicle purchase or lease, energy services and credit solutions, to quickly become fully equipped to take shipping orders.

OUR TECHNOLOGY

Technology is the backbone of our business. We have built proprietary technology around major elements of the logistics industry to optimize efficiency and enhance safety for all the industry participants. For example, we have created advanced pricing, matching and dispatching algorithms to streamline the freight-matching between merchants and carriers and order fulfilment. We have also developed an intelligent transportation IoT system for vehicles, allowing us to obtain real-time information on road conditions, carrier status and cargo abnormalities. We also have our own digital map optimized for freight transportation purposes, taking into account loading zones, road restrictions and more. For more details, see “— Our Technology”.

Our edge in technology is complemented by our massive scale of operation and market leadership. We benefit from direct engagement with merchants and carriers and have accumulated a wide variety of proprietary data insight, such as demand and supply for different vehicle models in different cities to allow for constant optimization of our solutions. During the Track Record Period, more than 1.4 billion transactions were completed on our platform. Through these transactions, we have gained tremendous insight into our users’ preferences and demands, which serves as the foundation to our constantly improving AI and machine learning capabilities.

OUR ADDRESSABLE MARKETS

The logistics industry is ripe for digital disruption and presents enormous market opportunities. According to Frost & Sullivan, in 2023, around US\$11.0 trillion was spent on logistics and out of that US\$3.7 trillion was attributable to the global road freight market. According to the same source, China’s road freight market is the largest in the world, generating over US\$1,189.5 billion GTV in 2023 (representing 32.6% of the global market), and is expected to grow steadily at a CAGR of 7.1% between 2023 and 2028.

Mainland China is our largest market. According to Frost & Sullivan, the intra-city freight segment in China recorded a GTV of US\$213.2 billion in 2022 and is expected to further grow at a CAGR of 12.1% from 2022 to 2027. According to the same source, the online penetration rate for the intra-city freight segment in China is expected to increase from only 4.1% in 2022 to 7.3% by 2027, and the online intra-city freight service platform closed-loop freight GTV in 2027 is expected to increase to approximately three times of that in 2022. According to Frost & Sullivan, the inter-city freight segment in China recorded a GTV of US\$704.4 billion in 2022 and is expected to grow steadily at a CAGR of 4.3% from 2022 and 2027. These attractive market segments are driven by continued urbanization, emerging retail business models, and increasingly developed logistics infrastructure.

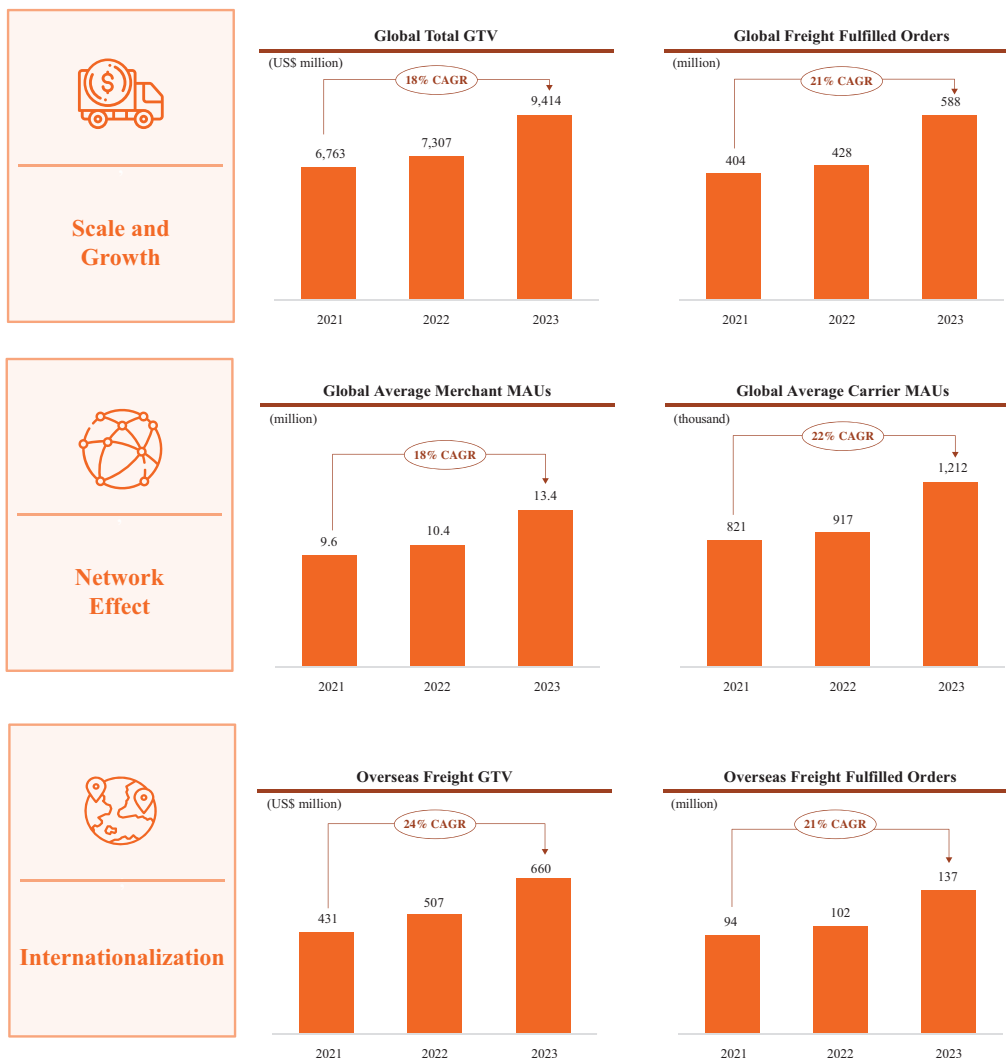
BUSINESS

According to Frost & Sullivan, the total GTV of the overseas intra-city road freight market is approximately three times the size of that of China in 2022. The Southeast Asian and LatAm markets combined had a GTV of US\$115.5 billion in 2022 and are expected to grow at a CAGR of 4.9% to US\$146.7 billion in 2027.

According to Frost & Sullivan, the penetration of the global road freight industry by digital platform remains relatively low at present and there is tremendous potential for growth. According to Frost & Sullivan, only 1.9% of the road freight GTV was facilitated through digital platforms in 2022 globally. This figure is expected to increase rapidly in the next few years to reach 2.7% in 2027. With unique value propositions and technological strengths, “closed-loop” logistics transaction platforms are well positioned to address various industry pain points and capture the tremendous growth opportunities. According to Frost & Sullivan, the global online freight service platform closed-loop freight GTV is expected to increase from US\$16.3 billion in 2022 to US\$58.2 billion in 2027, at a CAGR of 29.0%.

OUR OPERATIONAL ACHIEVEMENTS

The following charts illustrate selected key operating metrics of our business:



BUSINESS

We are able to continuously increase merchant engagement with our platform and grow our share of their freight transportation spending over time. As we continue to deliver compelling values to merchants, they tend to place with us more and higher-value shipping orders and more frequently. We define merchants in Mainland China who completed their first shipping order on our platform in 2019, 2020 and 2021 as our 2019 Cohort, 2020 Cohort and 2021 Cohort, respectively. The 2019 Cohort generated 45.5% more GTV in 2023 than in 2019, demonstrating growing merchant engagement with our platform. With growth hindered by the COVID-19 pandemic, the 2020 Cohort generated 12.6% more GTV in 2022 than in 2020, and the 2021 Cohort generated 11.6% less GTV in 2022 than in 2021.

OUR STRENGTHS

Leading logistics transaction platform with tremendous scale and network effects

We are the largest logistics transaction platform in the world by closed-loop freight GTV in the first half of 2023, the largest intra-city logistics transaction platform globally by closed-loop freight GTV in the first half of 2023 and the largest freight transaction platform globally in terms of number of fulfilled orders in the first half of 2023, according to Frost & Sullivan. We also have the broadest network of merchants in terms of merchant MAUs among all logistics transaction platforms worldwide in the first half of 2023, according to Frost & Sullivan. In 2023, we facilitated over 588.4 million fulfilled orders with a global freight GTV of US\$8,736.3 million, with approximately 13.4 million merchants served and business brought to approximately 1.2 million carriers in 2023.

We have transformed the logistics industry by creating a digitalized marketplace with massive scale that seamlessly connects merchants and carriers. As a result, our platform enjoys a powerful network effect that fuels a virtuous cycle of growth, allowing us to cost-effectively attract more merchants and carriers to our platform with increasing stickiness and loyalty. This translates into the growth of our extensive network. In 2021, 2022 and 2023, our global freight GTV growth significantly outpaced that of the global road freight market. The market size of global road freight market in terms of GTV increased from US\$3,319.7 billion in 2021 to US\$3,475.4 billion in 2022, according to Frost & Sullivan. Our global freight GTV increased from US\$6.2 billion in 2021 to US\$8.7 billion in 2023 at a CAGR of 19.1%. During the Track Record Period, our average merchant MAUs increased from 9.6 million in 2021 to 10.4 million in 2022, and further increased to 13.4 million in 2023. Our average carrier MAUs grew from 0.8 million in 2021 to 0.9 million in 2022, and further grew to 1.2 million in 2023.

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Our tremendous scale, coupled with the powerful network effects, strengthens our competitive advantages, which are difficult to replicate. For example, the accurate determination of freight charges has traditionally been one of the most challenging components in logistics transactions and has been a cause of numerous disputes between carriers and merchants. Given that the freight transaction volume is the highest on our platform and that our platform is able to provide end-to-end, closed-loop coverage of every major step of the freight-matching and delivery process, we have unparalleled insight into pricing optimization based on vast amounts of data, which enables us to maximize the attraction and retention of both merchants and carriers, and drive more transactions, forming a self-reinforcing positive feedback loop.

The preferred choice for local and digital freight with significant user mindshare

We believe we have become the preferred choice for local and digital freight. According to a survey conducted by Frost & Sullivan in June 2022*, in Mainland China, our largest market, more than 60% of the merchants and more than 70% of the carriers surveyed indicated that we are the first brand that comes to their mind for freight services apps. According to the same survey, we are the most recognized brand among intra-city logistics transaction platforms in China, and our users tend to associate our brand with convenience, efficiency, quality and value.

Our significant mindshare among merchants and carriers is a result of the following factors:

- *Effective branding strategies.* The omnipresence of branded vehicles with our stickers effectively promotes our brand. Our bright colored logo helps strengthen the mental connection between “freight” and “Huolala”/“Lalamove”. According to a survey conducted by Frost & Sullivan in June 2022, more than 60% of the merchants surveyed first came to know our brand for freight transactions through the logo stickers on our vehicles. As of December 31, 2023, approximately 2.2 million vehicles in around 320 cities had our logo stickers, while our average carrier MAUs reached 1.2 million in 2023. As these vehicles run on the road, it naturally captures the attention of other carriers and merchants, which helps us cost-effectively acquire carriers and ultimately contributes to our improved profitability.
- *User experience.* We deliver a frictionless experience to both merchants and carriers through closed-loop transactions on our platform, providing them with easy and ready access to each other, and seamless transaction facilitation with transparent pricing. Within a few clicks, merchants can submit their shipping orders and complete the entire transaction on our platform. Typically, a carrier can respond within 15 seconds of submitting a shipping order, and for our intra-city services, a carrier can arrive at the pick-up location in around six minutes. We also provide carriers with flexible work schedules and higher earning potential. Leveraging our AI-powered algorithms, we automatically generate recommendations of shipping orders to carriers who can then choose to accept the shipping orders based on their own preference and schedule. The efficient on-demand access to freight transportation capacity for the merchants, together with the flexibility and income opportunities offered to the carriers, make us the preferred choice in the market.

* The effective sample size of the survey is 1,200, covering carriers and merchants, substantially all of whom were based in Mainland China. The survey respondents have used digital freight platforms at least once in the last twelve months. No spending threshold was required for the survey respondents.

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- *Trust.* We establish trust between merchants and carriers by ensuring safety of the freight. We adopt a rigorous screening process for carriers, and put in place a rating system based on real-time feedback from merchants. Merchants view our carriers as trusted partners and associate them with our brand. We also provide merchants access to insurance services to be compensated in the rare case of freight loss or damage.

Our merchant and carrier base recognize our brand for trusted, convenient logistics transaction services with an excellent user experience. We have seen word-of-mouth promotion of our brand globally.

Successful track record of service innovations driving a virtuous cycle of growth

Innovation is at the heart of our Company’s success — we strive to transform the global logistics industry through constant innovations to address evolving needs of users throughout the logistics value chain. We adopt an innovative business model to identify and address the evolving logistics needs of merchants and carriers by offering seamless, one-stop, and on-demand access to a diversified portfolio of intra- and inter-city freight and other related services.

We set out with a focus on intra-city freight service in 2013. Our GTV generated from the intra-city freight services increased from US\$4,845.8 million in 2021 to US\$6,553.8 million in 2023, representing CAGR of 16.3%. Our technological and operational expertise allowed us to successfully expand our platform to serve the inter-city freight segment in 2018 as a natural extension of our merchant base’s evolving logistics demand, which in turn increases our wallet share in their spending. Since the launch in 2018, we have quickly expanded our inter-city freight services to more than 250 cities as of December 31, 2023. According to Frost & Sullivan, as of June 30, 2023, we were the only digital freight platform in China that operates both intra-city and inter-city freight services at scale (i.e., with more than US\$100 million annual closed-loop freight GTV for both intra-city and inter-city business).

The following are a few other examples of our successful track record of service innovations:

- As we grew beyond serving small- and medium-sized merchants, we further expanded our platform in 2017 to better serve large businesses as we started to offer integrated enterprise services;
- We launched our vehicle sales services in 2018 and leasing services in 2019 to meet carriers’ significant unmet demand for services that help them purchase and rent vehicles. Through effective up- and cross-selling within our existing massive carrier base, we are able to scale our vehicle sales and leasing services at reduced customer acquisition costs, giving us an advantage against traditional car dealers, while allowing our carriers to purchase or rent their preferred vehicles at more attractive prices;
- We have, since 2017, introduced a variety of value-added services to meet carriers’ specific needs in vehicle procurement, credit solutions and energy services, further expanding our total addressable market; and
- We initiated our home-moving services in 2019 to address the growing needs of individual merchants.

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With our robust technology infrastructure and product expertise, we are able to rapidly launch and scale new service offerings by leveraging our extensive user base, deep industry insight and operational excellence. Our pursuit of innovation in new service offerings fuels a virtuous cycle of growth — each new service adds nodes to our network and strengthens the shared capabilities and synergies across our service offerings, allowing us to more efficiently introduce and enhance additional services and lower our innovation risks. Each new service increases our touch points with users, enabling us to increase engagement and build long-term user relationships, which further expands our total addressable market. The expansion of our offerings also enables us to achieve economies of scale and synergies through the sharing of technology and operational capabilities as well as cross selling opportunities across different offerings. The breadth of our offerings and the one-stop experience that we enable are a critical part of our ability to facilitate closed-loop freight transactions, making us the preferred choice for users to meet their diverse freight and ancillary needs.

Proprietary and purpose-driven technology

We use technology to enable faster and easier freight transport across the world. Focused on the key components of the logistics ecosystem, we aim to digitalize and deliver smart, easy-to-use services to our merchants and carriers through our proprietary technology purposely built to support our business model and to enhance efficiency, transparency and safety of freight transportation.

We connect merchants and carriers through our advanced marketplace technology including order matching, dispatching and automated pricing. Due to the greater variety of freight in size and categories, matching freight with vehicles is more complex than matching passengers with cars. We are able to leverage our data insights to match and dispatch shipping orders quickly, accurately and dynamically. While our order matching and dispatching algorithm allows carriers to pick their preferred orders on a first-come-first-served basis, it also helps assign the orders to the suitable carriers leveraging our big data analytics capabilities. We have also developed AI-based pricing algorithms trained and optimized by a variety of proprietary data we have accumulated throughout the end-to-end transaction process, including input from users, such as vehicle types, as well as traffic and transit data that helps predict the real-time congestion hotspots and areas with the highest shipping demand.

We are promoting the application of IoT solutions to all of our vehicles to enhance safety and transparency. Our intelligent transportation three-camera IoT system, Anxinla (安心拉), enables real-time tracking and analysis of vehicles, drivers and freight. These can help predict maintenance needs, prevent system failures, and improve safety for both drivers and freight. According to Frost & Sullivan, we are the first company in China to mass deploy a three-camera IoT system for freight transportation. We have also self-developed integrated IoT software to support the operation of the intelligent transportation IoT system on a 24/7 basis.

Compared to digital map services widely used in passenger transportation today, digital maps used in road freight transportation generally require a higher level of accuracy and reliability and more road-freight specific information, since freight typically requires careful management from origin to destination and loading and offloading at specific locations. In light of these requirements,

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we have developed and launched our proprietary AI-powered digital map, purpose-built with a significantly broader array of road and traffic information, such as roadblocks and restrictions, which are particularly useful to carriers and merchants but hardly ever offered by regular digital maps used in passenger transport. According to Frost & Sullivan, we are the first digital freight platform in China to adopt a proprietary digital map optimized for freight transportation.

Relentless focus on capital efficiency and operational excellence

Since inception, we have been able to achieve rapid growth in a capital-efficient manner. Our capital efficiency is mainly attributable to our relentless pursuit of efficiency using a systematic, technology driven approach and our continued focus on quality and organic growth.

- *Relentless pursuit of efficiency with a systematic, technology driven approach.* When we first entered the Mainland China market in 2014, we initially focused on our core intra-city freight business, through which we have developed a systematic, technology driven approach to business operations. Across our different business lines and global markets, our teams follow the same management principles and leverage our common technology infrastructure. This has enabled us to cost-effectively scale our business and maintain our capital efficiency.
- *Continued focus on quality and organic growth.* Instead of relying on high subsidies to attract carriers and merchants, we have been focusing on quality and organic growth driven by our brand recognition, superior service quality and enhanced transaction efficiency across our carriers and merchants. In particular, we achieved user growth and gained market share in terms of global intra-city closed-loop freight GTV between 2021 and 2023, with improved profitability during the same period. Our global average merchant MAUs increased from 9.6 million in 2021 to 13.4 million in 2023, and our global average carrier MAUs increased from 0.8 million in 2021 to 1.2 million in 2023.

Our operational excellence is built upon the following:

- *Deep industry insight.* Based on our deep understanding of the dynamic supply and demand as well as users preference and pricing strategies in local markets, we are able to identify and attract high-frequency and high-value users. This has been critical to the rapid expansion of our merchant and carrier networks across the markets globally in which we operate.
- *Exceptional offline operational capabilities.* We have local, on-the-ground operation teams that use their extensive market-specific knowledge to rapidly launch and scale our business in different regions. Our on-the-ground teams actively promote our platform and services to carriers across local logistics parks and wholesale markets. The exceptional offline operational capabilities of these teams have enabled us to penetrate the local freight market across 11 markets in the world as of December 31, 2023.

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Founder-led, visionary management team with strong execution capabilities

Our founder, Mr. Chow, has been leading us with a focused and consistent vision to empower communities by making logistics fast and simple. With his vision, we have been able to capitalize on the enormous potential for logistics marketplaces since the early days of our Company and develop our strategies to address evolving user demands. We have been committed to our core strategy and have executed it with consistency and perseverance. This allowed us to differentiate ourselves from competitors and become a pioneer in revolutionizing the logistics industry by moving and facilitating transactions online.

The members of our core management team have complementary skillsets and extensive experience in logistics and technology. We have demonstrated strong capabilities to perform amid fierce competition in the early days and to effectively scale our business in recent growth periods.

We built our Company by fostering a culture of excellence, bias for action and a global mindset. These not only serve as the foundation to our superior organizational capabilities that enable us to stay nimble and respond quickly to new opportunities, but also shape our global strategies that have led to our growing overseas presence today.

OUR GROWTH STRATEGIES

Continue to grow in the massive intra-city freight market

In the massive, growing intra-city freight market, we will continue to drive growth in our merchant and carrier base as well as transaction volume on our platform. According to Frost & Sullivan, the intra-city freight segment in China recorded a GTV of US\$213.2 billion in 2022 and is expected to further grow at a CAGR of 12.1% from 2022 to 2027. According to the same source, the online penetration of intra-city freight transactions in China was only 4.1% in 2022, and is expected to increase rapidly to reach 7.3% by 2027. This indicates significant headroom for our future growth as we continue to penetrate this massive market in cities where we do not have presence. We also intend to expand our market share in cities where we already have operations.

We will mobilize more on-the-ground operation teams to continue to attract and serve more users in new cities and to expand our operations in existing ones. We also plan to upgrade our product and service offerings to further reduce any frictions in adopting our platform, thereby attracting more merchants and carriers to our network.

Expand our service offerings

Our deep industry knowhow, superior operational capabilities and common technology infrastructure enable us to quickly expand into new service offerings with replicable success.

We have been expanding our services into new areas such as inter-city freight, integrated enterprise services, and home-moving services. With the extensive merchant base of our intra-city freight services, we plan to continue to quickly scale up our inter-city freight services in a cost-effective manner. We are also focused on building up our carrier pool for inter-city logistics demand by strategically expanding the vehicle types.

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We are launching two-wheeler door-to-door delivery services in selected Mainland Chinese cities on a pilot basis, where we can replicate our successful experience in Southeast Asia. We are also tapping into new growth opportunities, such as the research and development of electric commercial vehicles, leveraging the know-how and expertise we have gained from operating our existing vehicle sales and leasing services.

Accelerate our global expansion

We have positioned ourselves as a global company since inception. We entered Southeast Asia in the same year we entered Mainland China, and we have been constantly expanding our presence in other overseas markets. As of December 31, 2023, we had operations in over 400 cities across 11 global markets, namely Mainland China, Hong Kong, Thailand, the Philippines, Singapore, Indonesia, Vietnam, Malaysia, Mexico, Brazil and Bangladesh.

Our superior business model and deep industry knowhow have enabled us to replicate our success from existing regions in new markets. For example, while we historically focused on offering two-wheeler delivery in certain overseas markets, we are increasingly focused on growing four-wheeler delivery services in these markets by leveraging our successful experience in Mainland China.

We will accelerate our expansion globally to capture the massive opportunity in the global logistics market. Southeast Asia and LatAm will remain our regions of focus where we plan to increase our investment to gain further penetration and market share. We intend to expand into other geographic regions, such as the Middle East, in the coming years.

Invest in technology and talent

Technology is the backbone of our Company and drives all elements essential for the transportation of freight. We will continue to invest in technology focused on these elements to better serve merchants and carriers on our platform.

In particular, we intend to (i) expand our R&D team to bring onboard more talented and committed individuals who believe in our vision; (ii) continue to upgrade our technology infrastructure; and (iii) enhance our intelligent transportation IoT system to better serve merchants and carriers on our platform.

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OUR SERVICE OFFERINGS

We offer (i) freight platform services, (ii) diversified logistics services to merchants, and (iii) value-added services to carriers. The following table sets forth details of our revenue models:

| <u>Service Offerings</u> | <u>Revenue Model</u> |
|---|--|
| <ul style="list-style-type: none">• Freight platform services | <ul style="list-style-type: none">• Our freight platform services involve digitally matching and fulfilling intra-city and inter-city shipping transactions between merchants and carriers through our online platform. We generate revenues from our freight platform services primarily using a hybrid monetization model, from (i) carrier membership fees and (ii) commissions charged to carriers on the shipping orders they have fulfilled. |
| <ul style="list-style-type: none">• Diversified logistics services | <ul style="list-style-type: none">• Our diversified logistics services include:<ul style="list-style-type: none">◦ integrated enterprise services where we generate revenues primarily from the fees charged to large enterprise merchants for fulfilling their shipment orders and providing certain other ancillary services through our online platform;◦ LTL services where we primarily generate revenues from the fees charged to individual users or enterprise merchants for fulfilling their LTL shipping orders, and to a lesser extent, we earn the fee differences between the fees charged to individual users or enterprise merchants for fulfilling their LTL shipping orders and fees paid to third parties who fulfill such orders; and◦ home-moving services where we generate revenues by charging fees to merchants for such services. |
| <ul style="list-style-type: none">• Value-added services | <ul style="list-style-type: none">• Revenues from our value-added services consist of revenues generated from vehicle sales and leasing services, as well as a range of other value-added aftermarket services that we provide to carriers, such as energy services and credit solutions. |

For revenue recognition methods for each of these service offerings, see “Financial Information — Overview” and “Financial Information — Critical Accounting Policies, Judgments and Estimates”.

We currently offer all three types of services in Mainland China. We mainly provide freight platform services in our overseas markets.

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The following table sets forth a breakdown of our total GTV by service offerings for the periods indicated.

| | For the Year Ended December 31, | | | | | |
|---------------------------------|--|--------------|----------------|--------------|----------------|--------------|
| | 2021 | | 2022 | | 2023 | |
| | <i>US\$</i> | % | <i>US\$</i> | % | <i>US\$</i> | % |
| | <i>(in millions, except for percentages)</i> | | | | | |
| Mainland China | | | | | | |
| Freight platform services . . . | 5,394.4 | 79.7 | 5,850.9 | 80.1 | 7,572.3 | 80.4 |
| Diversified logistics | | | | | | |
| services | 332.3 | 4.9 | 357.2 | 4.9 | 503.9 | 5.4 |
| Value-added services | 606.0 | 9.0 | 591.7 | 8.1 | 678.0 | 7.2 |
| Subtotal | 6,332.7 | 93.6 | 6,799.8 | 93.1 | 8,754.3 | 93.0 |
| Overseas | 430.7 | 6.4 | 507.3 | 6.9 | 660.1 | 7.0 |
| Total | 6,763.4 | 100.0 | 7,307.2 | 100.0 | 9,414.3 | 100.0 |

The following table sets forth a breakdown of our total revenue by service offerings for the periods indicated.

| | For the Year Ended December 31, | | | | | |
|---------------------------------|---|--------------|------------------|--------------|------------------|--------------|
| | 2021 | | 2022 | | 2023 | |
| | <i>US\$</i> | % | <i>US\$</i> | % | <i>US\$</i> | % |
| | <i>(in thousands, except for percentages)</i> | | | | | |
| Mainland China | | | | | | |
| Freight platform services . . . | 409,338 | 48.5 | 565,920 | 54.7 | 778,464 | 58.3 |
| Diversified logistics | | | | | | |
| services | 268,126 | 31.7 | 300,709 | 29.0 | 349,869 | 26.2 |
| Value-added services | 75,496 | 8.9 | 69,284 | 6.7 | 88,907 | 6.7 |
| Subtotal | 752,960 | 89.1 | 935,913 | 90.4 | 1,217,240 | 91.2 |
| Overseas | 91,820 | 10.9 | 99,873 | 9.6 | 116,973 | 8.8 |
| Total | 844,780 | 100.0 | 1,035,786 | 100.0 | 1,334,213 | 100.0 |

We take an integrated, holistic approach to managing our diversified service offerings. We have built our offerings upon common underlying data and a unified set of technology and infrastructure, so that we can use the data insight and know-how gained from one service offering to help optimize our entire service process and benefit all future transactions taking place across our geographic markets. For example, leveraging our existing scale and extensive user base of our intra-city freight services, we are able to quickly and efficiently scale up our inter-city freight services.

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Based in our home market in Asia, we have been continuously expanding our offerings both within Asia and globally. We design and build our platform and service offerings to address market-specific user needs and preferences, with products tailored to each geographic market in which we operate. As of December 31, 2023, we had our largest presence in Mainland China with an extensive network covering 363 cities, including all first-tier cities. We currently operate in 11 markets globally, namely Mainland China, Hong Kong, Thailand, the Philippines, Singapore, Indonesia, Vietnam, Malaysia, Mexico, Brazil, and Bangladesh. We intend to expand into new markets and further penetrate in existing markets in Southeast Asia and LatAm.

Freight Platform Services

Our freight platform services are at the core of our platform — we connect merchants who have on-demand freight service needs with suitable carriers and digitally facilitate their freight transactions. Our freight platform services provide end-to-end, closed-loop coverage of every major step of the freight-matching and delivery process. With data insight and proprietary technology, we are constantly improving our freight services to make freight-matching and delivery faster and easier. In 2023, we achieved an average order response rate of more than 90% with a typical wait time of approximately 15 seconds.

We started with an initial focus on intra-city freight services and have over the years expanded our freight platform services to cover the inter-city freight market. We use the term intra-city freight services to refer to the freight platform services we offer to carriers operating vehicles, such as minivans or light trucks, with 4.3 meters and below in length. We use the term inter-city freight services to refer to the freight platform services we offer to carriers operating vehicles with length of over 4.3 meters. During the Track Record Period, the GTV generated from our intra-city freight services represented a vast majority of the total freight GTV generated in Mainland China.

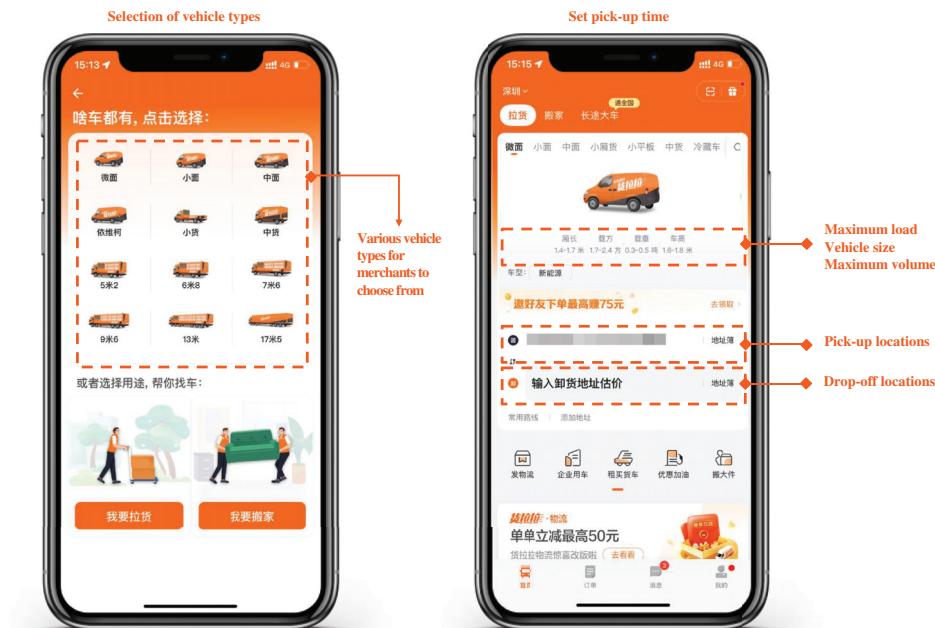
We provide merchants and carriers with intuitive, easy-to-use mobile apps so that they can efficiently connect with each other, secure capacity on demand with upfront and transparent pricing, and track shipments in real-time from pick-up to delivery. We believe our freight platform services are closed-loop as they enable merchants and carriers to complete virtually every major step of freight-matching and delivery within our platform, from order placement, pricing determination, prepayment, freight matching, order tracking to payment settlement and confirmation. We believe such capability represents significant efficiency improvement over the traditional freight-matching and delivery process.

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Order placement

Our mobile app enables merchants to create and place shipping orders with just a few clicks. To place a shipping order, merchants simply enter their pick-up and drop-off locations and, if they need a multi-stop delivery, add stops to the shipping route. Merchants can also choose from a variety of vehicle types and set the pick-up time based on their own shipping needs. They can specify their preferred delivery routes or use our digital tools to generate optimal routes automatically. Our AI-powered pricing engine calculates the estimated freight costs based on a variety of factors, including shipping order specifications, vehicle types, and routes. Once the shipping order is confirmed, merchants are required to pay the estimated freight costs upfront via our platform.

Our mobile apps offer a variety of features designed to help merchants connect with carriers as quickly and easily as possible, as illustrated in the screenshots below.



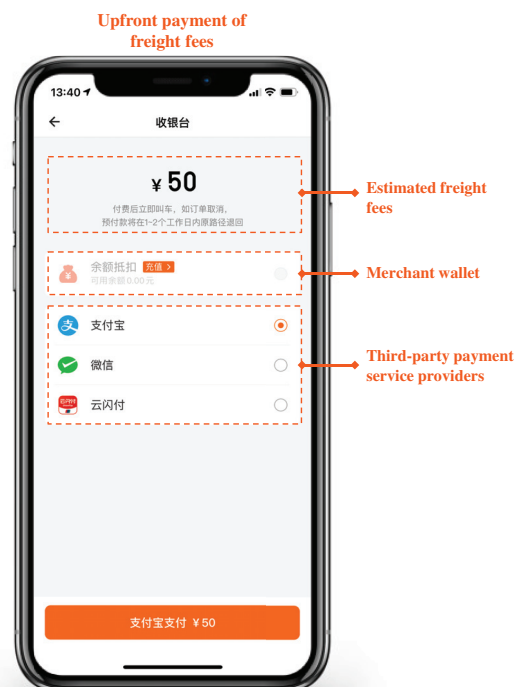
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Order pricing and upfront payment

We believe transparent, upfront pricing is essential for both carriers and merchants to ensure fairness, efficiency and security of their transactions. We are able to dynamically and accurately predict freight fees for merchants and carriers by leveraging our data insight and AI technology. Freight fees are calculated mainly based on route distance and vehicle type. We use our dynamic pricing technology to more effectively match unfulfilled shipping orders with available carriers, especially in high-demand geographic areas and during peak delivery times. We believe that our platform’s ability to determine freight fees upfront, coupled with transparent pricing for both merchants and carriers, effectively reduces the possibility of disputes over freight charges and improves user experience. Based on the determined freight charges, merchants are required to prepay for the transactions.

We have partnered with three major third-party online payment channels in Mainland China, namely Alipay, WeChat Pay and UnionPay Quick Pass. These payment channels are responsible for collecting and processing the payments received from merchants and carriers. When a merchant pays the freight fees upfront using one of these payment channels, the respective channel will collect the payment and distribute it to our custodian bank, which will hold the payment in escrow until the completion of the freight order. Additionally, our carriers can use these payment channels to pay their membership fees to us. Payment processing costs are mainly determined based on the total transaction volume processed through the respective payment channel. In 2021, 2022 and 2023, the payment processing costs in Mainland China amounted to US\$17.2 million, US\$18.1 million and US\$22.9 million, respectively.

The merchants’ end upfront payment interface of our mobile apps is set forth below.



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Freight matching

Carriers can browse through listings of available shipping jobs and accept a shipment placed by merchants at the touch of a button. The carriers will be informed how much they will be paid. Carriers can also conveniently search for their preferred shipping orders based on destinations, routes and other relevant criteria. Through our proprietary algorithms and data insight, we automatically generate recommendations of shipping orders to carriers based on their vehicle type, location, and our understanding of their preferred routes based on historical transactions and settings.

If more than one carrier expresses interests in the same shipping order, our algorithms swiftly identify the carrier that we believe is most suitable for the job based on a number of factors, such as the distance between merchants and carriers. Once a match is automatically made on our platform, the merchant can instantly access key information about the carrier and the vehicle, including license plate numbers and the carrier’s names and driving history.

The carriers’ end interface of our mobile apps are set forth below.



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Order fulfillment

After successfully accepting a shipping order, carriers drive to the pick-up points and load the shipments to their vehicles. Merchants can use our mobile apps to track in-transit and delivery details in real-time, which significantly improves the transparency and security of the transaction. We apply our AI-powered navigation and route planning technology to enable carriers to optimize their routes, reducing travel time and fuel costs. Merchants and carriers typically settle their freight fees online through our platform, enabling secure, transparent closed-loop transactions. During the Track Record Period, substantially all of the transactions completed through our platform were closed-loop transactions.

The following screenshots illustrate the automatic navigation and route planning features on our carriers’ end and fee settlement on our merchants’ end.

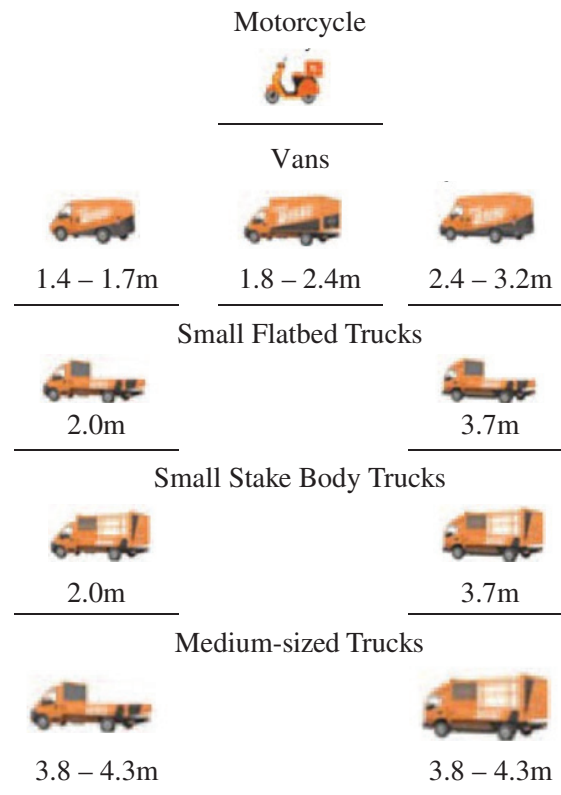


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Intra-city freight services

Shipping orders facilitated through our intra-city freight services are fulfilled by vehicles of our carriers such as minivans or light trucks with 4.3 meters or below in length. For example, we mainly offer motorcycle delivery services in selected markets across Southeast Asia where there is a strong demand for more flexible, convenient delivery options in urban environments, particularly for short-distance shipping routes. With our diverse, purposefully selected vehicle pool, we are able to support a wide range of types of freight loads ranging from small and fragile items to large bulky goods, addressing varying logistics needs of our merchants across different geographic locations.

The below pictures illustrate the major types of vehicles by lengths for our intra-city freight services:



We generate revenues from intra-city freight services through our hybrid monetization model (i.e., by charging both (i) carriers membership fees and (ii) commissions on shipping orders). See “—Hybrid monetization model” below for further details.

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In Mainland China, we offer membership to carriers in multiple tiers that entitle them to different levels of discount on the commissions charged to them on the orders they fulfill. Higher-tier membership generally allows carriers to fulfill orders at lower commission rates. As an example, the following table summarizes the three tiers of membership we offer to carriers operating certain vehicle types in Shenzhen, Mainland China as of December 31, 2023.

| Membership Tier | Monthly fee | Commission rate (as a percentage of order value) |
|------------------------|--------------------|---|
| Non-member | N/A | 18% commission rate |
| First-tier | RMB239 | 14% commission rate |
| Second-tier | RMB539 | 11% commission rate |
| Third-tier | RMB789 | 8% commission rate |

Our membership terms do not include automatic renewals and our carriers may renew or cancel their memberships at will. We may terminate carriers’ memberships under certain circumstances such as when the carriers violate applicable laws and regulations.

Inter-city freight services

As our intra-city freight services continued to grow, we realized that many of our intra-city merchants had enormous unmet demands for convenient on-demand inter-city freight services. We also believe that the advantages of our closed-loop transaction platform are equally relevant in both intra-city and inter-city segments. This inspired us to expand our platform to serve the inter-city freight segment in 2018. We expect our inter-city freight services to continue to grow in the foreseeable future as one of the key drivers of our long-term sustainable growth.

We offer inter-city freight services in Mainland China with a coverage of more than 250 cities as of December 31, 2023. Shipping orders facilitated through our inter-city freight services are fulfilled by vehicles over 4.3 meters in length with a variety of selections. Our inter-city freight services are built upon the massive merchant base, data insight and technology infrastructure we have accumulated and developed from our leading intra-city freight services.

We have built our inter-city freight services by effectively leveraging our existing established intra-city freight services. Since the launch of our inter-city freight services through 2023, more than 70% of first-time merchants were existing merchants using our intra-city freight services. Our leverage of existing user base, expertise and technology infrastructure enables us to rapidly scale up and expand geographically to cater to the diversified logistics needs of our merchants and increase their loyalty to our brand and platform.

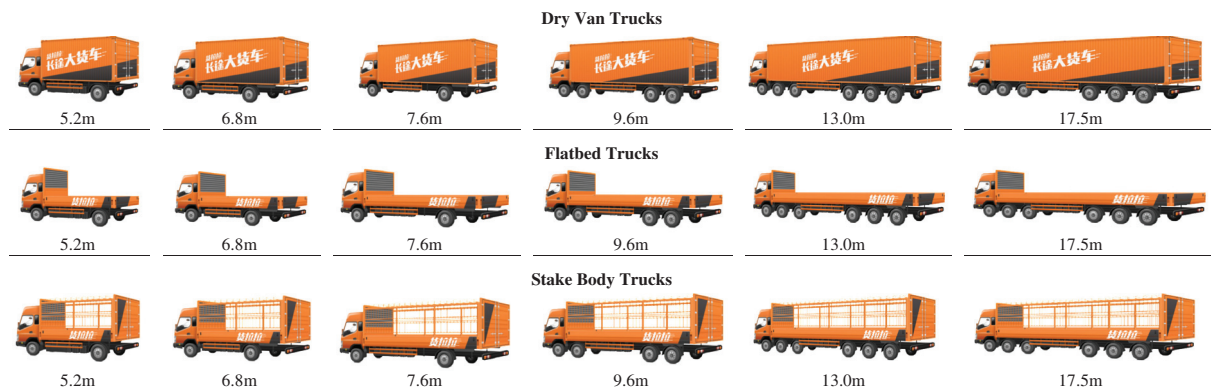
The majority of our inter-city merchants are currently small- and medium-sized enterprises with recurring, high-frequency logistics needs based in Mainland China. The types of freight loads for our inter-city freight services consists mostly of large bulky goods and cargo. We generate revenues from inter-city freight services through our hybrid monetization model (i.e., by charging both (i) carriers membership fees and (ii) commissions on shipping orders). See “— Hybrid monetization model” below for further details.

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Similar to intra-city freight services, in Mainland China, we offer membership to inter-city freight carriers in multiple tiers that entitle them to different levels of discount on the commissions charged to them on the orders they fulfill. Higher-tier membership generally allows carriers to fulfill orders at lower commission rates. As an example, the following table summarizes the two tiers of membership we offer to carriers operating certain vehicle types in Shenzhen, Mainland China as of December 31, 2023.

| Membership Tier | Monthly fee | Commission rate (as a percentage of order value) |
|-----------------|-------------|--|
| Non-member | N/A | 12% commission rate |
| First-tier | RMB929 | 4% commission rate |
| Second-tier | RMB1,079 | 2% commission rate |

The below pictures illustrate the major types of vehicles by lengths for inter-city services:



Hybrid monetization model

We adopt a hybrid monetization model for our freight platform services — where we generate revenues through a combination of carrier membership fees and commissions. As we continue to grow our inter-city freight services, we are also extending our hybrid monetization model to our inter-city freight services across more regions and cities.

As of December 31, 2023, we operated this hybrid monetization model in all of the Mainland Chinese cities where we generated freight platform services revenue. Rather than a one-size-fits-all approach, in order to cater to diverse user needs and local market conditions across different regions, we have strategically adopted such hybrid monetization model with different membership and commission fee options available to carriers, based on our evaluation of the local market conditions. Such differentiated fee models not only allow us to monetize the freight transactions we facilitate but also allow carriers to maximize their earning potentials.

Mainland China’s road freight market is vastly diverse, with wide geographic variations in the level of economic development, market dynamics and user needs and preferences across regions. As a result, operating a hybrid monetization model at scale across so many cities is operationally challenging, especially when compared to those that rely predominantly on a single fee model. We have achieved this by combining our deep insight in local market conditions and practices on one hand, and our ability at the headquarters’ level to integrate local insight into firm-wide monetization strategy on the other hand, built upon our extensive on-the-ground capabilities.

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Diversified Logistics Services to Merchants

Drawing upon the proven success of our existing service offerings, we are constantly innovating and launching new transaction-based services to meet the diversified needs of merchants. With our leadership in intra-city freight services, we have successfully introduced a variety of new service offerings, including (i) integrated enterprise services; (ii) LTL services; and (iii) home-moving services. These efforts have made us an attractive one-stop destination for users to meet their diverse needs beyond freight services, which in turn reinforces user stickiness and engagement on our platform and increases our total addressable market. During the Track Record Period, our revenues generated from diversified logistics services were primarily from our integrated enterprise services.

- *Integrated enterprise services.* In addition to our standard freight platform services, we offer bespoke digital freight services to large- and medium-sized merchants through our integrated enterprise services. These services mainly include adhoc supplement of transportation capacity, multi-stop delivery, and assembling on-demand fleets that cover multiple vehicle types. Our adhoc supplement of transportation capacity allows enterprise merchants to quickly and easily increase their transportation capacity as needed, providing a flexible solution for peak periods or unexpected surges in demand. Multi-stop delivery enables merchants to consolidate multiple deliveries into a single trip, saving time and reducing costs while also offering more flexibility for our enterprise merchants. Additionally, our on-demand fleet assembly service covers multiple vehicle types, allowing our enterprise merchants to meet specific delivery requirements and ensuring that their goods are transported safely and efficiently.

We offer enterprise merchants with one-stop solutions customized to address their diverse logistics needs, such as tools that enable them to more efficiently request, manage, and pay for a significant number of deliveries, on both on-demand and long-term, scheduled basis. For example, during the peak seasons, with our extensive network of carriers, we arrange carrier capacity based on customized shipping needs of e-commerce merchants to ensure the speedy delivery from their factories to warehouses, from local shops to their end customers. Our on-demand integrated enterprise services effectively supplement the delivery force of our enterprise merchants, which allows them to manage their dynamic shipping demands without incurring significant costs in retaining a large in-house carrier crew. We also innovatively equip large enterprise merchants with the ability to efficiently manage a large number of freight transportation requests through a centralized, master account (as opposed to traditionally one account for each transaction). By doing so, we have fulfilled a significant gap that has long been underserved, especially for large enterprise merchants with highly sophisticated and time-consuming internal processes. According to Frost & Sullivan, we are one of the very few digital freight platforms in China that offer customized solutions targeted to large enterprises.

We have been constantly expanding and optimizing our integrated enterprise services, which covered substantially all types of vehicles available on our platform as of the Latest Practicable Date. Our carriers have the flexibility to accept orders from both freight platform services and integrated enterprise services. In addition to placing shipping orders directly through the enterprise-version of our mobile app, our enterprise merchants are also allowed to enter into logistics service agreements with flexible terms with us to fully customize their requests.

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We charge our enterprise merchants freight fees that are determined predominantly based on route distance and vehicle types. We also pay our carriers certain remuneration to facilitate us to source the suitable carriers to fulfill the shipping orders placed by our enterprise merchants, namely our fulfillment costs. With respect to the integrated enterprise services, we mainly earn the differences between the enterprise merchant freight fees and fulfillment costs paid to our carriers. Driven by the continued expansion of our enterprise merchant pool, the gross profits of our diversified logistics services increased significantly during the Track Record Period. For further details, see “Financial Information”.

- *LTL services.* We offer an end-to-end logistics solution to our merchants. We believe our LTL services represent a more economical option than FTL transportation to small- and medium-sized enterprise merchants who often do not have enough freights to load up a full truck. We charge such merchants freight fees that are primarily determined based on the size of goods and route distance.
- *Home-moving services.* We offer professional home-moving services to better meet individuals’ needs. Such individuals receive detailed instructions and recommendations on vehicle types so that they can easily choose the right vehicle to fulfill their home-moving orders. They can also choose from our dedicated home-moving team to help make their entire home-moving process a smooth, effortless one. We charge such individuals service fees that are predominantly determined by the type of vehicle, the distance traveled, and whether or not professional home-movers are required. We also offer various home-moving packages tailored to different household sizes, which is more intuitive for the individual merchants to select a combination that is most suitable for their orders. We also offer Japanese-style home-moving services, where we provide individual merchants with one-stop home-moving services, eliminating labor required from the merchants in the process.

Our technology-empowered logistics transaction platform offers a comprehensive suite of value-added services to carriers, making us an attractive one-stop shop for the carriers to meet their diverse and rapidly evolving needs. The breadth of our value-added service offerings also helps us attract a variety of other industry stakeholders, such as financial institutions, auto manufacturers and dealers, and aftermarket service providers, to our platform, thereby reinforcing its powerful network effects to all relevant stakeholders. During the Track Record Period, our revenues generated from value-added services were primarily from our vehicle sales and leasing services, and we only offered value-added services in Mainland China.

- *Vehicle sales and leasing services.* We operate an online marketplace for vehicle sales and leasing. On our platform, auto manufacturers and dealers can sell or lease their vehicle inventory to carriers in Mainland China. We charge service fees from the vehicle sales and leasing transactions facilitated through our platform. To a lesser extent, we procure vehicles directly from auto manufacturers or dealers and sell or sub-lease them to our carriers. In such case, we earn the price differences from the vehicles directly sold or subleased by us to carriers. We also provide carriers with other complementary services, such as registration of the license plates, to streamline the vehicle purchase process.

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- *Energy services and others.* We generate real-time recommendations of gas and charging stations to carriers in Mainland China based on such carriers’ real-time locations. Carriers are entitled to certain discounts for diesel, gasoline or electricity on our mobile app if they choose to refuel or recharge at our recommended stations. We directly process carrier payments to the gas and charging stations on our mobile app, and receive service fees from such gas and charging station operators calculated based on sales volume. We also offer various types of credit solutions to carriers to help them meet their working capital needs. We facilitate funding to carriers in Mainland China particularly for their vehicle purchases which are typically secured by the titles in the vehicles. We primarily cooperate with accredited third-party financial institutions to fund the cash loans to our carriers. Additionally, we offer financial leasing and micro-credit solutions to carriers through our own financial institutions. A small portion of the loans extended to our carriers is funded using our financial institutions’ own capital. As advised by the PRC Legal Advisor, under the applicable PRC laws and regulations, we are required to obtain licenses, approvals and permits related to financial leasing and micro-credit services when offered through our own financial institutions, while we are not required to obtain such licenses, approvals and permits for the financial leasing and micro-credit services provided through our cooperation with third-party financial institutions. As further advised by the PRC Legal Advisor, (i) we have obtained all requisite licenses, approvals and permits necessary for our operations of financial leasing and micro-credit services in the PRC; and (ii) the operations of our financial leasing and micro-credit services in the PRC are in compliance with the PRC laws and regulations in all material respects.

OUR ECOSYSTEM

Powerful Network Effects

We have fostered a platform-based ecosystem to create significant values for merchants, carriers and other stakeholders along the industry value chain across geographies, transforming the logistics industry with technology.

Our ecosystem has created a powerful, self-reinforcing network effect. In more than 400 cities around the world, we have built a large number of “local-networks” of local carriers and merchants. As we attract more carriers and merchants to our network, the number of shipping orders available on our platform grows rapidly, which in turn attracts more carriers and merchants and other industry stakeholders to our platform and reinforces the powerful network effects of our platform.

We are working relentlessly to further expand and refine our service offerings and provide one-stop solutions to enable other industry stakeholders. By connecting more industry stakeholders through our digital transaction platform, we strive to further enhance its network effects and offer compelling value propositions to all stakeholders.

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Our Merchants

We use the term “merchants” to refer to shippers who use our platform to find carriers. Our merchants consist of businesses of all sizes and individuals. According to Frost & Sullivan, among all providers of intra-city freight services in Mainland China, we have the largest merchant base as of June 30, 2023, covering a wide array of industries with diversified logistics service needs. In 2023, our platform connected a large network of 13.4 million average merchant MAUs, in over 400 cities across 11 markets globally.

Our merchants operate in a wide variety of industries, including new and traditional retail, e-commerce, manufacturing and construction, as well as industry segments across the entire supply chain, from procurement and manufacturing to warehousing and end-customer delivery. We categorize the merchants on our platform into below categories.

- *SME merchants*: Small- and medium-sized enterprises, or SMEs. We address the critical logistics challenges faced by SMEs. SMEs generally have a higher demand for same-day or instant delivery than larger businesses. Our platform is able to satisfy the daily, on-demand logistics service needs of these SMEs and save them the costs of keeping an in-house carrier team. SMEs currently constitute the majority of our merchants.
- *Large enterprise merchants*: We also increasingly focus on serving and building long-term relationships with large merchants, especially key corporate accounts. We provide our large enterprise merchants with customized, integrated enterprise services tailored to their specific needs. We also offer additional value-added services, such as credit terms, to our large enterprise merchants.

The following sets forth key terms of our agreements with merchants who use our freight platform services to find carriers:

| | |
|--------------------------------|---|
| Services | We entrust a carrier to complete the freight platform services after we have received a request from a merchant; and we provide the carrier with the relevant information that the merchant submits to us; |
| Representations and Warranties | The merchant acknowledges that we only provide services as an online freight platform, and the merchant may not request any form of non-freight services from the carrier; |
| Data Privacy | By using our services, the merchant agrees to authorize us to collect, use, retain and update relevant information (including but not limited to personal data such as name, contact number, identification number, and geographical location) of the merchant and the merchant undertakes that such personal information is true, accurate and up-to-date; and |

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Termination

The merchant shall be responsible for any breach of contract, and we have the right to terminate the agreement and seek full compensation from the merchant for any loss incurred.

We have a dedicated and experienced account management team serving selected merchants who use our integrated enterprise services. As we become more knowledgeable about the business and process of such merchants, we are able to further expand and refine our service offerings customized based on their diverse and evolving needs.

We provide effective incentives in the form of discounts or coupons to attract new merchants. When we launch a new service offering or expand into a new geographic region, we typically offer additional incentives to new merchants.

Our Carriers

We have an extensive network of reliable carriers on our platform. We had 9.2 million verified carriers as of December 31, 2023.

Most of our carriers are individual owner-operators who have traditionally relied heavily on offline logistics services. They used to have to wait for work at logistics parks or wholesale markets, where shipping orders are placed in a disorganized manner and had to go through multiple layers of brokers to negotiate and reach a deal. By digitalizing the entire logistics industry, our platform seamlessly connects carriers with a massive pool of merchants, providing them with one-stop shop for freight and other service offerings.

Our large carrier base also enables us to connect merchants to a vast array of vehicles, ranging from minivans to heavy-duty trucks.

We attract new carriers mainly through word-of-mouth referrals, sticker marketing, and effective advertizing conducted by our on-the-ground sales and marketing teams. We encourage our carriers to place stickers of our brightly colored logo on their vehicles. As these vehicles run on the road, it naturally captures the attention of other carriers. Our on-the-ground teams also play a crucial role in acquiring new carriers. They go to logistics parks and wholesale markets to promote our platform and services to carriers.

We enter into a written agreement with every carrier who expresses interest in displaying our logo on their vehicles. These agreements clearly outline the specific terms, conditions, and branding guidelines that govern the display of our logo. It is explicitly stated in these agreements that carriers are prohibited from removing, altering, or tampering with the logos on their vehicles without obtaining our prior consent and violation of this provision may result in penalties imposed on the carriers, and that we are not under any obligation to pay carriers compensation for displaying our logo on their vehicles. Carriers' abilities to use our platform are not conditioned upon their consent to display our logo or apply advertisements on their vehicles. We believe that we have complied with all relevant laws and regulations concerning the display of logos on vehicles in each region and geographical market where we operate in all material respects.

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As advised by our PRC Legal Advisor, the laws and regulations in the PRC governing car-wrap advertising mainly focus on advertising administration and traffic safety. These regulations vary across national and regional levels. With respect to advertising administration, some geographic regions restrict or even prohibit the installation of profit-making outdoor advertisements on vehicles other than specific types, such as rail transport vehicles, buses, trolley-buses, taxis, and freight taxis. With respect to traffic safety, car-wrap advertising should not compromise safe driving, and certain geographic regions also have established restrictions on car-wrap advertising to ensure safety, including specifications regarding the sizes, positions, and colors of stickers on vehicles, as well as regulations on visible light transmission where applicable. The implementation practices of laws and regulations governing car-wrap advertising vary significantly across the geographic regions in the PRC.

We are fully committed to complying with the laws and regulations governing car-wrap advertising in each geographic region where we operate in the PRC. To ensure compliance with these requirements, we have implemented the following measures:

- (a) Requesting carriers to complete relevant filings with regulatory authorities after applying paints to display our logo on their vehicles;
- (b) Providing guidance to carriers on the appropriate positioning and appearance of car-wraps; and
- (c) Employing alternative advertising strategies in areas where stricter restrictions or prohibitions on car-wrap advertising are in place.

These measures have been acknowledged by regulatory authorities across various localities, and as of the Latest Practicable Date, there have been no objections or ongoing governmental investigations related to our car-wrap advertising practices.

After its inquiry and search on the website of SAMR, (i) the PRC Legal Advisor advises that we have not been subject to any administrative penalties in connection with car-wrap advertising that, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations; and (ii) the PRC Legal Advisor is not aware that the Group is involved in any ongoing governmental investigations in relation to car-wrap advertising.

Having considered the foregoing, the PRC Legal Advisor affirms that, as of the Latest Practicable Date, we comply with relevant laws and regulations regarding the display of logos on vehicles in each geographic region where we implement car-wrap advertising in the PRC in all material respects.

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The following sets forth key terms of our agreements with carriers who use our freight platform services:

| | |
|--------------------------------|--|
| Services | We distribute to carriers' information to merchants. In some cities in which we operate, we offer memberships to carriers; |
| Representations and Warranties | The carrier represents that he or she has obtained all certificates and qualifications required for cargo transportation under the applicable laws. The carrier further acknowledges that we only facilitate but are not a party of a specific freight service transaction; |
| Data Privacy | The carrier irrevocably agrees to authorize us to collect, use, retain and update relevant information (including but not limited to personal data such as name, contact number, identification number, and geographical location) of the carrier and the carrier undertakes that such personal information is true, accurate and up-to-date; and |
| Termination | In case of breach of contract, such as illegal charges, disrupting the order of the platform, virtual transactions, transferring and selling the information of each freight service transaction, the carrier shall bear the responsibility, and we have the right to terminate the agreement and demand full compensation from the carrier for any loss incurred. |

We place great emphasis on the safety of merchants and carriers on our platform. To join our carrier network, a carrier has to submit his or her ID and vehicle details online for verification, and then complete a face-to-face verification at one of our offline stores. Prior to onboarding a new carrier to our platform, we run a robust process of background and qualification screening. We provide mandatory training to each new carrier as part of their onboarding process, and offer existing carriers various on-the-job trainings to hone their skills and capabilities. We continuously monitor and evaluate the performance of our carriers by leveraging our proprietary technology. Our comprehensive service rating system enables the merchants to rate the services of carriers, and lower ratings may result in longer settlement terms for freight fees with a range from seven days to 30 days as well as lower priority for order matching. To enhance our carriers' safety awareness, we actively convey safety messages on our mobile apps and social media channels. We also collaborate with relevant government authorities to create a safety culture for our merchants and carriers.

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We are promoting the application of Anxinla (安心拉), an in-vehicle intelligent transportation IoT system, to all vehicles registered on our platform to ensure transparency and safety to both our merchants and carriers. With its high-quality video recording function and the three-camera design, Anxinla allows us to obtain real-time images and recordings during the transportation while monitoring the vehicle’s inside and outside environments. Anxinla is also capable of maintaining a recording quality with sufficient information even when the recording condition is compromised, such as recording at night or in low-light situations. In the event of an emergency, Anxinla provides carriers with a one-click alarm option. Once the alarm is activated, our security officer will be promptly notified. For further details of Anxinla, see “— Our Technology”.

In addition to the application of Anxinla, we have also employed the following measures to promote personal and freight safety:

- We require new carriers to complete an online safety training and pass a safety test before they can take orders via our platform;
- We, from time to time, hold online and offline safety education training sessions on topics including freight safety and anti-fraud awareness; and
- We have adopted an internal procedure to enable us to better respond to public safety emergencies.

We deploy a dedicated customer service team for our carriers. By calling the customer service hotline, carriers can receive in-person, timely help with navigating the onboarding process, ensuring vehicle readiness and compliance, and addressing their day-to-day concerns.

We use incentives to attract and retain carriers. Carrier incentives generally include payments we make to carriers should they accept certain less popular shipping orders, or if they complete a certain number of consecutive orders on the platform within a specified period of time. In some cases we also pay referral fees to carriers who refer new carriers to our platform. We believe these incentives help nurture a sense of belonging among our carriers, enhance their loyalty to our platform and expand the pool of available carriers on our platform.

Other Ecosystem Participants

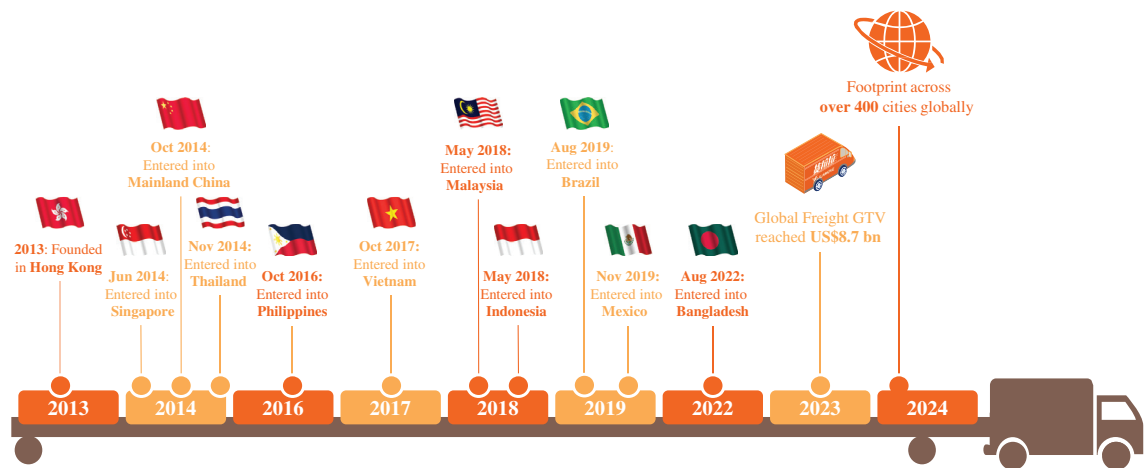
Our ecosystem also offers compelling value propositions to other stakeholders, such as home-movers, auto manufacturers, dealers and financial institutions. By providing one-stop solutions to these stakeholders, we enable them to better serve other stakeholders along the logistics value chain, while generating attractive returns for them.

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Our Growing Global Footprint

We have positioned ourselves as a global company since inception, as we are dedicated to digitalizing freight transactions across the world.

Founded in Hong Kong, we quickly tapped into Mainland China and Southeast Asia in 2014 and other overseas markets, such as the LatAm markets afterwards. Today, our global operations span 11 geographic markets, including Mainland China, Hong Kong, Thailand, the Philippines, Singapore, Indonesia, Vietnam, Malaysia, Mexico, Brazil, and Bangladesh. We intend to expand into new markets and further penetrate in existing markets in Southeast Asia and LatAm. The below chart illustrates the key milestones in our global expansion.



We believe we are a leader and pioneer in global expansion among all China-based freight transaction platforms. According to Frost & Sullivan, we are among the first China-based freight transaction platforms to operate in Southeast Asia, one of the largest and most promising markets for digital freight transaction platforms globally.

In 2023, we facilitated over 588.4 million fulfilled orders with a global freight GTV of US\$8,736.3 million. In 2023, we had approximately 13.4 million average merchant MAUs and 1.2 million average carrier MAUs in over 400 cities across 11 markets globally. The scalability and proven success of our business model have allowed us to expand rapidly in overseas markets with attractive market conditions. Specifically, in 2023, our overseas markets in aggregate accounted for 8.8% of our total revenue.

We operate a largely homogeneous business model across geographies based on a common underlying technology infrastructure and a wealth of know-how, with offerings tailored to meet local needs and preferences. In our closed-loop transaction model, we develop and localize the service offerings on our platform to serve a highly diverse population across multiple markets and regulatory regimes. We believe it is difficult to enter into the overseas markets without first developing deep local insight and operational know-how. While the more critical firm-wide decisions are made at the headquarters' level, we have relied on our experienced on-the-ground teams to implement our

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firm-wide strategies locally, and the day-to-day operations, such as carrier acquisition and management and marketing strategies, are delegated and primarily carried out locally with optimal operational efficiency.

We recruit talents locally to better serve the local communities. Leveraging their localization experience and insight, our on-the-ground teams are able to provide an instantaneous feedback loop to help management make better decisions. With first-mover advantages in many of our existing overseas markets, we continuously refine our service offerings to adapt to local needs and preferences, as many of these overseas markets have distinct characteristics that necessitate dedicated focus and extensive market knowledge. As part of our localization efforts, in many geographic markets in which we operate, we also offer extensive video training for carriers available in local languages. Driven by these locally-tailored product innovations, we have been able to quickly build market share, brand recognition and mindshare, and effectively compete against the competitors in the local markets.

As a result of our continued efforts in localization and the effective implementation of our proven operational expertise and shared technological infrastructure, we have experienced rapid growth in our overseas markets:

For the first time,

- In November 2018, our daily overseas fulfilled orders surpassed 50,000.
- In December 2018, our monthly overseas GTV exceeded US\$10 million.
- In December 2020, our daily overseas fulfilled orders exceeded 300,000.
- In December 2023, our monthly overseas GTV reached approximately US\$80 million.

The below examples illustrate our growth strategies in Southeast Asia:

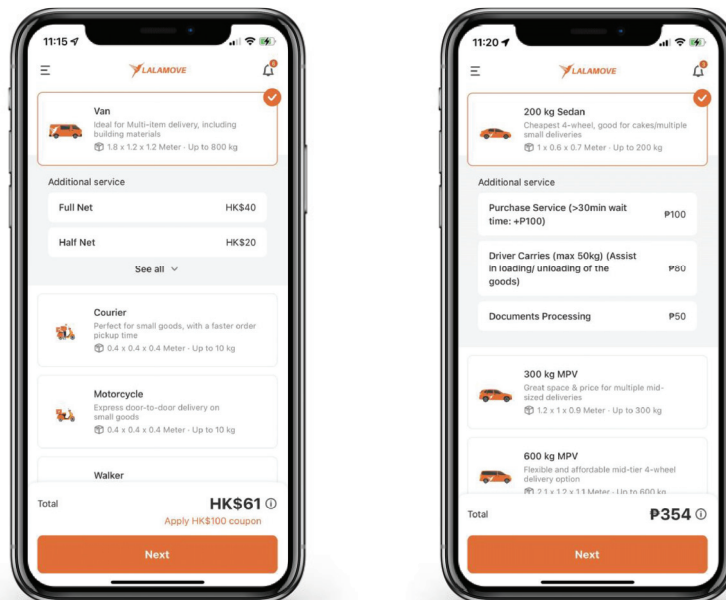
We entered Singapore and Thailand in 2014, and quickly expanded into other major Southeast Asian markets. Today, our operations cover all major Southeast Asian markets including Thailand, Indonesia, the Philippines, Singapore, Vietnam and Malaysia. In Southeast Asia, we generate our revenue predominately by charging commissions from carriers. To address the local demand for more flexible, convenient delivery options in urban environments, we offer two-wheeler delivery services in selected markets across Southeast Asia in addition to our traditional four-wheeler delivery services. In some of our Southeast Asian markets, we also provide same day and door-to-door delivery services to penetrate into the local markets and effectively compete with the local competitors.

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In 2018, we entered into Jakarta, the capital and largest city of Indonesia, and established solid local presence within four years. Our fulfilled orders in Jakarta increased from 11.6 million in 2021 to 12.9 million in 2023, representing a CAGR of 5.5%. During the COVID-19 pandemic, our two-wheeler carriers in Jakarta have provided continuous, strong support to the local communities. Since 2021, we have strategically devoted more resources to our four-wheeler business in Jakarta, leveraging our operational know-hows acquired from our operations in Mainland China. For example, we replicated the sticker marketing strategy in Jakarta to enhance our mindshare among merchants and carriers in a cost efficient manner. In December 2023, 40% of four-wheeler vehicles operated by our active carriers in that month in Jakarta carried our logo stickers. Accordingly, the GTV of our four-wheeler business in Jakarta increased from \$5.6 million in 2021 to \$31.3 million in 2023 at a CAGR of 136.4%.

Our success in Jakarta is not only due to our continued implementation of localization strategies, for which we recruit local talents to operate the business and develop locally-tailored product innovations, but also because of our ability to constantly transfer the proven operational know-hows from our existing markets. Going forward, we will continue to drive our business growth in the overseas markets through a combination of localization and replication of proven practices across geographies.

Our merchants and carriers in Southeast Asia use the mobile app of *Lalamove* customized based on local preferences and languages, as illustrated in the below screenshots:



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OUR TECHNOLOGY

Technology is the backbone of an innovative company like ours. Our advanced proprietary technology and extensive data insight allow us to relentlessly innovate and refine our service offerings to adapt to the users' evolving needs, while continuing to improve the operational efficiency. We have built proprietary technology and accumulated extensive data insight around major elements of the logistics industry to transform and create value for all participants in the logistics industry.

AI-based Pricing and Order Matching and Dispatching Algorithms

Our powerful AI capabilities allow us to expeditiously match available carriers with merchants in need. We have developed market-leading proprietary pricing and order matching and dispatching algorithms through the massive data accumulated from millions of historical transactions completed on our platform. Leveraging our strong AI and big data analytics capabilities, a carrier typically can respond within 15 seconds after a shipping order is submitted, and for our intra-city services, a carrier typically can arrive at the pick-up location in around 5 minutes. Our AI-based pricing algorithm is also able to catch significant shifts in merchant demand and carrier supply, which helps optimize transaction pricing and reduce potential pricing disputes for both merchants and carriers.

AI-based Pricing Algorithm

Our AI-based pricing algorithm enables merchants to accurately price the shipments in advance. In particular, such algorithm is capable of automatically activating the dynamic pricing function when it detects significant shifts in merchant demand and carrier supply, especially in high-demand areas and during peak hours, which helps to rebalance carrier supply and merchant demand. Our AI-based pricing algorithm is trained and optimized using a variety of proprietary data we collect throughout the end-to-end transaction process, including user input, such as vehicle types, pick-up and drop-off locations and, if the merchants need a multi-stop delivery, stops along the routes. Based on a real-time holistic analysis of the data, our AI-based pricing algorithm can instantly calculate and dynamically adjust freight fees to reflect notable shifts in merchant demand and carrier supply. Based on our large transaction volume, we can easily accumulate massive torrents of data, such as the data on the demand and supply of various vehicle models in different cities.

AI-based Order Matching and Dispatching Algorithm

We have industry-leading freight matching capability in terms of response rate, response time and designated capacity during the peak time, according to Frost & Sullivan. While our order matching and dispatching algorithm allows the carriers to pick their preferred orders on a first-come-first-served basis, it also helps assign the orders to the most suitable carriers based on our analysis. We have deployed a comprehensive automated labeling system that incorporates a variety of labels organized into different data categories and are continuously streamlining the entire freight matching process by analyzing, aggregating, categorizing and profiling transaction data generated by carriers and merchants. To determine the most suitable carrier to take the order, we will conduct an analysis of various characteristics of the interested carriers. These characteristics may include the distance from the merchant, as well as the historical cancellation and order completion rates of the interested carriers.

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Anxinla (安心拉)

To enhance safety and transparency to both merchants and carriers, we developed and adopted an intelligent transportation IoT system, Anxinla (安心拉), in March 2021. Anxinla encompasses a wide range of features, including audio and video recording within and outside vehicles, real-time vehicle positioning and route tracking, alarm systems, voice prompts and built-in algorithms. In particular, the three-camera-design of Anxinla allows us to obtain real-time information on road conditions, carrier status and cargo abnormalities.

Anxinla can detect any safety issues, through its camera in the passenger cabin. Anxinla also helps monitor the cargo conditions through our camera in the cargo cabin to prevent damage during the entire transportation process. The third and last camera monitors the real-time road condition. The use of Anxinla makes the order fulfillment process safer and more transparent, which in turn enhances user stickiness and engagement on our platform.

Equipped with edge computing capability, our three-camera IoT system is able to store and process the data collected during the order fulfillment process in real-time, which helps to provide more useful feedback to the users. Anxinla’s edge computing architecture allows data to be saved and processed closer to the “edge” (i.e., the IoT devices installed on the vehicles), enabling the data to be transmitted to third party cloud platforms or data centers with lower latency, thus reducing the costs associated with network and servers. The agreements we have entered into with our cloud service providers explicitly stipulate that they are prohibited from storing or transferring the data outside of China. This requirement is in place to ensure their compliance with our data protection policies, as well as the applicable laws and regulations in China.

We also developed an integrated IoT software in-house to support the operation of the intelligent transportation IoT system around the clock. Benefiting from the in-house development, the function and iterative designs of our IoT software are further customized to address evolving user needs and enable a broad and increasing array of functions, including:

- *HD recording*: Aided by its high-quality video recording function and the three-camera design, Anxinla allows us to obtain real-time images and recordings during the transportation while monitoring inside and outside environment of the vehicle in compliance with applicable laws and regulations. Anxinla is also capable of maintaining a recording quality with sufficient information even when the recording condition is compromised, such as recordings at night or in low lighting situations. For details on data privacy, see “— Cybersecurity and Data Privacy”;
- *Speeding alarm*: Anxinla’s built-in vehicle speed sensor and real-time speed detection model enable it to identify driving at excessive speeds and actively inform us in a timely manner; and
- *One-click alarm*: Anxinla provides carriers with a one-click alarm option in the event of an emergency. Once the alarm is activated, our security officer will be promptly notified.

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Real-time In-transit and Delivery Tracking

Our real-time tracking system uses GPS technology to allow merchants to track in-transit and delivery details in real-time, providing increased transparency and safety. Through such tracking system, we also track the real-time movement of each on-duty vehicle.

Logistics-Centric Digital Maps

Compared to digital map services widely used in passenger transportation, digital maps used in freight transportation generally require a higher level of accuracy and reliability and more road-freight specific points-of-interest (“POIs”) (i.e., specific locations on a digital map which may be of interest to a user, such as gas and service stations) and other traffic information (e.g., road restrictions and blocks) given that freight goods typically must be carefully managed from its origin to its destination and loaded/unloaded at designated specific locations. This motivated us to develop and launch our proprietary AI-powered digital map in cooperation with qualified third-party digital map service providers.

The data source of our digital maps primarily come from the third-party mapping service providers. With the prior consent of our users, we also utilize the valuable data insights generated from freight transactions facilitated on our platform to continuously enhance, optimize, and iterate our digital mapping solution.

Based on our GPS data, our proprietary map will generate automatic recommended pick-up and drop-off points and therefore facilitate the merchants’ selection of pick-up and drop-off locations, as illustrated in the below screenshots.



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BUSINESS SUSTAINABILITY AND PROVEN PATH TO PROFITABILITY

Introduction

Following years of expansion and investment, we recorded a net profit of US\$972.7 million in 2023. This demonstrates our ability to grow sustainably and profitably as a leading platform of scale.

Our historical loss-making positions in 2021 and 2022 were primarily due to our continued significant investments in scale and geographic expansion, user growth and engagement, and product innovations. As a result of these investments, we have built a vast network of carriers and merchants and established ourselves as the market leader and the preferred choice for digital freight services in intra-city freight markets, providing a solid foundation for our sustainable growth and profitability in the long run. These investments have also enabled us to achieve significant growth in GTV and revenue during the Track Record Period, solidifying our long-term market leadership. Specifically, in 2023, we achieved a global GTV of US\$9,414.3 million, constituting a year-over-year growth of 28.8% compared to 2022. Our global GTV increased from US\$6,763.4 million in 2021 to US\$9,414.3 million in 2023 at a CAGR of 18.0%. Our total revenue increased from US\$844.8 million in 2021 to US\$1,334.2 million in 2023 at a CAGR of 25.7%.

Our profitability in 2023 was mainly driven by our massive network effects, effective monetization strategies, increased revenue streams and improving operating efficiency.

- *Massive network effects:* During the Track Record Period, we experienced continuous growth in user base and level of user engagement on our platform. This was evidenced by our increasing global freight GTV, from US\$6.2 billion in 2021 to US\$8.7 billion in 2023.
- *Effective monetization strategies:* Our hybrid monetization model, where we generate revenues through a combination of carrier membership fees and commissions, has effectively allowed us to translate the GTV growth into revenue growth. While we historically generated a substantial majority of our freight platform services revenues through carrier membership fees, we have improved our profitability during the Track Record Period partially due to the gradual adoption of our hybrid monetization model which allows us to charge an increasing amount of commissions based on the closed-loop GTV of our freight services. During the Track Record Period, commissions as a percentage of freight platform services revenues in Mainland China increased from 11.7% in 2021 to 57.0% in 2023, and now we have a balanced mix of carrier membership fees and commissions generated from freight platform services in Mainland China. This contributed to our growing freight platform services monetization rate in Mainland China from 7.6% in 2021 to 10.3% in 2023.
- *Increased revenue streams with improving gross profit margins:* We are constantly expanding our portfolio of service offerings, such as integrated enterprise services launched in 2017 and home-moving services launched in 2019, to address our users’ diverse needs. These efforts have enabled us to diversify and increase our revenue streams with improving gross profit margins and better monetize our massive user base. See “— Expand product portfolio and increase revenue streams” for details.

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- Improving operating efficiency:* With our leading position and scale achieved through our initial investments in technology, branding and user acquisition and experience, we were able to manage our growth in a more cost-effective manner. As a result, our gross margin increased from 39.4% in 2021 to 61.2% in 2023 and our operating expenses as a percentage of our revenue decreased from 122.2% in 2021 to 40.5% in 2023.

Going forward, we will seek to continue to improve profitability by implementing the following strategies. Our ability to improve cash flow will in turn benefit from our improving profitability, asset light business model, negative operating working capital and limited capital expenditure, as discussed in detail below.

Continue to grow our massive user base and GTV

Attracting carriers and merchants and increasing their engagement with our platform is crucial to driving GTV and revenue growth, and ultimately our ability to improve profitability. This is why we invested heavily in building a platform of scale at the early stages of our development. With this achieved, we are well-positioned to capitalize on the scale of our platform and our enlarging addressable market as a result of the increasing online penetration rate of the freight services market in China and around the world.

The following table sets forth details of our average merchant and carrier MAUs for the periods indicated:

| | For the Year Ended December 31, | | |
|---|---------------------------------|-------|---------|
| | 2021 | 2022 | 2023 |
| Average merchant MAUs (in millions) | 9.6 | 10.4 | 13.4 |
| Average carrier MAUs (in thousands) | 820.6 | 916.5 | 1,212.3 |

Due to the compelling value propositions our platform delivers to users, we have experienced continued growth in the level of user engagement on our platform. Our global freight GTV increased from US\$6,157.4 million in 2021 to US\$8,736.3 million in 2023 at a CAGR of 19.1%.

We aim to further expand our user base and drive GTV growth on our platform through continued geographical expansion. As of December 31, 2023, we operated in more than 400 cities globally, including approximately 360 Mainland Chinese cities. We intend to continue to expand our platform into an increasing number of Mainland Chinese cities and overseas markets, and increase penetration of our services in existing markets. According to Frost & Sullivan, the online penetration of intra-city freight transactions in China was only 4.1% in 2022, and it is expected to increase rapidly to reach 7.3% by 2027. With the market leading position, our revenue growth is expected to benefit from the growing penetration rate without making significant, increased investments to enlarge our market shares.

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We also intend to attract more merchants and carriers, and encourage them to complete more transactions via our platform by innovating our offerings to cater to their evolving preference and business needs, and enhancing their experience using our platform and services. For example, we will continue to invest in enabling merchants and carriers to complete their entire freight transactions on our “closed-loop” platform more easily and securely. We believe this convenient, one-stop experience is a critical part of users’ decisions to use our platform, especially when compared to other information listing platforms. Additionally, we will continue to increase our freight matching efficiency and fulfillment rate by leveraging our big data analytics and strong AI capabilities.

Enhance monetization potential through effective hybrid monetization model

Benefiting from a growing massive user base and enormous transaction volume, we intend to improve our profitability by further enhancing our monetization potential through our hybrid monetization model and diversified monetization channels.

Our overall ability to monetize the freight transactions facilitated through our platform is significantly affected by our fee model. When we first entered Mainland China, our current largest market, we initially adopted carrier membership fees as the major means of monetization. As we continue to amass a sizable and growing carrier base, we began to adopt a hybrid monetization model in 2018 in selected Mainland Chinese cities. Under this hybrid monetization model, we effectively monetize our freight platform services through a combination of carrier membership fees and commissions determined based on local market conditions. We believe our hybrid monetization model not only maximizes carriers’ earning potentials by providing them with different membership and commission fee options, but also improves our overall monetization results. As of December 31, 2023, we operated our hybrid monetization model in all of the Mainland Chinese cities where we generated freight platform services revenues.

We have designed our hybrid monetization model to provide carriers with greater earning potential, based on the frequency with which they use our platform. By purchasing a higher tier of membership plan, carriers generally can enjoy lower commission rates, which motivates frequent users of our platform to upgrade their membership to a higher tier. This results in a win-win situation where carriers receive strong value propositions and incentives to complete more orders, while we can effectively monetize the overall transaction volume on our platform.

As an example, we offer three tiers of membership to carriers operating certain vehicle types in Shenzhen, Mainland China. The following table summarizes the details of these membership tiers as of December 31, 2023.

| Membership Tier | Monthly fee | Commission rate (as a percentage of order value) |
|------------------------|--------------------|---|
| Non-member | N/A | 18% commission rate |
| First-tier | RMB239 | 14% commission rate |
| Second-tier | RMB539 | 11% commission rate |
| Third-tier | RMB789 | 8% commission rate |

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We use “freight platform services monetization rate” to measure our overall ability to monetize the freight transactions we facilitate on our platform. Our freight platform services monetization rate is calculated by dividing the revenue from freight platform services by our freight platform GTV. Commissions as a percentage of freight platform services revenues in Mainland China increased significantly during the Track Record Period and now we have a balanced mix of carrier membership fees and commissions generated from freight platform services in Mainland China. This contributed to our growing freight platform services monetization rate in Mainland China, from 7.6% in 2021 to 10.3% in 2023. The gross profit margin of our freight platform services in Mainland China increased from 58.8% in 2021 to 80.6% in 2023.

In addition to monetization model, our freight platform services monetization rate is also affected by various factors, such as changes in our service offering mix, our expansion and carrier engagement strategy and local market competitions, among others. Our freight platform services monetization rate may fluctuate from period to period, due to a combination of these factors. For example, as we are currently incubating our inter-city freight services, in order to accelerate growth and achieve broad city coverage, we have strategically set relatively low charges on the carriers, which has diluted our overall freight platform services monetization rate. Additionally, we believe the fluctuation in our freight platform services monetization rate was also in part due to the incentives that we offered to carriers as an expansion and user engagement strategy. For a more detailed discussion of carrier incentives, see “Financial Information — Key Factors Affecting Our Results of Operations — Specific Factors Affecting Our Results of Operations — Our ability to expand our carriers and merchants base and increase their engagement with our platform”.

In the future, we will continue to dynamically optimize our hybrid monetization model to drive our long-term sustainable growth. In order to organically increase carriers’ willingness to pay, we have invested, and will continue to invest, significantly in improving our freight matching efficiency and enhancing carriers’ earnings potential through our platform instead of relying on a sustained period of significant subsidies.

Expand product portfolio and increase revenue streams

We plan to continue to expand our product and service offerings to address the evolving needs of our massive, fast growing and highly engaged users. This effectively increases our revenue streams and enables us to better monetize our massive user base and the tremendous volume of freight transactions facilitated via our platform, paving the way for our long-term profitability. Each new service increases our touch points with our users, enabling us to enhance engagement of and build long-term relationships with them.

We have been able to expand our offerings cost-effectively, as many of our new services are intended to meet our users’ unmet logistics and related needs based on our deep understanding of the global road freight industry. The expansion of our offerings also enables us to achieve economies of scale and synergies through the sharing of technology and operational capabilities as well as cross selling opportunities across different offerings. For example, while we started with an initial focus on intra-city freight services, we then successfully expanded into the inter-city freight market with a similar business model and the common platform infrastructure with our intra-city service

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offerings. This move was a natural extension of our merchant base’s logistics service demand, and it allowed us to increase our wallet share in the merchants’ spending. Since the launch of our inter-city freight services in 2018 through 2023, more than 70% of the first-time merchants were existing merchants using our intra-city freight services.

In addition, we have demonstrated a proven track record of identifying evolving logistics service demands and innovating our offerings to address these demands. These new offerings include our diversified logistics services, such as integrated enterprise services launched in 2017 and home-moving services launched in 2019, and a variety of value-added services for carriers that we started to introduce since 2017. The table below sets forth the gross profit margins of our diversified logistics services and value-added services for the periods indicated:

| | For the Year Ended December 31, | | |
|--|---------------------------------|-------|-------|
| | 2021 | 2022 | 2023 |
| Diversified logistics services | 13.5% | 18.0% | 21.5% |
| Value-added services | 29.8% | 44.3% | 46.7% |

In addition, throughout the Track Record Period, we have continued to grow our operations in our overseas markets. The gross margin of our overseas segment increased from 36.6% in 2021 to 62.2% in 2023, primarily due to our focus on customers with higher monetization potential, and the reduced cost of revenue resulting from our enhanced operational efficiency as we leverage a largely homogeneous business model and technology infrastructure across geographies.

By analyzing the myriad of user needs naturally derived from our platform, we will continue to introduce new service offerings and explore additional revenue opportunities. We expect these efforts to increase our total addressable market and propel our growth with additional monetization opportunities, which will further enhance our ability to achieve and maintain profitability.

Increase operating efficiency to drive gross margins and operating margins

During the Track Record Period, we continued to improve our operating efficiency while steadily growing our business across various offerings and geographic markets. With our current scale in Mainland China and around the world, we managed to increase our operating leverage, which resulted in expanding gross margins and reduced operating expenses as a percentage of our revenue. Our major cost components consist of selling and marketing expenses, research and development expenses and general and administrative expenses.

Our sales and market expenses as a percentage of total revenue decreased from 79.7% in 2021 to 13.4% in 2023 as a result of our commitment to quality and capital-efficient growth. We expect such ratio to continue to decrease over time due to the following factors:

- We expect our platform to generate stronger network effects and higher user engagement and stickiness as we further solidify our market leadership. We expect this to enable us to continue to attract and retain carriers and merchants at scale with normalized spending on merchant discounts and promotions in existing and new markets;

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- We implement precise targeting of high-value merchants on our platforms as we accumulate more expertise and know-how by continuously evaluating and learning from past campaigns. Instead of mass discounting, this approach allows us to target discounts at specific merchant groups and regions that we believe generate higher returns based on data insight and algorithms, and we intend to continuously focus on this targeted marketing strategy; and
- We also benefit from greater economies of scale and synergies as certain types of spending, such as sticker marketing, carrier referral fees, and data-enabled targeted online marketing, are more cost-effective than traditional user acquisition and retention techniques and generally do not increase proportionately with our revenue as our business continues to grow.

While our research and development expenses increased from US\$176.2 million in 2021 to US\$196.8 million in 2022, they as a percentage of total revenue decreased from 20.9% in 2021 to 19.0% in 2022. Our research and development expenses subsequently decreased to US\$174.8 million in 2023, with the percentage of total revenue decreasing to 13.1%. In addition, while our general and administrative expenses increased from US\$182.5 million in 2021 to US\$204.3 million in 2022, they as a percentage of revenue decreased from 21.6% to 19.7% during the same period. Our general and administrative expenses subsequently decreased to US\$186.9 million in 2023, with the percentage of total revenue decreasing to 14.0%. The decreases in these expenses as a percentage of our total revenue were mainly due to our focus on improving economies of scale and cost management. In the future, while we will continue investing in research and development and general and administrative functions to support our long term growth, we expect our research and development expenses and general and administrative expenses to grow at a slower pace than our revenue growth, as they benefit from our growing economies of scale and the synergies and cost savings across our offerings and geographic markets. Particularly, we have been focused on improving economies of scale by adopting a largely homogeneous business model across geographic markets and building our platform upon a common foundation of core technology and data infrastructure that improves organically over time through the accumulation of operational know-how in all aspects of digitalized logistics transactions.

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Leverage our negative operating working capital and strong cash generating capabilities

Our business model benefits from strong cash flow generation. We receive prepayments of membership fees from carriers typically on a monthly basis. Additionally, due to the “closed-loop” nature of our platform, once the shipping order is confirmed, merchants are required to prepay the estimated freight charges to carriers upfront via our platform. Carriers typically will not cash out their earnings (i.e., the freight charges) immediately after a shipping order is fulfilled, and the balance of these freight charges have historically constituted the largest component of our trade and other payables. A significant balance of trade and other payables was the main reason for our consistent negative operating working capital throughout the Track Record Period. The following table sets forth our operating working capital as of the dates indicated:

| | As of December 31, | | |
|--|-----------------------|---------|---------|
| | 2021 | 2022 | 2023 |
| | <i>(US\$ million)</i> | | |
| Operating working capital ⁽¹⁾ | (422.0) | (478.3) | (512.0) |

(1) Operating working capital is calculated by subtracting current operating liabilities (trade and other payables and contract liabilities) from current operating assets (inventories, trade and other receivables and finance lease receivables).

Moreover, with our asset-light business model, we do not rely on buying or operating vehicles to provide our freight transaction services, and our capital expenditures have been and are expected to continue to be limited relative to the magnitude of our business. Historically, our capital expenditures were incurred primarily in connection with leasehold improvement and purchase of furniture, fixture and equipment. Our capital expenditures were US\$8.5 million, US\$5.3 million and US\$3.0 million, respectively, in 2021, 2022 and 2023. Our limited capital expenditure requirements, together with our strong cash flow generation capabilities, have led to robust operating cash flows and cash balances. Our cash and cash equivalents and deposits with banks were, in aggregate, US\$1,667.8 million and US\$1,888.9 million as of December 31, 2021 and 2023, respectively, representing a CAGR of 6.4%.

The foregoing discussion of our business sustainability and path to profitability contains forward-looking statements that are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause the actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. For related risks, see “Risk Factors — Risks Related to Our Business and Industry”.

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RESEARCH AND DEVELOPMENT

R&D is the key to our success. We have invested significantly in strengthening our research and development capacities to support our existing business while adding new features and functionalities to existing service offerings and solutions. In 2021, 2022 and 2023, we incurred US\$176.2 million, US\$196.8 million and US\$174.8 million of research and development expenses, respectively, representing 20.9%, 19.0% and 13.1% of our total revenue during the same periods.

Our talented research and development team and robust technology architecture enable us to continuously introduce new innovations and offer superior user experience. Our research and development team primarily includes technology and platform development engineers that are focused on developing cutting-edge technology and implement enhancements and upgrades on our platform, risk management engineers that focus on cybersecurity and risk control, as well as infrastructure maintenance engineers that maintain our vast database and the stability of our platform.

Our R&D efforts can also be manifested by our enhanced reputation in the academic field. For example, in August 2021, we published an academic paper, namely “Improving the Information Disclosure in Mobility-on-Demand System”, which was highly recognized and selected by the 27th Association for Computing Machinery’s Special Interest Group on Knowledge Discovery and Data Mining (ACM SIGKDD) Conference on Knowledge Discovery and Data Mining.**

OUR CUSTOMERS AND SUPPLIERS

We consider a customer as a person or entity from whom we generate revenues from the services we provide via our online platform. We have a broad base of customers including businesses of all sizes and individuals. Our top five customers, which primarily comprise enterprise merchants of our integrated enterprise services, accounted for 5.7%, 4.4% and 2.0% of our total revenue for each of the years ended December 31, 2021, 2022 and 2023, respectively. Carriers are the major customers of our freight platform services, and substantially all of our carriers are individuals with low revenue contribution. To the best of our Directors’ knowledge, for each year during the Track Record Period and up to the Latest Practicable Date, none of our five largest customers is a connected person of us. As of the Latest Practicable Date, none of our Directors, their associates or any of our Shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) had any interest in any of our five largest customers.

Our top suppliers primarily include online promotion agents, vehicle suppliers for sales and rental services and IT services providers. Our top five suppliers in the aggregate accounted for 15.2%, 19.9% and 20.8% of our total cost of services for each of the years ended December 31, 2021, 2022 and 2023, respectively. All of our five largest suppliers for each period during the Track Record Period are Independent Third Parties. As of the Latest Practicable Date, none of our Directors, their associates or any of our Shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers in each fiscal year during the Track Record Period.

** ACM SIGKDD Conference is among the most influential and flagship conferences in the field of data analytics worldwide, which imposes a high selection criteria on the presentation and publication of submitted papers.

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The table below sets forth the details of our five largest suppliers for each period during the Track Record Period.

| For the year ended December 31, 2021 | | | | | | | |
|--------------------------------------|------------|----------------------------|--|-------------------------------------|---|---|-----------------------|
| Rank | Supplier | Cost of services | Percentage of the total cost of services | Type of services supplied | Principal business | Years of business relationship with the Group | Typical credit period |
| | | <i>(US\$ in thousands)</i> | | | | | |
| 1 . . . | Supplier A | 15,859 | 3.8% | Vehicle supplier-rental | New energy vehicle operation and related services | 3-4 years | 30 days |
| 2 . . . | Supplier B | 13,066 | 3.2% | IT service | Cloud computing technology and services | 2-3 years | None |
| 3 . . . | Supplier C | 12,664 | 3.1% | IT service | Professional and secure cloud services | > 3 years | None |
| 4 . . . | Supplier D | 11,881 | 2.9% | IT service and online app promotion | IT infrastructure cloud service | 2-3 years | None |
| 5 . . . | Supplier E | 9,034 | 2.2% | Online promotion agent | Internet advertising, media, marketing, planning | 3-4 years | None |
| Total | | <u>62,504</u> | <u>15.2%</u> | | | | |

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For the year ended December 31, 2022

| Rank | Supplier | Cost of services <i>(US\$ in thousands)</i> | Percentage of the total cost of services | Type of services supplied | Principal business | Years of business relationship with the Group | Typical credit period |
|-----------------|------------|--|--|---------------------------|---|---|-----------------------|
| 1 . . . | Supplier A | 22,414 | 7.5% | Vehicle supplier-rental | New energy vehicle operation and related services | 3-4 years | 30 days |
| 2 . . . | Supplier B | 10,382 | 3.5% | IT service | Cloud computing technology and services | 2-3 years | None |
| 3 . . . | Supplier F | 9,858 | 3.3% | Online promotion agent | Online content services | > 4 years | 30 days |
| 4 . . . | Supplier C | 9,770 | 3.3% | IT service | Professional and secure cloud services | > 3 years | None |
| 5 . . . | Supplier E | 6,807 | 2.3% | Online promotion agent | Internet advertising, media, marketing, planning | 3-4 years | None |
| Total | | <u>59,231</u> | <u>19.9%</u> | | | | |

For the year ended December 31, 2023

| Rank | Supplier | Cost of services <i>(US\$ in thousands)</i> | Percentage of the total cost of services | Type of services supplied | Principal business | Years of business relationship with the Group | Typical credit period |
|-----------------|------------|--|--|---------------------------|---|---|-----------------------|
| 1 . . . | Supplier A | 30,429 | 10.3% | Vehicle supplier-rental | New energy vehicle operation and related services | 3-4 years | 30 days |
| 2 . . . | Supplier B | 11,797 | 4.0% | IT service | Cloud computing technology and services | 2-3 years | None |
| 3 . . . | Supplier F | 8,203 | 2.8% | Online promotion agent | Online content services | > 4 years | 30 days |
| 4 . . . | Supplier G | 6,717 | 2.3% | Cloud hosting services | Cloud computing technology and services | <1 year | 30 days |
| 5 . . . | Supplier E | 4,244 | 1.4% | Online promotion agent | Internet advertising, media, marketing, planning | 3-4 years | None |
| Total | | <u>61,390</u> | <u>20.8%</u> | | | | |

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Overlapping Customer and Supplier

In 2022 and 2023, one of our top five suppliers, Supplier A, who primarily engages in electric vehicle (“EV”) solutions in China, was also our customer. In light of such company national footprint, premium resources and involvement in different EV solutions, we have established collaboration with such company in various aspects of our business. On one hand, we provided services to such company and its affiliated company as we promoted their vehicles and helped such company sell certain vehicles as part of our vehicle sale services. On the other hand, such company provided vehicle rental services and occasionally sold to us certain specific types of vehicles, whereas we subleased or sold such vehicles to carriers based on their needs. In 2022 and 2023, revenue generated from such company and its affiliated company represented 0.5% and 0.2% of our total revenue, respectively, and the amount of procurement we incurred represented 7.5% and 10.3% of our procurement, respectively. We entered into different agreements with such company and its affiliated company on an arm’s-length basis in the ordinary course of business, and we negotiated terms with such company and its affiliated company using independent business teams. To the best of our Directors’ knowledge, these transactions were neither dependent nor conditioned upon each other and there were no other overlap between our major customers/suppliers and our suppliers/customers. As of the Latest Practicable Date, to the best of our Directors’ knowledge, none of our Directors, their close associates or any Shareholders who owned more than 5% of the issued share capital of our Company, had any interest in this overlapping customer and supplier in 2022 and 2023.

SALES AND MARKETING

We enhance our brand awareness through the provision of high quality services and marketing initiatives. We primarily rely on word-of-mouth referrals as well as effective online and offline branding and marketing efforts. For example, a large number of our newly registered merchants and carriers are referred by our existing merchants and carriers, respectively. Branded vehicles with our bright colored brand logo help to further strengthen our brand image and the mental connection between logistics and our brands. We also leverage our on-the-ground teams to promote our platform and services to the carriers through personal connection and face-to-face meetings. In addition, we utilize other online marketing channels, such as app store advertising, search engine optimization and marketing campaigns on popular social media platforms. From time to time, we provide effective incentives in the form of discounts or coupons to attract more merchants and carriers to our platform. For a more detailed discussion of carrier incentives, see “Financial Information — Key Factors Affecting Our Results of Operations — Specific Factors Affecting Our Results of Operations — Our ability to expand our carriers and merchants base and increase their engagement with our platform”.

CUSTOMER SERVICES

We believe our superior customer services enhance our customer loyalty and brand image. As of December 31, 2023, our customer services team consisted of over 730 people in Mainland China, and our customer services are available to our users on a 24/7 basis. We analyze the logistics service needs of our merchants and carriers by leveraging our wealth of data insight, which enables us to promptly, and sometimes proactively, address their concerns. We also offer AI-powered customer services to efficiently process merchants’ and carriers’ complaints and inquiries.

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Merchants and carriers can submit questions or complaints directly through our mobile apps or by calling our customer service hotlines. We implement rules that target common merchant and carrier issues, such as order cancellation, punctuality and reliability issues, and non-payment of freight fees. Parties who break our rules may, in the worst-case scenario, be banned from using our services in the future.

CYBERSECURITY AND DATA PRIVACY

We are committed to protecting the data privacy and security of our merchants and carriers. With our global footprint, we have developed a full suite of data security policies adapted to the local requirements, including among others, Information Security Guidelines, Information Security Management Strategy, Employee Information Security Code of Conduct and Data Security Management Policy. We carry out scenario-based management to address the threats and risks of data availability, integrity and confidentiality. We strictly limit and monitor our employee access to user data. We provide data privacy training to authorized employees and require them to report to us promptly on any potential data leakage.

Data Collection and Usage

We mainly collect and store data relating to background information of merchants and carriers, as well as the attributes and locations of vehicles and goods. For example, (a) during the account registration process, we collect users' mobile phone numbers, SMS verification codes, and online identification information; (b) to ensure the personal and freight safety during the order fulfillment process, we collect the names and mobile numbers of users' emergency contacts; (c) for each payment transaction, we collect payment instruction information, payment account risk control information, and payment status; and (d) with the assistance of Anxinla, we also collect video recordings of the cargo, as well as the interior and exterior of the vehicle. Such information is collected with prior user consent in accordance with applicable laws and regulations.

We have adopted a standard data usage and privacy policy, which is provided on our mobile apps, websites or, for Mainland China, our WeChat mini-app. Specifically, we undertake to manage and use the user data in accordance with applicable laws and make reasonable efforts to prevent the unauthorized access, breach, tampering or loss of personal information. In Mainland China, carriers and merchants would use cryptographic numbers to communicate via our platform.

In our data usage and privacy policy, we detail our commitment to safeguarding users' data privacy, and fully disclose the potential uses of information and data received from our users, which may include: (i) enabling our services and ensuring our solutions function properly; (ii) ensuring security and reliability of our services by verifying users' identity against the information and data on file; (iii) using information and data on an anonymous basis for internal audit, analysis and research purposes; and (iv) assisting with regulatory investigations or other legal proceedings in accordance with applicable laws and regulations, and court or administrative orders.

To enhance the safety of freights and protect the rights of carriers, we may collect audio and video data inside and outside the vehicle, including data related to Anxinla deployment. However, we only collect such information with the prior consent of the relevant users. We process the collected

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data in accordance with the applicable laws and regulations and do not process such data outside of the vehicle unless permitted. The audio data collected through Anxinla is generally stored on local in-vehicle devices, unless the relevant carrier agrees to upload it to our cloud. The recorded video footage outside the vehicle may be used to resolve disputes over deliveries and accidents with the consent of the parties involved. The recorded video footage inside the vehicle is utilized to ensure the safety of order fulfillment, including verifying the identity of the carrier and enhancing driving safety measures.

For dispute resolution and liability determination, we may collect and process video data inside and outside the vehicle and the accurate GPS positioning information through Anxinla deployment per the applicable laws and regulations. Among them, the data collected from public areas through Anxinla may involve off-vehicle data such as face information and license plate information of carriers, other parties involved in safety accidents, and pedestrians. The off-vehicle data collected through Anxinla is generally stored on local in-vehicle devices, and its loop recording feature enables the device to automatically overwrite the oldest data when storage reaches maximum capacity. The recorded video footage outside the vehicle may be used to resolve disputes over deliveries and accidents, where carriers can play back the recorded video footage on the vehicle-mounted devices. Solely for dispute resolution purposes, we may upload the said video footage recorded outside the vehicle with the consent of the parties involved in the accident to our designated cloud server in the PRC.

As advised by the PRC Legal Advisor, according to the Personal Information Protection Law and the Several Provisions on Car Data Security Management (for Trial), the processing of personal information by car data processors shall, in principle, be subject to the consent of the relevant individuals or otherwise permitted by applicable laws and administrative regulations. Where it is impossible to obtain the consent of the individuals concerned and, to ensure driving safety, such personal information is collected and provided outside of the vehicles, car data processors shall anonymize the personal information provided outside the vehicles.

We have taken the following measures to mitigate the compliance risks in accordance with the above requirements:

- Where Anxinla collects video data outside of the vehicle that contains personal information of the parties involved in an accident and provides such personal information outside of the vehicle, we will ask for the consent of the persons involved in the accident;
- For the personal information of persons not involved in accidents but captured in the video and image data, where such personal information is provided outside of the vehicle, we anonymize the personal information immediately after the liability determination is completed, by deleting video frames containing faces and license plates that can identify non-involved persons; and
- We respond to requests from individuals regarding the deletion of relevant sensitive personal information that has been collected outside of the vehicles within ten working days, provided that there are no ongoing disputes related to or arising from the shipping orders in which such personal information is collected and that we are not required by laws and regulations to retain such video and image data collected outside of the vehicles.

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As of the Latest Practicable Date, we were not subject to any regulatory or administrative actions in relation to the violation of personal information protection obligations arising from our operation of Anxinla, and there was no material data security incident relating to theft, leakage, damage, or loss of car data or personal information from our operation of Anxinla.

In light of the above, the PRC Legal Advisor is of the view that (i) the likelihood that we would be subject to any administrative penalties as a result of the collection of data from public areas through Anxinla is remote; and (ii) the collection of data from public areas through Anxinla complies with the PRC laws and regulations relating to personal information protection and car data security protection in all material respects. However, the PRC Legal Advisor has further advised us that there remains uncertainty regarding the interpretation and implementation of laws and regulations concerning personal information protection and car data security protection in the PRC and its opinions summarized above are subject to any future laws, regulations and rules or detailed implementations and interpretations in any form pertaining to the aforementioned laws and regulations.

Data Storage, Transmission and Sharing

We require that user and transaction data that we collect in our business operations in the PRC be stored and preserved within the PRC, as required by applicable laws and regulations. We have adopted robust internal rules and procedures designed to prevent illegal and/or authorized cross-border transmission of data.

We ensure the security of data storage and transmission by utilizing encrypted storage devices and secure protocols. We have implemented the Management Measures for Storage Media Security to prevent asset damage and business interruptions by controlling and physically protecting storage media.

We do not share or transfer information and data collected or preserved by us to any person, unless with prior explicit consent. Without consent from our users, we are prohibited from disclosing users' data to any third party, unless such disclosure is mandated by a court or administrative order.

Data Protection

We recognize the importance of life-cycle data management — from data entry to data destruction. We employ various technology to protect the data with which we are entrusted. We have implemented a comprehensive set of data management technical measures, including data access control, personal information anonymization display, personal information encryption for storage and transmission, network log recording, backup and recovery, boundary protection, and intrusion defense. For example, we store user data in encrypted format. We generally de-identify and encrypt confidential personal information and take other technological measures to ensure the secure processing, transmission and usage of data. If such personal information is relevant to our business, we will minimize our employee access to such information and closely monitor their access frequency. To enhance the cybersecurity of our apps, we have also procured third-party security reinforcement services for our apps. We closely monitor access to sensitive data and systems to detect

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any unauthorized access or unusual activity. This allows us to promptly investigate any potential breaches and maintain the security of our systems and data. In accordance with our Data Classification Guidelines, we categorize commercial secrets and core secrets, which include sensitive personal information and financial data, as sensitive data. These data receive heightened protection measures to ensure their confidentiality and security. In terms of network log recording, we diligently maintain logs of internal employee activities and external user actions. We currently store our network logs for a period of six months or more to ensure long-term preservation.

We also adopt a combination of full backup and incremental backup to ensure that the data we collect is well maintained. We use distributed storage of data with multiple data replicas to increase security level. In particular, we have been constantly improving our internal classification and grading system of sensitive data. All sensitive data would be protected by field-level encryption. Sensitive application programming interface parameters are adopted to prevent data leakage or loss during circulation.

In addition, we have firm-wide data access controls in place that restrict access to sensitive or personal data to authorized personnel only. We rigorously enforce access control for authorized personnel, ensuring strict control over their access privileges. The permissions for each access role are clearly defined, encompassing actions such as read, write, delete, execute, and other relevant operations. We utilize role-based access control and enforce a data access permission policy that sets forth criteria for allocating and managing data access roles and permissions, as well as requirements for managing data access control and specific business data. We also regularly organize internal drills to address data security and personal information protection incidents.

Data Retention and Destruction

We have implemented policies that govern the retention and disposal of data after its useful life has expired, which helps prevent unauthorized access to sensitive data. To keep up with the constantly evolving laws and regulations on personal information protection, we closely monitor the latest legislative progress and intend to update our data retention and destruction policies to ensure strict compliance with existing and future applicable laws and regulations.

Data Security Awareness

We also enter into confidentiality agreements with our employees. The confidentiality agreements provide that, among others, our employees are legally obligated not to share, distribute or sell confidential information to any party, including other employees who otherwise have no access to such information. We provide regular data privacy and security trainings. Our employees are also legally obligated to return all confidential materials in possession upon cessation or termination of their employment and will remain obligated to maintain confidentiality of such materials thereafter. Our employees may be subject to penalty if they breach their confidentiality obligations or otherwise commit misconduct resulting in a leakage of confidential information.

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Additionally, we have established an incident response plan that outlines procedures for promptly responding to a data breach or any other security incident. This plan includes well-defined steps for containing the breach, assessing the extent of the damage, and notifying any affected parties. By having this plan in place, we aim to improve our overall ability to manage information system emergencies and to respond to them in a timely and effective manner.

Cybersecurity Risk Management

We operate robust application and infrastructure security controls, which are designed to prevent, identify and respond to information security threats. We have adopted a standard operation procedure to address any potential hacking or data leakage incidents. At the terminal security level, our system is able to identify terminal risks and provide traceability analysis for security risk mitigation with the assistance of terminal data loss prevention products. We closely monitor the flow of sensitive user data on our terminals, and will create alerts in a timely manner when any abnormality is detected. We also adopt the Security Development Lifecycle (SDL) approach to proactively detect cybersecurity-related vulnerabilities and risks, and to manage vulnerability fixes during the development process of our apps and systems.

We have assembled a specialized data security team to oversee all data privacy and security matters across our Group. Our data security team comprises approximately 60 members with diverse backgrounds and qualifications, including product development and data security management. The head of our data security team possesses over 20 years of relevant work experience. To safeguard the confidentiality and integrity of the data we collect and preserve, we have obtained several globally recognized certifications for information security, privacy, and compliance. Notably, some members of our data security team hold certifications for ISO 27001 Information Security Management.

We engage third-party cybersecurity companies to conduct regular penetration tests to identify weaknesses in our system and evaluate its security. If an issue is identified, we will take prompt actions to adjust or upgrade our system and mitigate any potential problems that may undermine the security of our system.

As part of our ongoing compliance efforts, we regularly update our internal- and external-facing policies and procedures. To keep abreast with recent regulatory developments, we have engaged an experienced external legal advisor to advise us on the new requirements under the recently enacted data protection laws and regulations of the PRC to ensure the integrity and effectiveness of our data protection policies in compliance with all applicable laws and regulations. With the assistance of such special legal advisor, we have implemented a series of improvements to our data security measures, including, among others, upgrades to our user data classification system and procedures, enhanced centralized management of access to our major business and operational systems by our employees and optimization of user privacy policies. As a result of these internal control and compliance efforts, no material weakness or deficiency has been identified by the special legal advisor in our data security measures and our business operations are in compliance with all current data security laws and regulations in all material aspects. During the Track Record Period, we did not experience any material information leakage or loss of user data in the PRC or any overseas market.

BUSINESS

INTELLECTUAL PROPERTY

Our success depends upon our ability to protect our core technology and intellectual property. To establish and protect our proprietary rights, we rely on a combination of patents, trademarks, copyrights, trade secrets and confidentiality policies. Our material intellectual properties primarily comprise of the trademarks we use in the ordinary course of our business operation and patents relating to our IT infrastructure, the domain names of our websites and the copyrights of our mobile applications. Our trademarks and patents generally have a term of duration of 10 years.

In general, our employees must enter into a standard employment contract that includes a clause acknowledging that all inventions, trade secrets, developments and other processes generated by them during their employment with us are our property, and assigning to us any ownership rights that they may claim in those works.

As of the Latest Practicable Date, we had more than 180 patents, more than 320 pending patent applications, approximately 245 registered trademarks and more than 55 pending trademark applications in Mainland China. As of the Latest Practicable Date, we also had approximately 60 registered software copyrights in Mainland China. As of the Latest Practicable Date, we had two patents, 300 registered trademarks and 20 pending trademark applications in our overseas markets. We owned approximately 160 registered domain names in Mainland China, including one registered domain names that we consider to be material to our business, as of the Latest Practicable Date.

Despite our precautions, however, third parties may obtain and use intellectual property that we own or license without our consent. We did not identify any material disputes or any other pending material legal proceedings of intellectual property rights with third parties during the Track Record Period and up to the Latest Practicable Date. However, unauthorized use of our intellectual property by third parties and the expenses incurred in protecting our intellectual property rights from such unauthorized use may adversely affect our business and results of operations. See “Risk Factors — Risks Related to Our Business and Industry — Our failure to protect our intellectual property rights may undermine our competitive position, and litigation to protect our intellectual property rights or defend against third-party allegations of infringement may be costly and ineffective”.

COMPETITION

We compete with a wide range of companies in substantially all of the businesses we engage in. We face competition from other logistics transaction and digital freight platforms in China and around the world, as well as players that focus on certain segments of the logistics market. We also compete with other companies, such as home-moving companies and automobile dealers, for value-added services that cater to diverse logistics service needs of merchants and carriers. In addition, we face competition from large established technology companies that are developing their own logistics transaction platforms. We believe we have been competing effectively against other industry players in China and globally due to a number of factors. These factors include scale and network effects, closed-loop transaction capabilities, brand recognition and user mindshare, operational know-how, technology and data capabilities, and diversified service offerings. For further information, see “Industry Overview”.

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EMPLOYEES

As of December 31, 2023, we had a total of 10,152 employees globally. Carriers on our platform are not our employees. The following table sets forth a breakdown of our employees categorized by function as of December 31, 2023.

| Function | Number of employees | % of total employees |
|---|----------------------------|-----------------------------|
| Customer services and operations | 1,835 | 18.1 |
| Research and development | 1,725 | 17.0 |
| General and administration | 754 | 7.4 |
| Sales, marketing and business development | 5,838 | 57.5 |
| Total | 10,152 | 100.0 |

As of December 31, 2023, approximately 87.3% of our employees were based in Mainland China and 12.7% were based overseas.

Our success depends on our ability to attract, motivate, train and retain qualified personnel. We believe we offer our employees competitive compensation packages and a collegial and creative working environment and, as a result, have generally been able to attract and retain qualified personnel and maintain a stable core management team.

We place strong emphasis on providing trainings to our employees in order to maintain the quality, knowledge and skill levels of our workforce. We offer trainings to employees at all levels in accordance with their functions, positions and responsibility. The training curriculum covers both soft skills and technical skills. Additional trainings may be required to satisfy the specific local needs of our overseas markets.

As required by PRC laws and regulations, we participate in various government statutory employee benefit plans, including social insurance, namely pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance, and housing funds. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government regulations from time to time. During the Track Record Period, we complied with all material aspects of these requirements and were not subject to any material administrative fines or penalties.

We generally enter into standard labor, confidentiality and non-compete agreements with our key employees. The non-compete restricted period typically expires two years after the termination of employment, and we agree to compensate the employee with a certain percentage of his or her pre-departure salary during the restricted period.

We believe that we maintain a good working relationship with our employees. During the Track Record Period, we did not experience any strikes, work stoppages, labor disputes or actions, which had a material adverse effect on our business and operations.

BUSINESS

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We believe success is rooted in our long-term commitment to making positive impacts on our carriers, merchants, employees, their families and our communities. We have been dedicated to building our ESG work around four pillars: “greening every move”, “creating a culture of safety and vibrant gig economy”, “building sustainable cities and communities” and “committing to sustainable governance”. Through these pillars, we aim to extend the benefits of our ecosystem to the wider society, and we have launched a range of relevant initiatives that actively support our commitment.

Environmental Sustainability

We understand that sharing economy can accelerate the transition to a resource-efficient and sustainable economy. As a technology-empowered logistics transaction platform, we leverage our technology capabilities to reallocate idle resources to improve the utilization rate and efficiency of vehicles. At the same time, vehicles and roads are used more efficiently, reducing congestion and minimizing environmental impacts. For example, our real-time matching system significantly reduces idle time and distance for carriers, while our AI-powered freight navigation solutions optimizes route planning, saving time and resources. Our return order options reduce empty runs on long-haul routes, reducing carbon emissions per unit of freight. In order to develop a carbon emissions policy and strategy based on empirical evidence, we are also conducting comprehensive baseline analysis at the Group level to estimate carbon emissions within our own operations as well as our value chain. This analysis includes assessing various emission sources such as carrier carbon emissions and overall energy consumption within the Group.

The vehicle emissions generated by each trip made by our carriers are one of the most significant sources of carbon emissions in our supply chain. As a responsible company, we recognize the important role and mission of business in reducing carbon emissions and climate risks. We have always been committed to using green logistics and reducing resource consumption in the provision of logistics services. We encourage our carriers to use eco-friendly vehicles, such as new-energy vehicles to fulfill the shipping orders. In 2022 and 2023, in Mainland China, nearly all of our leased vehicles were new-energy vehicles, and more than 95% of the vehicles we sold were new-energy vehicles. We collaborate with new-energy vehicle distributors and leasing partners. We also collaborate with major electric vehicle charging stations in China to provide affordable electric vehicle (“EV”) charging solutions to our carriers, which covered more than 63 thousand EV charging stations in around 280 cities in China in March 2024. As we continue our efforts to provide carriers with electric vehicle options, we believe the proportion of new energy vehicles on our platform will continue to increase. In 2021, 2022 and 2023, approximately 20%, 31% and 37% of our fulfilled orders in Mainland China were completed by new-energy vehicles, respectively. In the next five years, we expect that approximately 50% of our fulfilled orders in Mainland China will be completed by new-energy vehicles.

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Climate-related Risks and Opportunities

Climate-related issues are among our common agenda. The demand for our services depends on a stable natural and social environment. Epidemics, extreme weather, earthquakes, and other natural disasters may negatively impact our and our users’ operations. Climate change may result in weather pattern changes, which may increase the frequency of extreme weather conditions, affecting transportation and urban infrastructure and eventually the logistics services we facilitate.

We are also aware that many geographic markets where we operate have been committed to achieving carbon neutrality or net-zero emissions by 2050 or other similar timeline. In the medium to long term, the governments may revise existing or enact new environmental or climate-related laws and regulations to strengthen climate-related requirements, affect vehicle ownership costs of our carriers, increase labor costs, and change merchants’ preference and demand, which may affect our business, operations and financial position. As a result, we have proactively taken the climate-related issues into account when formulating and implementing our business strategies in the geographic markets where we operate to adapt to the evolving climate-related regulatory landscape.

Our Board will assume the responsibility of devising and approving the policies and mechanisms to manage climate-related issues and ensuring adequacy of resources, while our ESG Committee will be responsible for actual implementation of such policies and mechanisms in an effective manner. After the [REDACTED], we will stay informed about the most recent developments in climate-related laws and regulations in the geographic markets where we operate. We will proactively assess and manage climate-related risks by implementing policies to identify and mitigate potential impacts. Additionally, we will leverage our business model and operations to reduce the carbon footprint of our logistics services provided to users, while also identifying opportunities for improvement.

Carrier Welfare

Well-being of carriers on our platform is critical to us. We have developed a framework consisting of five pillars to foster a healthy platform economy across all of the geographic markets where we operate. These pillars include flexibility, autonomy, opportunities and empowerment, transparency, as well as safety and welfare. In addition to a broad range of application features that are designed to enhance carrier satisfaction, we have been devoted to carrier-caring programs since our inception:

- We have founded a “Carrier Care Fund” to provide support to carriers who have experienced family challenges caused by illnesses or natural disasters. Eligible carriers can apply for the “Carrier Care Fund” online and we will review each application on a case-by-case basis before granting any relief. When reviewing and approving applications for the fund, we will take into account various factors such as the carrier’s household income and number of family members. As of December 31, 2023, our cumulative investment to “Carrier Care Fund” reached approximately RMB2.0 million, and we had provided assistance to approximately 90 carriers on the platform who experienced family challenges due to natural disasters or illnesses;

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- We provide carriers with various types of online and offline trainings to help them improve their service quality;
- We launched a carrier-caring campaign, namely Anxinyu (安心運), in September 2022 to help tackle common issues faced by carriers;
- We have established an online carrier forum, and from time to time, organize offline panel discussions with our carriers to facilitate effective communication with them;
- We have set up “Carriers’ Home” to offer convenience services to our carriers, such as leisure facilities, refreshment offerings, and voluntary clinic; and
- We have implemented a transparent communication system with our carriers to prevent and respond to safety incidents during delivery.

In recent years, the PRC government issued a series of opinions in connection with carrier welfare, including the Labor Protection Opinions, the Freight Drivers Opinion and the New Forms of Transportation Opinion. For details, see “Regulation — Regulations Related to Labor Protection”. As of the Latest Practicable Date, we have not engaged in any activity which is prohibited by the Labor Protection Opinions, the Freight Drivers Opinion or the New Forms of Transportation Opinion.

In response to these regulatory developments, we have taken the following specific actions to improve the carriers’ safety and welfare.

- ***Fair and transparent compensation.*** We have taken a wide range of measures to ensure that carriers are fairly compensated for their services and that compensation policies are transparent and clearly communicated to the carriers. For example, we have implemented a system that enables carriers to actively bid for freight orders instead of being passively assigned jobs. The system does not permit carriers to voluntarily lower their fees. These efforts allow carriers to have more control over their income potential by selectively opting for the most favorable and lucrative orders, considering factors such as market conditions, demand-supply dynamics, and personal preferences. For details of our freight matching mechanism, see “— Our Service Offerings — Freight Platform Services — Freight matching”. The multiple tiers of membership that we offer to carriers also contributes to increasing their income potential by giving them the flexibility to tailor their membership level to their availability, preferences, and goals. Carriers who can commit more hours to driving may opt for a higher-tier membership with added benefits, such as lower commission rate, while those with limited availability may choose a lower-tier membership that entails a lower fixed membership fee. We also proactively monitor and address illicit practices or violations of our terms of services employed by certain carriers in an attempt to gain an unfair advantage during the bidding process for freight orders, such as the use of scripts or bots to automate and rapidly place bids on multiple jobs. We are committed to continuously monitoring and enhancing the carriers’ average order response rate, a metric that demonstrate their prompt and consistent engagement with incoming freight orders.

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- ***Recognition and reward for good performance.*** we implement a rating system that highlights the top-performing carriers. Carriers who consistently receive high ratings are given rewards such as badges in recognition of their achievements.
- ***Training and development opportunities.*** We provide training and development opportunities for carriers, including safety and skill training, to help improve carriers’ skills and enhance their job satisfaction.
- ***Health and wellness programs.*** We are proud to participate in the occupational injury insurance pilot scheme in cooperation with relevant authorities, which currently covers the major cities in the Mainland China, such as Beijing and Shanghai. To date, we have provided occupational injury insurance to over 341 million shipping orders facilitated on our platform under the pilot scheme. We are also dedicated to staying up-to-date on the latest regulatory developments.
- ***Carriers feedback and engagement:*** We are committed to enhancing our communication with carriers by leveraging both online carrier forums and offline panels, as well as continuously optimizing our platform rules and operations. We regularly solicit feedback from carriers and engage them in the development of our carrier-related policies and practices which helps to build trust and improve carriers satisfaction and well-being.

Our Directors are of the view, concurred by our PRC Legal Advisor, that we have complied with the Labor Protection Opinion, the Freight Drivers Opinion, the New Forms of Transportation Opinion and other laws and regulations in relation to labor protection of carriers in all material respects. We will closely monitor relevant regulatory developments and consult our legal counsel in the geographic markets where we have meaningful presence on a regular basis.

Human Capital

We aspire to provide our employees with welfare benefits and a wide array of career development opportunities. We have established a sound talent cultivation mechanism and created an online-offline integrated training platform. For example, our “Global Trainee Plan” enables fresh graduates joining us to swiftly understand the mechanism of our system and platform. We also strive to improve the work-life balance of our employees. We organize a series of recreational and sports activities to enrich the culture life of employees. We also regularly invite and welcome feedback from our employees to facilitate two-way communication between employees and the senior management.

We see our employee diversity as a significant competitive advantage, fostering our corporate value in creativity and inclusiveness and leading to superior user experience across different geographic markets. In each of our markets, we recruit talents locally to better serve the local communities and customize our service offerings to cater to local needs. The international backgrounds of our employees reflect the expansive reach of our global footprint. As of December 31, 2023, we had approximately 10,000 employees globally.

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We have established internal policies regarding overtime working, including the payment of overtime wages and the process for requesting and approving overtime working, in compliance with applicable PRC labor laws. When an employee anticipates the need for overtime working, they are required to submit a formal request via our online intranet to their supervisor or the manager of the HR department. The request should include details such as the reason for overtime working and expected duration. The employee’s supervisor or HR manager reviews the overtime working request and assesses its validity and necessity, considering multiple factors such as workload, staffing needs and any relevant company guidelines. Once the overtime working request is pre-approved by such supervisor or HR manager, the request will be sent to the manager of the employee’s business unit for final approval. The overtime hours and corresponding wages are also recorded in our payroll system.

Our overtime working and wages policy is provided to new hires during their onboarding process and made available to existing employees. The overtime working and wages policy is also easily accessible through our online employee intranet. We also encourage the supervisors and managers of each business unit to have individual discussions with their team members to explain the overtime working policy in details on an as-needed basis.

Charitable Endeavors and COVID-19 Pandemic Relief

We have been committed to charitable endeavors throughout the years. During the COVID-19 pandemic, we launched our Deliver Care initiative where we partnered with NGOs, governments and private organizations across some of the geographic markets where we operate to provide free delivery of essential goods to those in need. For example, in Hong Kong, thousands of beneficiaries have been reached and served through our Deliver Care initiative. Meanwhile, we take the health and safety of our employees as our top priority. We provided our frontline employees with masks and other protective equipment immediately during the pandemic. The carriers registered on our platform are required to comply with applicable regulations and good practices for the prevention and protection against the pandemic.

During challenging times, online freight platforms, such as ours, provide a pathway to additional income for those in need. In Mainland China alone, we provided income opportunities to over 2.4 million carriers during the COVID-19 pandemic from January 2020 to December 2022.

Corporate Governance

Our Board acknowledges its collective and overall responsibility for establishing, adopting, and regularly reviewing our ESG objectives and policies. Our Board will periodically evaluate our ESG-related risks, while overseeing the integration of climate-related factors into our risk management and daily business operations. Our Board will also track our progress towards meeting climate-related targets. Additionally, we [have adopted] a comprehensive set of ESG policies in compliance with the Listing Rules, which outline our corporate social responsibility objectives and provide guidance for carrying out our responsibilities in day-to-day operations.

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We [have also established] an ESG Committee to oversee the implementation of our ESG policies and to regularly monitor our ESG-related risks. Our ESG Committee will assist in formulating and reviewing our ESG responsibilities, vision, strategy, framework, principles and policies. Our ESG Committee will also monitor the implementation of ESG policies passed by our Board. For details, see “Directors and Senior Management — Committees under the Board of Directors”.

After the [REDACTED], our Board may assess or engage one or more independent external advisors to evaluate ESG-related risks and provide guidance on our existing ESG strategies and initiatives. We will continuously monitor our ESG performance on a regular basis to effectuate the purpose of our ESG policies and to comply with the recommendations and requirements of the applicable laws, regulations and guidance.

ESG Risk Identification and Management

We actively identify and monitor the actual and potential ESG-related risks to our business, strategy and financial performance. We integrate these risks into our sustainability strategies to align with stakeholder expectations and sustainability trends. We may also engage independent external advisors to evaluate ESG-related risks and review our existing strategy, targets, and internal control measures. We will then implement necessary improvements to mitigate or transfer any significant ESG-related risks identified.

We will continue to enhance our management of ESG matters by implementing a range of measures. These include integrating ESG matters into our strategic planning, conducting regular and updated materiality assessments to identify and evaluate material ESG issues, periodically reviewing our ESG policies and strategies, and regularly monitoring, assessing and transparently disclosing our ESG performance. During the Track Record Period and up to the Latest Practicable Date, we did not own or maintain a server to support our business operations. Alternatively, we utilized various well-known third-party cloud service providers in our daily operations, which is consistent with industry norms. Specifically, ESG will also be a key factor we consider when we select and evaluate our third-party service providers.

HEALTH, WORKPLACE SAFETY AND ENVIRONMENTAL MATTERS

We do not operate any production facilities. We are not subject to significant health, workplace safety or environmental risks. To ensure compliance with applicable laws and regulations, from time to time, our human resources department would, if necessary, adjust our human resources policies to accommodate material changes to relevant labor and work safety laws and regulations. For more information about our employees, see “— Employees”. Carriers on our platform are not our employees.

We have placed a strong emphasis on environmental sustainability and continue to integrate sustainability thinking into corporate decision-making and platform operations. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any fines or other penalties due to non-compliance in relation to health, workplace safety or environmental regulations, and have not had any accident, or claim for personal or property damage made by our employees which had materially and adversely affected our financial condition or business operations.

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PROPERTIES

Our headquarters are based in Kowloon, Hong Kong, and we have more than 60 offices in major Mainland Chinese cities, including Beijing, Shanghai, Guangzhou and Shenzhen and more than 42 offices in our major overseas markets, such as Thailand, the Philippines, Indonesia, Singapore and Malaysia, as of December 31, 2023. As of December 31, 2023, we did not own any properties, and have leased an aggregate of approximately 55,000 square meters of office and off-line operation space in major Mainland Chinese cities and more than 17,000 square meters in our major overseas markets. We believe that our existing facilities are sufficient for our current needs and we may need to obtain, usually by lease, adequate facilities to accommodate any future expansion plans as we further scale up our business operation. Our leased properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this Document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our interests in land or buildings, for the reason that, as of December 31, 2023, none of the properties leased by us had a carrying amount of 15% or more of our consolidated total assets.

As of the Latest Practicable Date, the lease agreements of all of our leased properties in the PRC have not been registered with the relevant PRC government authorities, and although failure to do so does not in itself invalidate the leases, we may be exposed to potential fines if we fail to rectify within the prescribed time period after receiving notices from the relevant PRC government authorities. Pursuant to relevant PRC laws and regulations, failure to complete such registration may subject us to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. See “Compliance with Laws and Regulations — Defective leased property.”

INSURANCE

We believe that our insurance coverage is in line with the industry practice and is adequate to cover our key assets, facilities and liabilities. Pursuant to PRC regulations, we provide social insurance including pension insurance, unemployment insurance, work-related injury insurance and medical insurance for our employees based in Mainland China. As part of our onboarding process, we require our carriers to obtain compulsory automobile liability insurance. This insurance coverage is necessary to protect against potential personal injury and property damage arising from road traffic accidents involving third parties. Since June 2022, we have also been participating in the occupational injury insurance pilot scheme in cooperation with relevant authorities, which currently covers the major cities in the Mainland China, such as Beijing and Shanghai. To date, we have provided occupational injury insurance for over 341 million shipping orders facilitated on our platform under the pilot scheme. To date, the insurance claim payouts under the occupational injury insurance scheme, in aggregate, amounted to approximately RMB34 million. In line with general market practice, we do not maintain any business interruption insurance, which is not mandatory under the relevant laws of the jurisdictions we operate. We do not maintain key-man insurance or any insurance covering liabilities resulting from misconducts or illegal activities committed by our employees, platform users or business partners, which is consistent with the industry norm. We also

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do not currently maintain insurance coverage for potential risks of personal injury to our carriers or property damage that may occur during the order fulfillment process, which is aligned with the general market practice. See “Risk Factors — Risks Related to Our Business and Industry — Our insurance coverage strategy may not be adequate to protect us from all business risks or, if insurance carriers change the terms of such insurance in a manner not favorable to us, if we are required to purchase additional insurance for other aspects of our business, or if we fail to comply with regulations governing insurance, our business could be harmed”.

We have taken proactive measures to mitigate our liability exposure from any misconduct or illegal actions by third parties:

- (i) Users: Our platform has implemented rigorous procedures and policies to regulate user conduct. During the registration and onboarding process, we require users to submit their identity and other relevant information. We also conduct background checks on carriers and their vehicles, as well as inspect and verify their licenses. We are committed to promoting the adoption of Anxinla to further enhance safety measures for our carriers. To increase carriers’ safety awareness, we regularly communicate safety messages through our mobile apps and social media channels.
- (ii) Employees: We have implemented a comprehensive set of internal control policies that cover various aspects of human resource management, including but not limited to recruiting, training, work ethic, and legal compliance. To ensure that our employees adhere to our ethical standards, we mandate that they comply with a code of conduct that is outlined in our employee handbook. We also provide regular training sessions to our employees on various relevant topics such as work ethic, working procedures, internal policies, management, and technical skills.
- (iii) Business partners: We conduct standard Know Your Customer (KYC) procedures before onboarding or engaging with a business partner. Additionally, in the service agreements we enter into with our business partners, we typically require them to compensate us for any damages resulting from their misconduct or illegal activities.

As advised by the PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, we were not subject to any claims for damages or regulatory actions in connection with the misconducts or illegal activities by our employees, carriers, merchants or business partners, which would individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

LEGAL PROCEEDINGS AND OTHER INCIDENTS

During the Track Record Period and up to the Latest Practicable Date, we had not been a party to, and were not aware of any threat of, any legal, arbitral or administrative proceeding, which, in our opinion, would likely have a material and adverse effect on our business, financial conditions or results of operation. We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business.

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During the Track Record Period, we have also experienced the following other types of incidents. We believe none of such accidents has individually or in the aggregate resulted in a material adverse impact on our business operations and financial performance:

- (i) Road accidents involving carriers that occurred while fulfilling orders, resulting in damage to or loss of cargo, personal injury or casualties. We have been from time to time involved in disputes with the victims of such road accidents who sought to hold us liable alleging that we failed to exercise due care in verifying carriers' qualification during onboarding and registration process.
- (ii) Incidents where merchants violated our internal policy by placing orders for transporting passengers without any freight, potentially resulting in carriers illegally using commercial vehicles to transport passengers and leading to regulatory penalties. For example, in May 2022, local transportation regulatory authorities in Shanghai fined us RMB100,000 and requested rectification measures due to multiple instances of our carriers illegally transporting passengers without any freight.
- (iii) Other types of accidents involving carriers and merchants, sometimes unrelated to the fulfillment of freight orders. For instance, in February 2021, a merchant died tragically after falling from a moving vehicle operating by a carrier that she hired through our platform. This incident received negative press coverage in Mainland China.

During the Track Record Period and up to the Latest Practicable Date, we have been involved in a total of 82 lawsuits resulting from road accidents that caused the fatalities of merchants, carriers, pedestrians, operators of other vehicles or any third-party individuals. We were not the primary party at fault in all of these 82 lawsuits. The plaintiffs sought varying amounts of monetary damages, ranging from RMB0.1 million to RMB2.6 million, totaling approximately RMB78.1 million. Out of these lawsuits, the courts have made their rulings in 62 lawsuits. For the 20 remaining lawsuits, the maximum potential liabilities, in aggregate, were RMB18.5 million. In seven cases, the courts ruled that we were vicariously liable for civil law liabilities arising from the misconduct of our carriers, resulting in a total of approximately RMB2.2 million of compensation ruled for damages. In another two cases where we were not ordered to share a portion of the damages by the courts, we nonetheless voluntarily provided a compensation of RMB60,000 in total as a humanitarian gesture. Additionally, we reached a settlement through mediation in two cases, where we paid a compensation of RMB53,025. Taking into account that (i) we were not identified as the primary parties at fault in all of these lawsuits, and (ii) the immaterial amount of monetary damages payable by us, we believe that these cases, individually or collectively, will not have a material adverse impact on our business operations.

As advised by the PRC Legal Advisor, the Criminal Law of the PRC does not expressly impose on platform operator criminal liability arising from the misconduct of the carriers on the platform, and therefore the possibility that we are held criminally liable for the misconduct of the registered carrier is remote. We have not been a criminal defendant to any criminal proceedings or held liable for any criminal liabilities during the Track Record Period and up to the Latest Practicable Date.

Additionally, we have from time to time received complaints from merchants about carriers providing unsatisfactory services or charging fees in violation of our policy.

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To ensure that carriers meet certain requirements before joining our platform, we have implemented a robust registration and onboarding process. Candidates are required to submit their ID and vehicle details online for verification, and then complete a face-to-face verification at one of our offline stores. Prior to onboarding, we conduct thorough background and qualification screening. For more details, see “— Our Carriers”. We offer clear communication channels for both merchants and carriers to resolve any issues or accidents that may arise, and provide dispute resolution mechanisms to help reach a mutually acceptable solution. If a complaint cannot be resolved through normal channels, we have an escalation process that allows users to bring the issue to higher levels of our management for resolution. We have also adopted clear user policies that outline acceptable behavior and consequences for violating those policies. Violators may be subject to penalties or account suspension or termination. Please also see “— Customer Services”.

We may also be involved in incidents relating to labor protection and disputes. For example, in November 2022, some carriers on our platform launched a three-day strike in various regions of Mainland China, alleging that changes in our fee policy had reduced their incomes. The strikes temporarily disrupted the delivery of goods and services, causing delays, increased costs and a temporary shortage in carrier supply in the regions impacted by the strikes. However, the impact of the strikes was temporary and immaterial, because (i) we had taken a variety of measures to mitigate their effects, such as finding alternative carriers or modes of transportation, and negotiating with the striking carriers on strikes; and (ii) the number of carriers involved in the strikes was immaterial as compared to the Company’s total carrier base. In addition, we have not been subject to any administrative and regulatory fines or penalties in connection with these strikes. We are dedicated to enhancing our carriers’ workplace safety and welfare. For details, see “— Environmental, Social and Governance — Carrier Welfare”.

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any legal or administrative proceedings in connection with such incidents or complaints, which would individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations. We have voluntarily made compassionate payments in some instances to parties who suffered injuries in relation to such incidents.

LICENSES, PERMITS AND APPROVALS

During the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from relevant regulatory authorities that are material to our operations in China, other than as disclosed in this section below.

The following table sets out a list of our material licenses and permits:

| <u>License/Permit</u> | <u>Entity Holding the License/Permit</u> | <u>Expiration Date</u> |
|---|--|------------------------|
| Value-added Telecommunications Business Operating License | Lala Energy | 14/5/2025 |
| Value-added Telecommunications Business Operating License | Lala Tianjin | 26/12/2024 |

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| <u>License/Permit</u> | <u>Entity Holding the License/Permit</u> | <u>Expiration Date</u> |
|--|--|------------------------|
| Value-added Telecommunications Business Operating License | Shenzhen Huolala | 26/8/2027 |
| Value-added Telecommunications Business Operating License | Shenzhen Huolala | 26/8/2027 |
| Value-added Telecommunications Business Operating License | Shenzhen Huolala | 6/12/2028 |
| Graded Protection of Communication Network Security Filing Certificate | Shenzhen Huolala | N/A |
| Notice on Result of Graded Protection of Information Security Assessment | Shenzhen Huolala | N/A |
| Road Transportation Operation License | Lala Tianjin | 31/12/2025 |
| Road Transportation Operation License | Tianjin Huolala | 30/10/2027 |
| Road Transportation Operation License | Shenzhen Huolala | 04/01/2028 |
| Graded Protection of Information System Security Filing Record | Lala Tianjin | N/A |
| Value-added Telecommunications Business Operating License | Beijing Jiche | 26/8/2026 |
| Value-added Telecommunications Business Operating License | Tianjin Huolala | 9/7/2026 |

COMPLIANCE WITH LAWS AND REGULATIONS

We are subject to various regulatory requirements and guidelines issued by the regulatory authorities in the jurisdictions in which we operate. During the Track Record Period and up to the Latest Practicable Date, we have had non-compliance incidents relating to carriers’ use of passenger vehicles in freight services, which we believe would not, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations.

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material non-compliance incidents, i.e. incidents that could, individually or in the aggregate, have a material adverse effect on our business, financial condition, and results of operations.

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Carriers’ use of passenger vehicles in freight services

Background and Reasons for Non-compliance

According to Article 34 of the Road Transportation Regulation, a road transport vehicle for the transport of passengers shall not be used for the transport of goods. Under Article 38 of the PRC E-Commerce Law, when we are or should be aware of the services provided by the carriers using our platform do not comply with the requirements for protection of personal safety and property security, we are required to adopt requisite measures. For more information, see “Regulations — Regulations Related to Road Transportations” and “Regulations — Regulations Related to E-Commerce”.

If we were to prohibit our carriers from using passenger vehicles in freight delivery, the size of our carrier base would decrease and would lead to decrease of services available to our merchants and increases of service costs due to higher cost of freight vehicles. Furthermore, this may significantly affect the income levels of many carriers or even deprive the carriers of their employment opportunities as it will be financially impracticable for carriers to replace their passenger vehicles with freight vehicles within a short period of time. It is in the best interests of our carriers and us to maintain a vibrant and growing carrier base with increasing transaction volumes, while ensuring the safety and well-being of all carriers serving on our platform. Nonetheless, we had been proactively taken steps to prevent our carriers from using passenger vehicles, and that such measures effectively contributed to the reduced percentage of total GTV contributed by the transactions completed by the passenger vehicles on our platform. For details, see “— Remedial Measures”.

Potential Legal Consequences and Latest Status

Articles 38 & 83 of the PRC E-commerce Law

In accordance with Article 83 of the PRC E-commerce law, our maximum potential penalty for violating the provisions of Article 38 of the PRC E-commerce Law includes an order to suspend our business operations and make corrections, and a fine of RMB500,000 to RMB2,000,000.

Our PRC Legal Advisor has interviewed with the SAMR and its local branch. It has been confirmed in interviews with such regulatory authorities that there are no clear official guidelines as to what would constitute “serious cases” under Article 83 of the PRC E-commerce Law to warrant the imposition of a maximum penalty of business suspension. During the interviews, the PRC Legal Advisor disclosed to the authorities that some carriers used passenger vehicles when providing freight services via our platform and the authorities indicated their discreet attitudes toward the order of suspension of operators’ business operations under Article 83 of the PRC E-commerce Law, and confirmed that as a general principle, they will not order any large platform like us to suspend business operations under Article 83 of the PRC E-commerce Law. As advised by our PRC Legal Advisor, based on the PRC E-commerce Law and the internal organizational structure and functions of the SAMR and its local branches, the SAMR, such local branch interviewed and the officers attending the interviews have competent authority to address the inquiries. In addition, the PRC Legal Advisor has conducted searches on the website of SAMR where non-compliance cases nationwide are published and found no search results indicating that the SAMR has ordered any platforms to suspend

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business operations for serious violations of Article 83 of the PRC E-commerce Law. As of the Latest Practicable Date, we have never been subject to any warning, penalty, sanction, investigation or reprimand by the PRC regulatory authorities as a result of our carriers' use of passenger vehicles in freight services pursuant to Article 83 of the PRC E-commerce Law.

Based on the foregoing and considering the remedial measures taken by us as provided below, our PRC Legal Advisor is of the view that the likelihood that we would be ordered to suspend our business operations as a result of our carriers' use of passenger vehicles in freight service pursuant to Article 83 of the PRC E-commerce Law is remote.

In light of the above, our Directors are of the view that (i) it is unlikely that we would be ordered to suspend the business operations under Article 83 of the PRC E-commerce Law, (ii) the maximum monetary penalty under Article 83 of the PRC E-commerce Law (i.e., RMB2 million) would not have a material financial or operational impact on us, and (iii) the non-compliance under Article 83 of the PRC E-commerce Law would not have any material adverse impact on us.

Remedial Measures

Contractual Safeguards

In the service agreements entered into with all carriers (the "Service Agreement"), we required all carriers to use vehicles that satisfy the relevant legal requirements for freight services and if in any event the vehicles fail to satisfy the requirement for freight services, the carriers shall immediately stop providing any freight services and promptly report such event to us. The Service Agreement also requires that all carriers provide their identification proof, driving licenses, road transport business permits and other relevant qualifications to us and ensure that all the information provided is complete and accurate. In addition, all carriers shall undertake to use the same vehicles for freight services as the ones they register with our platform. Where the carriers are fined, we will not provide any reimbursement to such carriers to compensate for their losses.

Before the carriers begin their businesses on our platform, they will also be required to attend comprehensive training programs focused on driving safety education and study our driver code of conduct.

Other Operational and Technological Measures

Apart from inspection of the carriers' qualification and regulating the driver's conduct, we have also adopted a series of measures to ensure the safety and security of both the merchants and the property. For instance, we developed and adopted an intelligent transportation IoT system, Anxinla in March 2021. Anxinla is an integrated smart operation system that encompasses various functions, including audio and video recording within and outside vehicles, real-time vehicle positioning and route tracking, alarm systems, voice prompts and built-in algorithms. Such technical functions of Anxinla play a vital role in assisting us in providing a safe environment for both carriers and merchants by monitoring the vehicle conditions and tracking the vehicles' routes and movements in real time. We believe that Anxinla helps us to fulfill our obligations under Article 38 of the PRC

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E-commerce Law — the policy goal of such law is to ensure the safety of the merchants and the vehicles. For example, Anxinla as in-vehicle surveillance cameras and systems can monitor the carriers’ behavior to ensure that they are not engaging in dangerous driving practices such as texting while driving and speeding. In the event of an accident, Anxinla can provide crucial evidence to help determine the cause of the accident and who was at fault. Anxinla can also improve overall safety by providing a deterrent against potential illegal or inappropriate activities and helping to identify and address safety concerns. As of the Latest Practicable Date, our adoption rate of Anxinla was approximately 19.0%, up from zero in March 2021 when the Company began to introduce Anxinla to its users. The Anxinla adoption rate as of the given date is calculated by dividing the number of Anxinla-equipped vehicles as of that date by the number of vehicles taking intra-city freight orders as of the same date. See “— Our Technology” in this section for information about Anxinla.

Although the installation of Anxinla is not mandatory, we have been proactively encouraging and motivating all carriers to install Anxinla in their vehicles by providing appropriate incentives. For instance, we will prioritize and direct orders to vehicles installed with Anxinla first, especially for those orders where the merchants may take the ride with the carriers, such as the house-moving orders. Since the launch of Anxinla in March 2021, more than 120,000 vehicles registered on our platform have already been installed with Anxinla in Mainland China, as of the Latest Practicable Date, and we will continue to accelerate our progress to install Anxinla to substantially more vehicles through the end of this year.

In addition, with the assistance of our PRC Legal Advisor, we have formulated a series of rectification measures. We believe that by implementing the following measures, we will be able to continue reducing the number of passenger vehicles used by carriers for freight services, or “non-compliant” vehicles, going forward. Our approach includes gradually replacing non-compliant vehicles with compliant ones through a series of measures, such as:

- We will continue to form strategic partnerships with third-party suppliers of qualified new-energy vehicles. By offering more favorable membership fee policies, we will encourage carriers to purchase and lease qualified vehicles on our platform, increasing the proportion of compliant vehicles used on the platform. We expect such partnerships to allow us to add approximately 200,000 compliant vehicles to our platform per year.
- We evaluate commercial vehicle regulations and policies in Mainland China, as well as the percentage of non-compliant vehicles in each city where we operate in Mainland China. Based on this assessment, we will classify cities into different types and implement tailored plans to phase out non-compliant vehicles in these cities. As part of our ongoing efforts, we plan to formulate specific classification plans for these Mainland China cities. Our proposed classification will consider multiple factors, including the percentage of “non-compliant” vehicles operating in the local market, the availability of compliant vehicles and carriers’ receptiveness to compliant commercial electric vehicles (EV) in the area, and whether the local regulatory authorities have implemented measures to phase out these “non-compliant” vehicles, among other relevant considerations. We plan to establish dedicated teams of internal personnel responsible for maintaining close communication with local transportation regulatory authorities in the cities across Mainland China where

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we operate, which enables us to stay well-informed and promptly respond to the latest regulatory developments concerning commercial vehicles. In 2023, approximately 270,000 non-compliant vehicles were phased out from or ceased to operate on our platform. We are dedicated to promoting our vehicle replacement initiative to carriers, and we emphasize the importance of operating compliant vehicles to our carriers. We plan to first introduce our vehicle replacement initiative in 20 cities, enabling carriers to sell their non-compliant vehicles back to us and either purchase or lease new compliant vehicles. By 2024, we target a nationwide rollout of the program, with a goal of phasing out 30,000 vehicles that year. The program will continue expanding to more cities in 2025 and 2026, with the aim of phasing out 40,000 and 70,000 vehicles, respectively. We currently target to phase out at least 150,000 non-compliant vehicles between March 31, 2023 and the end of 2026 but will also continue to monitor the progress of our vehicle replacement initiative and assess whether to modify our annual targets accordingly.

- We have been dedicated to providing carriers with electric vehicle options, and we believe the proportion of new energy vehicles on our platform will continue to increase. See “— Environmental, Social and Governance — Environmental Sustainability.” We will continue to promote the sales and leasing of new energy commercial vehicles. Additionally, we aim to encourage carriers to switch to compliant EV when they join our platform or trade-in their existing vehicles by offering more favorable leasing and sales options. By doing so, we hope to increase the proportion of compliant vehicles used on the platform and promote sustainable transportation practices. We intend to offer favorable terms and privileges to incentivize carriers to adopt EVs. These may include discounts on lease prices, reduced deposits, free membership, and insurance coverage for carriers who opt in early. In 2023, approximately 39,000 EVs were sold to carriers, and approximately 28,000 EVs were leased. We do not provide direct cash incentives to carriers for EV adoption. Instead, the focus is on facilitating access to reliable and high-quality EV suppliers that offer carriers affordable and competitive terms. Therefore, we do not anticipate our EV initiatives to have a material financial impact on our results of operations and financial conditions. We target to add approximately 50,000 compliant EVs for sales and leasing to the platform per year, starting from 2024.
- We will cooperate with law enforcement agencies to identify carriers who engage in illegal activities, including the use of passenger vehicles for freight services. To the extent required by law or the law enforcement agencies, we will also share information about illegal carrier activities with them to support investigations and legal actions. We will work closely with local police departments to conduct periodic background checks and due diligence on carriers.
- We will further increase monitoring and reporting of illegal activities by encouraging users to report any illegal or suspicious activities. We will use Anxinla and other technologies to detect patterns of illegal or inappropriate activities and take appropriate action, such as suspending carriers from the platform.

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In addition, we have been providing various incentives to carriers to purchase or lease the qualified freight vehicles for freight services on the platform. Once the carriers purchase or lease such qualified freight vehicles from us, we would provide them with the membership package that offers the carriers additional privileges free of charge — e.g., there is no limitation on the maximum number of freight service transactions carriers can complete per day and all such transactions would not be charged commission by the platform for a specified period of time. Through these effective measures, the total number of qualified vehicles supplied through our vehicle sales and leasing services increased significantly to approximately 68,000 in 2023.

Transactions completed by carriers using passenger vehicles contributed 28.9%, 21.9% and 20.5%, respectively, of our GTV, and 37.1%, 28.9% and 25.7%, respectively, of our fulfilled orders in 2021, 2022 and 2023. Over these periods, the percentages have generally exhibited a downward trend, with some fluctuations throughout 2021. We consider this trend as evidence of the effectiveness of our measures in tackling the issue. The fluctuations in 2021 were primarily due to the impact of the COVID-19 pandemic which compelled more carriers to utilize “non-compliant” vehicles to fulfill orders, as it provided an opportunity to generate additional net income during a period of financial uncertainty. The pandemic has also caused difficulties to many carriers in accessing or affording compliant commercial vehicles due to financial constraints, making utilizing their existing passenger vehicles which they have been using for daily commutation to transport cargo a practical alternative. We will continue to implement remedial measures as discussed above with a view to increasing our overall compliance rate over time. We expect that the use of passenger vehicles for freight transportation on our platform will diminish over time as we continue to implement the measures outlined above, with a general cessation of such activities within the next three to five years.

Having considered (i) the Company’s business model and the scale of the Group’s operations; (ii) the discussions with the PRC Legal Advisor, the Joint Sponsors’ PRC legal advisor and the Company’s management to understand, among others, the regulatory background of the non-compliance matters and the scope of the rectification actions taken to address the non-compliance matters; (iii) the discussions with the Industry Consultant, to understand the shortage in qualified freight vehicles, and the practical difficulty involved in rectifying the non-compliance issue instantly and in a clean-cut fashion for the Company and other industry players; (iv) the discussions with the internal control consultant regarding the proposed scope of the rectification measures; (v) having obtained and reviewed supporting operating data in relation to the decrease in percentage of total GTV contributed by the transactions completed by passenger vehicles and (vi) the Directors’ view on the proposed rectification measures and internal control system, nothing has come to the attention of the Joint Sponsors that would cause them to cast doubt on the reasonableness of the Directors’ views that the proposed rectification measures are adequate and effective to prevent the recurrence of similar non-compliant use of passenger vehicles or modified vehicles by carriers in freight services.

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Social insurance and housing fund contributions

In accordance with the PRC Social Insurance Law (《中華人民共和國社會保險法》) and the Regulations on the Administration of Housing Fund (《住房公積金管理條例》) and other relevant laws and regulations, China established a social insurance system and other employee benefits including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance, and housing fund. During the Track Record Period, we had not made social insurance and housing fund contributions for some of our employees in full in accordance with the relevant PRC laws and regulations, and a number of our PRC entities engaged third-party human resources agencies to pay social insurance premium and housing funds for their employees. This is because such employees worked outside of the cities where the PRC entities are registered and third-party human resources agencies were engaged to pay social insurance premium and housing funds for such employees in cities where they worked.

For 2021, 2022 and 2023, we had shortfalls of RMB20.3 million, RMB20.0 million and RMB31.9 million, respectively, in our social insurance contributions and shortfalls of RMB7.1 million, RMB3.0 million and RMB4.9 million, respectively, in our housing fund contributions. As advised by our PRC Legal Advisor, an employer that has not made social insurance contributions at such rate and based on such amount as prescribed by the law, or at all, may be ordered to rectify the non-compliance and pay the required contributions within a stipulated timeframe and be subject to a late fee of up to 0.05% per day. Failure to fulfil the outstanding contributions within the stipulated timeframe may result in fines ranging from one to three times of the amount in arrears. We estimate that the potential maximum aggregate fines that may be imposed due to our shortfalls in social insurance contributions for the Track Record Period is RMB216.7 million. Additionally, pursuant to relevant PRC laws and regulations, if there is a failure to pay the full amount of housing fund as required, the housing fund management center has the authority to demand payment of the outstanding amount within a prescribed timeframe. If the payment is not made within the timeframe, an application may be made to PRC courts to initiate compulsory enforcement. In the event that the competent social insurance or housing fund authorities in the PRC request us to pay the outstanding amounts in our social insurance and housing fund contributions, including any overdue charges (if applicable), we commit to fully and promptly comply with all such requirements. Our PRC Legal Advisor has advised us that once we pay the outstanding amounts of social insurance and housing funds and the overdue charges (if any) in full in timely manner after receiving notices from the relevant regulatory authorities, we will not be subject to administrative fines.

We did not make any provisions for our shortfalls in social insurance and housing fund contributions for the years of 2021, 2022 and 2023, taking into consideration the following factors: (i) during the Track Record Period and up to the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant regulatory authorities with respect to our contributions to social insurance and housing funds; (ii) we have not received any notification from the relevant PRC authorities demanding payment of the shortfalls or any overdue charges with respect to social insurance and housing funds; and (iii) in February 2023, we consulted with and obtained confirmations from the competent governmental authorities and have been advised by our PRC Legal Advisor that, in general, the likelihood that we are required to pay such shortfalls and overdue charges in connection with contributions social insurance and housing funds is remote.

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Our failure to make full social insurance and housing fund contributions for employees can be attributed to several factors. Firstly, many employees exhibit high turnover and prefer not to contribute to social insurance and housing funds. Secondly, certain employees are unwilling to participate in these schemes due to their obligations to make their own share of contributions, which would reduce their net income. Due to the practical difficulties outlined above, we have not been able to fulfill the outstanding contributions to social insurance and housing funds as of the Latest Practicable Date.

We have been taking the following internal control measures to rectify our practices and minimize future occurrences of such non-compliance:

- We have actively communicated with our employees to seek their understanding and cooperation in complying with the applicable regulatory requirements, as social insurance and housing funds require personal contribution from employees. We will try our best to be fully compliant with the applicable laws and regulations by gradually making statutory contributions to the social insurance and housing fund based on the actual salary level of our employees going forward;
- We have established a compliance management team to continuously monitor the matters of social insurance and housing funds, and the compliance management team will properly prepare, maintain and review the written records with respect to the payment status for the social insurance and housing fund on a regular basis;
- The employment documents state that the company will follow the requirements of the respective local authorities and pay social insurance and housing fund for employees accordingly;
- We have incorporated detailed information about social insurance and housing funds into the onboarding process for new employees, emphasizing our commitment to employee welfare;
- We create easily understandable informational materials and brochures that explain the contribution process;
- We arrange individual communications between human resource personnel and employees to address any concerns, clarify doubts, and provide personalized guidance regarding social insurance and housing funds;
- We have developed user-friendly digital platforms that enable employees to easily locate resources and seek clarification regarding participation in social insurance and housing funds;
- We use multiple communication channels, including internal portals, to ensure that information regarding social insurance and housing funds reaches all employees;
- We have been, and will continue to, actively follow the latest PRC regulatory developments in respect of social insurance and housing funds through regular consultation with our PRC legal advisor; and

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- We have been, and will continue to, actively communicate with relevant social insurance and housing fund local authorities to ensure we acquire the most updated information about the relevant laws and regulations concerning social insurance and housing fund. If relevant authorities order us to pay the outstanding social insurance and/or housing fund in accordance with applicable laws and regulations, we undertake to make such payments promptly within the specified period.

See “Risk Factors — Risks Related to Our Business and Industry — Failure to fully comply with labor-related laws and regulations may subject us to penalties.”

Defective leased property

We lease office spaces from third parties for our operations in the PRC and the overseas markets where we operate. Any deficiencies in the leased properties, or lessors’ title to such properties, may impact our use of the offices, or in extreme cases, result in relocation, which may in turn affect our business operations. In addition, as of the Latest Practicable Date, none of our 547 lease agreements for properties leased in the PRC has been registered with the relevant PRC government authorities, and although failure to do so does not in itself invalidate the leases, we may be exposed to potential fines if we fail to rectify within the prescribed time period after receiving notices from the relevant PRC government authorities. Pursuant to relevant PRC laws and regulations, failure to complete such registration may subject us to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. The maximum penalties that may be imposed due to the non-registration of these lease agreements is RMB5.47 million. Our PRC Legal Advisor is of the view that the non-registration of lease agreements will not affect the validity of the lease agreements, and we are entitled to use such properties in accordance with the lease agreements insofar as these lease agreements are legal, valid and enforceable. Furthermore, our leased properties mainly serve as office spaces, which gives us the flexibility to relocate them with relative ease and minimal impact on our business continuity. As a result, we do not believe that the non-registration of these lease agreements will, individually or in the aggregate, have a material adverse effect on our business operations.

Furthermore, certain lessors of our leased properties in the PRC have not provided us with valid property ownership certificates or any other documentation proving their right to lease those properties to us. As of the Latest Practicable Date, we are not aware of any actions or claims raised by any third parties challenging our use of these properties we currently lease, nor have we received any notices from the PRC government authorities. If our lessors are not the owners of these properties or they have not obtained consents from the owners or their lessors or permits from the relevant government authorities, our leases could be invalidated. If leases are invalid, we may face the risk of moving out of the leased property. In addition, in the event that our use of properties is challenged or our lease agreements are terminated unilaterally by the lessors, we may be forced to relocate and our business and results of operations may be materially and adversely affected. For related risks, see “Risk Factors — Risks Related to Our Business and Industry — We face certain legal and regulatory risks relating to the real estate properties that we lease.”

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Administrative Guidance Meetings

In the past, we and other major digital freight platforms in China were invited to attend “administrative guidance meetings” with the regulatory authorities, including the local branches of the SAMR and the road transportation administrations at different levels. As advised by the PRC Legal Advisor, these meetings did not constitute administrative penalties or finding of legal liabilities under the applicable PRC laws and regulations. The main topics discussed and guidance provided by the regulatory authorities during these meetings mainly included the sustainable and healthy development of commercial freight transportation (using internet technologies), prevention of illegal activities on digital freight platforms, and the continued improvement of carrier welfare and safety standards. More specifically, these meetings were aimed at addressing:

- Protection of the carriers’ legitimate rights and interests and their workplace safety through the terms of use (including our pricing policy) with carriers, the platform’s roles in ensuring a safe workplace and welfare to the carriers, and the contributions of the platform to the overall sustainable development of the road freight industry in China;
- Measures to reduce the risks of illegal use of passenger vehicles for freight transportation on these platforms;
- Measures to enhance the platforms’ verification processes to ensure that carriers are properly licensed to transport commercial freight;
- Enhancing collaboration with the relevant regulators to share information and coordinate efforts to enforce regulations related to commercial freight transportation; and
- Fostering fair competition among all platforms to promote the healthy development of the industry.

The following sets forth details of the principal administrative guidance meetings that we attended during the Track Record Period up to the Latest Practicable Date:

- On April 30, 2021, we attended a meeting organized by the Inter-ministerial Joint Committee for the Coordination and Supervision of New Forms of Transportation, alongside another online freight platform. The authorities requested that the companies attending the meeting implement measures to rectify any business practices that may harm the rights and interests of carriers, ensuring that the mechanisms for determining fee rates and dispatching orders are reasonable, and that any significant changes to these mechanisms are fully communicated to the carriers. Additionally, the authorities requested companies to further enhance the welfare of carriers. The authorities did not request us to take any specific follow-up measures following the meeting.

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- On May 14, 2021, we attended a meeting organized by the Inter-ministerial Joint Committee for the Coordination and Supervision of New Forms of Transportation, along with a number of other transportation platform companies. During the meeting, the authorities provided guidance on safeguarding the legitimate rights and interests of carriers and other service providers engaged in freight business. The authorities also requested platforms to establish reasonable fee rates, strengthen platform regulations, and protect the legitimate rights and interests of carriers. We have conducted an internal screening of the issues addressed at the meeting and has publicly announced the results of the findings. We have taken significant steps to address these issues and findings, including, among other things: (i) reducing or waiving membership fees for carriers in case of emergencies, such as work-related accidents or injuries; (ii) enhancing mechanisms for updating our terms of services with carriers, including extending the period of public consultation for proposed alterations to terms of services; (iii) increasing investments in carrier welfare initiatives; and (iv) accelerating the implementation of in-vehicle IoT systems, with the objective to ensure road safety. We did not receive any objection to the results of the findings from the regulatory authorities and were not subject to any administrative penalties upon the announcement of such results.
- On September 10, 2021, we, together with a number of other online platform companies, attended a meeting organized by the Ministry of Human Resources and Social Security, the MOT, the State Administration for Market Regulation, and the All-China Federation of Trade Unions. During the meeting, the authorities provided guidance on safeguarding the rights and interests of workers, requesting online platform companies to take leading roles in complying with labor laws and regulations within their respective industries. Additionally, the authorities discussed a pilot program on occupational injury insurance. The authorities did not request us to take any specific follow-up measures following the meeting.
- On January 20, 2022, we participated in a meeting with the Inter-ministerial Joint Committee for the Coordination and Supervision of New Forms of Transportation, alongside a number of ride-hailing platforms and other online freight platforms. During the meeting, the authorities requested online freight platforms to commit to transportation services and assist in maintaining social stability during the Chinese New Year and the Winter Olympic Games. They also restated their previous guidance on protecting the rights and interests of carriers, including by considering transparency of fee rates to carriers. The authorities also requested online freight platforms to strengthen their carrier qualification screening process. The authorities did not request us to take any specific follow-up measures following the meeting.
- On January 21, 2022, we, together with a number of other online platform companies, attended a meeting organized by the Ministry of Human Resources and Social Security, the MOT, the State Administration for Market Regulation, and the All-China Federation of Trade Unions. The meeting aimed to provide administrative guidance on protecting the rights and interests of workers. The authorities emphasized the crucial roles of online platform companies in complying with labor laws and regulations, safeguarding workers' rights and interests. The authorities did not request us to take any specific follow-up measures following the meeting.

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- On July 8, 2022, we attended a meeting organized by the Inter-ministerial Joint Committee for the Coordination and Supervision of New Forms of Transportation, alongside a number of other online freight platforms. The meeting addressed several critical issues, including the practice of offering excessive discounts on freight charges, lack of transparency surrounding carriers' fee rates, and the importance of ensuring freight transportation safety and compliance with road transportation laws and regulations. We have conducted self-inspection on the issues addressed at the meeting and prepared and submitted to the regulatory authorities a formal report. After conducting a thorough self-inspection, we have made modifications to our terms of service for carriers to optimize our pricing mechanisms. In our formal report, we have committed to approach any alterations to our terms of service with carriers in a prudent manner and diligently conduct risk assessments before implementing any changes, taking into careful consideration the needs and requirements of the carrier community. Moreover, we affirm our dedication to prioritizing the protection of carriers' legitimate rights and obligations, consistently placing this responsibility among our highest priorities. We did not receive any objection to the report from the regulatory authorities and were not subject to any administrative penalties upon the submission of such report.
- On August 26, 2022, we attended a meeting organized by the Inter-ministerial Joint Committee for the Coordination and Supervision of New Forms of Transportation, together with a number of other online freight platforms. The authorities reiterated their previous guidance on promoting fair competition, enhancing transparency surrounding carriers' fee rates, and ensuring compliance with road transportation laws and regulations. Additionally, the authorities highlighted the importance of ensuring that carriers' feedback and complaints are appropriately addressed to safeguard their legitimate rights and interests. The authorities did not request us to take any specific follow-up measures following the meeting.
- On September 30, 2022, we attended a meeting organized by the Inter-ministerial Joint Committee for the Coordination and Supervision of New Forms of Transportation, together with a number of other online freight platforms. During the meeting, the authorities reiterated the previous guidance on ensuring fair competition and carriers' rights and interests. Additionally, the authorities requested that online freight platforms implement measures ensure timely payment of freight charges to carriers, avoid malicious price competition, and enhance carrier welfare. We have conducted self-inspection on the issues addressed at the meeting and prepared and submitted to the regulatory authorities a formal report. To tackle these challenges, we have implemented several initiatives. For example, in September 2022, we launched a dedicated carrier support campaign called Anxinyun (安心運) to address common issues faced by carriers, particularly delayed payment of freight charges by merchants to carriers. We have also actively participated in an occupational injury insurance pilot scheme in collaboration with relevant authorities to provide additional protection and support to carriers in case of work-related accidents or injuries. Moreover, we have taken a proactive approach by leveraging technology to monitor and address illicit practices or violations of our terms of service by certain carriers, such as the use of scripts or bots to automate bids and gain an unfair advantage. Lastly, we

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discontinued certain platform features that have the potential to increase carriers' empty mileages, aiming to optimize efficiency and minimize the number of unproductive miles traveled by carriers. We did not receive any objection to the report from the regulatory authorities and were not subject to any administrative penalties upon the submission of such report.

- On November 17, 2022, we attended a meeting organized by the Inter-ministerial Joint Committee for the Coordination and Supervision of New Forms of Transportation, together with a number of other online freight platforms. The authorities requested that measures be implemented to ensure fair competition and rectify any business practices that may infringe upon the legitimate rights and interests of carriers. We have conducted self-inspection on the issues addressed at the meeting and prepared and submitted to the regulatory authorities a formal report. We have taken steps to enhance our monitoring and response mechanisms regarding the collective complaints and demands of the carrier community. We have also proactively been monitoring and taking action against illicit practices or violations of our terms of service by certain carriers, such as using scripts or bots to automate bids or placing fraudulent or deceptive orders. Moreover, we have enhanced our collaboration with the regulatory and law enforcement authorities to identify and investigate into potential misconduct by carriers that may undermine the integrity of our platform and legitimate rights and interests of the entire carrier community. We did not receive any objection to the report from the regulatory authorities and were not subject to any administrative penalties upon the submission of such report.
- On December 30, 2022, we attended a meeting organized by the Inter-ministerial Joint Committee for the Coordination and Supervision of New Forms of Transportation, together with a number of other online freight platforms. The authorities requested that measures be implemented to avoid arbitrary changes to pricing mechanisms, promote fair competition and safeguard the rights and interests of carriers and merchants, while also ensuring compliance with all applicable laws and regulations. Additionally, the authorities requested that companies attending the meeting implement measures to ensure road transportation safety and establish mechanisms to properly handle carriers' and merchants' feedback. The authorities did not request us to take any specific follow-up measures following the meeting.
- On April 7, 2023, we attended a meeting organized by the Inter-ministerial Joint Committee for the Coordination and Supervision of New Forms of Transportation, together with a number of other online freight platforms. The authorities emphasized the importance of implementing measures to safeguard the rights and interests of stakeholders, avoiding excessively high fee rates, and ensuring compliance with all relevant laws and regulations. Additionally, the authorities highlighted the need for improvement of the mechanism for handling carriers' complaints and feedback. The authorities did not request us to take any specific follow-up measures following the meeting.

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- On May 30, 2023, we attended a meeting organized by the Inter-ministerial Joint Committee for the Coordination and Supervision of New Forms of Transportation, together with a number of other online freight platforms. We reported to the authorities as to the progress and measures we have implemented to rectify business practices that may infringe upon the legitimate rights and interests of carriers. We have conducted self-inspection on the improvement measures and prepared and submitted to the regulatory authorities a formal report. We did not receive any objection to the report from the regulatory authorities and were not subject to any administrative penalties upon the submission of such report.
- On November 3, 2023, we attended a meeting organized by the Inter-ministerial Joint Committee for the Coordination and Supervision of New Forms of Transportation, together with a number of other online freight platforms. The authorities reiterated their previous guidance on ensuring fair competition and carriers’ rights and interests, and requested us to continue to implement the measures to rectify business practices that may infringe upon the legitimate rights and interests of carriers. Additionally, the authorities highlighted the need for improvement of the mechanism for handling carriers’ complaints and feedback to safeguard their legitimate rights and interests. We have conducted self-inspection on the issues addressed at the meeting and prepared and submitted to the regulatory authorities a formal report. We did not receive any objection to the report from the regulatory authorities and were not subject to any administrative penalties upon the submission of such report.
- On December 5, 2023, we attended a meeting organized by the Inter-ministerial Joint Committee for the Coordination and Supervision of New Forms of Transportation, together with a number of other online freight platforms. The authorities reiterated their previous guidance on ensuring fair competition and carriers’ and interests, and requested us to continue to implement the measures to rectify business practices that may infringe upon the legitimate rights and interests of carriers. Additionally, the authorities highlighted the need for improvement of the evaluation mechanism for operational strategies with a goal of ensuring the legitimate rights and interests of carriers. We have conducted self-inspection on the issues addressed at the meeting and prepared and submitted to the regulatory authorities a formal report. We did not receive any objection to the report from the regulatory authorities and were not subject to any administrative penalties upon the submission of such report.

We have been proactively taking measures to address regulatory guidance on carrier welfare and protection. For details, see “— Legal Proceedings and Other Incidents”, “— Compliance with Laws and Regulations — Carriers’ use of passenger vehicles in freight services — Remedial Measures” and “— Environmental, Social and Governance — Carrier Welfare”. Additionally, we remain dedicated to fostering fair competition within the industry. To achieve this goal, we have proactively taken steps to ensure we provide transparent pricing information to carriers and merchants and avoid exclusive dealing arrangements. We intend to start to implement compliance programs to detect and address any potential anti-trust violations in the next six months, and continue to incorporate fair competition and anti-trust considerations into the formulation of our business strategies. Specifically, we have

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established a dedicated department focused on anti-monopoly and cybersecurity compliance. This department is responsible for formulating comprehensive group-wide compliance policies and programs. Additionally, we will implement a systematic review mechanism to ensure that our commercial practices adhere to the applicable antitrust and cybersecurity laws. We will also establish protocols to facilitate effective communication with regulatory authorities. These initiatives are part of our ongoing efforts to strengthen our compliance framework and ensure that we operate in compliance with all applicable regulations.

AWARDS AND RECOGNITIONS

The table below sets forth a summary of the major awards and recognitions we received as of the Latest Practicable Date:

| <u>Year</u> | <u>Award/Accreditation</u> | <u>Awarding Organization</u> |
|---------------|---|--|
| 2023 | Recommended Brand of Logistics Technology and Equipment | China Federation of Logistics & Purchasing |
| 2022 | Award of Business Support Contribution | Internet Society of China |
| 2022 | Philanthropic Enterprise of the Year | China Philanthropy Times |
| 2021 and 2020 | Outstanding Logistics and Supply Chain Service Provider | Shenzhen Logistics and Supply Chain Association |
| 2018 | Top 10 Best Practice Awards | Association of Logistics and Procurements of China |
| 2018 | Award of Advanced Technology | Association of Logistics and Procurements of China |

RISK MANAGEMENT AND INTERNAL CONTROL

Human Resource Risk Management

We have established internal control policies covering various aspects of human resource management such as recruiting, training, work ethic and legal compliance. The demand in our industry for skilled employees is intense and we may be adversely affected by the departure of any key employees. Each of our executive officers and key employees has entered into an employment agreement with confidentiality, intellectual property and non-competition provisions with us.

We also require our staff to conform to high ethical standards. We distribute copies of our employee handbook to all of our employees. The employee handbook contains, among other things, a code of conduct that each employee must comply with. We provide regular trainings to our staff on work ethic, working procedures, internal policies, management, technical skills and other aspects that are relevant to their day-to-day work. Through these trainings, we ensure their skillset is up-to-date and meets our requirements.

Information Technology Risk Management

See “— Cybersecurity and Data Privacy” in this section for information about our information security procedures and policies.

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Financial Reporting Risk Management

We have in place a set of accounting policies and procedures in connection with our financial reporting risk management, such as financial and accounting policies, treasury management policies, expenses management policies, employee reimbursement policies, budget management procedure and financial statement preparation procedure. We have various procedures and IT systems in place to implement accounting policies, and our finance department reviews our management accounts based on such procedures. We also provide regular training to our finance department staff to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

Our finance team is headed by our chief financial officer, Mr. Chen Guo Ji, who has extensive experience in finance and financial reporting. All other senior members of our finance department are experienced in finance and accounting. We provide ongoing training to our finance staff to ensure that our financial reporting and risk management policies are well-observed and effectively implemented.

Legal and Compliance Risk Management

Our business is subject to regulation and supervision by national, provincial and local government authorities with regard to our business operations, which may be subject to change. For further details on the applicable laws and regulations in relation to our business operations, see “Regulations”. If we fail to comply with these laws and regulations, we may be required to rectify and may incur penalties and losses.

In addition, we have strengthened our legal and compliance risk management by:

- reviewing our management accounts on a monthly basis by our finance department to monitor the key financial indicators of our operations;
- establishing risk-monitoring thresholds in our system to monitor and identify their irregularities and non-compliance incidents in our operations;
- monitoring legal updates, including updates on the interpretation of applicable laws and regulations by relevant regulatory authorities; and
- reiterating the importance of adherence to our operational protocols and procedures to our employees and, in particular, new employees, to ensure effective implementation of our operational protocols and procedures.

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Internal Control Risk Management

To ensure strict compliance of our business operations with applicable rules and regulations, we have designed and adopted a set of comprehensive internal control policies.

To reinforce the control environment and ensure the effectiveness of internal control across our organization, our risk management committee works closely with our business units and functional departments (such as legal and compliance, finance, procurement and security) to monitor and improve the implementation of internal control processes in our daily business operations. We continually review our risk management policies and measures to ensure our policies and implementation are effective and sufficient. Under our firm-wide whistle-blowing policy, we make our internal reporting channel open and available to our employees on an anonymous basis. Our employees can report any non-compliance incidents and acts, including bribery and corruption, via such internal reporting channel.

In preparation for the [REDACTED] and the [REDACTED], we engaged an independent internal control consultant to perform an assessment on the effectiveness of our internal controls, to identify deficiencies in our internal control system and to furnish recommendations on enhanced internal control measures. The work scope of our internal control consultant covers reviewing and assessing various aspects of our operations, including company-level operations, sales management and accounts receivables, procurement and accounts payables, human resources and compensation, cash and funds management, financial reporting and disclosure controls, tangible and intangible asset management and general control on information technology system.

During the reviews of our independent internal control consultant, certain deficiencies were identified and we have adopted corresponding internal control measures to improve on these deficiencies. We had adopted substantially all of the recommendations made by the independent internal control consultant and had improved our internal control system to comply with the Listing Rules.

Having considered the internal control measures adopted by us, our Directors are of the view that our enhanced internal control measures are adequate and effective having regard to the obligations of our Company and our Directors under the Listing Rules and other relevant legal and regulatory requirements.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board of Directors comprises nine Directors, including two executive Directors, four non-executive Directors and three independent non-executive Directors. The following table sets out information in respect of the Directors of our Company:

| Name | Age | Position | Roles and responsibilities | Date of joining our Group | Date of appointment as a Director |
|---------------------------------------|-----|--|---|---------------------------|-----------------------------------|
| Mr. Chow Shing Yuk (周勝馥) | 45 | Chairman of the Board, Executive Director, and Chief Executive Officer | Responsible for the overall strategic planning and management | October 2013 | October 2014 |
| Mr. Tam Matthew Wan Bo (譚穩寶) | 37 | Executive Director and Co-Chief Operating Officer | Responsible for our operation in the PRC | October 2013 | December 2014 |
| Ms. Wang Mengqiu (王夢秋) | 48 | Non-executive Director | Responsible for providing professional advice to the Board | December 2014 | March 2023 |
| Mr. Chang David Shui Kei (張瑞祺) | 40 | Non-executive Director | Responsible for providing professional advice to the Board | September 2015 | September 2015 |
| Mr. Huang Liming (黃立明) | 46 | Non-executive Director | Responsible for providing professional advice to the Board | June 2018 | June 2018 |
| Mr. Guo Shanshan (郭山汕) | 44 | Non-executive Director | Responsible for providing professional advice to the Board | January 2020 | March 2023 |
| Mr. Gaw Goodwin (吳繼煒) | 55 | Independent Non-executive Director | Responsible for providing independent opinion and judgment to the Board | [REDACTED] | [REDACTED] |
| Dr. Chan Tony Fan-cheong, JP (陳繁昌) | 72 | Independent Non-executive Director | Responsible for providing independent opinion and judgment to the Board | [REDACTED] | [REDACTED] |
| Mr. Lee Ting Bun Denny (李廷斌) | 56 | Independent Non-executive Director | Responsible for providing independent opinion and judgment to the Board | [REDACTED] | [REDACTED] |

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Chow Shing Yuk (周勝馥), aged 45, is our Chairman of the Board, executive Director, and Chief Executive Officer of our Company, and is responsible for the overall strategic planning and management of our Company. Mr. Chow founded our Group in October 2013, and was appointed as a Director in October 2014 and re-designated as an executive Director in March 2023.

Prior to founding our Group, Mr. Chow served at Bain & Company from 1999 to 2002, and subsequently engaged in investment and entrepreneurial endeavours.

Mr. Chow received his bachelor’s degree in Economics with distinction from Stanford University in January 2000, and obtained his master’s degree in Economics from the Chinese University of Hong Kong in September 2005.

Mr. Tam Matthew Wan Bo (譚穩寶), aged 37, is our executive Director and Co-Chief Operating Officer, and is responsible for our operation in the PRC. Mr. Tam joined our Group in October 2013, and served as our Chief Operating Officer since December 2014. He was appointed as a Director in December 2014 and re-designated as an executive Director in March 2023.

Prior to joining our Group, Mr. Tam worked in Man Sun Weaving & Dyeing Limited from January 2010 to April 2013.

Mr. Tam is currently a director of certain principal subsidiaries of our Company including Shenzhen Huolala and Tianjin Huolala.

Mr. Tam received his Bachelor of Arts degree in cross-disciplinary major from the University of Western Ontario in Canada in June 2009.

Non-executive Directors

Ms. Wang Mengqiu (王夢秋), aged 48, was appointed as a Director in December 2014 and ceased to be a Director in November 2021 as a result of an adjustment to the Director nomination right of the shareholders following the Series G [REDACTED] Investment. In light of the [REDACTED], in March 2023, she was re-appointed and re-designated as a non-executive Director, and is responsible for providing professional advice to the Board. Ms. Wang was the founding partner of Crystal Stream Capital since October 2013. She previously worked as the vice president of Baidu Online Network Technology (Beijing) Co., Ltd. (百度在線網絡技術(北京)有限公司) from November 2002 to October 2013.

Ms. Wang received her bachelor’s degree of computer science from Peking University (北京大學) in the PRC in July 1997 and her master’s degree of computer science from University of California, Los Angeles in the United States in 2001.

Mr. Chang David Shui Kei (張瑞祺), aged 40, was appointed as a Director in September 2015 and re-designated as a non-executive Director in March 2023, and is responsible for providing professional advice to the Board.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chang is the founding partner of MindWorks Capital (概念資本). He previously worked at Guosen Securities (HK) Capital Company Limited (國信證券(香港)融資有限公司) from May 2011 to January 2012. From March 2008 to April 2011, Mr. Chang worked at Credit Suisse AG. Prior to that, Mr. Chang worked at Morgan Stanley Asia Limited from September 2007 to October 2007.

Mr. Chang received his bachelor’s degree in Management Science from the University of California, San Diego in the United States with a dual degree in Political Science in September 2006.

Mr. Huang Liming (黃立明), aged 46, was appointed as a Director in June 2018 and re-designated as a non-executive Director in March 2023, and is responsible for providing professional advice to the Board.

Mr. Huang serves as a partner at Hillhouse. Prior to joining Hillhouse in July 2017, he was a managing director of ICBC Tianjin Advisory LLP (天津工銀國際投資顧問合夥企業(有限合夥)) from April 2011 to June 2017. From June 2010 to March 2011, he served as an executive director of J.P. Morgan Securities (Asia Pacific) Limited. Before that, Mr. Huang served as a vice president of Affinity Equity Partners between March 2009 to May 2010. Mr. Huang worked as an associate in the investment banking department at Goldman Sachs (Asia) L.L.C. and later held the position of executive director of the Asia Special Situation Group from July 2003 to February 2009.

Mr. Huang received his bachelor’s degree in Economics and his master’s degree in Economics from Fudan University (復旦大學) in the PRC in July 1999 and July 2002 respectively.

Mr. Guo Shanshan (郭山汕), aged 44, was appointed as a Director in January 2020 and ceased to be a Director in November 2021. In March 2023, he was re-appointed and re-designated as a non-executive Director, and is responsible for providing professional advice to the Board. The cessation and the re-appointment of Mr. Guo was due to a change in the Board representative of a shareholder.

Mr. Guo is a partner of HongShan. Prior to joining HongShan in 2010, he served at McKinsey & Company from 2006 to 2010. Prior to that, Mr. Guo served as a project manager at Bosch-Siemens Home Appliance from 2004 to 2005.

Mr. Guo received his bachelor’s degree in English from Chongqing University (重慶大學) in the PRC in June 2002 and master’s degree in information from Loughborough University in the United Kingdom in December 2003.

Mr. Guo has served as a director of Full Truck Alliance Co. Ltd. (NYSE: YMM) since December 2017 and independent director since April 2021.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Gaw Goodwin (吳繼煒), aged 55, was appointed as our independent non-executive Director with effect from the [REDACTED], and is responsible for providing independent opinion and judgment to the Board.

Mr. Gaw has served as the Chairman and Managing Principal of Gaw Capital Partners since July 2005. He has served as founder and president of Downtown Properties Holdings, LLC since March 2000, a multi-faceted real estate investment, management and development company in the United States. Since October 1994, Mr. Gaw has been a director of Pioneer Global Group Limited (SEHK: 0224), a company listed on the Hong Kong Stock Exchange and he has been its vice chairman since August 1996.

Mr. Gaw received his bachelor's degree in Engineering and a bachelor's degree in Economics from the University of Pennsylvania in the United States in December 1991. He received his master's degree in Civil Engineering from Stanford University in the United States in January 1994.

Dr. Chan Tony Fan-cheong, JP (陳繁昌), aged 72, was appointed as our independent non-executive Director with effect from the [REDACTED], and is responsible for providing independent opinion and judgment to the Board.

Dr. Chan has been serving as the President of the King Abdullah University of Science and Technology (KAUST) since September 2018. Prior to that, he was the President of the Hong Kong University of Science and Technology from September 2009 to August 2018. Before joining Hong Kong University of Science and Technology, he was the assistant director of the Mathematical and Physical Sciences Directorate at the US National Science Foundation from 2006 to 2009. Between 1978 and 1979, he pursued postdoctoral research at California Institute of Technology as research fellow, and was an associate professor in computer science at Yale University between 1979 and 1986. In 1986, he joined University of California, Los Angeles as a professor of the Department of Mathematics.

Since April 2023, Dr. Chan has served as an independent non-executive director on the boards of Hanison Construction Holdings Limited (SEHK: 896), a company listed on the Hong Kong Stock Exchange; and Hutchison Port Holdings Management Pte. Limited (SGX: NS8U), a company listed on the Singapore Exchange.

Dr. Chan has served on the editorial boards of many journals in mathematics and computing, including SIAM Review, SIAM Journal of Scientific Computing, and the Asian Journal of Mathematics, and is one of the three Editors-in-Chief of Numerische Mathematik. He co-wrote the proposal to start a new SIAM Journal of Imaging Sciences and serves on its inaugural editorial board. He is also an elected member of US Academy of Engineering. He formerly served on the NSF Mathematical and Physical Sciences Advisory Committee and the US National Committee on Mathematics.

Dr. Chan received his master's degree in aeronautics from the California Institute of Technology in the United States in June 1973. He further obtained his Doctor of Philosophy degree in Computer Science from Stanford University in the United States in June 1978.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lee Ting Bun Denny (李廷斌), aged 56, was appointed as our independent non-executive Director with effect from the [REDACTED], and is responsible for providing independent opinion and judgment to the Board.

Mr. Lee has a distinguished career and extensive experience in the industry. He served as a director of NetEase, Inc. (網易公司), formerly known as Netease.com, Inc., a renowned internet technology company in China. NetEase is listed on the Nasdaq Global Select Market (NASDAQ: NTES) and on the Hong Kong Stock Exchange (SEHK: 9999). Mr. Lee joined NetEase in November 2001 and retired in June 2022. During his tenure, he held various positions including Financial Controller from November 2001 to April 2002 and Chief Financial Officer from April 2002 to June 2007. Mr. Lee was a non-executive director of NetEase from July 2007 to June 2022.

Before to joining NetEase.com, Inc., Mr. Lee worked in the Hong Kong office of KPMG for more than ten years. Mr. Lee currently serves as chairman of the audit committees and independent director on the boards of the following companies, Jianpu Technology Inc. since November 2017, which was listed on the New York Stock Exchange (NYSE: JT) until February 20, 2024 and whose shares (PINK: AIJTY) are currently traded on the American over-the-counter (pink sheets) market; New Oriental Education & Technology Group Inc. (NYSE: EDU; SEHK: 9901) since September 2006 and NIO Inc. (NYSE: NIO; SEHK: 9866) since September 2018, both companies are listed on the New York Stock Exchange and on the Hong Kong Stock Exchange. From August 2013 to June 2022, Mr. Lee also served as an independent non-executive director in China Metal Resources Utilization Limited (中國金屬資源利用有限公司) (SEHK: 1636), a company listed on the Hong Kong Stock Exchange.

Mr. Lee graduated with a Professional Diploma in Accounting from the Hong Kong Polytechnic University in November 1990, and is a member of The Hong Kong Institute of Certified Public Accountants and The Chartered Association of Certified Accountants.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below provides information about the members of the senior management of our Company:

| <u>Name</u> | <u>Age</u> | <u>Position</u> | <u>Roles and responsibilities</u> | <u>Date of joining our Group</u> |
|---------------------------------|------------|---|---|----------------------------------|
| Mr. Chow Shing Yuk (周勝馥) | 45 | Chairman of the Board, Executive Director, and Chief Executive Officer | Responsible for the overall strategic planning and management | October 2013 |
| Mr. Tam Matthew Wan Bo (譚穩寶) | 37 | Executive Director and Co-Chief Operating Officer | Responsible for our operation in the PRC | October 2013 |

DIRECTORS AND SENIOR MANAGEMENT

| Name | Age | Position | Roles and responsibilities | Date of joining our Group |
|-------------------------------|-----|---|--|---------------------------|
| Mr. Loo Kar Pui Paul (盧家培) | 55 | Co-Chief Operating Officer | Responsible for our operation overseas | February 2020 |
| Mr. Chen Yu (陳宇) | 42 | Chief Security Officer | Responsible for overseeing our Group’s operational security, and the management of safety and emergency, public affairs and business environment | October 2018 |
| Mr. Chen Guo Ji (陳國基) | 46 | Chief Financial Officer | Responsible for the management of the financial related matters | August 2014 |
| Mr. Yu Peng (俞鵬) | 48 | Human Resources Vice President | Responsible for our human resources management | January 2019 |
| Mr. Yu Ho Yin (余浩然) | 44 | Vice President of People and Managing Director of South East Asia | Responsible for human resources and management, and South East Asia business and operations | February 2020 |
| Mr. Ren Guanjun (任冠軍) | 42 | Marketing Vice President | Responsible for our marketing development | June 2020 |
| Mr. Yin Bingbing (尹兵兵) | 41 | Supply Quality Vice President | Responsible for the overall management of supply quality | February 2021 |
| Ms. Yu Yang (于洋) | 35 | Financial Controller | Responsible for the management of auditing and internal control | September 2020 |
| Ms. Ding Ning (丁凝) | 40 | Financial Controller | Responsible for the management of taxation and financial planning | October 2020 |
| Ms. Jiang Zhiyin (姜知音) | 36 | General Counsel and Compliance Officer | Responsible for the management of legal and compliance matters | March 2019 |

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chow Shing Yuk (周勝馥), aged 45, is our Chairman of the Board, executive Director, and Chief Executive Officer of our Company. For details of his biography, please see the sub-section headed “— Executive Directors” in this section.

Mr. Tam Matthew Wan Bo (譚穩寶), aged 37, is the executive Director and Co-Chief Operating Officer of our Company. For details of his biography, please see the sub-section headed “— Executive Directors” in this section.

Mr. Loo Kar Pui Paul (盧家培), aged 55, is our Co-Chief Operating Officer, and is responsible for our operation overseas. Mr. Loo joined our Group and has been appointed as one of our Chief Operating Officer since February 2020.

Mr. Loo has more than 28 years of global management experience in Hong Kong, Middle East, the Philippines, Japan and Mainland China. Prior to joining our Group, Mr. Loo served several senior executive roles in Cathay Pacific Airways Limited from July 1991 to August 2019, primarily in charge of commercial, fleet & network planning, information technology, customer experience design and delivery, and international affairs, including the Chief Customer & Commercial Officer from June 2017 to August 2019. Prior to joining our Group, Mr. Loo served as an executive director of Cathay Pacific Airways Limited (SEHK: 0293) from June 2017 to August 2019.

Mr. Loo received his bachelor’s degree in Engineering Science from University of Toronto in Canada in June 1991, and received his master’s degree in Business Administration from University of Michigan in the United States in May 1997, as well as attended a Stanford Executive Program in Stanford University Graduate School of Business in the United States in August 2013.

Mr. Chen Yu (陳宇), aged 42, is our Chief Security Officer, and is responsible for overseeing our Group’s operational security, and the management of safety and emergency, public affairs and business environment. Mr. Chen joined our Group and has been appointed as our Chief Security Officer since October 2018.

Mr. Chen previously worked at DiDi Chuxing Science and Technology Co., Ltd. (滴滴出行科技有限公司) as a senior manager in charge of regional government affairs from October 2017 to October 2018. Prior to that, Mr. Chen was sent abroad by the government to World Maritime University in Sweden for the Master of Science degree from June 2013 to August 2014; and he worked at the Shenzhen Maritime Safety Administration from August 2014 to 2017 where he was responsible for, among others, overseas assignment institutions management and personnel management.

Mr. Chen received his bachelor’s degree in engineering with a major in nautical technology from Dalian Maritime University (大連海事大學) in China in July 2007, his Master of Science degree in maritime safety and environmental management from World Maritime University in Sweden in August 2014, and his master’s degree in business administration from Guanghua School of Management of Peking University (北京大學) in China in July 2021.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen Guo Ji (陳國基), aged 46, is our Chief Financial Officer, and is responsible for the management of the financial related matters. Mr. Chen joined our Group in August 2014 and has been appointed as Chief Financial Officer since August 2014.

Mr. Chen has more than 15 years of experience in the banking and securities industry. From 2006 to 2007, he served in China Everbright Securities (HK) Limited as a director and was responsible for the management of investment service. Prior to joining our Group, he served as a director of T-Rex Capital Asia Limited, a venture capital firm based in China, from January 2008 to 2014.

Mr. Chen received his bachelor’s degree in science from The Chinese University of Hong Kong in Hong Kong in May 2000.

Mr. Yu Peng (俞鵬), aged 48, is our human resources vice president and is responsible for our human resources management. Mr. Yu joined our Group and has been appointed as our human resources vice president since January 2019.

Mr. Yu previously worked in Shenzhen Binxun Technology Co., Ltd. (深圳市彬訊科技有限公司) as the human resources vice president from March 2016 to July 2018. Prior to that, he worked in Shengqu Information Technology (Shanghai) Co., Ltd. (盛趣信息技術(上海)有限公司) as an assistant president from August 2010 to March 2016.

Mr. Yu received his bachelor’s degree in industrial foreign trade from Central South University (中南大學) (formerly known as Central South University of Technology (中南工業大學)) in China in June 1997. He received his master’s degree in philosophy of technology (human resources) from Hunan University (湖南大學) in China in March 2001.

Mr. Yu Ho Yin (余浩然), aged 44, is our vice president of People and managing director of South East Asia, and is responsible for human resources and management, and South East Asia business and operation. Mr. Yu joined our Group and has been appointed as our managing director and vice president since February 2020.

Prior to joining our Group, Mr. Yu worked for Cathay Pacific Airways Limited, a company listed on the Stock Exchange (SEHK: 0293) from September 2002 to February 2020. He joined the Cathay Pacific Airways Limited as management trainee in September 2002, and was promoted to manager in August 2005. Mr. Yu was then promoted to vice president in September 2013 and to general manager in August 2016. He left the firm as the general manager of corporate affairs in February 2020.

Mr. Yu received his bachelor’s degree in business administration (marketing) from the Hong Kong University of Science and Technology in November 2002.

Mr. Ren Guanjun (任冠軍), aged 42, is our marketing vice president and is responsible for our marketing development. Mr. Ren joined our Group and has been appointed as our marketing vice president since June 2020.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ren previously worked in Le.com (樂視網) and Letv Zhixin Electronic Technology (Tianjin) Co., Ltd. (樂視致新電子科技(天津)有限公司) from September 2011 to November 2017. He then served as the chief growth officer of marketing development in Beijing Secoo Trading Co., Ltd. (北京寺庫商貿有限公司) from December 2017 to October 2019.

Mr. Ren received his bachelor’s degree in sports media journalism from Beijing Sport University (北京體育大學) in China in July 2005.

Mr. Yin Bingbing (尹兵兵), aged 41, is our supply quality vice president and is responsible for the overall management of supply quality. Mr. Yin joined our Group has been appointed as our supply quality vice president since February 2021.

Prior to joining our Group, Mr. Yin served as a logistics operation officer of Beijing Sankuai Online Technology Co., Ltd. (北京三快在線科技有限公司) from December 2015 to February 2021. He previously worked as the director of business development department of Beijing Bige Catering Management Co., Ltd. (北京比格餐飲管理有限責任公司) from July 2011 to December 2015.

Mr. Yin received his associate’s degree in marketing from Chongqing University Network Education College (重慶大學網絡教育學院) in China in July 2010.

Ms. Yu Yang (于洋), aged 35, is our financial controller, and is responsible for the management of auditing and internal control. Ms. Yu joined our Group and has been serving as financial controller since September 2020.

Prior to joining our Group, Ms. Yu has around nine years of experience in accounting and auditing. She worked at KPMG Huazhen LLP in Shenzhen from September 2011 to April 2020, with her last position held was senior manager.

Ms. Yu obtained her bachelor of business administration degree from Xiamen University (廈門大學) in PRC in July 2011.

Ms. Ding Ning (丁凝), aged 40, is our financial controller, and is responsible for the management of taxation and financial planning. Ms. Ding joined our Group and has served as financial controller since October 2020.

Prior to joining our Group, Ms. Ding worked at KPMG Huazhen LLP in Shanghai from August 2006 to September 2009, and relocated to Shenzhen office from October 2009 to May 2012 and her last position held was manager. Prior to joining our Group, Ms. Ding worked for AECOM, a multinational infrastructure consulting firm listed on the New York Stock Exchange, from September 2012 to October 2020. She left the firm as the financial controller in October 2020.

Ms. Ding obtained her bachelor of law degree from Shanghai University of Finance and Economics (上海財經大學) in PRC in July 2006.

Ms. Jiang Zhiyin (姜知音), aged 36, is our general counsel and compliance officer. She is responsible for the management of legal and compliance matters of our Group. Ms. Jiang joined our Group and was appointed as general counsel and compliance officer in March 2019.

DIRECTORS AND SENIOR MANAGEMENT

Prior to joining our Group, Ms. Jiang obtained extensive experiences in private practices. She worked at the Shanghai offices of Allen & Overy LLP from August 2018 to March 2019, where she focused on cross-border M&A and private equity transactions. From November 2015 to August 2018, she worked at DLA Piper in Hong Kong. Prior to joining DLA Piper, Ms. Jiang worked at Goodwin Procter in Hong Kong from December 2014 to October 2015. Prior to that, she worked at Huang Shan & Co. from September 2013 to October 2014, and worked at Shanghai Qin Li Law Firm and Shanghai Deloitte Tax Ltd. from February to September 2013 and October 2012 to January 2013, respectively.

Ms. Jiang obtained her bachelor of laws degree from East China University of Political Science and Law (華東政法大學) in the PRC in July 2010, and her LL.M. degree from the University of Pennsylvania in the United States in May 2012. Ms. Jiang is qualified in both the state of New York and the PRC.

Interests of our Directors and Senior Management

Save as disclosed above, none of our Directors holds any other directorships in public companies, the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the date of this Document. See “Statutory and General Information” in Appendix IV for further information about the Directors, including the particulars of their service contracts and remuneration, and details of the interests of the Directors in the Shares (within the meaning of Part XV of the SFO).

Save as disclosed above, to the best knowledge, information and belief of our Directors after having made all reasonable enquiries, as of the Latest Practicable Date, there were no other matters in respect of each of Directors which are required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, and there were no other material matters relating to our Directors that need to be brought to the attention of our Shareholders. As of the Latest Practicable Date, none of our Directors or senior management is related to other Directors or senior management of our Company.

None of our Directors have any interest in any business, other than our Group’s business, which compete or is likely to compete, either directly or indirectly, with our Group’s business.

JOINT COMPANY SECRETARIES

Mr. Ma Pui Yin (馬沛然), aged 33, has been appointed our joint company secretary with effect from March 2023. He joined our Group in October 2017 and served as our company secretary and financial controller.

Prior to joining our Group, Mr. Ma join Baker Tilly Hong Kong Business Services Limited as an associate in October 2011. He was then promoted to manager in October 2016 and left Baker Tilly Hong Kong Business Services Limited in October 2017. Mr. Ma received his bachelor’s degree of business administration in professional accounting from the Hong Kong University of Science and Technology in November 2011.

Mr. Ma is a practising member of the Hong Kong Institute of Certified Public Accountants.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Cheng Choi Ha (鄭彩霞) has been appointed as our joint company secretary in March 2023. She is primarily responsible for the overall company secretarial matters of our Group.

Ms. Cheng has over 10 years of experience in the corporate secretarial services field and providing professional corporate services to Hong Kong listed companies, as well as multinational, private and offshore companies. She is a senior manager of the Corporate Services Division of Tricor Services Limited, which is a global professional services provider specializing in integrated business, corporate and investor services.

Ms. Cheng obtained her bachelor's degree in business administration from Hong Kong Baptist University in December 2003. She is a Chartered Secretary, a Chartered Governance Professional, an Associate of The Hong Kong Chartered Governance Institute and an Associate of The Chartered Governance Institute in the United Kingdom.

COMMITTEES UNDER THE BOARD OF DIRECTORS

Audit Committee

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system (including risk management) of our Company, review and approve connected transactions and provide advice and comments to the Board. The Audit Committee consists of three members, namely Mr. Lee Ting Bun Denny, Dr. Chan Tony Fan-cheong and Mr. Gaw Goodwin, and they are all our independent non-executive Directors. Mr. Lee Ting Bun Denny is the chairman of the Audit Committee, he has the appropriate professional qualifications or accounting or related financial management expertise.

Remuneration Committee

We have established a Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The primary duties of the Remuneration Committee are to review and make recommendations to the Board the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management. The Remuneration Committee consists of three members, namely Mr. Gaw Goodwin, Mr. Lee Ting Bun Denny, and Dr. Chan Tony Fan-cheong. Mr. Gaw Goodwin is the chairman of the Remuneration Committee, and they are all our independent non-executive Directors.

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and the Corporate Governance Code in Appendix C1 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of Directors and management of Board succession. The Nomination Committee consists of three members, namely Dr. Chan Tony Fan-cheong, Mr. Gaw Goodwin and Mr. Lee Ting Bun Denny. Dr. Chan Tony Fan-cheong is the chairman of the Nomination Committee, and they are all our independent non-executive Directors.

Corporate Governance Committee

We have established a Corporate Governance Committee in compliance with Chapter 8A of the Listing Rules. The primary duties of the Corporate Governance Committee are to ensure that the Company is operated and managed for the benefit of all Shareholders and to ensure the Company’s compliance with the Listing Rules and safeguards relating to the weighted voting rights structures of the Company.

The Corporate Governance Committee comprises three independent non-executive Directors, namely Mr. Lee Ting Bun Denny, Mr. Gaw Goodwin, and Dr. Chan Tony Fan-cheong. Mr. Lee Ting Bun Denny is the chairman of the Corporate Governance Committee. All members of the Corporate Governance Committee have ample experience in overseeing corporate or institutional governance related matters. Mr. Lee Ting Bun Denny has ample experience in overseeing corporate governance related matters. He served as an independent director on the boards of several listing companies, including but not limited to NIO Inc. (NYSE: NIO; SEHK: 9866), a WVR company which Mr. Lee is a member of its nominating and corporate governance committee. Dr. Chan Tony Fan-cheong is currently the president of the King Abdullah University of Science and Technology and had served as the President of the Hong Kong University of Science and Technology from September 2009 to August 2018. Dr. Chan has accumulated extensive experience in institutional governance through servicing as a president of university, the chief executive of university who is responsible for the overall direction and governance of the university. Mr. Goodwin Gaw has also served as a director of Pioneer Global Group Limited (a company listed on the Hong Kong Stock Exchange, SEHK: 0224) for over 28 years since October 1994, and has gained solid experience in corporate management and governance related matters. For details of their experience in corporate governance related matters, see the biographies of our independent non-executive Directors in “— Directors and Senior Management — Independent Non-executive Directors” above. As such, the Directors believe that all members of the Corporate Governance Committee have the requisite experience, knowledge and skills to advise the Company in respect of its corporate governance matters going forward, including but not limited to, reviewing the Company’s policies and practices on corporate governance and compliance with relevant legal and regulatory requirements as a WVR company, and monitoring the professional development of Directors and senior management.

DIRECTORS AND SENIOR MANAGEMENT

In accordance with Rule 8A.30 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 of the Listing Rules, the work of our Corporate Governance Committee as set out in its terms of reference includes:

- (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;
- (e) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report;
- (f) to review and monitor whether the Company is operated and managed for the benefit of all of its Shareholders;
- (g) to confirm, on an annual basis, that the WVR Beneficiary has been a member of the Company's Board of Directors throughout the year and that no matters under Rule 8A.17 of the Listing Rules have occurred during the relevant financial year;
- (h) to confirm, on an annual basis, whether or not the WVR Beneficiary has complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules throughout the year;
- (i) to review and monitor the management of conflicts of interests and make a recommendation to the Board of Directors on any matter where there is a potential conflict of interest between the Company, its subsidiary or Consolidated Affiliated Entity and/or Shareholder on one hand and the WVR Beneficiary on the other;
- (j) to review and monitor all risks related to the Company's WVR Structure, including connected transactions between the Company and/or its subsidiary or Consolidated Affiliated Entity on one hand and the WVR Beneficiary on the other and make a recommendation to the Board of Directors on any such transaction;
- (k) to make a recommendation to the Board of Directors as to the appointment or removal of the Compliance Adviser;
- (l) to seek to ensure effective and on-going communication between the Company and its Shareholders, particularly with regards to the requirements of Rule 8A.35 of the Listing Rules; and

DIRECTORS AND SENIOR MANAGEMENT

- (m) to report on the work of the Corporate Governance Committee on at least a half-yearly and annual basis covering all areas of its terms of reference, including disclosing, on a comply or explain basis, its recommendations to the Board in respect of the matters in items (i) to (k) above.

Pursuant to Rule 8A.32 of the Listing Rules, the Corporate Governance Report prepared by our Company for inclusion in our interim and annual reports after [REDACTED] will include a summary of the work of the Corporate Governance Committee for the relevant period.

ESG Committee

The Company has established an ESG Committee which consists of Mr. Lee Ting Bun Denny, Mr. Gaw Goodwin and Dr. Chan Tony Fan-cheong. Mr. Lee Ting Bun Denny is the chairman of the ESG Committee, and they are all our independent non-executive Directors. The primary duties of the ESG Committee is to formulate and review the Company's ESG responsibilities, vision, strategy, framework, principles, policies and to monitor the implementations of the ESG policies passed by the Board to oversee and guide our Company's ESG initiatives and to make recommendations to the Board.

ROLE OF OUR INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 8A.26 of the Listing Rules, the role of the independent non-executive directors of a [REDACTED] company with WVR Structure must include, but is not limited to, the functions described in code provisions C.1.2, C.1.6 and C.1.7 of the Corporate Governance Code. The functions of our independent non-executive Directors include:

- (a) participating in Board meetings to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
- (b) taking the lead where potential conflicts of interests arise;
- (c) serving on the Audit, Remuneration, Nomination and Corporate Governance Committees, if invited;
- (d) scrutinizing our Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting;
- (e) giving the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation;
- (f) making a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments; and
- (g) attending general meetings and developing a balanced understanding of the views of our Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

CORPORATE GOVERNANCE

Corporate Governance Code

Pursuant to code provision C.2.1 of the Corporate Governance Code, companies [REDACTED] on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the roles of chairman and chief executive should be separate and should not be performed by the same individual. We do not have separate Chairman of the Board and Chief Executive Officer and Mr. Chow, the Chairman of our Board and Chief Executive Officer, currently performs these two roles. Our Board believes that, in view of his experience, personal profile and his roles in our Company as mentioned above, Mr. Chow is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of our business as our Chief Executive Officer. Our Board also believes that the combined role of Chairman of the Board and Chief Executive Officer can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board. Our Board will continue to review and consider splitting the roles of Chairman of the Board and the Chief Executive Officer at a time when it is appropriate by taking into account the circumstances of our Group as a whole. We aim to implement a high standard of corporate governance, which is crucial to safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the Corporate Governance Code after the [REDACTED] save for the matter disclosed above.

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on October 15, 2021, March 22, 2023 or March 24, 2023 (as applicable), and (ii) understands his or her obligations as a director of a [REDACTED] issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his independence at the time of his appointments.

DIRECTORS AND SENIOR MANAGEMENT

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive remuneration, including salaries, allowances and benefits in kind, retirement scheme contributions, discretionary bonuses and share based payments.

The aggregate amount of remuneration (including salaries, allowances and benefits in kind, bonuses, retirement scheme contributions, discretionary bonuses and share based payments) for the five highest paid individuals for the years ended December 31, 2021, 2022 and 2023 were approximately US\$8.2 million, US\$6.1 million and US\$5.3 million, respectively.

The aggregate amount of remuneration (including salaries, allowances and benefits in kind, bonuses, retirement scheme contributions, discretionary bonuses and share based payments) for our Directors for the years ended December 31, 2021, 2022 and 2023 were approximately US\$3.5 million, US\$0.7 million and US\$0.8 million, respectively. None of our Directors waived any remuneration during the aforesaid periods.

Further information on the remuneration of each Director and the five highest paid individuals during the Track Record Period is set out in the Accountants’ Report in Appendix I.

See “Statutory and General Information — D. Share Incentive Plan” in Appendix IV for details regarding the Share Incentive Plan for, among others, Directors and senior management. For details of the service contracts and appointment letters that we have entered into with our Directors, see “Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders — 2. Particulars of Service Contracts” in Appendix IV.

Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

During the Track Record Period, no remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past directors or the five highest paid individuals during the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

BOARD DIVERSITY POLICY

We recognize the benefits of board diversity and the importance of being able to attract, retain and motivate employees from the widest possible pool of available talent — by drawing from the diverse competencies and perspectives, it enables us to be in the best position to deal with key issues facing it. We endeavour to ensure that the Board has the appropriate balance and level of skills, experience and perspectives required to support the execution of its business strategies.

DIRECTORS AND SENIOR MANAGEMENT

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background, ethnicity and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

Our Board currently consists of one female Director and eight male Directors ranging from 36 years old to 71 years old with a balanced mix of knowledge and skills, including but not limited to overall management and strategic development, technology and R&D, finance and accounting and corporate governance in addition to industry experience in logistics. They obtained degrees in various majors including economics, computer science, engineering, aeronautics and accounting. The Board is of the view that our Board satisfies the board diversity policy.

We will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the senior management levels. In particular, given that one out of nine of our Directors is female, our Board will, taking into account the business needs of our Group and changing circumstances from time to time that may affect our Group's business plans, use its best endeavors to actively identify female individuals suitably qualified to become our Board members after the [REDACTED]. We will also continue to ensure that there is gender diversity when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential successors to our Board in due time to ensure gender diversity of our Board. Our Group will continue to emphasize training of female talent and providing long-term development opportunities for our female staff.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After [REDACTED], our Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

COMPLIANCE ADVISER

We have appointed Somerley Capital Limited as our Compliance Adviser pursuant to Rule 8A.33 of the Listing Rules. Our Compliance Adviser will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws.

Pursuant to Rules 3A.23 and 8A.34 of the Listing Rules, our Compliance Adviser will advise our Company, among others, in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

DIRECTORS AND SENIOR MANAGEMENT

- (c) where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this Document or where our business activities, developments or results deviate from any forecast, estimate, or other information in this Document;
- (d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or [REDACTED] of our [REDACTED] securities or any other matters in accordance with Rule 13.10 of the Listing Rules;
- (e) the WVR Structure;
- (f) transactions in which any beneficiary of weighted voting rights in the Company has an interest; and
- (g) where there is a potential conflict of interest between the Company, its subsidiary and/or Shareholders (considered as a group) on one hand and any beneficiary of weighted voting rights in the Company on the other.

The term of appointment of the Compliance Adviser shall commence on the [REDACTED]. Pursuant to Rule 8A.33 of the Listing Rules, the Company is required to engaged a compliance adviser on a permanent basis.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of [REDACTED], Mr. Chow, the Chairman of the Board, executive Director and Chief Executive Officer, will be interested in [REDACTED] Class A Shares, comprising (i) [REDACTED] Class A Shares beneficially held by himself, and (ii) [REDACTED] Class A Shares through Lalatech Underscore, a company wholly-owned by Lalatech One, which is in turn wholly-owned by the Chow’s Family Trust that was established by Mr. Chow (as the settlor) for the benefit of himself and his family members.

Each Class A Shares has ten votes per share, capable of being exercised on resolutions in general meeting. Assuming the [REDACTED] is not exercised and the [REDACTED] are completed, (a) the shareholding of Mr. Chow will be approximately [REDACTED]% of our issued Shares; (b) the effective voting rights in our Company of Mr. Chow with respect to Shareholders’ resolutions relating to matters other than the Reserved Matters will be approximately [REDACTED]%, on the basis that Class A Shares entitle the Shareholder to ten votes per share and Class B Shares entitle the Shareholder to one vote per share; and (c) the effective voting rights in our Company of Mr. Chow with respect to Shareholders’ resolutions relating to Reserved Matters will be approximately [REDACTED]%, on the basis that each Share entitles the Shareholder to one vote per share.

Therefore, Mr. Chow, and the intermediary companies through which he controls his interest in our Company, namely Lalatech Underscore and Lalatech One, will be the Controlling Shareholders of our Company after the [REDACTED].

For further information about the weighted voting rights attached to the Class A Shares, see “Share Capital”.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are able to carry on our business independently of our Controlling Shareholders and their close associates after [REDACTED].

Management Independence

Our business is managed and conducted by our Board and senior management. Mr. Chow, a Controlling Shareholder, is also one of our executive Directors. Upon [REDACTED], our Board will consist of nine Directors comprising two executive Directors, four non-executive Directors and three independent non-executive Directors. For more information, see “Directors and Senior Management”.

Our Directors consider that our Board and senior management will function independently of our Controlling Shareholders because:

- (a) each Director is aware of his or her fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the interest of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interests;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;
- (c) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions; and
- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. Please see "— Corporate Governance Measures" in this section below for further information.

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial role independently from our Controlling Shareholders.

Operational Independence

Our Group is not operationally dependent on our Controlling Shareholders. Our Company (through our subsidiaries and Consolidated Affiliated Entities) holds all relevant licenses and owns all relevant intellectual properties and research and development facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our customers and an independent management team to operate our business.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders.

Financial Independence

Our Group has an independent financial reporting system and makes financial decisions according to our Group's own business needs. We have internal control and accounting systems and an independent finance department for discharging the treasury function. More importantly, we have been and are capable of obtaining financing from third parties, if necessary, without relying on our Controlling Shareholders.

There are no outstanding loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective associates during the Track Record Period and as of the [REDACTED].

Based on the above, our Directors are of the view that our Directors and senior management are capable of carrying on our business independently of, and do not place undue reliance on, our Controlling Shareholders after [REDACTED].

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

COMPETITION ISSUE UNDER RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders confirm that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Company and Directors are committed to upholding and implementing the highest standards of corporate governance and recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders. In light of this, our Company has established a Corporate Governance Committee pursuant to Rule 8A.30 which [has adopted] terms of reference consistent with Appendix C1 to, and Rule 8A.30 of, the Listing Rules. The members of the Corporate Governance Committee are independent non-executive Directors with extensive experience in overseeing corporate governance related functions of private and Hong Kong listed companies. The primary duties of the Corporate Governance Committee are to ensure that the Company is operated and managed for the benefit of all Shareholders and to ensure the Company’s compliance with the Listing Rules and safeguards relating to the weighted voting rights structure of the Company.

Our Company will comply with the provisions of the Corporate Governance Code, which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders’ interest. We will adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

- (a) where a Shareholders’ meeting is to be held for considering proposed transactions in which the Controlling Shareholders or any of their associates has a material interest, the Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon [REDACTED], if our Company enters into connected transactions with Controlling Shareholders or any of their associates, our Company will comply with the applicable Listing Rules;
- (c) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and our Controlling Shareholders (the “Annual Review”) and provide impartial and professional advice to protect the interests of our minority Shareholders;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (d) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;
- (e) our Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements;
- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses;
- (g) we have appointed Somerley Capital Limited as our Compliance Adviser to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance; and
- (h) we have established our Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code in Appendix C1 to the Listing Rules.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders' interests after [REDACTED].

CONNECTED TRANSACTIONS

OVERVIEW

Prior to the [REDACTED], our Group has entered into certain transactions with parties who will, upon the [REDACTED], become connected persons (as defined in the Listing Rules) of our Company. Details of the non-exempt continuing connected transactions of our Company following the [REDACTED] are set out below.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS — THE PRC CONTRACTUAL ARRANGEMENTS

Background for the PRC Contractual Arrangements

As disclosed in “Contractual Arrangements”, due to regulatory restrictions on foreign ownership in the PRC, we are restricted from directly owning 100% equity interest in the Consolidated Affiliated Entities. Therefore, in order for our Group to effectively control and enjoy the entire economic benefit of the PRC Consolidated Affiliated Entities, a series of Contractual Arrangements have been entered into among Shenzhen Yishi, the Consolidated Affiliated Entity Holdcos, and the PRC Registered Shareholders. See “Contractual Arrangements — The PRC Contractual Arrangements” for detailed terms of the PRC Contractual Arrangements.

Principal Terms of the Transactions

The PRC Contractual Arrangements consist of five types of agreements: (a) the Exclusive Business Cooperation Agreement; (b) the Exclusive Option Agreement; (c) the Powers of Attorney; (d) the Share Pledge Agreements; and (e) the Spousal Consent Letters (all as defined in “Contractual Arrangements — The PRC Contractual Arrangements”) (the “**PRC Contractual Arrangements Agreements**”).

Listing Rules Implications

The Consolidated Affiliated Entities are accounted as subsidiaries of the Company and the financial information of the Consolidated Affiliated Entities are consolidated into the Company. The Consolidated Affiliated Entity Holdcos are wholly-owned by Mr. He through Guangzhou Qiaoguan and Shenzhen Qiaoguan. Mr. He is a director of certain subsidiaries of our Company. As such, each of Mr. He, Guangzhou Qiaoguan and Shenzhen Qiaoguan is a connected person of the Company at subsidiary level.

As such, the transactions contemplated under the PRC Contractual Arrangements will constitute continuing connected transactions under Chapter 14A of the Listing Rules and are subject to the announcement, circular and independent Shareholders’ approval requirements.

CONNECTED TRANSACTIONS

Reasons for the Continuing Connected Transactions and Directors’ Confirmation

Our Directors (including the independent non-executive Directors) are of the view that the PRC Contractual Arrangements and the transactions contemplated therein are fundamental to our Group’s legal structure and business, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and the Shareholders as a whole. With respect to the term of the PRC Contractual Arrangements Agreements, which is of a duration longer than three years, taking into consideration the reasons for entering into the PRC Contractual Arrangements with details set out in this section above, it is reasonable for these agreements to be for a duration of more than three years, and it is normal business practice for agreements of this type to be of such duration. In addition, the PRC Contractual Arrangements were entered into prior to the [REDACTED] and are disclosed in this Document, and potential [REDACTED] of our Company will participate in the [REDACTED] on the basis of such disclosure. Accordingly, notwithstanding that the transactions contemplated under the PRC Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, the Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the PRC Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules.

WAIVER FROM THE STOCK EXCHANGE

In relation to the PRC Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with (i) the announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the connected transactions under the PRC Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the PRC Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the PRC Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Class B Shares are [REDACTED] on the Stock Exchange, subject, however, to the following conditions:

- (a) **No change without independent non-executive Directors’ approval.** No change to the PRC Contractual Arrangements will be made without the approval of our independent non-executive Directors.
- (b) **No change without independent Shareholders’ approval.** Save as described in “(d) Renewal and reproduction” below, no change to the agreements constituting the PRC Contractual Arrangements will be made without the approval of our Company’s independent Shareholders. Once independent Shareholders’ approval of any change has been obtained, no further announcement, circular or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the PRC Contractual Arrangements in the annual reports of our Company (as set out in “(e) Ongoing reporting and approvals” below) will however continue to be applicable.

CONNECTED TRANSACTIONS

- (c) **Economic benefits flexibility.** The PRC Contractual Arrangements shall continue to enable our Group to receive the entire economic benefits derived by the PRC Consolidated Affiliated Entities through (i) our Group's option (if and when so allowed under the applicable laws) to acquire all or part of the entire equity interests in the Consolidated Affiliated Entity Holdcos, (ii) the business structure under which the economic benefits and risks, being the profits and losses derived from the PRC Consolidated Affiliated Entities are retained by our Group, such that no annual caps shall be set on the amount of the net operating profits or losses derived from the business operations of PRC Consolidated Affiliated Entities; and (iii) our Group's absolute right to control the management and operation of, as well as, in substance, all of the voting rights of the Consolidated Affiliated Entity Holdcos.
- (d) **Renewal and reproduction.** On the basis that the PRC Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on the one hand, and the Consolidated Affiliated Entity Holdcos, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new foreign invested enterprise or operating company (including branch company) engaging in the same business as that of our Group which the Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing PRC Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new foreign invested enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the PRC Contractual Arrangements, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.
- (e) **Ongoing reporting and approvals.** Our Group will disclose details relating to the PRC Contractual Arrangements on an on-going basis as follows:
- (i) The PRC Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules.
 - (ii) Our independent non-executive Directors will review the PRC Contractual Arrangements annually and confirm in our Company's annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the PRC Contractual Arrangements, (ii) no dividends or other distributions have been made by the Consolidated Affiliated Entity Holdcos to the relevant PRC Registered Shareholders which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and Consolidated Affiliated Entity Holdcos during the relevant financial period under paragraph (iii) above are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of our Company and our Shareholders as a whole.

CONNECTED TRANSACTIONS

- (iii) Our Company’s auditor will carry out review procedures annually on the transactions carried out pursuant to the PRC Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant PRC Contractual Arrangements and that no dividends or other distributions have been made by the Consolidated Affiliated Entity Holdcos to the relevant Registered Shareholders which are not otherwise subsequently assigned or transferred to our Group.
- (iv) For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of “connected person”, the Consolidated Affiliated Entities will be treated as our Company’s wholly-owned subsidiary, and at the same time, the directors, chief executive officers or substantial shareholders of the PRC Consolidated Affiliated Entities and their respective associates will be treated as connected persons of our Company (excluding for this purpose, the PRC Consolidated Affiliated Entities), and transactions between these connected persons and our Group (including for this purpose, the PRC Consolidated Affiliated Entities), other than those under the PRC Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.
- (v) Each of the PRC Consolidated Affiliated Entities will undertake that, for so long as the Shares are [REDACTED] on the Stock Exchange, it will provide our Group’s management and our Company’s auditors full access to its relevant records for the purpose of our Company’s auditors’ review of the connected transactions.

CONFIRMATION FROM THE JOINT SPONSORS

Based on the documentation provided by the Company and the Joint Sponsors’ participation in the due diligence and discussion with the management of the Company and the PRC Legal Advisor, the Joint Sponsors are of the view that the PRC Contractual Arrangements are fundamental to our Group’s legal structure and business operations, and that the PRC Contractual Arrangements have been entered into in the ordinary and usual course of business, on normal commercial terms, and are fair and reasonable and in the interests of the Shareholders as a whole.

The Joint Sponsors are of the view that with respect to the term of those PRC Contractual Arrangements Agreements which is of a duration longer than three years, taking into consideration the reasons for entering into the PRC Contractual Arrangements with details set out in this section above, it is reasonable for these agreements to be for a duration of more than three years, and it is normal business practice for agreements of this type to be of such duration.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] (assuming that (i) the [REDACTED] is not exercised and (ii) the [REDACTED] are completed), each ordinary share held by Mr. Chow and Lalatech Underscore will be automatically converted into one Class A Share and each ordinary share held by all other Shareholders and each Preferred Share will automatically convert into one Class B Shares), the following persons will have interests and/or short positions in our Shares or our underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, 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 general meetings of our Company or any other member of our Group:

| Name of substantial shareholder | Capacity/ Nature of interest | Number and Class of Shares held | Approximate percentage of shareholding in the relevant class of Shares in our Company immediately following the completion of the [REDACTED] | Approximate percentage of shareholding in the total issued share capital of our Company immediately following the completion of [REDACTED] |
|---|--|---------------------------------------|---|---|
| Class A Shares | | | | |
| Mr. Chow ⁽²⁾ | Beneficial interest | [REDACTED] Class A Shares | [REDACTED]% | [REDACTED]% |
| | Beneficiary of a trust Founder of a trust | [REDACTED] Class A Shares | [REDACTED]% | [REDACTED]% |
| Lalatech Underscore ⁽²⁾ | Beneficial interest | [REDACTED] Class A Shares | [REDACTED]% | [REDACTED]% |
| Lalatech One ⁽²⁾ | Interest in controlled corporation | [REDACTED] Class A Shares | [REDACTED]% | [REDACTED]% |
| Cantrust (Far East) Limited ⁽²⁾ | Trustee | [REDACTED] Class A Shares | [REDACTED]% | [REDACTED]% |
| Class B Shares — Hillhouse Shareholders | | | | |
| Hillhouse Investment Management, Ltd. ⁽³⁾ | Interest of controlled corporations | [REDACTED] Class B Shares | [REDACTED]% | [REDACTED]% |
| Hillhouse Fund IV, L.P. ⁽³⁾ | Interest of controlled corporations | [REDACTED] Class B Shares | [REDACTED]% | [REDACTED]% |
| HH HLL Holdings Limited ⁽³⁾ | Beneficial interest | [REDACTED] Class B Shares | [REDACTED]% | [REDACTED]% |
| AUT-XII Holdings Limited ⁽³⁾ | Beneficial interest | [REDACTED] Class B Shares | [REDACTED]% | [REDACTED]% |
| HH HR Holdings, Ltd. ⁽³⁾ | Interest of controlled corporation | [REDACTED] Class B Shares | [REDACTED]% | [REDACTED]% |
| LLMV Holdings Limited ⁽³⁾ | Beneficial interest | [REDACTED] Class B Shares | [REDACTED]% | [REDACTED]% |

SUBSTANTIAL SHAREHOLDERS

| Name of substantial shareholder | Capacity/ Nature of interest | Number and Class of Shares held | Approximate percentage of shareholding in the relevant class of Shares in our Company immediately following the completion of the [REDACTED] | Approximate percentage of shareholding in the total issued share capital of our Company immediately following the completion of [REDACTED] |
|---|---|--|---|---|
| Class B Shares — Mindworks Shareholders | | | | |
| Mr. Chang David Shui Kei ⁽⁴⁾ | Interest of controlled corporations | [REDACTED] Class B Shares | [REDACTED]% | [REDACTED]% |
| MCF2 Holdings ⁽⁴⁾ | Beneficial interest | [REDACTED] Class B Shares | [REDACTED]% | [REDACTED]% |
| ML1 Holding Co. ⁽⁴⁾ | Beneficial interest | [REDACTED] Class B Shares | [REDACTED]% | [REDACTED]% |
| ML2 Holding Co. ⁽⁴⁾ | Beneficial interest | [REDACTED] Class B Shares | [REDACTED]% | [REDACTED]% |
| Mindworks Ventures Fund 3 SPC – Fund SP ⁽⁴⁾ | Beneficial interest | [REDACTED] Class B Shares | [REDACTED]% | [REDACTED]% |
| MLLM LP ⁽⁴⁾ | Beneficial interest | [REDACTED] Class B Shares | [REDACTED]% | [REDACTED]% |
| Class B Shares — Shunwei Shareholders | | | | |
| Mr. Koh Tuck Lye ⁽⁵⁾ | Interest of controlled corporations | [REDACTED] Class B Shares | [REDACTED]% | [REDACTED]% |
| Silver Unicorn Ventures Limited ⁽⁵⁾ | Interest of controlled corporations | [REDACTED] Class B Shares | [REDACTED]% | [REDACTED]% |
| Shunwei Capital Partners III GP Limited ⁽⁵⁾ | Interest of controlled corporations | [REDACTED] Class B Shares | [REDACTED]% | [REDACTED]% |
| Shunwei Capital Partners III GP, L.P. ⁽⁵⁾ | Interest of controlled corporations | [REDACTED] Class B Shares | [REDACTED]% | [REDACTED]% |
| Shunwei China Internet Opportunity Fund II, L.P. ⁽⁵⁾ | Interest of controlled corporations | [REDACTED] Class B Shares | [REDACTED]% | [REDACTED]% |
| Shunwei HLL Limited ⁽⁵⁾ | Beneficial interest | [REDACTED] Class B Shares | [REDACTED]% | [REDACTED]% |
| Shunwei Capital Partners IV GP Limited ⁽⁵⁾ | Interest of controlled corporations | [REDACTED] Class B Shares | [REDACTED]% | [REDACTED]% |
| Shunwei Capital Partners IV GP, L.P. ⁽⁵⁾ | Interest of controlled corporations | [REDACTED] Class B Shares | [REDACTED]% | [REDACTED]% |
| Shunwei China Internet Opportunity Fund III, L.P. ⁽⁵⁾ | Interest of controlled corporations | [REDACTED] Class B Shares | [REDACTED]% | [REDACTED]% |
| Astrend Opportunity III Alpha Limited ⁽⁵⁾ | Beneficial interest | [REDACTED] Class B Shares | [REDACTED]% | [REDACTED]% |
| Golden Spectrum Limited ⁽⁵⁾ | Beneficial interest | [REDACTED] Class B Shares | [REDACTED]% | [REDACTED]% |

SUBSTANTIAL SHAREHOLDERS

| Name of substantial shareholder | Capacity/ Nature of interest | Number and Class of Shares held | Approximate percentage of shareholding in the relevant class of Shares in our Company immediately following the completion of the [REDACTED] | Approximate percentage of shareholding in the total issued share capital of our Company immediately following the completion of [REDACTED] |
|---|--|---------------------------------------|---|--|
| Class B Shares – Crystal Stream Shareholders | | | | |
| Crystal Stream Investment GP, Ltd. ⁽⁶⁾ | Interest of controlled corporations | [REDACTED] Class B Shares | [REDACTED]% | [REDACTED]% |
| Crystal Stream HY Management L.P. ⁽⁶⁾ | Interest of controlled corporations | [REDACTED] Class B Shares | [REDACTED]% | [REDACTED]% |
| Crystal Stream Capital Management Limited ⁽⁶⁾ | Interest of controlled corporations | [REDACTED] Class B Shares | [REDACTED]% | [REDACTED]% |
| HCM VC Investments Limited ⁽⁶⁾ | Beneficial interest | [REDACTED] Class B Shares | [REDACTED]% | [REDACTED]% |
| Crystal Stream Fund II, L.P. ⁽⁶⁾ | Beneficial interest | [REDACTED] Class B Shares | [REDACTED]% | [REDACTED]% |

Notes:

- (1) The table above assumes that (i) the [REDACTED] is not exercised, (ii) the [REDACTED] are completed; and (iii) no Class A Shares are converted into Class B Shares.
- (2) The entire interest in Lalatech Underscore is held by Lalatech One, which is in turn wholly-owned by Cantrust (Far East) Limited as trustee of Chow’s Family Trust. Mr. Chow and Lalatech One is deemed to be interested in the [REDACTED] Class A Shares held by Lalatech Underscore under the SFO.
- (3) Each of HH HLL Holdings Limited (“**HH HLL**”), AUT-XII Holdings Limited (“**AUT-XII**”) and LLMV Holdings Limited (“**LLMV**”) is an exempted company registered in the Cayman Islands with their respective ownerships controlled by Hillhouse Fund IV, L.P., which is managed and controlled by Hillhouse Investment Management, Ltd. (“**Hillhouse**”), an exempted company incorporated under the laws of Cayman Islands. Accordingly, Hillhouse is deemed to be interested in the Shares held by HH HLL, AUT-XII and LLMV under the SFO.
- (4) Each of MCF2 Holdings, ML1 Holding Co., ML2 Holding Co., Mindworks Ventures Fund 3 SPC — Fund SP and MLLM LP are ultimately controlled by Mr. Chang David Shui Kei. Accordingly, Mr. Chang David Shui Kei is deemed to be interested in the Shares held by MCF2 Holdings, ML1 Holding Co., ML2 Holding Co., Mindworks Ventures Fund 3 SPC — Fund SP and MLLM LP under the SFO.
- (5) Shunwei HLL Limited is wholly owned by Shunwei China Internet Opportunity Fund II, L.P., whose general partner is Shunwei Capital Partners III GP, L.P.. Shunwei Capital Partners III GP Limited is the general partner of Shunwei Capital Partners III GP, L.P.. Astrend Opportunity III Alpha Limited is wholly owned by Shunwei China Internet Opportunity Fund III, L.P., whose general partner is Shunwei Capital Partners IV GP, L.P.. Shunwei Capital Partners IV GP Limited is the general partner of Shunwei Capital Partners IV GP, L.P.. Silver Unicorn Ventures Limited holds more than 50% of the issued and outstanding shares in each of Shunwei Capital Partners III GP Limited and Shunwei Capital Partners IV GP Limited, and Mr. Koh Tuck Lye is the sole shareholder of Silver Unicorn Ventures Limited. Accordingly, Silver Unicorn Ventures Limited and Mr. Koh Tuck Lye are deemed to be interested in the Shares held by Shunwei HLL Limited and Astrend Opportunity III Alpha Limited under the SFO. Golden Spectrum Limited is controlled by Mr. Koh Tuck Lye. Accordingly, Mr. Koh Tuck Lye is also deemed to be interested in the Shares held by Golden Spectrum Limited under the SFO.

SUBSTANTIAL SHAREHOLDERS

- (6) HCM VC Investments Limited ("**HCM VC**") is a company incorporated under the laws of the British Virgin Islands and is owned as to 90% shareholding interest by Crystal Stream HY Management L.P., which is in turn managed by its general partner, Crystal Stream Investment GP, Ltd. ("**Crystal Stream**"). Crystal Stream Fund II, L.P. ("**CS Fund II**") is a limited partnership established under the laws of the Cayman Islands, and its general partner is Crystal Stream Capital Management Limited, which is in turn ultimately managed by Crystal Stream. Accordingly, Crystal Stream is deemed to be interested in the Shares held by HCM VC and CS Fund II under the SFO.

Save as disclosed above, our Directors are not aware of any other person who will, immediately following the completion the [REDACTED] (assuming (i) the [REDACTED] is not exercised and (ii) the [REDACTED] are completed), have any interest and/or short positions in the Shares or underlying Shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company or any other member of our Group.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the [REDACTED], assuming that (i) the [REDACTED] is not exercised; (ii) the [REDACTED] are completed; and (iii) no Class A Shares are converted into Class B Shares.

1. Share capital as at the date of this Document

(i) Authorized share capital

| Number | Description of shares | Aggregate nominal value of shares |
|--------------------|--|-----------------------------------|
| 388,612,918 | Ordinary shares with a par value of US\$0.001 each | US\$388,612.918 |
| 111,387,082 | Preferred Shares | US\$111,387.082 |
| 500,000,000 | Total authorized share capital | US\$500,000 |

(ii) Issued, fully paid or credited to be fully paid

| Number | Description of Shares | Aggregate nominal value of Shares |
|--------------------|---|-----------------------------------|
| 64,934,914 | Ordinary shares with a par value of US\$0.001 each in issue | US\$64,934.914 |
| 105,299,953 | Preferred Shares in issue | US\$105,299.953 |
| 170,234,867 | Total issued shares | US\$170,234.867 |

2. Share capital immediately following the completion of the [REDACTED], and the [REDACTED]

(i) Authorized share capital

| Number | Description of Shares | Aggregate nominal value of Shares |
|----------------------|---------------------------------------|-----------------------------------|
| 426,433,480 | Class A Shares | US\$[REDACTED] |
| 4,573,566,520 | Class B Shares | US\$[REDACTED] |
| 5,000,000,000 | Total authorized share capital | US\$500,000 |

SHARE CAPITAL

(ii) *Issued, fully paid or credited to be fully paid (assuming the [REDACTED] is not exercised)*

| <u>Number</u> | <u>Description of Shares</u> | <u>Aggregate nominal value of Shares</u> |
|-------------------|--|--|
| [REDACTED] | Class A Shares in issue | US\$[REDACTED] |
| [REDACTED] | Class B Shares in issue | US\$[REDACTED] |
| [REDACTED] | Class B Shares to be issued pursuant to the [REDACTED] | US\$[REDACTED] |
| <u>[REDACTED]</u> | Total issued Shares | <u>US\$[REDACTED]</u> |

Assumptions

The above table does not take into account any Shares which may be issued or repurchased by us under the general mandates granted to our Directors as referred to below.

WEIGHTED VOTING RIGHTS STRUCTURE

Our Company is proposing to adopt a WVR structure effective immediately upon the completion of the [REDACTED]. Under this structure our Company's share capital will comprise Class A Shares and Class B Shares. Each Class A Share entitles the holder to exercise ten votes, and each Class B Share entitles the holder to exercise one vote, respectively, on any resolution tabled at our Company's general meetings, except for resolutions with respect to a limited number of Reserved Matters, in relation to which each Share is entitled to one vote.

The Reserved Matters are:

- (i) any amendment to the Memorandum or the Articles, however framed, including the variation of the rights attached to any class of shares;
- (ii) the appointment, election or removal of any independent non-executive Director;
- (iii) the appointment or removal of our Company's auditors; and
- (iv) the voluntary liquidation or winding-up of our Company.

In addition, Shareholders, including holders of Class B Shares, holding not less than 10% of the voting rights on a one vote per share basis in the share capital of our Company at general meetings are entitled to requisition an extraordinary general meeting of our Company and add resolutions to the meeting agenda.

For further details, see the summary of the Articles of Association in Appendix III.

SHARE CAPITAL

The table below sets out the ownership and voting rights to be held by the WVR Beneficiary upon the completion of the [REDACTED]:

| | <u>Number of Shares</u> | <u>Approximate percentage of issued share capital⁽¹⁾</u> | <u>Approximate percentage of voting rights⁽¹⁾⁽²⁾</u> |
|--|-------------------------|---|---|
| Class A Shares held by the WVR Beneficiary | [REDACTED] | [REDACTED]% | [REDACTED]% |

Notes:

- (1) The table above assumes (i) the [REDACTED] is not exercised; and (ii) the [REDACTED] are completed.
- (2) On the basis that Class A Shares entitle their holders to ten votes per share and Class B Shares entitle their holders to one vote per share.

Class A Shares may be converted into Class B Shares on an one to one ratio. Upon the conversion of all the issued and outstanding Class A Shares into Class B Shares, the Company will issue [REDACTED] Class B Shares, representing approximately [REDACTED]% of the total number of issued and outstanding Class B Shares (assuming (i) the [REDACTED] is not exercised; and (ii) the [REDACTED] are completed).

The weighted voting rights attached to our Class A Shares will cease when the WVR Beneficiary has no beneficial ownership of any of our Class A Shares, in accordance with Rule 8A.22 of the Listing Rules. This may occur:

- (i) upon the occurrence of any of the circumstances set out in Rule 8A.17 of the Listing Rules, in particular where the WVR Beneficiary is: (1) deceased; (2) no longer a member of our Board; (3) deemed by the Stock Exchange to be incapacitated for the purpose of performing his duties as a director; or (4) deemed by the Stock Exchange to no longer meet the requirements of a director set out in the Listing Rules;
- (ii) when the holders of Class A Shares have transferred to other person(s) the beneficial ownership of, or economic interest in, all of the Class A Shares or the voting rights attached to them, other than in the circumstances permitted by Rule 8A.18 of the Listing Rules;
- (iii) where the vehicles holding Class A Shares on behalf of the WVR Beneficiary no longer comply with Rule 8A.18(2) of the Listing Rules; or
- (iv) when all of the Class A Shares have been converted to Class B Shares.

SHARE CAPITAL

WVR Beneficiary

Immediately upon the completion of the [REDACTED], the WVR Beneficiary will be Mr. Chow, our executive Director and Chief Executive Officer. Mr. Chow will be interested in [REDACTED] Class A Shares, assuming (i) the [REDACTED] is not exercised; and (ii) the [REDACTED] are completed, representing (a) approximately [REDACTED]% of our issued Shares; (b) approximately [REDACTED]% of the effective voting rights in our Company with respect to Shareholders’ resolutions relating to matters other than the Reserved Matters, on the basis that Class A Shares entitle the Shareholder to ten votes per share and Class B Shares entitle the Shareholder to one vote per share; and (c) approximately [REDACTED]% of the effective voting rights with respect to Shareholders’ resolutions relating to Reserved Matters, on the basis that each Share entitles the Shareholder to one vote per share. The Class A Shares Mr. Chow will be interested in comprise [REDACTED] Class A Shares beneficially held by himself, and [REDACTED] Class A Shares held by Lalatech Underscore, a company wholly-owned by Lalatech One, which is in turn wholly-owned by the Chow’s Family Trust that was established by Mr. Chow (as the settlor) for the benefit of Mr. Chow and his family.

The Company confirms that the holding arrangement through which the WVR Beneficiary holds the Class A Shares as described above meets the requirements in Rule 8A.18 of the Listing Rules and the holding arrangement is permitted under the “Consultation Conclusions — a listing regime for companies from emerging and innovative sectors” issued by the Stock Exchange in April 2018, namely: (a) a partnership of which the WVR Beneficiary is a partner and the terms of which must expressly specify that the voting rights attached to any and all of the Class A Shares held by such partnership are solely dictated by the WVR Beneficiary; (b) a trust of which the WVR Beneficiary is a beneficiary and that meets the following conditions: (i) the WVR Beneficiary must in substance retain an element of control of the trust and any immediate holding companies of, or, if not permitted in the relevant tax jurisdiction, retain a beneficial interest in any and all of the Class A Shares held by such trust; and (ii) the purpose of the trust must be for estate planning and/or tax planning purposes; or (c) a private company or other vehicle wholly-owned and wholly controlled by the WVR Beneficiary or by a trust referred to in paragraph (b) above.

To ensure that there will not be any circumvention of Rule 8A.18(1), each of the Company and Mr. Chow undertakes that so long there is any weighted voting rights attached to the Shares held by Lalatech Underscore, Mr. Chow will not transfer any beneficial ownership of or economic interest in Lalatech Underscore or the control over the voting rights attached to the Shares held by Lalatech Underscore to another person. In the event that there is any change in the beneficial ownership of or economic interest in the Shares held by Lalatech Underscore or the control over the voting rights attached to the Shares held by Lalatech Underscore, and/or change in beneficiary, and settlor of Chow’s Family Trust to another person, resulting in change of beneficial ownership of, or economic interest in, the Shares held under Chow’s Family Trust or the control over the voting rights attached to the Shares held under Chow’s Family Trust, the Company and/or Mr. Chow will notify the Stock Exchange pursuant to Rule 8A.19 of Listing Rules and comply with the relevant statutory obligations including obligations of disclosure of interests under the SFO, and the weighted voting rights attached to the Class A Shares held by Lalatech Underscore shall cease upon such transfer accordingly. The Company will also comply with Rule 8A.30 of the Listing Rules to confirm, on an annual basis, that the WVR Beneficiary has complied with Rule 8A.18 of the Listing Rules.

SHARE CAPITAL

Our Company is adopting the WVR structure to enable the WVR Beneficiary to exercise voting control over our Company. This will enable our Company to benefit from the continuing vision and leadership of the WVR Beneficiary who will control our Company with a view to its long-term prospects and strategy.

Prospective [REDACTED] are advised to be aware of the potential risks of [REDACTED] in companies with WVR structure, in particular that interests of the WVR Beneficiary may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR Beneficiary will be in a position to exert significant influence over the affairs of our Company and the outcome of Shareholders’ resolutions, irrespective of how other Shareholders vote. Prospective [REDACTED] should make the decision to [REDACTED] in our Company only after due and careful consideration. For further information about the risks associated with the WVR structure adopted by our Company, See “Risk Factors — Risks Related to the WVR Structure”.

Save for the weighted voting rights attached to Class A Shares, the rights attached to Class A Shares and Class B Shares are identical. For further information about the rights, preferences, privileges and restrictions of the Class A Shares and Class B Shares, see “Summary of the Constitution of our Company and Cayman Islands Company Law — 2 Articles of Association” in Appendix III.

Undertakings by the WVR Beneficiary

Pursuant to Rule 8A.43 of the Listing Rules, the WVR Beneficiary is required to give a legally enforceable undertaking to our Company that he will comply with the relevant requirements as set out in Rule 8A.43, which is intended to be for the benefit of and enforceable by the Shareholders. On April 25, 2023, Mr. Chow made an undertaking to our Company (the “**Undertaking**”), that for so long as he is a WVR Beneficiary:

- (i) he shall comply with (and, if the shares to which the weighted voting rights that he is beneficially interested in are attached are held through a limited partnership, trust, private company or other vehicle, use his best endeavors to procure that such limited partnership, trust, private company or other vehicle complies with) all applicable requirements under Rules 8A.09, 8A.14, 8A.15, 8A.17, 8A.18, and 8A.24 of the Listing Rules from time to time in force (the “**Requirements**”); and
- (ii) he shall use his best endeavors to procure that our Company complies with all applicable Requirements.

For the avoidance of doubt, the Requirements are subject to Rule 2.04 of the Listing Rules. The WVR Beneficiary acknowledged and agreed that the Shareholders rely on the Undertaking in acquiring and holding their Shares. The WVR Beneficiary acknowledged and agreed that the Undertaking is intended to confer a benefit on our Company and all Shareholders and may be enforced by our Company and/or any Shareholder against the WVR Beneficiary.

SHARE CAPITAL

The Undertaking shall automatically terminate upon the earlier of (i) the date of [REDACTED] of our Company from the Stock Exchange; and (ii) the date on which the WVR Beneficiary ceases to be a beneficiary of weighted voting rights in our Company. For the avoidance of doubt, the termination of the Undertaking shall not affect any rights, remedies, obligations or liabilities of our Company and/or any Shareholder and/or the WVR Beneficiary himself that have accrued up to the date of termination, including the right to claim damages and/or apply for any injunction in respect of any breach of the Undertaking which existed at or before the date of termination.

The Undertaking shall be governed by the laws of Hong Kong and all matters, claims or disputes arising out of the Undertaking shall be subject to the exclusive jurisdiction of the courts of Hong Kong.

RANKING

The [REDACTED] will rank *pari passu* in all respects with all Class B Shares currently in issue or to be issued as mentioned in this Document, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this Document.

POTENTIAL CHANGES TO SHARE CAPITAL

Circumstances under which general meetings are required

Pursuant to the Cayman Companies Act and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (i) increase its share capital; (ii) consolidate and divide its share capital into shares of larger amount than its existing share capital; (iii) subdivide its shares into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Cayman Companies Act; and (iv) cancel any shares which have not been taken or agreed to be taken by any person. In addition, our Company may, subject to the provisions of the Cayman Companies Act, reduce its share capital or capital redemption reserve by its Shareholders passing a special resolution. See "Appendix III — Summary of the Constitution of Our Company and Cayman Islands Company Law — Summary of the Constitution of the Company — 2 Articles of Association — 2.5 Alteration of capital" for further details.

General mandate to issue Shares

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Class B Shares with a total nominal value of not more than the sum of:

- 20% of the aggregate nominal value of the Shares in issue immediately following completion of the [REDACTED]; and
- the aggregate nominal value of Shares repurchased by us under the authority referred to in "General mandate to repurchase Shares" in this section.

SHARE CAPITAL

This general mandate to issue Class B Shares will expire at the earlier of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which our Company’s next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See “Statutory and General Information — A. Further Information about our Group — 3. Resolutions of our Shareholders” in Appendix IV for further details of this general mandate to allot, issue and deal with Class B Shares.

General mandate to repurchase Shares

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the [REDACTED].

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are [REDACTED] (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in “Statutory and General Information — A. Further Information about our Group — 5. Repurchases of Our Own Securities” in Appendix IV.

This general mandate to repurchase Class B Shares will expire at the earlier of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which our Company’s next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

SHARE CAPITAL

See “Statutory and General Information — A. Further Information about our Group — 3. Resolutions of our Shareholders” in Appendix IV for further details of this general mandate to repurchase Class B Shares.

SHARE INCENTIVE PLAN

We adopted the Share Incentive Plan. See “Statutory and General Information — D. Share Incentive Plan” in Appendix IV for further details.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial information as of and for the years ended December 31, 2021, 2022 and 2023 included in the Accountants’ Report set out in Appendix I, together with the respective accompanying notes. Our consolidated financial information has been prepared in accordance with IFRS Accounting Standards.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this Document, including “Risk Factors” and “Business”.

OVERVIEW

We are a leading technology-empowered, data-driven logistics transaction platform with a global footprint. According to Frost & Sullivan, we are the largest logistics transaction platform in the world by closed-loop freight GTV in the first half of 2023, and the largest intra-city logistics transaction platform in the world by closed-loop freight GTV in the first half of 2023. We are also the world’s largest logistics transaction platform by average merchant MAUs in the first half of 2023, and the largest freight transaction platform globally in terms of number of fulfilled orders in the first half of 2023, according to Frost & Sullivan. In 2023, our platform facilitated over 588.4 million fulfilled orders with a global freight GTV of US\$8,736.3 million. In 2023, we had approximately 13.4 million average merchant MAUs and 1.2 million average carrier MAUs in over 400 cities across 11 markets globally.

Over the years, we have built a platform addressing all major logistics needs in intra- and inter-city freight transactions, while providing diversified logistics services and value-added services to both merchants and carriers. Through technology, we connect merchants and carriers online, digitalize the transaction process, and optimize efficiency. On our platform, merchants have access to convenient, reliable and cost-effective freight services provided by a large pool of carriers, to fulfill their on-demand or pre-scheduled shipping orders. On the other hand, our platform enables carriers, who are mainly individuals, to meaningfully increase their income by making available a vast reservoir of shipping orders constantly matched with their capacity, work schedules and personal preferences. By delivering compelling value propositions to both merchants and carriers, we are able to rapidly scale our business around the world and strengthen our leading position in Asia.

FINANCIAL INFORMATION

The following table sets forth our service offerings, revenue model and revenue recognition methods:

| <u>Service Offerings</u> | <u>Revenue Model</u> | <u>Revenue Recognition</u> |
|---|--|---|
| <ul style="list-style-type: none">• Freight platform services | <ul style="list-style-type: none">• Our freight platform services involve digitally matching and fulfilling intra-city and inter-city shipping transactions between merchants and carriers through our online platform. We generate revenues from our freight platform services using a hybrid monetization model, primarily from (i) carrier membership fees and (ii) commissions charged to carriers on the shipping orders they have fulfilled. | <ul style="list-style-type: none">• Revenues from carrier membership fees are recognized on a gross basis. Revenues from commissions charged to carriers are recognized on a net basis. |
| <ul style="list-style-type: none">• Diversified logistics services | <ul style="list-style-type: none">• Our diversified logistics services include:<ul style="list-style-type: none">o integrated enterprise services where we generate revenues from the fees charged to large enterprise merchants for fulfilling their shipment orders and providing certain other ancillary services through our online platform;o LTL services where we primarily generate revenues from the fees charged to individual users or enterprise merchants for fulfilling their LTL shipping orders, and to a lesser extent, we earn the fee differences between the fees charged to individual users or enterprise merchants for fulfilling their LTL shipping orders and fees paid to third parties who fulfill such orders; ando home-moving services where we generate revenues by charging fees to merchants for such services. | <ul style="list-style-type: none">• Revenues from integrated enterprise services and LTL services are primarily recognized on a gross basis. Revenue from home-moving services are recognized on a net basis. |

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| Service Offerings | Revenue Model | Revenue Recognition |
|---|---|--|
| <ul style="list-style-type: none">• Value-added services | <ul style="list-style-type: none">• Revenues from our value-added services consist of revenues generated from vehicle sales and leasing services, as well as a range of other value-added aftermarket services that we provide to carriers, such as energy services and credit solutions. | <ul style="list-style-type: none">• Revenues from vehicle sales and leasing, where we act as a principal, are recognized on a gross basis, and revenues from other value added services are recognized on a net basis. |

Our revenue was US\$844.8 million, US\$1,035.8 million and US\$1,334.2 million in 2021, 2022 and 2023, respectively, representing a CAGR of 25.7%. We incurred adjusted losses (non-IFRS) of US\$651.0 million and US\$12.1 million, respectively, in 2021 and 2022, and we recorded an adjusted profit (non-IFRS) of US\$390.6 million in 2023. Our adjusted loss (non-IFRS) positions in 2021 and 2022 were primarily due to our continued investments in accelerated geographical expansion and significant user acquisition costs across new and existing markets in order to take advantage of the enormous opportunities presented by the digitalization of the road freight industry. See “— Non-IFRS Measure” for the reconciliation of adjusted loss (non-IFRS) to its most directly comparable IFRS measure.

OUR MONETIZATION MODEL

“Close-loop” Transactions as a Foundation for Effective Monetization

As we rapidly grow our platform and attract users and increase their engagement with us, we have been focused on driving high-quality monetization of our large user base and the enormous amount of transactions on our platform. We distinguish ourselves from our competitors by our strong ability to facilitate “closed-loop” freight transactions through our digital platform, which not only allows us to better serve our users through data insight, but also monetizes our massive user base and transaction volumes more effectively. In contrast to standalone freight listing platforms, in a “closed-loop” transaction on our platform, we are able to facilitate the end-to-end process from order placement, pricing determination, prepayment, freight matching, and order tracking to confirmation of payment settlement. During the Track Record Period, substantially all of the transactions completed through our platform were “closed-loop” transactions. According to Frost & Sullivan, in 2022, 23.8% of online road freight GTV globally was attributable to closed-loop transactions.

With our large user base, enormous transaction volume and comprehensive service offerings, we generate revenues from (i) freight platform services, (ii) diversified logistics services, and (iii) value-added services. We generate a vast majority of our revenue from Mainland China and the rest from our overseas markets. In 2021, 2022 and 2023, Mainland China accounted for approximately 89.1%, 90.4% and 91.2%, respectively, of our total revenue.

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We currently generate a substantial portion of our GTV in Mainland China from providing freight platform services on our platform, which is our core service offering, through digitally matching and fulfilling shipping transactions between merchants and carriers. In 2021, 2022 and 2023, we generated GTV from freight platform services in Mainland China of US\$5,394.4 million, US\$5,850.9 million and US\$7,572.3 million, respectively, representing 94.2%, 94.2% and 93.7%, respectively, of our total freight GTV in Mainland China.

In addition to freight platform services, we are also able to monetize by providing integrated enterprise services to merchants in which we source freight capacity to fulfill large enterprise merchants’ shipment orders. We generate revenues from the freight fees we charge to such enterprise merchants. We also generate revenues from LTL services and home-moving services. Moreover, leveraging our technology-empowered logistics transaction platform, we further offer a wide array of value-added services catering to various essential needs of carriers, such as vehicle sales and leasing services, energy services and others.

Our Unique Hybrid Monetization Model Adopted for Freight Platform Services

Within freight platform services, we adopt a hybrid monetization model, where we monetize our freight platform services through a combination of (i) carrier membership fees, based on different tiers of privileges and benefits offered to carriers and (ii) commissions on orders fulfilled by carriers, based on a pre-determined rate applied to the GTV of shipping orders they have fulfilled through our platform. This model allows us to provide different membership and commission fee options to carriers, while at the same time, enables us to effectively monetize the vast amount of transactions on our digital platform (as measured by our overall monetization rate over the periods).

Commissions as a percentage of freight platform services revenues in Mainland China increased significantly during the Track Record Period and now we have a balanced mix of carrier membership fees and commissions generated from freight platform services in Mainland China. As of December 31, 2023, we operated our hybrid monetization model in all of the Mainland Chinese cities where we generated freight platform service revenues. This contributed to our growing freight platform services monetization rate in Mainland China, from 7.6% in 2021 to 10.3% in 2023. For a more detailed discussion of the historical changes in our freight platform services monetization rate, see “Business — Business Sustainability and Proven Path to Profitability — Enhance monetization potential through effective hybrid monetization model”.

As a result, under our current hybrid monetization model, our revenues from freight platform services are primarily driven by the growth of our user base, which we measure by average merchant MAUs and average carrier MAUs, and the resulting increasing amount of transactions on our platform measured by the number of fulfilled orders, as well as freight GTV. To further improve our monetization capabilities, we plan to (i) further drive the growth and engagement of our carrier base in our existing markets so as to drive GTV growth, (ii) continuously optimize our freight platform services monetization rates by striking an optimal balance between our membership fee rates and commission rates in particular geographic markets while meaningfully increase the income of our carriers, and (iii) accelerate our global expansion into overseas markets with attractive monetization opportunities.

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KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

General Factors Affecting Our Results of Operations

We operate a logistics transaction platform that connects a massive network of carriers and merchants and facilitates their freight and other transactions. As a result, our results of operations are affected by the general factors driving the logistics industry in the PRC and the other geographic markets in which we operate, including:

- Economic and industry trends;
- Increase in per capita disposable income and the growth in merchant spending;
- Changes in price, supply and demand of logistics services;
- Improved logistics and technology infrastructures;
- Technology adoption trends, such as the growth of mobile internet usage and increasing adoption of mobile payment; and
- Competition and regulatory dynamics.

Changes in any of these general conditions and our ability to adapt to such changes could affect our business and results of operations.

Specific Factors Affecting Our Results of Operations

While our business is exposed to the general factors as described above, we believe our results of operations are primarily and more directly affected by the following specific factors:

Our ability to expand our carriers and merchants base and increase their engagement with our platform

Our ability to expand our carriers and merchants base and increase their engagement with our platform is a key factor driving our business and results of operations. Our ability to attract and engage carriers and merchants depends on a variety of other factors. Merchants choose to use our platform based primarily upon a combination of quality and breadth of services, price, safety, app convenience and functionality, brand, and discounts and promotions. Carriers choose to engage with our platform based primarily upon a combination of earnings potential, service support, value-added services, safety, brand, availability of competing offerings, and carrier incentives. In 2023, our platform connected a massive network of 13.4 million average merchant MAUs, respectively, and 1.2 million average carrier MAUs, receptively. As we continue to improve our service offerings, we expect to attract more merchants and carriers to our platform who will further increase the number of fulfilled orders and accordingly our GTV and revenue.

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We believe our platform demonstrates powerful network effects, allowing us to cost-effectively attract and retain carriers and merchants at scale. As we attract and retain more merchants, the number of shipping orders generated and fulfilled on our platform increases, resulting in higher vehicle demand and utilization and earnings potential for carriers, thereby attracting more carriers to seek and fulfill shipping orders on our platform. This in turn leads to higher levels of order acceptance, reduced wait time and optimized freight costs, and as a result more merchants are attracted to engage with our platform and place more shipping orders with us more frequently. Attracting and engaging carriers and merchants also depends on our ability to offer them ways to easily and cost-effectively “close” the transaction loop — from order matching to price determination, from dispatching to fee settlement and after-sale services — all within our platform. Besides, we are able to continuously attract new carriers and merchants as we expand into additional cities and geographic markets, thereby driving the transaction volume on our platform. Our average merchant MAUs and average carrier MAUs increased from 9.6 million and 0.8 million in 2021 to 13.4 million and 1.2 million in 2023, respectively.

Our ability to improve monetization of our freight platform services

Our ability to monetize our freight platform services is critical to our results of operations, which currently account for a significant portion of our revenue.

We use “freight platform services monetization rate” to measure our ability to monetize our freight platform services through a combination of membership fees and commissions, the sum of which is calculated by dividing revenue from freight platform services by our freight platform GTV in a given period. In 2021, 2022 and 2023, the freight platform services monetization rates in Mainland China, our largest market, were 7.6%, 9.7% and 10.3%, respectively. Commissions as a percentage of freight platform services revenues in Mainland China increased significantly during the Track Record Period and now we have a balanced mix of carrier membership fees and commissions generated from freight platform services in Mainland China. As of December 31, 2023, we operated our hybrid monetization model in all of the Mainland Chinese cities where we generated freight platform service revenues, which allowed us to effectively translate the GTV growth into revenue growth.

In the future, to address carriers’ diverse needs and preferences over variable commission fees versus fixed membership fees, we will continue to optimize our hybrid monetization model, with a view to driving our long-term sustainable growth. This, in turn, will enable us to attract more carriers and increase their level of engagement on our platform, which further strengthens our ability to achieve profitability in the long term. At the same time, in order to organically increase carriers’ willingness to pay, we have invested, and will continue to invest, significantly in improving our freight matching efficiency and enhancing carriers’ earnings potential through our platform. For a more detailed discussion of our freight platform services monetization rate, see “Business — Business Sustainability and Proven Path to Profitability — Enhance monetization potential through effective hybrid monetization model”.

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Our ability to effectively monetize our freight platform services also hinges upon our use of carrier incentives, which in part hinges upon our expansion strategies. This is because our freight platform services revenue is recognized net of carrier incentives (other than the referral fees paid to carriers), and therefore an increase in carrier incentives has the effect of decreasing our effective freight platform services monetization rate. See “— Critical Accounting Policies, Judgments and Estimates” for more information about the accounting policies relating to carrier incentives. Our ability to improve our monetization partially depends on our ability to manage our incentive programs and initiatives. For a detailed discussion of the risk associated with these incentive programs and initiatives, see “Risk Factors — Risks Related to Our Business and Industry — We have offered significant incentives, discounts and promotions to our merchants and carriers, including a substantial amount of selling and marketing expenses in order to attract carriers and merchants, which may adversely affect our financial performance”.

Our ability to diversify our service offerings and further expand our global footprint to drive long-term growth

We plan to continuously broaden our service offerings and expand our business globally to build our platform into a one-stop destination for carriers, merchants and other industry participants worldwide, thereby maximizing our monetization potential to position us for long-term, profitable growth. While we expect to continue to generate a significant portion of our revenue from intra-city freight services, we have expanded our offerings in recent years to include inter-city freight services, integrated enterprise services, home moving services, vehicle sales and leasing services and energy services, among others.

We have been a global company from the outset. As we continue to expand our global footprint to increase our total addressable market, we expect to attract more merchants and carriers to our platform who will further increase the number of fulfilled orders and accordingly our GTV and revenue. During the Track Record Period, the freight GTV from our overseas markets increased steadily. Going forward, we will also continue to optimize our fee models to maximize our monetization potential in overseas markets.

We believe that we will be able to explore additional revenue opportunities as we continue to introduce new service offerings and enter into more geographic regions, offering compelling value propositions to carriers, merchants and other industry stakeholders globally. We expect these efforts to increase our total addressable market, reinforce our network effect and expand our revenue streams, all of which are expected to have a long-term positive impact on our results of operations and profitability.

Our ability to manage costs and expenses to compete more cost-effectively

Our results of operations depend on our ability to efficiently manage our costs and expenses and compete for market shares more cost-effectively. In particular, our ability to control our cost of revenue is critical to our results of operations. Our cost of revenue primarily consists of payroll and related expenses for employees engaged in the operations of our major business lines, including our dedicated on-the-ground operation teams. As we continue to expand our business and consolidate our market leadership, we expect our cost of revenue as a percentage of our total revenue, to be improved in the foreseeable future, benefiting from our growing economies of scale.

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With our established brand reputation and large user bases, we are able to continuously generate significant word-of-mouth referrals and organic traffic, and we are also increasingly leveraging “sticker marketing” and data-enabled targeted online marketing which are more cost-effective than traditional user acquisition and retention techniques. The continued growth of our user base and our ability to compete for market shares cost-effectively is also affected by our ability to optimize our use of merchant discounts.

Instead of mass discounting, we typically apply targeted merchant discounts to specific merchant groups and regions that we believe generate higher returns based on data insight, and we intend to continuously focus on this targeted marketing strategy. Our merchant discounts could vary from period to period, as well as across and within the geographic markets in which we operate. We have also invested significantly in improving our freight matching efficiency and enhancing carriers’ earnings potential through our platform instead of relying on a sustained period of significant subsidies to attract and retain carriers and merchants. Going forward, we will continue to improve the efficacy of our overall selling and marketing spending, including both merchant discounts and other promotional expenses, to support our long-term sustainable growth. For details, see “Business — Business Sustainability and Proven Path to Profitability”.

In addition, over the years, our commitment to quality and capital-efficient growth have driven us to focus on improving economies of scale and managing costs by adopting a largely homogeneous business model across geographic markets and building our platform upon a common set of technology and data infrastructure. In particular, with our scalable business model and technology infrastructure, we strive to manage our costs associated with the development and operation of our platform as a percentage of our revenue such that our expansion in the long run will not require a proportional increase in the size of our workforce and related expenses. While we continue to invest in research and development and general and administrative functions to support our long term growth, we expect some of their major cost components, such as staff costs, not to increase proportionally with our revenue growth, benefitting from our growing economies of scale and the synergies and cost savings across our offerings and geographic markets. Particularly, we have been focused on improving economies of scale by adopting a largely homogeneous business model across geographic markets and building our platform upon a common foundation of core technology and data infrastructure that improves organically over time through the accumulation of operational know-how in all aspects of digitalized logistics transactions.

OUR KEY OPERATING METRICS

Our business depends on our ability to attract, engage, or generally increase carriers’ and merchants’ use of our platform which is measured by global total GTV, global freight GTV, average merchant MAUs, average carrier MAUs and number of fulfilled orders. We also use “freight platform services monetization rate” to measure our ability to monetize the freight transactions facilitated through our platform.

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We regularly review a number of key operating data to evaluate our core business operations, identify trends, formulate financial projections and make strategic decisions. The following table presents certain of our key operating data for the periods indicated:

| | For the Year Ended December 31, | | |
|---|---------------------------------|---------|---------|
| | 2021 | 2022 | 2023 |
| Our Platform | | | |
| Global Total GTV (US\$ in millions) | 6,763.4 | 7,307.2 | 9,414.3 |
| Global Freight GTV (US\$ in millions) | 6,157.4 | 6,715.4 | 8,736.3 |
| Average merchant MAUs (in millions) | 9.6 | 10.4 | 13.4 |
| Average carrier MAUs (in thousands) | 820.6 | 916.5 | 1,212.3 |
| Fulfilled orders (in millions) | 403.8 | 427.5 | 588.4 |
| Mainland China | | | |
| Freight GTV (US\$ in millions) | 5,726.7 | 6,208.1 | 8,076.2 |
| Freight platform services GTV (US\$ in millions) | 5,394.4 | 5,850.9 | 7,572.3 |
| Diversified logistics services GTV (US\$ in millions) | 332.3 | 357.2 | 503.9 |
| Freight platform services monetization rate | 7.6% | 9.7% | 10.3% |
| Net freight platform services monetization rate | 0.3% | 8.9% | 9.7% |
| Overseas | | | |
| Freight GTV (US\$ in millions) | 430.7 | 507.3 | 660.1 |
| Freight platform services monetization rate | 13.9% | 14.6% | 15.2% |

Across the periods presented, these operating metrics generally increased, as the scale of our platform and business operations continued to grow. Our global freight GTV and global total GTV both continued to increase over the periods presented, as a result of increases in freight GTV in both Mainland China and overseas.

In Mainland China, our freight GTV generated from freight platform services increased over the periods presented due to the growth of our user base and increased user engagement in our existing markets as described in more detail below, as well as the continuous expansion of our platform into an increasing number of cities. Our freight GTV generated from diversified logistics services also increased over the periods, which was mainly driven by the continued organic growth of integrated enterprise services and home-moving services. As a result of the above, our freight GTV in Mainland China increased steadily across all periods presented.

Our average merchant MAUs and average carrier MAUs both increased over the periods presented, which was attributable to our continued further penetration in our existing markets and our expansion into more cities. As our user base grew over the periods, the number of our fulfilled orders increased over the same periods.

The net freight platform services monetization rate is calculated by dividing the revenue generated from freight transactions, after deducting the merchant and carrier incentives included in selling and marketing expenses, by the corresponding GTV. Our net freight platform services monetization rate in Mainland China increased from 0.3% in 2021 to 8.9% in 2022, and further increased to 9.7% in 2023. After building a leading market position and achieving substantial scale

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through our initial investments in user acquisition and experience, we were able to manage our growth in a more cost-effective manner. As a result, the aggregated amount of merchant discounts and carrier incentives included in the selling and marketing expenses decreased significantly from US\$394.3 million in 2021 to US\$42.0 million in 2023, which has led to the increase in our net freight platform services monetization rate. See “Financial Information — Key Components of Results of Operations — Operating expenses” for details.

In the overseas markets, our freight GTV increased over the periods presented due to the increased transaction volume. Our freight platform services monetization rate in the overseas markets generally increased across the years, as we strategically focused on customers with higher monetization potential. During the Track Record Period, our freight platform services monetization rate in the overseas markets was generally higher than that in Mainland China, which was primarily attributable to favorable market dynamics in the overseas markets that contributed to better pricing abilities.

HISTORICAL IMPACTS OF THE COVID-19 PANDEMIC

Since the end of December 2019, the outbreak of a novel strain of coronavirus, or COVID-19, has affected the global economy. In response to the COVID-19 pandemic, including the recurrence of the Omicron variant of COVID-19 since the end of 2021 across the world, governments have imposed mandatory quarantine, closure of workplaces and facilities, travel restriction and other related measures to contain the spread of the virus. The COVID-19 pandemic has created significant volatility, uncertainty and economic disruption, which have affected our business and results of operations, cash flows and financial position.

In an attempt to limit the spread of the virus, governments have implemented numerous measures, such as travel bans and restrictions, quarantines, stay-at-home orders and shutdowns, which have had an adverse impact on our business and operations by curbing demand for logistics services in general. See “Industry Overview — Impacts of the COVID-19 Pandemic on the Road Freight Industry” for a more detailed discussion of the impacts of COVID-19 pandemic on the road freight industries.

As a result of these measures, in major geographic markets in which we operate, including Southeast Asia, we experienced declines to varying degrees in carrier capacity and merchant needs since the first half of 2020, and consequently declining levels of activities on our platform. The growth in our global freight GTV also slowed in 2022, in part due to the impact of the pandemic. In 2021, 2022 and 2023, we generated global freight GTV of US\$6,157.4 million, US\$6,715.4 million and US\$8,736.3 million, respectively. Additionally, we have also incurred additional costs as we implement mitigating actions to alleviate the impact of the COVID-19 pandemic, including an extended period of remote work arrangements, disseminating personal protective equipment to our employees, and other initiatives designed to protect our employees, merchants and carriers from the COVID-19 pandemic. In late 2022, there was a temporary surge of COVID-19 cases in many cities in Mainland China during this time, which, to varying degrees and for a short period of time, disrupted our and our merchants’ and carriers’ business operations, and therefore adversely affected our operational and financial performance. Shortly after that, our business operations in the PRC returned to normal levels in the first quarter of 2023.

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The impacts of the COVID-19 pandemic may remain prevalent for a significant period of time and may continue to adversely affect our business, results of operations and financial condition even after the COVID-19 pandemic has subsided. The extent to which the COVID-19 pandemic affects us will depend on numerous evolving factors and future developments that we are not able to predict. Due to the largely unprecedented and evolving nature of the COVID-19 pandemic, it remains very difficult to predict the extent of the impact on our industry generally and our business in particular. See “Risk Factors — Risks Related to Our Business and Industry — The COVID-19 pandemic has adversely affected, and may continue to adversely affect our business operations, results of operations, cash flows and financial position”.

Nevertheless, we believe that the COVID-19 pandemic had not materially adversely affected our business, results of operations or financial condition as of the Latest Practicable Date, on the basis that (i) we have taken reasonable precautionary measures pursuant to the government guidelines to minimize the impacts of the COVID-19 pandemic to our normal business operations, and (ii) since December 2022, the pandemic situation across China has improved significantly, with major cities resuming normal social and economic activities. Despite the impacts of the COVID-19 pandemic as described in the preceding paragraph, we have achieved strong business growth, as evidenced by the growth in freight GTV in Mainland China from US\$5,726.7 million in 2021 to US\$6,208.1 million in 2022, and further to US\$8,076.2 million 2023.

Overall, we believe that the value of our logistics transaction platform has been even more widely received among existing and prospective carriers and merchants, in part due to the convenience, efficiency and quality that our platform delivers during the COVID-19 pandemic. In part due to COVID-19 related restrictions, merchants and carriers are increasingly conducting their logistics transactions online, which has accelerated and is expected to continue to accelerate the industry-wide shift from traditional offline freight-matching models to online logistics transaction platforms like ours across the geographic markets in which we operate. We expect this trend to persist and continue to drive demand for our platform and offerings in the long run.

BASIS OF PREPARATION

The historical financial information for the Track Record Period of our Group (the “**Historical Financial Information**”) has been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (“**IASB**”). Further details of the material accounting policy information adopted are set out in Note 2 to the Accountants’ Report set out in Appendix I.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing this Historical Financial Information, our Group has consistently applied all applicable new and revised IFRS Accounting Standards throughout the Track Record Period. The revised and new accounting standards and interpretations issued, but not yet effective for the accounting period beginning on January 1, 2023 and not adopted in the Historical Financial Information, are set out in Note 29 to the Accountants’ Report set out in Appendix I.

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As of December 31, 2023, we had net liabilities of US\$2,818.3 million primarily due to the issuance of Preferred Shares amounting to US\$4,673.0 million. Further details of the Preferred Shares are disclosed in Note 24 to the Accountants’ Report set out in Appendix I. Our management has assessed that the preferred rights and redemption features of the Preferred Shares would be terminated upon a qualified [REDACTED] and the Preferred Shares would be converted into equity which would lead to a significant improvement to our net liabilities position. By excluding the effects of Preferred Shares, we would be at a net asset position of US\$1,854.8 million as of December 31, 2023. Accordingly, our Directors are of the view that it is appropriate to prepare the Historical Financial Information on a going concern basis.

The Historical Financial Information also complies with the applicable disclosure provisions of the Listing Rules.

The accounting policies set out below have been applied consistently to all periods presented in the historical financial information.

CONTRACTUAL ARRANGEMENTS

In order to comply with the PRC laws and regulations which impose certain restrictions or prohibitions on foreign equity ownership of entities providing value-added telecommunications services, our Group operates its telecommunications and other restricted businesses in the PRC through certain PRC operating entities, whose equity interests are held by certain management members of our Group (“**Nominee Shareholders**”). The Group (through the wholly owned subsidiaries of the Company (“**WFOEs**”)) signed Contractual Arrangements with the PRC operating entities. The Contractual Arrangements include Exclusive Business Cooperation Agreement, Share Pledge Agreement, Exclusive Option Agreement, Power of Attorney, and Spousal Consent Letter (collectively, “**Contractual Arrangements**”), which enable our Group to:

- govern the financial and operating policies of the PRC operating entities;
- exercise equity holder voting rights of the PRC operating entities;
- receive substantially all of the economic interest returns generated by the PRC operating entities in consideration for the consulting and other services provided exclusively by the WFOE, at the WFOE’s discretion;
- obtain an irrevocable and exclusive right to purchase part or all of the equity interests in the PRC operating entities at any time and from time to time, at the minimum consideration permitted by the relevant law in China at the time of transfer; and
- obtain a pledge over all of its equity interests from its respective Nominee Shareholders as collateral for all of the PRC entities’ payments due to our Group to secure performance of entities’ obligation under the Contractual Arrangements.

Accordingly, our Group has rights to control these entities. As a result, they are presented as entities controlled by our Group.

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CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We prepare our financial statements in accordance with IFRS Accounting Standards, which requires us to make judgments, estimates, and assumptions. We continually evaluate these estimates and assumptions based on the most recent available information, our own historical experience, and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from our expectations as a result of changes in our estimates. Some of our accounting policies require a higher degree of judgment than others in their application and require us to make significant accounting estimates.

The following descriptions of material accounting policy information, judgments, and estimates should be read in conjunction with our Historical Financial Information and other disclosures included in this Document. When reviewing our financial statements, you should consider (i) our selection of material accounting policy information, (ii) the judgments and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Revenue recognition

Revenue is recognized when a performance obligation is satisfied, i.e., when control over a good or service is transferred to the customer, at the amount of promised consideration to which we are expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue is after deduction of any trade discounts and excludes VAT. We do not report VAT in the profit or loss as we collect VAT on behalf of the government.

Further details of our revenue recognition policies are as follows:

(i) *Freight platform services*

We generate revenue from freight platform services primarily through membership fees and transaction-based commissions from carriers for their use of our freight platform services. Our role is to arrange for freight transportation opportunities to be offered to prospective carriers, and it does not include the ability to control whether or how the freight transportation service is performed by carriers. Accordingly, we have determined that we act as an agent and present the related revenue net. For platform services, we have identified only the carriers but not the merchants as the customers under IFRS 15. This identification involves a judgment of all relevant facts and circumstances. Among other things, our Contractual Arrangements with merchants explicitly state that our platform neither charges merchants fees or other consideration for their access and use of the platform, nor guarantees that merchants' transportation service requests would be accepted by carriers; the arrangements with merchants are also explicit that we collect fees from merchants on behalf of carriers.

Carriers are required to register on the platform and agree to a framework agreement, which sets forth the terms and conditions with respect to receiving services on our platform.

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Membership fees

Our freight platform offers different tiers of paid memberships to the carriers, which come with various levels of privileges, including different limits on the maximum number of freight transportation service transactions carriers can complete per day and different entitlements to the number of commission-free referrals. Most of the carriers of our platform are paid members. Paid memberships are generally run for calendar months with fees payable in advance. Membership fee revenue is recognized over the subscription period on a straight-line basis.

Commissions

Carriers agree to us retaining a certain percentage of fees earned by the carriers as consideration for their use of our platform from the freight fees we collect from the merchants on behalf of the carriers. We recognize such commission revenue, after making a successful referral of a paying merchant to a carrier, at the time when the related freight transportation service has been completed by the carriers and the merchants have the obligation to pay to carriers.

(ii) Enterprise services

Under the business model of enterprise services, we generate revenues from freight transportation services from enterprise merchants in connection with fulfillment of their shipment orders and provision of certain ancillary services on our platform. We have determined that we are a principal as we are primarily responsible for fulfilling freight transportation needs of such merchants and have the ability to control the related services. Among other things, under the Contractual Arrangements with such merchants, we are responsible for and guarantee identifying and directing carriers that meet the specified quality criteria, including fulfillment rates, and are liable for damages if such quality criteria are not met or if there are losses or damage during transportation. In order to fulfill our primary responsibility under our contracts with such merchants, we identify a specific group of carriers and commit their capacity by means of providing incremental consideration and minimum number of service orders assignments. Additionally, we negotiate separately the pricing of freight transportation services with our merchant customers, which is generally pre-determined at contract inception, and the fulfillment costs payable to the carriers, which is determined subsequently and driven by market forces. Accordingly, we recognize enterprise services revenue at the time when related freight transportation service has been completed by the carriers, on a gross basis, with the amounts paid to carriers presented as cost of revenue.

(iii) Vehicles provision services

For carriers who are registered on our platform but do not have their own vehicles, we facilitate them to obtain suitable vehicles on our platform through our vehicle sales and leasing services. Auto manufacturers and dealers can sell or lease their vehicles to carriers on our platform. We charge a service fee from facilitating a vehicle sale or leasing transaction on our platform. To a lesser extent, we procure new vehicles from third-party suppliers and either resell or lease them to carriers based on their needs.

Revenue from the facilitation of a vehicle sale or lease transaction for an auto manufacturer or dealer is recognized at the time the service is provided.

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Revenue from the vehicle sale is recognized when the carrier obtains control of the vehicle. Factors to determine when the carrier obtains control of the vehicle include the timing of issuance of registration documents (that may be applicable in certain jurisdictions) and the date of delivery and acceptance.

Revenue from the operating lease of vehicle is recognized on a straight-line basis over the lease term. Revenue arising from the finance lease is recognized at the commencement of lease.

(iv) Other services

We also provide a variety of other services in relation to the platform, including home-moving service and LTL freight services and other value-added services to carriers, including credit solutions, energy services and insurance referrals.

Revenue from the provision of any of the above-mentioned services provided by us is recognized when the service is rendered.

Incentive programs

We offer incentives to carriers and merchants, further details of which are set out below. When designing, implementing and optimizing the amounts of incentives provided to carriers and merchants in each geographic region where we operate, we take into account a myriad of relevant factors such as local market dynamics and economic conditions, as well as user needs and preferences, of the relevant geographic region. According to Frost & Sullivan, our incentive fee rates paid to carriers and merchants are generally in line with the industry norm, subject to adjustments from time to time based on each geographic region's market conditions, competitive landscapes, as well as our financial results and profitability objectives.

(i) Carriers incentives

Under the business model of freight platform services, we offer various cash subsidies to carriers, which can be separated into transaction-based subsidies, performance-based subsidies and referral subsidies. Transaction-based subsidies represent subsidies granted upon the completion of specific freight transportation requests during events or peak hours. Performance-based subsidies are granted upon the completion of certain tasks, such as completing a certain number of freight transportation requests by the carrier during a specified period. There are also subsidies granted to existing carriers for their referral of new carriers.

Transaction-based subsidies are granted upon the completion of the specific request. Performance-based subsidies are similar to retrospective volume-based rebates and represent variable consideration. Performance-based subsidies to be granted are estimated using the most likely amount method. Since the amount of performance-based subsidies to be granted is confirmed within a short period of time (typically within a week), there is limited uncertainty when estimating variable considerations.

Referral subsidies are granted upon a successful referral of new carriers.

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For freight platform services, we consider carriers to be our customers, and both transaction-based and performance-based subsidies are recorded as a reduction to revenue as we do not receive a distinct good or service in exchange for the payment.

Subsidies granted for referral of new carriers are accounted for as selling and marketing expenses when the fair value of the benefit received can be reasonably estimated with reference to amounts paid to third parties for similar services.

When incentives provided to carriers exceed the revenue earned from the carriers in a specific market within a given period, the resulting negative revenue is reclassified as selling and marketing expenses for the same period. During the Track Record Period, there were certain circumstances where incentives provided to carriers exceeded the revenue earned from the carriers within a given period in certain markets, and the resulting negative revenue was reclassified as selling and marketing expenses for that period. Our management does not consider the amounts of the reclassified negative revenue to be material because such amounts only represented 2.19%, 0.44% and 0.25% of our total revenue for the year ended December 31, 2021, 2022 and 2023, respectively.

We also offer subsidies to carriers to incentivize them to fulfill freight transportation requests for enterprise services. For such transactions where we act as a principal and recognize revenues on a gross basis, the related carriers incentives are included in fulfillment costs.

(ii) Merchant incentives

Under the business model of freight platform services, from time to time we, at our own discretion, offer various forms of incentives, for example, coupons and discount vouchers, to merchants. Since we have identified the carriers but not the merchants as our customers under IFRS 15, we have considered whether such incentives to merchants are payment on behalf of carriers by assessing the varying features and objectives of different incentive programs and evaluating whether the incentives represent implicit obligation to merchants on behalf of carriers.

During the periods presented in these consolidated financial statements, we have not recorded any merchant incentives as reduction in revenue. Our merchant incentive offerings are primarily strategic offerings dynamically targeted at different selected groups of merchants with specific characteristics within a short period of time. For such strategic offerings, the target groups are primarily determined with the assistance of algorithms based on data analytics of individual merchants' usage pattern and market behaviors, and the targeted characteristics may change from time to time at our judgment. In view of the above and the level of unpredictability of target groups, we have determined that such strategic incentive offerings are costs of enhancing the platform services provided to carriers and recognize the amounts of the coupons and discount vouchers under these strategic offerings as selling and marketing expenses when the coupons and discount vouchers are used.

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Principal-agent Determination

We follow the guidance of IFRS 15 to determine whether we are the principal or agent in revenue transactions. Whether we are considered as a principal or an agent in a transaction could impact the accounting for certain revenue recognition, payments and incentives provided to/received from carriers and merchants and change the timing, presentation and/or amount of revenue recognized.

Share-based Compensation Arrangement and its Fair Value Measurement

We have set up share award schemes and granted options, restricted share units and restricted shares to employees and other qualifying participants. Certain share award schemes are determined to be equity-settled while some are cash-settled. For equity-settled share award schemes, the fair value of the options at the grant date, restricted share units and restricted shares are determined by using the Binomial model or equity allocation method, and is expected to be expensed over the respective vesting period. Significant estimate on assumptions, including underlying equity value, risk-free interest rate, expected volatility, dividend yield and terms, are made by the Directors and an Independent Third Party valuer.

We have also authorized the repurchase of share awards from the holders. Judgment is required to determine whether the repurchase establishes "past practice" for which we have now created an obligation to settle in cash, and accordingly reclassify all outstanding awards to cash-settled. We have determined that no valid expectation for us to settle such share-based awards in cash is created, such that all awards remain as equity-settled awards.

Fair Value Measurement of Redeemable Convertible Preferred Shares

Redeemable convertible preferred shares are not traded in an active market and the respective fair value is determined by using valuation techniques. The Group has used the discounted cash flow ("DCF") method to determine the underlying equity value and adopted equity allocation model to determine the respective fair values. Key assumptions, such as discount rate and volatility are disclosed in Note 26 to the Accountants' Report set out in Appendix I. Considerable judgment is required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Recognition of Deferred Tax Assets

Deferred tax assets in respect of tax losses and other deductible temporary differences carried forward have not been recognized, in view of our assessment based on the probability of realization or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting periods. In determining the recognition and/or carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to our operating environment and requires significant level of judgment exercised by the Directors. Any change in such assumptions and judgment would affect whether deferred tax assets should be recognized, and if so, the carrying amounts of deferred tax assets to be recognized and hence the profit or loss in future years.

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Control Assessment over Other Entities through Contractual Arrangements or Other Arrangements

We have a number of involvements with other entities through contractual or other arrangements. In particular, as disclosed in Note 1 to the Accountants' Report set out in Appendix I, we exercise control over certain entities and have the right to recognize and receive substantially all the economic benefits of these entities through Contractual Arrangements.

We consider that we control these entities through Contractual Arrangements, notwithstanding the fact that we do not hold any direct interest in these entities, as we have power over the financial and operating policies of these entities and receive substantially all of the benefits from the business activities of these entities through Contractual Arrangements.

Accordingly, these entities have been accounted as subsidiaries during the Track Record Period. However, uncertainties in the present legal system in the PRC could limit our ability to enforce the PRC Contractual Arrangements. Significant judgment is involved in determining whether we can exercise control over these entities. Nevertheless, our Directors, after taking the advice from our PRC Legal Advisor, considered that the PRC Contractual Arrangements are in compliance with the applicable laws and regulations and are legal and valid.

Fair Value Measurement of Financial Instruments measured at FVPL

Financial instruments measured at FVPL are not traded in an active market and the respective fair values are determined by using valuation techniques. We have used the DCF method to determine the respective fair values. Key assumptions, such as discount rate and volatility are disclosed in Note 26 to the Accountants' Report set out in Appendix I. Considerable judgment is required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

KEY COMPONENTS OF RESULTS OF OPERATIONS

We have two reportable segments: Mainland China and overseas. Our chief operating decision maker, or the CODM, who has been identified as our Chief Executive Officer, reviews our internal reporting when making decisions about allocating our resources and assessing performance. We manage our businesses from a geographic perspective. Presenting two operating segments, Mainland China and overseas, is in a manner consistent with the way in which information is reported internally to the CODM for the purpose of decision making about resources allocation and performance assessment.

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Revenue

The following table sets forth a breakdown of our revenue from different segments, in absolute amounts and as percentages of total revenue, for the periods indicated.

| | For the Year Ended December 31, | | | | | |
|--|---|--------------|------------------|--------------|------------------|--------------|
| | 2021 | | 2022 | | 2023 | |
| | US\$ | % | US\$ | % | US\$ | % |
| | <i>(in thousands, except for percentages)</i> | | | | | |
| Mainland China | | | | | | |
| Freight platform services | 409,338 | 48.5 | 565,920 | 54.7 | 778,464 | 58.3 |
| Diversified logistics services | 268,126 | 31.7 | 300,709 | 29.0 | 349,869 | 26.2 |
| Value-added services | 75,496 | 8.9 | 69,284 | 6.7 | 88,907 | 6.7 |
| Subtotal | 752,960 | 89.1 | 935,913 | 90.4 | 1,217,240 | 91.2 |
| Overseas | 91,820 | 10.9 | 99,873 | 9.6 | 116,973 | 8.8 |
| Total | 844,780 | 100.0 | 1,035,786 | 100.0 | 1,334,213 | 100.0 |

Mainland China

Freight platform services. We generate our freight platform revenue primarily from (i) carriers membership fees charged to carriers based on different tiers of privileges and benefits offered to carriers; and (ii) commissions charged to carriers, based on a pre-determined rate applied to the GTV attributable to shipping orders they have fulfilled through our platform. Revenue from membership fees are paid by carriers in advance and is recognized on a straight-line basis over the term of the membership subscription period. Revenue from commissions attributable to a shipping order is recognized upon the fulfillment of a shipping order that is matched on our platform as this is the point in time when we are considered to have delivered our freight platform services to such carrier. Our freight platform services revenue is net of carrier incentives, if any. For more information of carrier incentives, see “— Our Monetization Model”.

The following table sets forth a breakdown of our freight platform service revenue by charging basis, in absolute amounts and as percentages of total freight platform service revenue, for the periods indicated.

| | For the Year Ended December 31, | | | | | |
|---------------------------------|---|--------------|----------------|--------------|----------------|--------------|
| | 2021 | | 2022 | | 2023 | |
| | US\$ | % | US\$ | % | US\$ | % |
| | <i>(in thousands, except for percentages)</i> | | | | | |
| Commissions | 48,019 | 11.7 | 289,880 | 51.2 | 443,633 | 57.0 |
| Membership fees | 355,892 | 86.9 | 270,744 | 47.8 | 325,112 | 41.8 |
| Others ⁽¹⁾ | 5,427 | 1.4 | 5,296 | 1.0 | 9,719 | 1.2 |
| Total | 409,338 | 100.0 | 565,920 | 100.0 | 778,464 | 100.0 |

Note:

(1) Revenue primarily generated from sales of goods, including (i) new carrier packages purchased by carriers who newly join our platform, and (ii) accessories sold through our proprietary and third-party marketplaces.

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Diversified logistics services. We generate our diversified logistics services revenue mainly from (i) revenue from integrated enterprise services through fees charged to large enterprise merchants for fulfilling their shipment orders through our platform, and from LTL services primarily through fees charged to merchants for fulfilling their LTL shipping orders, and to a lesser extent, through the fee differences between the fees charged to individual users or enterprise merchants for fulfilling their LTL shipping orders and fees paid to third parties who fulfill such orders; and (ii) fees charged to individual merchants for our home-moving services. Revenue from integrated enterprise services and LTL services is primarily recognized on a gross basis because we act as the principal in the transactions and are responsible for sourcing carrier capacity to fulfill merchants’ shipping orders. We recognize revenue from fees charged to individual merchants using our home-moving services on a net basis upon delivery of the home-moving services.

Value-added services. Revenue from our value-added services consists of the revenue generated from vehicle sales and leasing services, as well as a range of other value-added aftermarket services that we provide to carriers, such as energy services and credit solutions.

Overseas

Our overseas revenue consists primarily of commissions charged to carriers based on the GTV of fulfilled orders, and to a lesser extent, fees generated from a range of freight and related transactions.

The following table sets forth a breakdown of our overseas revenue by business line, in absolute amounts and as percentages of total revenue, for the periods indicated.

| | For the Year Ended December 31, | | | | | |
|--|---|-------------|---------------|------------|----------------|------------|
| | 2021 | | 2022 | | 2023 | |
| | <i>US\$</i> | <i>%</i> | <i>US\$</i> | <i>%</i> | <i>US\$</i> | <i>%</i> |
| | <i>(in thousands, except for percentages)</i> | | | | | |
| Freight platform services | 55,622 | 6.6 | 70,259 | 6.8 | 97,421 | 7.3 |
| Diversified logistics services | 31,760 | 3.8 | 26,618 | 2.6 | 17,251 | 1.3 |
| Others ⁽¹⁾ | 4,438 | 0.5 | 2,996 | 0.2 | 2,301 | 0.2 |
| Total | 91,820 | 10.9 | 99,873 | 9.6 | 116,973 | 8.8 |

Note:

(1) Revenue primarily generated from sales of goods, including accessories customized for our two-wheelers.

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Cost of revenue

During the Track Record Period, our cost of revenue consisted primarily of (i) fulfillment costs, representing the remuneration we pay to carriers that we source to fulfill merchants’ shipping orders in our integrated enterprise services and LTL services (for those LTL services where the revenues are recognized on a gross basis) where we act as a principal in sourcing the services of such carriers; (ii) staff costs, representing the payroll and related expenses for our employees engaged in the operation of our services; (iii) vehicle rental costs, representing the expenses in relation to our vehicle rental services; (iv) costs of vehicle and good sales, representing the procurement cost in connection with our sales of vehicles and other goods as a principal; and (v) others, mainly including travel expenses and office-related costs.

The following table sets forth a breakdown of our cost of revenue by nature, in absolute amounts and as percentages of total revenue, for the periods indicated.

| | For the Year Ended December 31, | | | | | |
|---|---|--------------------|-----------------------|--------------------|-----------------------|--------------------|
| | 2021 | | 2022 | | 2023 | |
| | <i>US\$</i> | <i>%</i> | <i>US\$</i> | <i>%</i> | <i>US\$</i> | <i>%</i> |
| | <i>(in thousands, except for percentages)</i> | | | | | |
| Fulfillment costs | 246,392 | 29.2 | 246,420 | 23.8 | 284,734 | 21.3 |
| Staff costs | 119,267 | 14.1 | 101,839 | 9.8 | 98,711 | 7.4 |
| Vehicle rental costs | 30,676 | 3.6 | 36,260 | 3.5 | 47,423 | 3.6 |
| Costs of vehicle and good sales | 23,428 | 2.8 | 8,003 | 0.8 | 4,880 | 0.4 |
| Others | 92,118 | 10.9 | 87,461 | 8.4 | 81,466 | 6.1 |
| Total | <u>511,881</u> | <u>60.6</u> | <u>479,983</u> | <u>46.3</u> | <u>517,214</u> | <u>38.8</u> |

The following table sets forth a breakdown of our cost of revenue from different segments, in absolute amounts and as percentages of total revenue, for the periods indicated.

| | For the Year Ended December 31, | | | | | |
|--|---|--------------------|-----------------------|--------------------|-----------------------|--------------------|
| | 2021 | | 2022 | | 2023 | |
| | <i>US\$</i> | <i>%</i> | <i>US\$</i> | <i>%</i> | <i>US\$</i> | <i>%</i> |
| | <i>(in thousands, except for percentages)</i> | | | | | |
| Mainland China | | | | | | |
| Freight platform services | 168,623 | 20.0 | 145,159 | 14.0 | 150,984 | 11.3 |
| Diversified logistics services | 232,056 | 27.5 | 246,522 | 23.8 | 274,614 | 20.6 |
| Value-added services | 53,006 | 6.3 | 38,573 | 3.7 | 47,408 | 3.6 |
| Subtotal | 453,685 | 53.8 | 430,254 | 41.5 | 473,006 | 35.5 |
| Overseas | 58,196 | 6.8 | 49,729 | 4.8 | 44,208 | 3.3 |
| Total | <u>511,881</u> | <u>60.6</u> | <u>479,983</u> | <u>46.3</u> | <u>517,214</u> | <u>38.8</u> |

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Freight platform services. The costs of our freight platform services revenue include (i) payroll and related expenses for employees engaged in the operations of our freight platform services, including our on-the-ground operation teams; (ii) fees paid to third-party vendors for processing payments for merchants and carriers; and (iii) other costs incurred in connection with facilitating shipping orders for merchants and carriers through our platform. In 2021, 2022 and 2023, the payment processing costs in Mainland China amounted to US\$17.2 million, US\$18.1 million and US\$22.9 million, respectively.

Diversified logistics services. The costs of our diversified logistics services revenue primarily include (i) fulfillment cost that represents the remuneration we pay to carriers that we source to fulfill merchants’ shipping orders in our integrated enterprise services and LTL services (for those LTL services where the revenues are recognized on a gross basis) where we act as a principal in sourcing the services of such carriers; and (ii) payroll and related expenses for employees engaged in the operation of our diversified logistics services.

Value-added services. The costs of our value-added services revenue consists mainly of costs of vehicle sales and leasing services.

Overseas. The cost of revenue of our overseas segment consists primarily of the payroll and related expenses associated with our freight platform services and, to a lesser extent, the remuneration we pay to carriers that we source to fulfill merchants’ orders.

We expect our cost of revenue to increase on an absolute dollar basis as our business continues to grow and as we continue to invest in our platform and offerings, expand geographically and hire additional employees to support the growth in our business. We expect that our cost of revenue as a percentage of total revenue will vary from period to period over the short term as we continue to develop new service offerings and invest in our existing service capabilities and decrease over the long term as we achieve greater economies of scale and operational efficiency.

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Gross profit

Gross profit is equal to our total revenue less cost of revenue. Gross profit as a percentage of total revenue or revenue of each segment is referred to as gross margin. The following table sets forth our gross profit and gross margins by segments for the periods indicated.

| | For the Year Ended December 31, | | | | | |
|--|---|---------------------------|-----------------|---------------------------|-----------------|---------------------------|
| | 2021 | | 2022 | | 2023 | |
| | Gross Profit | Gross Profit Margin | Gross Profit | Gross Profit Margin | Gross Profit | Gross Profit Margin |
| | <i>US\$</i> | <i>%</i> | <i>US\$</i> | <i>%</i> | <i>US\$</i> | <i>%</i> |
| | <i>(in thousands, except for percentages)</i> | | | | | |
| Mainland China | | | | | | |
| Freight platform services | 240,715 | 58.8 | 420,761 | 74.3 | 627,480 | 80.6 |
| Diversified logistics services | 36,070 | 13.5 | 54,187 | 18.0 | 75,255 | 21.5 |
| Value-added services | 22,490 | 29.8 | 30,711 | 44.3 | 41,499 | 46.7 |
| Subtotal | 299,275 | 39.7 | 505,659 | 54.0 | 744,234 | 61.1 |
| Overseas | 33,624 | 36.6 | 50,144 | 50.2 | 72,765 | 62.2 |
| Total | 332,899 | 39.4 | 555,803 | 53.7 | 816,999 | 61.2 |

Operating expenses

The following table sets forth our operating expenses, in absolute amounts and as percentages of total revenue, for the periods indicated:

| | For the Year Ended December 31, | | | | | |
|---|---------------------------------|---|----------------|-------------|----------------|-------------|
| | 2021 | | 2022 | | 2023 | |
| | <i>US\$</i> | <i>%</i> | <i>US\$</i> | <i>%</i> | <i>US\$</i> | <i>%</i> |
| | | <i>(in thousands, except for percentages)</i> | | | | |
| Selling and marketing | 673,441 | 79.7 | 198,199 | 19.1 | 179,192 | 13.4 |
| Research and development | 176,228 | 20.9 | 196,834 | 19.0 | 174,788 | 13.1 |
| General and administrative | 182,543 | 21.6 | 204,302 | 19.7 | 186,900 | 14.0 |
| Total operating expenses | 1,032,212 | 122.2 | 599,335 | 57.8 | 540,880 | 40.5 |

Our selling and marketing expenses primarily consist of (i) marketing and promotional expenses; (ii) staff costs incurred for our sales and marketing employees; and (iii) other expenses. Our marketing and promotional expenses primarily consist of (i) merchants discounts and carrier referral fees, representing the discounts offered to merchants for our freight platform services and carrier referral fees paid to carriers who refer new carriers to our platform; (ii) online and offline promotion and advertising expenses, representing the expenses for online advertisements and offline brand promotion, such as sticker marketing; and (iii) others, representing the expenses incurred in other marketing channels, such as short message services. To attract and retain merchants and drive their use of our platform, we offer discounts, typically in the form of coupons. Our merchant

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discounts could vary from period to period, as well as across multiple geographic markets in which we operate. The coupons are recorded as selling and marketing expenses at the time they are redeemed by the merchants.

The following table sets forth a breakdown of our selling and marketing expenses, in absolute amounts and as percentages of total revenue, for the periods indicated:

| | For the Year Ended December 31, | | | | | |
|---|---|-------------|----------------|-------------|----------------|-------------|
| | 2021 | | 2022 | | 2023 | |
| | US\$ | % | US\$ | % | US\$ | % |
| | <i>(in thousands, except for percentages)</i> | | | | | |
| Marketing and promotional expenses | | | | | | |
| Merchants discounts and carrier referral fees | 396,262 | 46.9 | 52,447 | 5.1 | 57,848 | 4.3 |
| Online and offline promotion and advertising expenses | 135,751 | 16.1 | 81,088 | 7.8 | 75,586 | 5.7 |
| Others | 6,238 | 0.7 | 3,408 | 0.3 | 4,453 | 0.3 |
| Subtotal | 538,251 | 63.7 | 136,943 | 13.2 | 137,887 | 10.3 |
| Staff costs | 59,367 | 7.0 | 29,926 | 2.9 | 21,591 | 1.6 |
| Others | 75,823 | 9.0 | 31,330 | 3.0 | 19,714 | 1.5 |
| Total selling and marketing expenses | 673,441 | 79.7 | 198,199 | 19.1 | 179,192 | 13.4 |

After building a leading market position and achieving substantial scale through our initial investments in user acquisition and experience, we were able to manage our growth in a more cost-effective manner. As a result, the aggregated amount of merchant discounts and carrier incentives included in the selling and marketing expenses decreased significantly from US\$394.3 million in 2021 to US\$42.0 million in 2023.

We expect that our selling and marketing expenses as a percentage of revenue may vary from period to period in the short term as a result of our tactical moves in response to market dynamics especially in new markets, while we expect it to generally decrease in the long term due to a combination of multiple factors, including stronger network effect generated by our platform, more precise targeting of high-value merchants and more efficient user acquisition through word-of-mouth referrals and enhanced brand awareness, among others. For details, see “Business — Business Sustainability and Proven Path to Profitability”.

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Our research and development expenses primarily consist of (i) payroll and related expenses incurred for our research and development employees; and (ii) other expenses incurred for our research and development activities, which primarily include fees paid to technical support services providers. We expect that research and development expenses as a percentage of revenue may vary from period to period over the short term, depending on short-term business expansion needs, and may decrease over the long term as we are able to leverage a largely homogeneous business model across geographic markets and a common set of technology and data infrastructure, as well as our growing economies of scale and the synergies and cost savings across our offerings and geographic markets.

The following table sets forth a breakdown of our research and development expenses, in absolute amounts and as percentages of total revenue, for the periods indicated:

| | For the Year Ended December 31, | | | | | |
|--|---|--------------------|-----------------------|--------------------|-----------------------|--------------------|
| | 2021 | | 2022 | | 2023 | |
| | <i>US\$</i> | % | <i>US\$</i> | % | <i>US\$</i> | % |
| | <i>(in thousands, except for percentages)</i> | | | | | |
| Staff costs | 142,984 | 16.9 | 163,827 | 15.8 | 140,255 | 10.5 |
| Others | 33,244 | 4.0 | 33,007 | 3.2 | 34,533 | 2.6 |
| Total research and development expenses | <u>176,228</u> | <u>20.9</u> | <u>196,834</u> | <u>19.0</u> | <u>174,788</u> | <u>13.1</u> |

Our general and administrative expenses primarily consist of (i) payroll and related expenses for our administrative employees, including finance and accounting, human resources and legal personnel; (ii) net foreign exchange (gain)/loss incurred for the translation of foreign currencies; and (iii) other expenses associated with our general and administrative functions. We expect that general and administrative expenses as a percentage of revenue will vary from period to period over the short term, particularly as a result of operating as a public company, and will decrease over the long term as we continue to be able to leverage a largely homogeneous business model across geographic markets to achieve synergies and cost savings across our offerings and geographies.

The following table sets forth a breakdown of our general and administrative expenses, in absolute amounts and as percentages of total revenue, for the periods indicated:

| | For the Year Ended December 31, | | | | | |
|--|---|--------------------|-----------------------|--------------------|-----------------------|--------------------|
| | 2021 | | 2022 | | 2023 | |
| | <i>US\$</i> | % | <i>US\$</i> | % | <i>US\$</i> | % |
| | <i>(in thousands, except for percentages)</i> | | | | | |
| Staff costs | 115,415 | 13.7 | 122,828 | 11.9 | 118,658 | 8.9 |
| Net foreign exchange (gain)/loss . . . | (8,983) | (1.1) | 30,751 | 3.0 | 6,886 | 0.5 |
| Others | 76,111 | 9.0 | 50,723 | 4.8 | 61,356 | 4.6 |
| Total general and administrative expenses | <u>182,543</u> | <u>21.6</u> | <u>204,302</u> | <u>19.7</u> | <u>186,900</u> | <u>14.0</u> |

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Other income

Our other income consists primarily of (i) additional one-off fees charged to carriers in limited circumstances, which mainly include the penalties imposed to the carriers in connection with the improper placement of the vehicle stickers; and (ii) government concessions and subsidies.

Finance income

Our finance income consists primarily of interest earned on our bank savings and investments in wealth management products.

Finance costs

Our finance costs consist mainly of interest on lease liabilities associated with our leased office spaces and stores, as well as interests on bank loans and other borrowings.

Share of loss of an equity-accounted investee, net of tax

Our share of loss of an equity-accounted investee, net of tax represents the share of loss for our equity investment made to Shanghai Changyi Real Estate Development and Operation Limited (“Shanghai Changyi”). Shanghai Changyi is engaged in the development and construction of properties. See “— Net Current Assets and Liabilities — Interest in an Equity-accounted Investee” for more information about our investment in Shanghai Changyi.

Gains/(losses) of financial instruments measured at fair value through profit or loss

Gains/(losses) of financial instruments measured at fair value through profit or loss consist mainly of the fair value changes in our investments in wealth management products purchased from reputable financial institutions in the PRC, as well as the fair value changes in convertible loans extended to Xiaola based on our prudent assessment of Xiaola’s prospects. For more information about such loan, see “History, Development and Corporate Structure — Arrangements Between Our Group and the Xiaola Group”.

Changes in fair value of redeemable convertible preferred shares

Changes in fair value of redeemable convertible preferred shares primarily arise from the changes in the carrying amounts of our redeemable convertible preferred shares. Upon completion of this [REDACTED], our redeemable convertible preferred shares will be automatically converted into ordinary shares. For more information, see “— Indebtedness — Preferred Shares” and “History, Development and Corporate Structure”.

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TAXATION

Cayman Islands

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within the jurisdiction of the Cayman Islands. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

PRC

Our subsidiaries and our Consolidated Affiliated Entities in the PRC are companies incorporated under PRC law and, as such, are subject to PRC enterprise income tax on their taxable income in accordance with the relevant PRC income tax laws. Pursuant to the PRC EIT Law, a uniform 25% enterprise income tax rate is generally applicable to both foreign-invested enterprises and domestic enterprises, except where a special preferential rate applies. For example, enterprises qualified as High and New Technology Enterprises, or HNTE, are entitled to a 15% enterprise income tax rate rather than the 25% uniform statutory tax rate. The enterprise income tax is calculated based on the entity's global income as determined under PRC tax laws and accounting standards.

Shenzhen Yishi obtained HNTE status to enjoy a preferential tax rate of 15% for the years from 2020 to 2026, to the extent it has taxable income under the PRC EIT Law, as long as it re-applies for HNTE status every three years and meet the HNTE criteria during this three-year period. If an HNTE fails to meet the criteria for qualification as an HNTE in any year, the enterprise cannot enjoy the 15% preferential tax rate in that year and must instead use the uniform 25% enterprise income tax rate.

As a Cayman Islands holding company, we may receive dividends from our PRC subsidiaries. The PRC EIT Law and its implementing rules provide that dividends paid by a PRC entity to a nonresident enterprise for income tax purposes is subject to PRC withholding tax at a rate of 10%, subject to reduction by an applicable tax treaty with China. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise may be reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise. Pursuant to the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties, or SAT Circular 81, a Hong Kong resident enterprise must meet the following conditions, among others, in order to apply the reduced withholding tax rate: (i) it must be a company; (ii) it must directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (iii) it must have directly owned such required percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends; and that if the relevant PRC tax authorities determine, at their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. In August 2015, the SAT promulgated the

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Administrative Measures for Nonresident Taxpayers to Enjoy Treatment under Tax Treaties, or SAT Circular 60, which became effective on November 1, 2015. SAT Circular 60 provides that nonresident enterprises are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax. Instead, nonresident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and file necessary forms and supporting documents when performing tax filings, which will be subject to post-tax filing examinations by the relevant tax authorities. Accordingly, certain PRC subsidiaries of our Group may be able to benefit from the 5% withholding tax rate for the dividends it receives from its PRC subsidiaries, if it satisfies the conditions prescribed under SAT Circular 81 and other relevant tax rules and regulations. However, according to SAT Circular 81 and SAT Circular 60, if the relevant tax authorities consider the transactions or arrangements we have are for the primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable withholding tax in the future.

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a “resident enterprise” under the PRC EIT Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See “Risk Factors — Risks Related to Doing Business in the Geographic Markets in Which We Operate — We may be treated as a resident enterprise for PRC tax purposes under the PRC Enterprise Income Tax Law, and we may therefore be subject to PRC Enterprise income tax on our global income”.

Thailand

Corporate Income Tax

Our subsidiaries in Thailand are private limited companies, which are subject to Thai CIT at the rate of 20% on their annual net profit. In determining net profit, the subsidiary companies are generally liable to CIT on their worldwide income against the expenses in relation to their businesses in Thailand under the provisions of the Thai Revenue Code (the “TRC”). Income and expenses between related parties must be at arm’s length price, otherwise, it may be adjusted under the conditions prescribed in the TRC and relevant rules and regulations.

However, certain income, such as dividend, may be eligible for tax exemption or reduction. Dividend derived from another Thai company could be eligible for tax exemption if (i) the receiving company is a company incorporated under the laws of Thailand; (ii) the receiving company directly owns at least 25% of the voting shares in the paying company; (iii) the receiving company owns shares in relevant to the dividend for at least three months prior to declaring such dividend and continues holding such shares for another three months after declaring the dividend; and (iv) the receiving company and the paying company do not hold shares of each other, either directly or indirectly. If the conditions do not meet, the receiving company will be eligible to declare 50% of the dividend for CIT calculation. In other words, the company will be eligible for a 50% CIT reduction. As LalaMove Holding (Thailand) Company Limited holds 51% of the shares in LalaMove EasyVan (Thailand) Company Limited, and LalaMove EasyVan (Thailand) Company Limited holds 51% of shares in LalaMove Automotive (Thailand) Limited, they will be eligible for a CIT exemption for the dividend income derived from their respective shareholding in another Thai subsidiary company.

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Value Added Tax

With regard to indirect tax, sale of goods or provisions of services in Thailand are subject to VAT at the statutory rate of 10%. Currently, the VAT rate is reduced to 7%. Certain goods and services such as inland transportation services is exempt for VAT. However, in the current interpretation of Thai RD, the provisions of logistics services are regarded as services, rather than inland transportation. As such, the service fees for logistics services are subject to VAT.

LalaMove EasyVan (Thailand) Company Limited carries on the business of a logistics transaction platform in Thailand. The service fees derived from such business is subject to VAT. In addition to providing such transportation service, LalaMove EasyVan (Thailand) Company Limited also derived certain income from sale of accessories (e.g., motorcycle back box and jacket) to the driver who registered on the platform. The sale of accessories thus is subject to VAT.

Specific Business Tax

Certain transactions which are exempt from VAT may be subject to another indirect tax, i.e., Specific Business Tax, or SBT. Transactions that are subject to SBT are financial transactions or those similar to the business of a commercial bank, such as a company loan. Currently, the SBT rate is 3.3% of gross receipt.

Withholding Tax

Pursuant to the TRC, certain payments to the income receiver, both in and outside Thailand, are subject to withholding tax. Income paid or deemed paid to a receiver outside of Thailand may be subject to withholding tax at the rate of 15% (except the dividend will be subject to WHT at the rate of 10%). The WHT is a final tax for the income receiver, thus the receiver is not obliged to file a tax return to TRD. The WHT may be exempt or reduced, depending on the provisions of the double taxation agreements that Thailand concluded with several countries. Thailand does not conclude a double taxation agreement with BVI. Based on our existing operation in Thailand, certain categories of income derived from Thai subsidiary companies may be subject to WHT. Such income includes (i) dividend; (ii) gain from transfer of share; and (iii) interest. Generally, dividend declared and paid to the receiver in Thailand or outside of Thailand is subject to 10% WHT. Dividend declared by a Thai company to another Thai company may be eligible for the WHT exemption. Dividend declared from Thai subsidiary companies to our BVI holding company will be subject to 10% WHT.

Stamp Duty

With regard to stamp duty, the Thai government levies stamp duty on specific instruments listed in the TRC. Generally, the person that receives benefit from the transactions of the specific instruments liable the stamp duty. Examples of the instruments that are subject to stamp duty include employment contracts, loan agreements, share transfer instruments, powers of attorney, etc. The instruments in this regard include the instruments that are made in digital or electronic means or transactions according to RD Director-General Notification No. 58, which became effective on June 24, 2019.

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In general, the stamp duty is charged on specific instruments at varying rate depending on the class of each instrument, but the rates can be ranged from 0.1% to 1% of the total value of the instrument (flat rate during range from THB 1-THB 200 per instrument).

The Philippines

Corporate Income Tax

Our subsidiaries in the Philippines are subject to a tax of 25% of its net taxable income (gross income less allowable deductions) from all sources within and outside the Philippines except, among other things, (i) gross interest income from Philippine currency bank deposits and yield from deposit substitutes, trust funds and similar arrangements as well as royalties from sources within the Philippines which are generally taxed at the lower final withholding tax rate of 20% of the gross amount of such income; and (ii) interest income from a depository bank under the expanded foreign currency deposit system which is subject to a final tax at the rate of 15% of such income. Until June 30, 2023, a minimum corporate income tax of 2% of the gross income as of the end of the taxable year is imposed on a domestic corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the ordinary corporate income tax, provided that after June 30, 2023, the rate of minimum corporate income tax shall be 2% of the gross income as of the end of the taxable year. Nevertheless, any excess of the minimum corporate income tax over the ordinary corporate income tax shall be carried forward and credited against the latter for the three immediately succeeding taxable years. Furthermore, subject to certain conditions, the minimum corporate income tax may be suspended with respect to a corporation, which suffers losses on account of a prolonged labor dispute, or because of force majeure, or because of legitimate business reverses.

Tax on Dividends

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or residents of the Philippines are subject to income tax at the rate of 10%, which shall be withheld by the Company. Cash and property dividends received by domestic corporations or resident foreign corporations from a domestic corporation are not subject to tax.

Cash and property dividends received from a domestic corporation by non-resident alien individuals engaged in trade or business in the Philippines are subject to a 20% tax on the gross amount thereof, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines are subject to tax at 25% of the gross amount, subject, however, to the applicable preferential tax rates under tax treaties executed between the Philippines and the country of residence or domicile of such non-resident foreign individuals. A non-resident alien who comes to the Philippines and stays in the country for an aggregate period of more than 180 days during any calendar year will be deemed a nonresident alien engaged in trade or business in the Philippines. A non-resident alien who comes to the Philippines and stays in the country for an aggregate period of 180 days or less during any calendar year is considered a non-resident alien not engaged in trade or business within the Philippines.

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Cash and property dividends received from a domestic corporation by a non-resident foreign corporation not engaged in trade or business in the Philippines are generally subject to income tax at a final withholding tax rate of 25%, effective July 1, 2020. Subject to requirements of the tax sparing rule under the Philippine Tax Code, cash and property dividends received are subject to final withholding tax at the rate of 15.0%; provided that the country in which the nonresident foreign corporation is domiciled (i) imposes no taxes on foreign-sourced dividends or (ii) allows a credit against the tax due from the non-resident foreign corporation taxes deemed to have been paid in the Philippines equivalent to the difference between the regular income tax of 25% on corporations and the 15.0% tax on dividends.

In order to avail of the 15% tax sparing rate, Revenue Memorandum Circular No. 80-91 dated August 12, 1991 (Publishing the Resolution of the Supreme Court, dated March 7, 1990 in G.R. No. 76573 entitled "Marubeni Corporation vs. Commissioner of Internal Revenue and Court of Tax Appeals" re: pre-requisites for the availment of 15% preferential tax rate under then Section 24(b)(1) (now Section 25(b)(5)(B)) of the Tax Code, as amended) states that the non-resident foreign holder must submit the following documents to the payor of the cash dividends: (i) an authenticated certification issued by the foreign tax authority that the dividends received by the non-resident foreign corporation from the domestic corporation were not among the items considered in arriving at the income tax due from the non-resident foreign corporation; (ii) the income tax return of the non-resident foreign corporation for the taxable year when the dividends were received; and (iii) an authenticated document issued by the foreign tax authority showing that the foreign government allowed a credit on the tax deemed paid in the Philippines or did not impose any tax on the dividends. The income recipient may also file a request for a ruling from the BIR that the 15% income tax rate is applicable to its receipt of the dividends and the request has to comply with relevant International Tax Affairs Division ("ITAD") issuances. The income recipient should provide the payor of the cash dividends with proof of its filing of an application for a ruling with the BIR before the deadline for the remittance to the BIR of the withholding tax on the dividends.

The abovementioned tax rates are without prejudice to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of the non-resident holder. Most tax treaties to which the Philippines is a party provide for a reduced tax rate of 15% in cases where the dividend arises in the Philippines and is paid to a resident of the other contracting state. In addition, some treaties provide that the withholding tax rate may be reduced to 10% in cases where the recipient of the dividend beneficially owns at least 10% or 25% of the issuer, depending on which treaty applies. However, most tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the interest or dividend, who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant dividend-earning interest is effectively connected with such permanent establishment.

The BIR prescribed certain procedures for availment of tax treaty relief on dividends under Revenue Memorandum Order No. 14-2021 (Streamlining the Procedures and Documents for the Availment of Treaty Benefits dated September 30, 2022). The preferential treaty rates shall be applied by the withholding agent/income payor provided that the non-resident income recipient submits, before the dividends are credited or paid, BIR Form No. 1901 or the Application Form for Treaty Purposes, Tax Residency Certificate duly issued by the foreign tax authority, and the relevant provision of the applicable tax treaty.

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When the treaty rates have been applied by the withholding agent on the income earned by the non-resident, the former shall file with the ITAD a request for confirmation on the propriety of the withholding tax rates applied on that item of income. On the other hand, if the regular rates have been imposed on the said income, the non-resident shall file a Tax Treaty Relief Application ("TTRA") with ITAD.

The request for confirmation shall be filed by the withholding agent at any time after the payment of withholding tax but shall in no case be later than the last day of the fourth month following the close of each taxable year.

If the BIR determines that the withholding tax rate applied is lower than the rate that should have been applied on an item of income pursuant to the treaty, or that the non-resident taxpayer is not entitled to treaty benefits, it will issue a BIR Ruling denying the request for confirmation or TTRA. Consequently, the withholding agent shall pay the deficiency tax plus penalties. If the withholding tax rate applied is proper or higher than the rate that should have been applied, the BIR will issue a certificate confirming the non-resident income recipient's entitlement to treaty benefits. In the latter case, the taxpayer may apply for a refund of excess withholding tax.

Transfer taxes (e.g., documentary stamp tax, local transfer tax) may be payable if the dividends declared are property dividends, depending on the type of property distributed as dividends. Stock dividends distributed pro rata to all holders of shares are not subject to Philippine income tax. A stock dividend constitutes income if it gives the shareholder an interest different from that which his former stock holdings represented. A stock dividend does not constitute income if the new shares confer no different rights or interest than did the old. The sale, exchange or disposition of shares received as property dividends by the holder is subject to either capital gains tax and documentary stamp tax or stock transaction tax.

Stock dividends distributed pro rata to all holders of shares of stock are not subject to Philippine income tax. A stock dividend constitutes income if it gives the shareholder an interest different from that which his former stock holdings represented. A stock dividend does not constitute income if the new shares confer no different rights or interest than did the old. The sale, exchange or disposition of shares received as property dividends by the holder is subject to either capital gains tax and documentary stamp tax or stock transaction tax.

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Indonesia

Corporate Income Tax

Our Consolidated Affiliated Entity in Indonesia is subject to a CIT. In general, a flat rate of 22% CIT applies to the net taxable income. However, there are some exemptions for small enterprises in accordance with the applicable laws and regulations, as summarized below:

- (a) For businesses that are classified as small enterprises (having an annual turnover of not more than IDR 50.000.000.000,- (fifty billion Indonesian Rupiah), shall be entitled to a tax discount in the amount of 50% of the basic rate. This rate will be imposed on a proportional basis based on the gross turnover of not more than IDR 4.800.000.000,- (four billion eight hundred million Indonesian Rupiah);
- (b) For small enterprises which gross turnover do not exceed IDR 4.800.000.000,- (four billion eight hundred million Indonesian Rupiah), the applicable CIT shall be a final income tax at the rate of 0.5% (zero point five percent) of the turnover.

Value-added Tax

Currently, our Consolidated Affiliated Entity in Indonesia is registered as a taxable entrepreneur in Indonesia, and the applicable VAT rate is 11% of the taxable goods or services. This rate will then be increased to 12% by no later than 1 January 2025.

Withholding Tax

Our Consolidated Affiliated Entity in Indonesia is categorized as a resident company in Indonesia, and will be subject to the withholding tax rate of 15% for its dividends, interests and royalties, respectively.

Hong Kong

Our wholly owned subsidiaries in Hong Kong are subject to Hong Kong profits tax on their taxable income generated from operations in Hong Kong. Under the two-tiered profits tax rates regime in Hong Kong, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. Payments of dividends by our subsidiaries to us are not subject to any withholding tax in Hong Kong.

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DESCRIPTION OF SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated, both in absolute amounts and as percentages of total revenue. The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

| | For the Year Ended December 31, | | | | | |
|---|--|----------------|-----------------|--------------|----------------|-------------|
| | 2021 | | 2022 | | 2023 | |
| | US\$ | % | US\$ | % | US\$ | % |
| | <i>(in thousands, except for Share and per Share data)</i> | | | | | |
| Revenue | 844,780 | 100.0 | 1,035,786 | 100.0 | 1,334,213 | 100.0 |
| Cost of revenue | (511,881) | (60.6) | (479,983) | (46.3) | (517,214) | (38.8) |
| Gross profit | 332,899 | 39.4 | 555,803 | 53.7 | 816,999 | 61.2 |
| Other Income | 38,417 | 4.5 | 46,161 | 4.5 | 46,173 | 3.5 |
| Selling and marketing expenses | (673,441) | (79.7) | (198,199) | (19.1) | (179,192) | (13.4) |
| Research and development expenses | (176,228) | (20.9) | (196,834) | (19.0) | (174,788) | (13.1) |
| General and administrative expenses | (182,543) | (21.6) | (204,302) | (19.7) | (186,900) | (14.0) |
| Operating (loss)/profit | (660,896) | (78.3) | 2,629 | 0.4 | 322,292 | 24.2 |
| Finance income | 18,816 | 2.2 | 26,562 | 2.6 | 48,451 | 3.6 |
| Finance costs | (1,042) | (0.1) | (3,718) | (0.4) | (2,774) | (0.2) |
| Share of loss of an equity-accounted investee, net of tax | - | - | - | - | (741) | (0.1) |
| (Losses)/gains of financial instruments measured at fair value through profit or loss | (21,644) | (2.6) | (67,280) | (6.5) | 6,356 | 0.5 |
| Changes in fair value of redeemable convertible preferred shares | (1,420,131) | (168.1) | (5,345) | (0.5) | 605,801 | 45.4 |
| (Loss)/profit before taxation | (2,084,897) | (246.9) | (47,152) | (4.4) | 979,385 | 73.4 |
| Income tax expense | (1,439) | (0.2) | (1,939) | (0.2) | (6,704) | (0.5) |
| (Loss)/profit for the year | (2,086,336) | (247.1) | (49,091) | (4.6) | 972,681 | 72.9 |
| Other comprehensive income/(loss) for the year | | | | | | |
| Item that may be reclassified subsequently to profit or loss: | | | | | | |
| Exchange difference on translation of financial statements | 648 | 0.1 | (43,880) | (4.2) | (7,610) | (0.6) |
| Total comprehensive (loss)/income for the year . . . | (2,085,688) | (247.0) | (92,971) | (8.8) | 965,071 | 72.3 |

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NON-IFRS MEASURE

We use adjusted (loss)/profit for the year (non-IFRS), which is a non-IFRS measure, in evaluating our operating results and for financial and operational decision-making purposes. We believe that adjusted (loss)/profit for the year (non-IFRS) provides useful information about our results of operations, enhances the overall understanding of our past performance and future prospects.

Adjusted (loss)/profit for the year (non-IFRS) should not be considered in isolation or construed as an alternative to operating (loss)/profit, loss/profit for the year. Adjusted loss/profit for the year (non-IFRS) presented here may not be comparable to similarly titled measures presented by other companies. Other companies may calculate similarly titled measures differently, limiting their usefulness as comparative measures to our data.

We define our adjusted (loss)/profit for the year (non-IFRS) by adding back (i) share-based compensation expenses, (ii) changes in fair value of redeemable convertible preferred shares, and (iii) [REDACTED] expenses. We exclude these items because they are not expected to result in future cash payments. Specifically, (i) changes in fair value of redeemable convertible preferred shares are non-cash in nature, because all of the foregoing preferred shares will be automatically converted into ordinary shares upon the completion of the [REDACTED], (ii) share-based compensation relates to the share-based awards that we grant to employees and Directors and is a non-cash expense, and (iii) [REDACTED] expenses relates to this [REDACTED], which are non-recurring in nature.

The following table presents our non-IFRS measure for the periods indicated.

| | For the Year Ended December 31, | | |
|---|---------------------------------|-----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>(US\$ in thousands)</i> | | |
| (Loss)/profit for the year | (2,086,336) | (49,091) | 972,681 |
| Add: | | | |
| Share-based compensation expenses | 13,239 | 28,825 | 18,783 |
| Changes in fair value of redeemable convertible preferred shares | 1,420,131 | 5,345 | (605,801) |
| [REDACTED] expenses | [REDACTED] | [REDACTED] | [REDACTED] |
| Adjusted (loss)/profit for the year (non-IFRS) . . | (650,983) | (12,100) | 390,627 |

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PERIOD-TO-PERIOD COMPARISONS OF RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2023 COMPARED TO YEAR ENDED DECEMBER 31, 2022

Revenue

Our revenue increased by 28.8% from US\$1,035.8 million in 2022 to US\$1,334.2 million in 2023. The increase was mainly driven by an increase in our Mainland China revenue by 30.1% from US\$935.9 million in 2022 to US\$1,217.2 million in 2023 and, to a lesser extent, an increase in our overseas revenue by 17.1% from US\$99.9 million to US\$117.0 million during the same year.

Mainland China

Freight platform services

Our freight platform services revenue increased by 37.6% from US\$565.9 million in 2022 to US\$778.5 million in 2023. The increase was mainly driven by an increase by 29.4% in freight GTV generated from our freight platform services from US\$5,850.9 million in 2022 to US\$7,572.3 million in 2023, as well as an increase in the freight platform services monetization rate from 9.7% to 10.3%, which was primarily due to our matured hybrid monetization model. The increase in our freight GTV was driven by the increased demands for freight services after recovery from the COVID-19 pandemic, evidenced by the increase in average merchant MAUs from 10.4 million in 2022 to 13.4 million in 2023, and the increase in average carrier MAUs from 0.9 million in 2022 to 1.2 million in 2023. As Mainland China is our largest market, the merchant MAUs and carrier MAUs in Mainland China accounted for the vast majority of our merchant MAUs and carrier MAUs for the periods presented.

Diversified logistics services

Our diversified logistics services revenue increased by 16.3% from US\$300.7 million in 2022 to US\$349.9 million in 2023. The increase was largely driven by the increased demands for diversified logistics services after recovery from the COVID-19 pandemic, as well as the increased transaction volume of our integrated enterprise services, as evidenced by the increase in freight GTV generated from our diversified logistics services by 41.4% from US\$357.2 million in 2022 to US\$503.9 million in 2023.

Value-added services

Our value-added services revenue increased by 28.3% from US\$69.3 million in 2022 to US\$88.9 million in 2023. The increase was primarily due to the sustained growth in our vehicle leasing services.

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Overseas

Our overseas revenue increased by 17.1% from US\$99.9 million in 2022 to US\$117.0 million in 2023. The increase was driven by growth in the transaction volume of our overseas services, as evidenced by the increase in freight GTV attributable to the overseas segment by 30.1% from US\$507.3 million in 2022 to US\$660.1 million in 2023, mainly as a result of the recovery from the COVID-19 pandemic, as well as our increased marketing efforts across overseas markets. During the same period, the monetization rate for our overseas freight platform services increased from 14.6% in 2022 to 15.2% in 2023.

Cost of revenue and gross profit

Our cost of revenue increased by 7.8% from US\$480.0 million in 2022 to US\$517.2 million in 2023, due to the mix of factors as described in detail below. Our gross profit increased by 47.0% from US\$555.8 million in 2022 to US\$817.0 million in 2023. Our overall gross margins increased from 53.7% in 2022 to 61.2% in 2023.

Mainland China

Freight platform services

Our cost of revenue for freight platform services increased by 4.0% from US\$145.2 million in 2022 to US\$151.0 million in 2023, which was significantly outpaced by freight platform services revenue growth.

We recorded a gross profit for freight platform services of US\$627.5 million in 2023, up by 49.1% from US\$420.8 million in 2022. We recorded a gross margin of 80.6% in 2023, up from 74.3% in 2022. The increased gross margin was primarily due to the streamlining of our personnel structure and our efforts to optimize our operational efficiencies.

Diversified logistics services

Our cost of revenue for diversified logistics services increased by 11.4% from US\$246.5 million in 2022 to US\$274.6 million in 2023, which was generally in line with the business growth during the same period.

We recorded a gross profit of US\$75.3 million for diversified logistics services in 2023, up by 38.9% from US\$54.2 million in 2022. The gross margin of diversified logistics services increased from 18.0% in 2022 to 21.5% in 2023, which was primarily attributable to (i) the continued growth of home-moving services, which generally have a higher margin profile (as their revenue is recognized on a net basis) than those diversified logistics services, the revenues of which are recognized on a gross basis, as well as their increased contribution to our revenue mix of diversified logistics services; and (ii) the continued growth of integrated enterprise services driven by our increasing focus on large corporate customers with generally higher margin profiles.

FINANCIAL INFORMATION

Value-added services

Our cost of revenue for value-added services increased by 22.9% from US\$38.6 million in 2022 to US\$47.4 million in 2023. We recorded a gross profit of US\$41.5 million for value-added services in 2023, increased from US\$30.7 million in 2022.

We recorded a gross margin of 46.7% in 2023, increasing from 44.3% in 2022. The increase was due to our continuous transition on vehicle sales from a principal basis to an agent basis. The revenues generated from our vehicle sales on a principal basis are recognized on a gross basis, whereas the revenues generated from our vehicle sales on an agent basis are recognized on a net basis.

Overseas

Our overseas cost of revenue decreased by 11.1% from US\$49.7 million in 2022 to US\$44.2 million in 2023. The gross margin of our overseas segment increased from 50.2% in 2022 to 62.2% in 2023, as a result of the increased contribution to revenue from the commissions generated from two-wheeler and four-wheeler delivery services in overseas markets, as well as the reduced cost of revenue in overseas segment resulting from our enhanced operational efficiency.

Other income

Our other income remained stable at US\$46.2 million and US\$46.2 million in 2022 and 2023, respectively.

Operating expenses

Our operating expenses decreased by 9.8% from US\$599.3 million in 2022 to US\$540.9 million in 2023.

Selling and marketing expenses

Our selling and marketing expenses decreased by 9.6% from US\$198.2 million in 2022 to US\$179.2 million in 2023. The decrease was primarily due to a decrease in other selling and marketing expenses from US\$31.3 million in 2022 to US\$19.7 million in 2023, as a result of reduced overseas advertising activities, including lowered sticker subsidies to overseas carriers and declined online advertisement. The decrease was also due, to a lesser extent, to a decrease in staff costs from US\$29.9 million in 2022 to US\$21.6 million in 2023 due to the streamlining of our personnel structure and our efforts to optimize our operational efficiencies.

FINANCIAL INFORMATION

Research and development expenses

Our research and development expenses decreased by 11.2% from US\$196.8 million in 2022 to US\$174.8 million in 2023. The decrease was mainly driven by the decrease in staff costs, mainly the payroll and related expenses, from US\$163.8 million in 2022 to US\$140.3 million in 2023 due to the streamlining of our personnel structure.

General and administrative expenses

Our general and administrative expenses decreased by 8.5% from US\$204.3 million in 2022 to US\$186.9 million in 2023. The decrease was mainly driven by the decrease in net foreign exchange gains, from US\$30.8 million in 2022 to US\$6.9 million in 2023 due to the fluctuation in foreign exchange rates.

Operating loss/profit

As a result of the foregoing, we recorded an operating profit of US\$2.6 million and US\$322.3 million in 2022 and 2023, respectively.

Finance income

Our finance income increased by 82.4% from US\$26.6 million in 2022 to US\$48.5 million in 2023. The increase was due to the increase in interest rates on our U.S. dollar deposit, which resulted in higher interest income in 2023.

Finance costs

Our finance costs decreased from US\$3.7 million in 2022 to US\$2.8 million in 2023, which was primarily attributable to (i) the decrease in interests on bank loans of US\$0.6 million due to the decreased loans drawn down from banking facilities in 2023, and (ii) the decrease in interest on lease liabilities of US\$0.3 million as a result of the lease termination for certain offices.

Share of loss of an equity-accounted investee, net of tax

We recorded share of loss of an equity-accounted investee, net of tax, amounting to US\$0.7 million in 2023, representing our share of loss for our equity investment made to Shanghai Changyi. We did not record share of loss of an equity-accounted investee, net of tax in 2022. Shanghai Changyi is engaged in the development and construction of properties. See “— Net Current Assets and Liabilities — Interest in an Equity-accounted Investee” for more information about our investment in Shanghai Changyi.

FINANCIAL INFORMATION

Gains/(losses) of financial instruments measured at fair value through profit or loss

We recorded gains of financial instruments measured at fair value through profit or loss of US\$6.4 million in 2023, compared to losses of financial instruments measured at fair value through profit or loss of US\$67.3 million in 2022, primarily due to changes in the fair market values of convertible loans extended to Xiaola based on our prudent assessment of Xiaola’s business prospects. For more information about such loans, see “History, Development and Corporate Structure – Arrangements Between Our Group and the Xiaola Group”.

Changes in fair value of redeemable convertible preferred shares

We recorded fair value losses of redeemable convertible preferred shares of US\$5.3 million and fair value gains of redeemable convertible preferred shares of US\$605.8 million, respectively, in 2022 and 2023, as a result of changes in the fair market values of our redeemable convertible preferred shares based on our prudent assessment of our business prospects.

(Loss)/Profit for the year

As a result of the foregoing, we recorded a loss for the year of US\$49.1 million in 2022 and a gain for the year of US\$972.7 million in 2023.

YEAR ENDED DECEMBER 31, 2022 COMPARED TO YEAR ENDED DECEMBER 31, 2021

Revenue

Our revenue increased by 22.6% from US\$844.8 million in 2021 to US\$1,035.8 million in 2022. The increase was mainly driven by an increase in our Mainland China revenue by 24.3% from US\$753.0 million in 2021 to US\$935.9 million in 2022 and, to a lesser extent, an increase in our overseas revenue by 8.8% from US\$91.8 million to US\$99.9 million during the same year.

Mainland China

Freight platform services

Our freight platform services revenue increased by 38.3% from US\$409.3 million in 2021 to US\$565.9 million in 2022. The increase was mainly driven by an increase by 8.5% in freight GTV generated from our freight platform services from US\$5,394.4 million in 2021 to US\$5,850.9 million in 2022, and an increase in the freight platform services monetization rate from 7.6% to 9.7% as we rolled out the hybrid monetization model to more cities in 2022. The increase in our freight GTV was due to the growth in the size and engagement of our user base in our existing markets, evidenced by the increased in average merchant MAUs from 9.6 million in 2021 to 10.4 million 2022, and the increase in average carrier MAUs from 0.8 million in 2021 to 0.9 million in 2022. As Mainland China is our largest market, the merchant MAUs and carrier MAUs in Mainland China accounted for the vast majority of our merchant MAUs and carrier MAUs for the periods presented. The increase in our freight GTV generated from our freight platform services slowed in 2022 as compared to in 2021, primarily because of the lingering impacts of COVID-19 throughout the year affecting most cities.

FINANCIAL INFORMATION

Diversified logistics services

Our diversified logistics services revenue increased by 12.2% from US\$268.1 million in 2021 to US\$300.7 million in 2022. The increase was largely driven by organic growth in our diversified logistics services, including the expansion of our integrated enterprise services, as evidenced by the increased freight GTV generated from our diversified logistics services from US\$332.3 million in 2021 to US\$357.2 million in 2022.

Value-added services

Our value-added services revenue decreased by 8.2% from US\$75.5 million in 2021 to US\$69.3 million in 2022. The decrease was primarily due to our continued strategic transition on vehicle sales from a principal basis, where vehicles we procured are recorded as inventory before they are sold, to an agent basis, where we do not record any inventory for vehicles sold as we are acting merely as an intermediary of the vehicle sale transactions. Such strategic transition allows us to operate our vehicle sales business in a more asset-light manner. The revenues generated from our vehicle sales on a principal basis are recognized on a gross basis, whereas the revenues generated from our vehicle sales on an agent basis are recognized on a net basis. Due to the difference in revenue recognition policies, the revenue generated from a vehicle sale order in which we act as a principal is typically higher than the revenue earned from an order in which we act as an agent. In 2021 and 2022, we facilitated approximately 7,300 and 21,000 vehicle sales as an agent, and approximately 1,800 and 120 vehicle sales as a principal, respectively.

Overseas

Our overseas revenue increased by 8.8% from US\$91.8 million in 2021 to US\$99.9 million in 2022. The increase was driven by growth in the transaction volume of our overseas services, particularly in Southeast Asia. Our freight GTV attributable to the overseas segment increased to US\$507.3 million in 2022 from US\$430.7 million in 2021, mainly as a result of increased transaction volume in our overseas markets as a result of the recovery from the COVID-19 pandemic. During the same period, the monetization rate for our overseas freight platform services increased from 13.9% in 2021 to 14.6% in 2022.

Cost of revenue and gross profit

Our cost of revenue decreased by 6.2% from US\$511.9 million in 2021 to US\$480.0 million in 2022. Our gross profit increased by 67.0% from US\$332.9 million in 2021 to US\$555.8 million in 2022. Our overall gross margins increased from 39.4% in 2021 and 53.7% in 2022.

Mainland China

Freight platform services

Our cost of revenue for freight platform services decreased by 13.9% from US\$168.6 million in 2021 to US\$145.2 million in 2022. The decrease was due to decreased payroll and related expenses incurred from US\$100.9 million in 2021 to US\$88.8 million in 2022 which was due to the reduced size of our on-the-ground operation teams to improve operating efficiency.

FINANCIAL INFORMATION

We recorded gross profit for freight platform services of US\$420.8 million in 2022, up by 74.8% from US\$240.7 million in 2021. We recorded a gross margin of 74.3% in 2022, up from 58.8% in 2021. The increased gross margin was primarily due to (i) our improved freight platform services monetization rate from 7.6% in 2021 to 9.7% in 2022 partially as a result of our continued implementation of our hybrid monetization model, which led to increased commissions as a percentage of freight platform services revenues in Mainland China from 11.7% in 2021 to 51.2% in 2022; and (ii) decreased costs incurred for payroll and related expenses due to the reduced size of our on-the-ground operation teams from approximately 3,600 as of December 31, 2021 to approximately 3,200 as of December 31, 2022 to improve operating efficiency.

Diversified logistics services

Our cost of revenue for diversified logistics services increased by 6.2% from US\$232.1 million in 2021 to US\$246.5 million in 2022, which was in line with the revenue growth during the same period.

We recorded a gross profit of US\$54.2 million for diversified logistics services in 2022, up by 50.2% from US\$36.1 million in 2021. The gross margin of diversified logistics services increased from 13.5% in 2021 to 18.0% in 2022, which was primarily attributable to the continued growth of home-moving services and their increased contribution to our revenue mix of diversified logistics services in 2022. Because we recognize revenues from home-moving services on a net basis, such services generally have a higher gross margin than integrated enterprise and LTL services whose revenues are recognized on a gross basis.

Value-added services

Our cost of revenue for value-added services decreased by 27.2% from US\$53.0 million in 2021 to US\$38.6 million in 2022. We recorded a gross profit of US\$30.7 million for value-added services in 2022, up from US\$22.5 million in 2021.

We recorded a gross margin of 44.3% in 2022, increasing from 29.8% in 2021. The increase was due to our strategic transition on vehicle sales from a principal basis to an agent basis. The revenues generated from our vehicle sales on a principal basis are recognized on a gross basis, whereas the revenues generated from our vehicle sales on an agent basis are recognized on a net basis.

Overseas

Our overseas cost of revenue decreased by 14.5% from US\$58.2 million in 2021 to US\$49.7 million in 2022. The gross margin of our overseas segment increased from 36.6% in 2021 to 50.2% in 2022, as a result of our focus on customers with higher monetization potential, and the reduced cost of revenue in the overseas markets, which was primarily attributable to enhanced operational efficiency leveraging our largely homogeneous business model and technology infrastructure across geographies.

Other income

Our other income increased by 20.2% from US\$38.4 million in 2021 to US\$46.2 million in 2022. The increase was mainly due to the increases in government grants from US\$13.1 million in 2021 to US\$18.3 million in 2022.

FINANCIAL INFORMATION

Operating expenses

Our operating expenses decreased by 41.9% from US\$1,032.2 million in 2021 to US\$599.3 million in 2022.

Selling and marketing expenses

Our selling and marketing expenses decreased by 70.6% from US\$673.4 million in 2021 to US\$198.2 million in 2022. The significant decrease was due to (i) a decrease in marketing and promotional expenses from US\$538.3 million in 2021 to US\$136.9 million in 2022 as a result of our continued precise targeting strategies, as well as our decreased discounts offered to merchants. The decrease was also due, to a lesser extent, to a decrease in staff costs from US\$59.4 million in 2021 to US\$29.9 million in 2022, as part of our cost control efforts.

Research and development expenses

Our research and development expenses increased by 11.7% from US\$176.2 million in 2021 to US\$196.8 million in 2022. The increase was mainly driven by an increase in staff costs, mainly the payroll and related expenses, from US\$143.0 million in 2021 to US\$163.8 million in 2022.

General and administrative expenses

Our general and administrative expenses increased by 11.9% from US\$182.5 million in 2021 to US\$204.3 million in 2022. The increase was driven by an increase in foreign exchange losses of US\$30.8 million in connection with our bank savings in the overseas markets, and to a lesser extent, an increase in staff costs, mainly the payroll and related expenses, from US\$115.4 million in 2021 to US\$122.8 million in 2022.

Operating loss/profit

As a result of the foregoing, we recorded an operating profit of US\$2.6 million in 2022, as compared to an operating loss of US\$660.9 million in 2021.

Finance income

Our finance income increased by 41.2% from US\$18.8 million in 2021 to US\$26.6 million in 2022. The increase was due to adjustments in the term structure of our bank savings, which resulted in higher interest income in 2022.

Finance costs

We recorded finance costs of US\$1.0 million and US\$3.7 million, respectively, in 2021 and 2022, due to an increase in interests on bank loans of US\$2.4 million.

FINANCIAL INFORMATION

Gains/(losses) of financial instruments measured at fair value through profit or loss

We recorded losses of financial instruments measured at fair value through profit or loss of US\$21.6 million and US\$67.3 million, respectively, in 2021 and 2022, primarily due to changes in the fair market values of convertible loans extended to Xiaola based on our prudent assessment of Xiaola’s business prospects. For more information about such loans, see “History, Development and Corporate Structure — Arrangements Between Our Group and the Xiaola Group”.

We used the discounted cash flow method to assess the fair value of financial instruments related to the convertible loans extended to Xiaola with the assistance of an independent third-party valuation firm. In determining the appropriate discount rate, we took into account various factors such as Xiaola’s credit, liquidity spread, recoverability, and the geographic market in which it operates. In estimating the future cash flow amounts, we took into consideration a myriad of factors including Xiaola’s credit, recoverability, as well as the macroeconomic environment and market dynamics (to the extent they affect Xiaola’s business and prospects). Given that Xiaola was still in its early stages of business development and that the macroeconomic environment and market conditions were evolving and volatile, we adopted a prudent approach when determining the relevant discount rate and future cash flow amounts. This approach resulted in significant fluctuations in fair value losses of financial instruments related to Xiaola in 2021 and 2022.

Changes in fair value of redeemable convertible preferred shares

We recorded fair value losses of redeemable convertible preferred shares of US\$1,420.1 million and US\$5.3 million, respectively, in 2021 and 2022. The changes in fair value of redeemable convertible preferred shares recorded in 2022 were significantly lower than that of the 2021 primarily because the valuation of the Company remained relatively stable in 2022, while in 2021 the valuation of the Company increased significantly after we completed Series F financing.

Loss for the year

As a result of the foregoing, our loss for the year decreased from US\$2,086.3 million in 2021 to US\$49.1 million in 2022.

FINANCIAL INFORMATION

DESCRIPTION OF SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated, which has been extracted from the Accountants’ Report included in Appendix I:

| | As of December 31, | | |
|---|----------------------------|------------------|------------------|
| | 2021 | 2022 | 2023 |
| | <i>(US\$ in thousands)</i> | | |
| ASSETS | | | |
| Non-current asset | | | |
| Property, plant and equipment | 37,405 | 29,891 | 26,312 |
| Intangible assets | 1,731 | 1,412 | 1,161 |
| Interest in an equity-accounted investee | 92,154 | 117,818 | 115,104 |
| Finance lease receivables | 2,973 | 6,253 | 10,785 |
| Total non-current assets | 134,263 | 155,374 | 153,362 |
| Current assets | | | |
| Inventories | 7,543 | 3,152 | 2,105 |
| Trade and other receivables | 82,705 | 108,635 | 146,257 |
| Finance lease receivables | 5,263 | 4,135 | 7,267 |
| Financial assets measured at fair value through profit or loss | 90,973 | 90,162 | 98,449 |
| Deposits with banks | 103,480 | 244,327 | 212,244 |
| Restricted cash | 144,851 | 203,657 | 246,048 |
| Cash and cash equivalents | 1,564,319 | 1,400,176 | 1,676,633 |
| Total current assets | 1,999,134 | 2,054,244 | 2,389,003 |
| Total assets | 2,133,397 | 2,209,618 | 2,542,365 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 503,132 | 582,367 | 651,458 |
| Contract liabilities | 14,428 | 11,874 | 16,184 |
| Lease liabilities | 11,710 | 11,233 | 10,769 |
| Financial liabilities measured at fair value through profit or loss | 6,474 | 834 | — |
| Total current liabilities | 535,744 | 606,308 | 678,411 |
| Non-current liabilities | | | |
| Lease liabilities | 15,090 | 9,653 | 9,184 |
| Redeemable convertible preferred shares | 5,188,705 | 5,274,050 | 4,673,030 |
| Total non-current liabilities | 5,203,795 | 5,283,703 | 4,682,214 |
| Total liabilities | 5,739,539 | 5,890,011 | 5,360,625 |

FINANCIAL INFORMATION

| | As of December 31, | | |
|---|----------------------------|---------------------------|---------------------------|
| | 2021 | 2022 | 2023 |
| | <i>(US\$ in thousands)</i> | | |
| CAPITAL AND RESERVE | | | |
| Share capital | 86 | 86 | 86 |
| Share premium | 68,310 | 68,310 | 68,310 |
| Treasury shares | — | — | (109,358) |
| Reserves | 45,434 | 20,253 | 19,906 |
| Accumulated losses | <u>(3,720,036)</u> | <u>(3,768,745)</u> | <u>(2,797,737)</u> |
| Total deficit attributable to equity shareholders of the Company | <u>(3,606,206)</u> | <u>(3,680,096)</u> | <u>(2,818,793)</u> |
| Non-controlling interests | <u>64</u> | <u>(297)</u> | <u>533</u> |
| Total Deficit | <u>(3,606,142)</u> | <u>(3,680,393)</u> | <u>(2,818,260)</u> |

NET CURRENT ASSETS AND LIABILITIES

The following table sets forth our current assets and liabilities as of the dates indicated:

| | As of December 31, | | | As of February 29, |
|--|----------------------------|-------------------------|-------------------------|-------------------------|
| | 2021 | 2022 | 2023 | 2024 |
| | <i>(US\$ in thousands)</i> | | | <i>(unaudited)</i> |
| Current assets | | | | |
| Inventories | 7,543 | 3,152 | 2,105 | 2,366 |
| Trade and other receivables | 82,705 | 108,635 | 146,257 | 143,934 |
| Finance lease receivables | 5,263 | 4,135 | 7,267 | 7,841 |
| Financial assets measured at fair value | | | | |
| through profit or loss | 90,973 | 90,162 | 98,449 | 102,055 |
| Deposits with banks | 103,480 | 244,327 | 212,244 | 166,807 |
| Restricted cash | 144,851 | 203,657 | 246,048 | 197,383 |
| Cash and cash equivalents | <u>1,564,319</u> | <u>1,400,176</u> | <u>1,676,633</u> | <u>1,730,223</u> |
| Total current assets | <u>1,999,134</u> | <u>2,054,244</u> | <u>2,389,003</u> | <u>2,350,609</u> |
| Current liabilities | | | | |
| Trade and other payables | 503,132 | 582,367 | 651,458 | 571,499 |
| Contract liabilities | 14,428 | 11,874 | 16,184 | 18,276 |
| Lease liabilities | 11,710 | 11,233 | 10,769 | 9,543 |
| Financial liabilities measured at fair value | | | | |
| through profit or loss | 6,474 | 834 | — | — |
| Total current liabilities | <u>535,744</u> | <u>606,308</u> | <u>678,411</u> | <u>599,318</u> |
| Net current assets | <u>1,463,390</u> | <u>1,447,936</u> | <u>1,710,592</u> | <u>1,751,291</u> |

FINANCIAL INFORMATION

Our net current assets slightly decreased from US\$1,463.4 million as of December 31, 2021 to US\$1,447.9 million as of December 31, 2022, primarily due to (i) an increase in trade and other payables, consisting mainly of payables to carriers and payables to merchants, from US\$503.1 million to US\$582.4 million driven by the expansion of our freight platform services, and (ii) a decrease in cash and cash equivalents from US\$1,564.3 million to US\$1,400.2 million, partially offset by an increase in deposits with banks from US\$103.5 million to US\$244.3 million.

Our net current assets increased from US\$1,447.9 million as of December 31, 2022 to US\$1,710.6 million as of December 31, 2023, primarily due to (i) an increase in cash and cash equivalents of US\$276.5 million, as a result of the operating cash inflow in 2023 primarily driven by the strong operational performances, and (ii) an increase in restricted cash of US\$42.4 million, driven by our continued business growth, partially offset by an increase in trade and other payables of US\$69.1 million, primarily due to the increased payables to carriers driven by the expansion of our freight platform services.

Our net current assets increased from US\$1,710.6 million as of December 31, 2023 to US\$1,751.3 million as of February 29, 2024, primarily due to (i) a decrease in trade and other payables of US\$80.0 million, and (ii) an increase in cash and cash equivalents of US\$53.6 million, partially offset by a decrease in restricted cash of US\$48.7 million.

ASSETS

Property, Plant and Equipment

Our property, plant and equipment consist primarily of motor vehicles, furniture and office equipment, leased property and leasehold improvements. Our property, plant and equipment was US\$37.4 million, US\$29.9 million and US\$26.3 million, respectively, as of December 31, 2021, 2022 and 2023. Our property, plant and equipment decreased from US\$37.4 million as of December 31, 2021 to US\$29.9 million as of December 31, 2022, which was mainly due to the recognized depreciation of our property, plant and equipment, as well as the net negative effects of foreign exchange rate fluctuations. Our property, plant and equipment decreased from US\$29.9 million as of December 31, 2022 to US\$26.3 million as of December 31, 2023, which was primarily due to the depreciation of our property, plant and equipment.

Finance Lease Receivables

Finance lease receivables relate primarily to the amounts receivable from carriers associated with our vehicle leasing services, where we as the lessor enter into finance lease arrangements with these carriers as the lessees to finance their vehicle purchases. We recorded current finance lease receivables of US\$5.3 million, US\$4.1 million and US\$7.3 million and non-current finance lease receivables of US\$3.0 million, US\$6.3 million and US\$10.8 million, respectively, as of December 31, 2021, 2022 and 2023. Our non-current finance lease receivables increased from US\$6.3 million as of December 31, 2022 to US\$10.8 million as of December 31, 2023, which was primarily due to the significant growth in our financial leasing business.

FINANCIAL INFORMATION

Inventories

Our inventories primarily consist of vehicles held for sale associated with our vehicle sales services, and other supplies associated with our business operations. Our inventories decreased from US\$7.5 million as of December 31, 2021 to US\$3.2 million as of December 31, 2022, as a result of our transition on vehicle sales from a principal basis to an agent basis. Our inventories decreased further to US\$2.1 million as of December 31, 2023, primarily because we decreased our inventory of vehicle stickers in 2023.

Trade and other Receivables

Our trade and other receivables consist primarily of (i) trade receivables, net of loss allowance, consisting mainly of the receivables from the customers of our integrated enterprise services and LTL services; (ii) prepayments to third-party providers of advertising and user acquisition services; (iii) the security deposits paid to the landlords of our rented premises; and (iv) other receivables, consisting mainly of the receivables collected through third-party payment platforms in certain overseas markets and the accrued interest income generated from our deposits. The following table sets forth a breakdown of our trade and other receivables as of the dates indicated.

| | As of December 31, | | |
|--|----------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>(US\$ in thousands)</i> | | |
| Trade receivables, net of loss allowance | 28,378 | 45,204 | 66,134 |
| Prepayments | 16,693 | 16,652 | 19,251 |
| Deposits | 14,624 | 11,953 | 9,641 |
| Other receivables | 23,010 | 34,826 | 51,231 |
| Total trade and other receivables | 82,705 | 108,635 | 146,257 |

These components of our trade and other receivables have generally continued to increase from 2021 to 2023, which was primarily driven by our overall business growth. Our trade receivables, net of loss allowance, increased significantly from US\$28.4 million as of December 31, 2021 to US\$45.2 million as of December 31, 2022, and further increased to US\$66.1 million as of December 31, 2023, which was mainly due to the continued expansion of our integrated enterprise services. Our other receivables increased significantly from US\$23.0 million as of December 31, 2021 to US\$34.8 million as of December 31, 2022, and further increased to US\$51.2 million as of December 31, 2023, which was mainly attributable to an increase in the accrued interest income generated from our deposits.

FINANCIAL INFORMATION

The following table sets forth our trade receivables turnover days for the periods indicated. Trade receivables turnover days for a period equals the average of the opening and closing trade receivables balance divided by our revenue for the relevant period and multiplied by the number of days in the relevant period.

| | For the year ended December 31, | | |
|---|---------------------------------|------|------|
| | 2021 | 2022 | 2023 |
| Average trade receivables turnover days | 8.5 | 13.0 | 15.2 |

The average trade receivables turnover days had generally increased throughout the Track Record Period primarily due to our continued expansion of our integrated enterprise services. Our integrated enterprise services have been increasingly focused on larger enterprise merchants, who typically demand longer credit periods.

The following table sets forth the ageing analysis of trade receivables for the periods indicated.

| | As of December 31, | | |
|--|----------------------------|---------------|---------------|
| | 2021 | 2022 | 2023 |
| | <i>(US\$ in thousands)</i> | | |
| Within 3 months (inclusive) | 27,766 | 44,214 | 60,785 |
| 3 months to 6 months (inclusive) | 464 | 1,259 | 3,370 |
| 6 months to 1 year (inclusive) | 170 | 370 | 1,793 |
| Over 1 year | 99 | 2 | 1,635 |
| Less: loss allowance | (121) | (641) | (1,449) |
| Trade receivables, net | 28,378 | 45,204 | 66,134 |

As of February 29, 2024, US\$86.6 million, or 59.2% of our trade and other receivables outstanding as of December 31, 2023, had been subsequently settled.

FINANCIAL INFORMATION

Financial instruments measured at fair value through profit or loss

The following table sets forth a breakdown of our financial instruments measured at fair value through profit or loss as of the dates indicated.

| | As of December 31, | | |
|--|----------------------------|---------------|---------------|
| | 2021 | 2022 | 2023 |
| | <i>(US\$ in thousands)</i> | | |
| Financial assets measured at fair value through profit or loss | | | |
| Wealth management products | 9,478 | 10,213 | 145 |
| Unlisted equity investments | 5,500 | 6,333 | 12,562 |
| Unlisted debt investments | 75,995 | 73,616 | 85,742 |
| Total | 90,973 | 90,162 | 98,449 |
| Financial liabilities measured at fair value through profit or loss | | | |
| Investments commitments | 6,474 | 834 | – |

The wealth management products classified as other financial assets mainly include short-term wealth management products issued by reputable financial institutions in the PRC. We made investment in wealth management products with the underlying assets being primarily investments in various types of assets that meet regulatory requirements and have high liquidity and market credit rating, including bonds, inter-bank deposits and other money market instruments. These wealth management products have expected rates of return ranging from 1.65% to 3.30% in 2021, 1.65% to 3.25% in 2022 and 1.39% to 4.21% in 2023. The principal amount and expected returns of these wealth management products are not guaranteed. In order to further enhance our liquidity position without significantly increasing our exposure to the financial risks, we will continue to invest in such wealth management products after the [REDACTED]. The wealth management products classified as other financial assets have generally remained stable as of December 31, 2021, 2022 and 2023 despite limited fluctuations as part of our cash and liquidity activities.

To monitor and control the investment risks associated with our wealth management product portfolio, we have established a set of internal risk management policies and guidelines. Steered by Mr. Chen Guo Ji, our chief financial officer, our finance department is responsible for overseeing our investment portfolio. Mr. Chen has been supervising our investment activities since he joined our Group and was highly involved in our historical investments. For relevant experience, qualifications and expertise of Mr. Chen, see “Director and Senior Management — Directors — Executive Directors”. Our investment strategy related to wealth management product portfolio is focused on minimizing the financial risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs, while generating desirable investment returns for the benefits of our Shareholders. We make investment decisions related to our wealth management products on a case-by-case basis after thoroughly considering a number of factors, including but not limited to macro-economic environment, general market conditions, risk control and credit of issuing banks, our own working capital conditions, and the expected profit or potential loss of the investment.

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Our finance department proposes, analyzes and evaluates potential investments in wealth management products based on recommendations of our relationship and account managers at reputable commercial banks in China. Our investments in wealth management products after the [REDACTED] will be subject to the compliance with relevant laws, regulations and rules, including Chapter 14 and other applicable rules under the Listing Rules.

Our financial assets measured at fair value through profit or loss as of December 31, 2021, 2022 and 2023 also included our equity investment in certain unlisted companies. We have dedicated personnel in place who are responsible for identifying, reviewing and pursuing strategic investments, including investments in unlisted companies. These personnel have extensive experience in corporate finance and M&A in the technology and road freight industries. We make investment decisions on a case-by-case basis based on the consideration of a number of factors, including the investee’s operating history, the growth potential of the investee and the industries in which it operates, the quality of the investee’s management team, as well as the investee’s potential to generate synergies with our existing operations. We closely monitor the operational and financial performance of our investee companies. From time to time, we may also decide to dispose of certain or all of our equity interests in our investee companies to achieve financial returns or to align with our business focus. Our internal procedures for exit decisions are substantially similar to the procedures for investment decisions.

Our financial instruments measured at fair value through profit or loss as of December 31, 2021, 2022 and 2023 also consisted of unlisted debt investments including convertible loans extended to Xiaola, as well as the related investment commitments to Xiaola, based on our prudent assessment of Xiaola’s prospects. For more information about such loans, see “History, Development and Corporate Structure — Arrangements Between Our Group and the Xiaola Group”. In 2021, 2022 and 2023, the credit advance made to Xiaola amounted to US\$91.2 million, US\$71.4 million and US\$8.0 million, respectively. As of December 31, 2023, Xiaola had neither settled nor been granted a waiver on any of the credit advances made by us. The outstanding balance due from Xiaola increased from US\$91.2 million as of December 31, 2021 to US\$162.6 million as of December 31, 2022, and further to US\$169.0 million as of December 31, 2023, which was as a result of Xiaola’s significant initial investments in setting up its platform and infrastructure.

For more information about valuation of financial assets measured at fair value through profit or loss, see Note 26(e) to the Accountants’ Report set out in Appendix I.

Interest in an Equity-accounted Investee

Interest in an equity-accounted investee primarily represents our equity investment made to a joint venture in the real estate industry, namely Shanghai Changyi, for potential real estate acquisition in anticipation of our long-term growth. In November 2021, we acquired 30.3% of equity interests in Shanghai Changyi. Investing in real estate through a joint venture provides us with an opportunity to acquire a property as our office building and benefit from its long-term financial growth potential. By partnering with others, we can also share the financial risks and manage the potential losses, thereby mitigating the associated risks of investing alone. As of December 31, 2023, Shanghai Changyi was at the early stage of business development and real estate construction. Our interest in an equity-accounted investee were US\$92.2 million, US\$117.8 million and US\$115.1 million, respectively, as of December 31, 2021, 2022 and 2023.

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Deposits with Banks

Deposits with banks consist primarily of the term deposits with commercial banks that have a maturity within three months. Our deposits with banks were US\$103.5 million, US\$244.3 million and US\$212.2 million, respectively, as of December 31, 2021, 2022 and 2023.

Cash and Cash Equivalents

Our cash and cash equivalents consist primarily of cash at bank on demand and amounts due from banks and other financial institutions that are repayable on demand. Our cash and cash equivalents were US\$1,564.3 million, US\$1,400.2 million and US\$1,676.6 million, respectively, as of December 31, 2021, 2022 and 2023. Our cash and cash equivalents generally increased during the Track Record Period primarily due to growth in our business operations and increased capital contribution from our shareholders.

Restricted Cash

Our restricted cash consists primarily of cash under the custodian of a third-party licensed commercial bank. Our restricted cash were US\$144.9 million, US\$203.7 million and US\$246.0 million, respectively, as of December 31, 2021, 2022 and 2023. We started to engage a third-party licensed commercial bank in 2021, which acted as a custodian to our carrier wallets. Our business growth further contributed to an increase in our restricted cash during the Track Record Period.

LIABILITIES

Lease Liabilities

Lease liabilities represent the present value of outstanding lease payments under our lease agreements. We recorded non-current lease liabilities of US\$15.1 million, US\$9.7 million, US\$9.2 million and US\$8.0 million, respectively, as of December 31, 2021, 2022 and 2023 and February 29, 2024. We recorded current lease liabilities of US\$11.7 million, US\$11.2 million, US\$10.8 million and US\$9.5 million, respectively, as of December 31, 2021, 2022 and 2023 and February 29, 2024. Our lease liabilities increased from December 31, 2020 to December 31, 2021, because we expanded our leased office space to meet the needs of our growing business operations and increased headcounts. Our lease liabilities remained relatively stable from December 31, 2021 and up to February 29, 2024.

Redeemable Convertible Preferred Shares

Redeemable convertible preferred shares consist of our series B Preferred Shares to series G Preferred Shares. These preferred shares are redeemable upon the occurrence of specified events and will be automatically converted into ordinary shares of the Company upon the completion of the [REDACTED]. The redeemable convertible preferred shares as of a given date are classified as non-current liabilities as such liabilities are not expected to be settled in the normal operating cycle and are not due within twelve months after the end of reporting periods. For more information about the terms of these Preferred Shares, including their conversion and redemption features, see Note 24(b) to the Accountants’ Report set out in Appendix I.

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Our redeemable convertible preferred shares classified as non-current liabilities were US\$5,188.7 million, US\$5,274.1 million and US\$4,673.0 million, respectively, as of December 31, 2021, 2022 and 2023. Our redeemable convertible preferred shares increased from US\$5,188.7 million as of December 31, 2021 to US\$5,274.1 million as of December 31, 2022, which was primarily attributable to the issuance of more redeemable convertible preferred shares, and the increased valuation of our Company. Our redeemable convertible preferred shares subsequently decreased to US\$4,673.0 million as of December 31, 2023.

See Note 24 to the Accountants’ Report in Appendix I for details of the fair value measurement of our redeemable convertible preferred shares, including the methods and key assumptions used in the measurement.

Trade and other Payables

The following table sets forth a breakdown of our trade and other payables as of the dates indicated.

| | As of December 31, | | |
|---|----------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>(US\$ in thousands)</i> | | |
| Payables to carriers | 315,110 | 391,566 | 464,741 |
| Accrued staff costs | 58,739 | 51,456 | 51,443 |
| Trade payables | 38,965 | 43,797 | 33,197 |
| Payables to merchants | 31,806 | 30,394 | 30,171 |
| Other payables and accruals | 58,512 | 65,154 | 71,906 |
| Trade and other payables | 503,132 | 582,367 | 651,458 |

- Payables to carriers consist mainly of “carrier wallet” and “carrier deposits”. Carrier wallet represents (i) with respect to freight platform services, the freight charges that we collect from the merchants on behalf of the carriers under the custodian of a licensed commercial bank, after deducting commissions payable by carriers to us for facilitating the transactions; and (ii) with respect to integrated enterprise services, the amounts payable by us to the carriers for fulfilling orders for our customers (i.e., the merchants). Carrier wallet can be withdrawn by carriers on an on-demand basis. Carrier deposits represent the amount paid by carriers upon their registration with our platform. Carrier deposits are intended to secure the performance of their obligations under their standard agreements with us, and amounts will be deducted from carrier deposits in the event of a breach by the carriers of such agreements. The balance of the carrier deposits will be refunded to the carriers upon their cancelation of registration with our platform.
- Trade payables represent the amount payable by us to suppliers of stickers of our logos (which would be affixed to carriers’ vehicles as part of our sticker marketing campaigns) and suppliers of marketing channels. The settlement of our trade payables constitutes a part of selling and marketing expenses, as opposed to cost of revenue. As a result, it is not meaningful to present the trade payable turnover days as the numerator and the denominator of such ratio are not matched by nature.

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- Payables to merchants represent the amount prepaid by merchants that can be used by the merchants to purchase services on our platform.
- Other payables and accruals represent the deposits paid by carriers and related tax accruals associated with our vehicle leasing services.

During the Track Record Period, our trade and other payables has generally continued to increase from US\$503.1 million as of December 31, 2021 to US\$582.4 million as of December 31, 2022, and further increased to US\$651.5 million as of December 31, 2023, primarily driven by increases in payables to carriers. The increases in payables to carriers were mainly driven by our growing carrier bases and rapidly increasing volume of freight transactions facilitated through our platform.

The following table sets forth the ageing analysis of trade payables for the periods indicated. As of December 31, 2021, 2022 and 2023, all of the trade and other payables are expected to be settled within one year or repayable on demand.

| | As of December 31, | | |
|---------------------------------|----------------------------|---------------|---------------|
| | 2021 | 2022 | 2023 |
| | <i>(US\$ in thousands)</i> | | |
| Within 6 months | 38,658 | 43,524 | 32,766 |
| 6 months to 1 year | 231 | 90 | 431 |
| 1 to 2 years | 14 | 183 | — |
| Over 2 years | 62 | — | — |
| Trade payables | 38,965 | 43,797 | 33,197 |

As of February 29, 2024, US\$366.9 million, or 56.3% of our trade and other payables outstanding as of December 31, 2023, had been subsequently settled.

Contract Liabilities

Contract liabilities consist primarily of the membership fees collected from carriers prior to the commencement of the membership. Contract liabilities are recognized as revenue on a straight-line basis over the term of the membership. Our contract liabilities were US\$14.4 million and US\$11.9 million, respectively, as of December 31, 2021 and 2022. As our hybrid monetization model matured, the carrier membership fees we collected in advance generally decreased from 2021 to 2022, which contributed to a decrease in our contract liabilities during the same period. Our contract liabilities subsequently increased from US\$11.9 million as of December 31, 2022 to US\$16.2 million as of December 31, 2023, mainly due to the increased purchase of carriers’ membership packages as a result of the growing carrier base, which was in line with our business expansion.

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LIQUIDITY AND CAPITAL RESOURCES

The following table sets forth a summary of our cash flows for the periods indicated:

| | For the Year Ended December 31, | | |
|---|---------------------------------|------------------|------------------|
| | 2021 | 2022 | 2023 |
| | <i>(US\$ in thousands)</i> | | |
| Summary consolidated statements of cash flow data | | | |
| (Loss)/profit before taxation | (2,084,897) | (47,152) | 979,385 |
| Adjustments for non-cash items | 1,449,950 | 130,304 | (610,830) |
| Changes in working capital | 30,809 | 4,630 | (6,160) |
| Income tax paid | (436) | (2,706) | (3,253) |
| Net cash (used in)/generated from operating activities | (604,574) | 85,076 | 359,142 |
| Net cash (used in)/generated from investing activities | (117,950) | (220,896) | 67,806 |
| Net cash generated from/(used in) financing activities | 1,678,355 | 51,650 | (135,330) |
| Net increase/(decrease) in cash and cash equivalents | 955,831 | (84,170) | 291,618 |
| Cash and cash equivalents at the beginning of the year | 596,788 | 1,564,319 | 1,400,176 |
| Effect of movements in exchange rates | 11,700 | (79,973) | (15,161) |
| Cash and cash equivalents at the end of the year | 1,564,319 | 1,400,176 | 1,676,633 |

Operating activities

Net cash generated from operating activities was US\$359.1 million in 2023, primarily due to profit before taxation of US\$979.4 million, and adjusted for impairment to (i) changes in fair value of redeemable convertible preferred shares of US\$605.8 million; and (ii) finance income of US\$48.5 million. The amount was further adjusted by changes in working capital which primarily consisted of (i) increase in trade and other payables of US\$74.1 million; and (ii) increase in restricted cash of US\$42.4 million.

Net cash generated from operating activities was US\$85.1 million in 2022, primarily due to loss before taxation of US\$47.2 million, and adjusted to add back (i) fair value losses of financial assets measured at fair value through profit or loss of US\$67.3 million; and (ii) net foreign exchange losses of US\$30.8 million. The amount was further adjusted by changes in working capital which primarily consisted of (i) an increase in trade and other payables of US\$87.2 million, consisting mainly of payables to carriers; and (ii) an increase in restricted cash of US\$58.8 million.

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Net cash used in operating activities was US\$604.6 million in 2021, primarily due to loss before taxation of US\$2,084.9 million, and adjusted to add back (i) changes in fair value of redeemable convertible preferred shares of approximately US\$1,420.1 million; (ii) fair value losses of financial assets measured at fair value through profit or loss of US\$21.6 million. The amount was further adjusted by changes in working capital which primarily consisted of (i) an increase in trade and other payables of US\$177.8 million, consisting mainly of payables to carriers; and (ii) an increase in restricted cash of US\$144.9 million.

Investing activities

Net cash generated from investing activities was US\$67.8 million in 2023, primarily due to (i) withdrawal of deposits with banks of US\$534.9 million; and (ii) interest received of US\$44.8 million.

Net cash used in investing activities was US\$220.9 million in 2022, primarily due to (i) the increase in deposits with banks of US\$140.8 million; and (ii) the extension of convertible loans to Xiaola of US\$71.4 million in 2022.

Net cash used in investing activities was US\$118.0 million in 2021, which was primarily attributable to (i) the payment for investment in a joint venture of US\$92.2 million; and (ii) the extension of convertible loans to Xiaola of US\$91.2 million.

Financing activities

Net cash used in financing activities in 2023 was US\$135.3 million, primarily due to payment for repurchase of ordinary shares of US\$73.0 million.

Net cash generated from financing activities in 2022 was US\$51.7 million, primarily due to proceeds from the issuance of redeemable convertible preferred shares of US\$80.0 million.

Net cash generated from financing activities in 2021 was US\$1,678.4 million, which mainly resulted from proceeds from the issuance of redeemable convertible preferred shares of US\$1,718.0 million.

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KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates and for the periods indicated.

| | Year ended/As of December 31, | | |
|---|-------------------------------|-------|-------|
| | 2021 | 2022 | 2023 |
| Gross profit margin (%) ⁽¹⁾ | 39.4 | 53.7 | 61.2 |
| Current ratio (%) ⁽²⁾ | 373.2 | 338.8 | 352.1 |
| Adjusted (loss)/profit margin (non-IFRS) (%) ⁽³⁾ . . . | (77.1) | (1.2) | 29.3 |

Notes:

- (1) Calculated by dividing gross profit for the year by total revenue for the year and multiplied by 100%.
- (2) Calculated by dividing total current assets by total current liabilities at the end of the year and multiplied by 100%, if applicable.
- (3) Calculated by dividing (loss)/profit for the year (non-IFRS) by total revenue for the year and multiplied by 100%.

For a detailed discussion on the historical changes of these key financial ratios, see “— Period-to-Period Comparisons of Results of Operations”, “— Net Current Assets and Liabilities”, “Business — Business Sustainability and Proven Path to Profitability”.

WORKING CAPITAL

Our Directors are of the opinion, and the Joint Sponsors concur, that taking into account the financial resources presently available to us, including cash and cash equivalents, the estimated net [REDACTED] from the [REDACTED] and the expected cash generated from operating activities, we have sufficient working capital for our present requirements and for the next 12 months from the date of this Document. As of December 31, 2023, we had cash and cash equivalents of approximately US\$1,676.6 million.

CAPITAL EXPENDITURES

Our capital expenditures are incurred primarily in connection with leasehold improvement and purchase of furniture, fixture and equipment as well as motor vehicles for our own use. Our capital expenditures were US\$8.5 million, US\$5.3 million and US\$3.0 million in 2021, 2022 and 2023, respectively.

CONTRACTUAL OBLIGATIONS

There were no outstanding contractual obligations as of December 31, 2023 and February 29, 2024.

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OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Credit risk

Financial instruments that potentially subject us to significant concentration of credit risk consist primarily of cash and cash equivalents.

As of December 31, 2021, 2022 and 2023, the majority of our cash and cash equivalents were held at reputable financial institutions with high-credit ratings. In the event of bankruptcy of one of these financial institutions, we may not be able to claim our cash and cash equivalents back in full. We continue to monitor the financial strength of the financial institutions. There has been no recent history of default in relation to these financial institutions. Receivables from online payment platforms are derived from transactions on our technology-empowered platforms. The risk is mitigated by credit evaluations we perform on the selected online payment platforms that are highly reputable and market leaders. There has been no default of payments from these online payment platforms.

We measure loss allowances for trade receivables and other receivables at an amount equal to lifetime expected credit losses, which is calculated using a provision matrix. The expected credit loss rates for these assets were 0.42%, 1.40% and 2.14% in 2021, 2022 and 2023.

As of December 31, 2021, 2022 and 2023, we are also exposed to credit risk arising from our investment commitments which we commit ourselves to acquire debt instruments of US\$38,772,000, US\$18,690,000 and nil, respectively.

Liquidity risk

Liquidity risk is the risk that we will encounter difficulty in meeting the obligations associated with our financial liabilities that are settled by delivering cash or another financial asset. Our objective when managing liquidity is to ensure, as far as possible, that we will have sufficient liquidity to meet our liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to our reputation.

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Management is responsible for our cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands. Management performs this by monitoring rolling forecasts of our liquidity reserve and cash and cash equivalents on the basis of expected cash flows.

Our policy is to regularly monitor our liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our interest rate risk arises primarily from deposits with banks, restricted cash, cash at banks and lease liabilities. Interest-bearing financial instruments at variable rates expose us to cash flow interest rate risk. Our interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table sets forth the interest rate profile of our deposits with banks, restricted cash, cash at banks and lease liabilities, as of the dates indicated.

| | As of December 31, | | |
|---|----------------------------|----------------|------------------|
| | 2021 | 2022 | 2023 |
| | <i>(US\$ in thousands)</i> | | |
| Fixed rate instruments | | | |
| Lease liabilities | (26,800) | (20,886) | (19,953) |
| Deposits with banks | 103,480 | 244,327 | 212,244 |
| Deposits with banks with original maturity within three months | <u>695,727</u> | <u>745,285</u> | <u>703,917</u> |
| | <u>772,407</u> | <u>968,726</u> | <u>896,208</u> |
| Variable rate instruments | | | |
| Restricted cash | 144,851 | 203,657 | 246,048 |
| Cash balances with payment platforms | 27,867 | 22,545 | 28,316 |
| Cash at bank and on hand | <u>840,725</u> | <u>632,346</u> | <u>944,400</u> |
| | <u>1,013,443</u> | <u>858,548</u> | <u>1,218,764</u> |

FINANCIAL INFORMATION

(ii) Sensitivity analysis

On December 31, 2021, 2022 and 2023, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased our loss and accumulated losses by approximately US\$10,134,000, US\$8,585,000 and US\$12,190,000, respectively.

The sensitivity analysis above indicates the instantaneous change in our loss/profit (and accumulated losses) that would arise assuming that the change in interest rates had occurred at the end of each of the Track Record Period and had been applied to remeasure those financial instruments held by us which expose us to fair value interest rate risk at the end of each of the Track Record Period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by us at the end of each of the Track Record Period, the impact on our loss/profit (and accumulated losses) is estimated as an annualized impact on the interest expense or income of such change on interest rates.

Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. Our exposure to the risk of changes in foreign exchange rates relates primarily to our operating activities when revenue or expense is denominated in a foreign currency and our net investments in foreign subsidiaries. We operate in multiple markets, which exposes us to the effects of fluctuations in currency exchange rates as we report our financials and key operational metrics in U.S. dollars. We mainly earn revenue denominated in PRC Renminbi and Philippine Peso, among other currencies.

Foreign currency exchange rates for emerging markets currencies have from time to time experienced, and may in the future experience, substantial volatility. It is difficult to predict how market forces or the government policies in the emerging markets may impact the exchange rates against the U.S. Dollar in the future. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. See “Risk Factors — Risks Related to Doing Business in the Geographic Markets in Which We Operate — Fluctuations in foreign currency exchange rates may adversely affect our operational and financial results”.

Inflation risk

We generate a substantial majority of our revenue from the PRC. Since our inception, inflation in the PRC has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for the years ended December 31, 2021, 2022 and 2023 were increases of 0.9%, 2.0% and 0.2%, respectively. Although we have not in the past been materially affected by inflation since our inception, we can provide no assurance that we will not be affected in the future by higher rates of inflation in the PRC and the other major geographic markets in which we operate.

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INDEBTEDNESS

The following table sets forth the details of our indebtedness as of the dates indicated:

| | As of December 31, | | | As of February 29, |
|--------------------------------|--------------------|---------------|---------------|----------------------------|
| | 2021 | 2022 | 2023 | 2024 |
| | | | | <i>(Unaudited)</i> |
| | | | | <i>(US\$ in thousands)</i> |
| Lease liabilities | 26,800 | 20,886 | 19,953 | 17,592 |
| Total | 26,800 | 20,886 | 19,953 | 17,592 |

Banking Facilities

In 2023, we were granted credit facilities of US\$250 million in total from commercial banks. As of February 29, 2024, we had unutilized banking facilities totaling US\$150 million.

Lease Liabilities

For details of our lease liabilities, see “— Liabilities — Lease Liabilities”.

Preferred Shares

We have historically issued several series of redeemable convertible preferred shares, consisting of Series A, A+, pre-B, B, C, D, D2, E, E2, F and G Preferred Shares, to investors. Upon the completion of the [REDACTED], all of these preferred shares will be automatically converted into ordinary shares. Additionally, the holders of Series B to Series G Preferred Shares have the right to require us to redeem their preferred shares if the qualified [REDACTED] is not consummated on or prior to the fifth anniversary of the date on which the latest series of Preferred Shares were first issued by the Company, or upon the occurrence of certain other specified events. For more information about foregoing investors, see “History, Development and Corporate Structure”.

If we were to be required to redeem all the Series B to Series G Preferred Shares, the aggregate redemption price shall be the sum of the aggregate consideration for the issuance of such preferred shares, plus applicable interest accrued thereon and declared and unpaid dividends payable to the holders of such preferred shares. For more information about the terms of such preferred shares, including their conversion and redemption features, see Note 24 to the Accountants’ Report set out in Appendix I.

The redemption of the preferred shares, if triggered, could have a negative impact on our cash and liquidity position and financial condition. See “Risk Factors — Risks Related to Our Business and Industry — Fair value changes in our financial instruments issued to [REDACTED] Investors and related valuation uncertainty may materially affect our financial condition and performance”.

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Contingent Liabilities

We did not have any material contingent liabilities as of December 31, 2021, 2022 and 2023 and February 29, 2024, being the latest practicable date for determining our indebtedness.

Save as otherwise disclosed under sections headed “— Indebtedness” and “— Contractual Obligations”, as of February 29, 2024, being the latest practicable date for determining our indebtedness, we did not have any outstanding loan, banking facilities, capital issued or agreed to be issued, debt securities, mortgages, charges, debentures, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchase commitments or other contingent liabilities.

Our Directors have confirmed that we did not have any material defaults in payment of trade and non-trade payables and borrowings during the Track Record Period and up to the Latest Practicable Date, and there is no material change in our indebtedness as of February 29, 2024, being the latest practicable date for determining our indebtedness, up to the Latest Practicable Date.

RELATED PARTY TRANSACTIONS AND BALANCES

We enter into transactions with our related parties from time to time. Our Directors are of the view that each of the related party transactions set out in Note 28 to the Accountants’ Report included in Appendix I was conducted in the ordinary course of business on an arm’s length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance.

DIVIDEND

As advised by our Cayman Islands legal advisor, under Cayman Islands law, a position of accumulated losses and net liabilities does not necessarily restrict our Company from declaring and paying dividends to our Shareholders out of either our profit or our share premium account, provided this would not result in our Company being unable to pay its debts as they fall due in the ordinary course of business. As we are a holding company incorporated under the laws of the Cayman Islands, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. Any dividends we pay will be determined at the absolute discretion of our Board, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. Our Shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by our Board. No dividends have been paid or declared by our Company since its incorporation. We plan to adopt a formal dividend policy upon [REDACTED].

DISTRIBUTABLE RESERVES

As of December 31, 2023, we did not have any distributable reserves.

FINANCIAL INFORMATION

[REDACTED] EXPENSES

Our [REDACTED] expenses mainly include [REDACTED] fees and [REDACTED] and professional fees paid to legal, accounting and other advisors for their services rendered in relation to the [REDACTED] and the [REDACTED]. Assuming full payment of the [REDACTED], the estimated total [REDACTED] expenses (based on the mid-point of the [REDACTED] and assuming that the [REDACTED] is not exercised) for the [REDACTED] are approximately HK\$[REDACTED], representing [REDACTED]% of the gross [REDACTED] (based on the mid-point of the [REDACTED] and assuming that the [REDACTED] is not exercised) from the [REDACTED], of which an estimated amount of HK\$[REDACTED] is expected to be expensed through the statement of profit or loss and the remaining amount of HK\$[REDACTED] is expected to be recognized directly as a deduction from equity upon the [REDACTED]. The table below sets forth the breakdown of our [REDACTED] expenses.

| | |
|---|------------------------------|
| [REDACTED] expenses (excluding Joint Sponsors' fee) | HK\$[REDACTED] |
| [REDACTED] expenses | <u>HK\$[REDACTED]</u> |
| Total | <u><u>HK\$[REDACTED]</u></u> |

[REDACTED]

FINANCIAL INFORMATION

[REDACTED]

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this Document, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since December 31, 2023, the end of the period reported on the Accountants’ Report included in Appendix I.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to disclosure required under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

See “Business — Our Growth Strategies” for a detailed description of our future plans.

USE OF [REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the stated range of the [REDACTED] of between HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED]) and assuming the [REDACTED] is not exercised, we estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] from the [REDACTED] after deducting the [REDACTED] and other estimated expenses in connection with the [REDACTED]. We intend to use the net [REDACTED] from the [REDACTED] for the following purposes and in the amounts set out below, subject to changes in light of our evolving business needs and changing market conditions:

- approximately [REDACTED]%, or HK\$[REDACTED], will be used over the next three to five years to drive growth in our core business and expand service offerings in Mainland China, including but not limited to:
 - approximately [REDACTED]%, or HK\$[REDACTED], will be used to solidify our leading position in the intra-city freight market. According to Frost & Sullivan, the GTV of the intra-city freight segment in China was US\$213.2 billion in 2022 and is expected to further grow at a CAGR of 12.1% from 2022 to 2027, and the online penetration of intra-city freight transactions in China will increase from 4.1% in 2022 to 7.3% by 2027, indicating significant headroom for us to continue to grow in this massive market. In the next three to five years, we plan to expand our operations in existing cities, and further penetrate into more second-tier and third-tier cities with future growth potentials in Mainland China. Specifically, we plan to explore the business opportunities in the second-tier and third-tier cities in Hebei, Henan and Jiangxi provinces. In particular, we intend to use the [REDACTED] from the [REDACTED] for (i) targeted online and offline marketing and promotional activities, including incentives and coupons, online advertisements, as well as brand building activities, mainly to acquire carriers and merchants; (ii) development and deployment of IoT solutions or devices to promote digitalization and intelligization of vehicle operations, including by providing incentives to carriers for their purchase and installation of Anxinla to enhance safety and strengthen our compliance efforts; and (iii) recruitment of dedicated local operations teams. For details of our plan to solidify our leading position in the intra-city freight market, see “Business — Our Growth Strategies — Continue to grow in the massive intra-city freight market”.
- approximately [REDACTED]%, or HK\$[REDACTED], will be used to accelerate our growth in the inter-city freight market. According to Frost & Sullivan, the inter-city freight segment in Mainland China recorded a GTV of US\$704.4 billion in 2022 and is expected to grow steadily at a CAGR of 4.3% from 2022 to 2027. As of December 31, 2023, we established presence in more than 250 cities for our inter-city freight services in Mainland China. Leveraging the extensive merchant base of our

FUTURE PLANS AND USE OF [REDACTED]

intra-city freight services, we plan to quickly and cost-effectively scale up our inter-city freight services with a goal to match the footprint of our intra-city freight services. We are also focused on building up our carrier pool for inter-city logistics demand by strategically expanding the vehicle types. In particular, we plan to use the [REDACTED] from the [REDACTED] for (i) recruitment of on-the-ground operation teams to facilitate carrier acquisition in existing and new cities; and (ii) marketing and promotional activities to acquire carriers and merchants, including through incentives and coupons, online advertisements, as well as brand building activities.

- approximately [REDACTED]%, or HK\$[REDACTED], will be used to expand our service offerings to meet the diversified and evolving needs of merchants. We plan to accelerate our growth in integrated enterprise services by acquiring more key accounts. We will also continue to enhance and innovate our offerings. For example, we intend to further grow our home-moving business to develop more professional, bespoke services, to expand our LTL services at scale, and to grow our operation of two-wheeler door-to-door delivery services on a pilot basis in Mainland China. We plan to use the net [REDACTED] from the [REDACTED] for (i) recruitment of local talent to serve merchants, acquire carriers, and broaden our collaboration with local fleet operators for LTL services; and (ii) online and offline marketing and promotional activities to attract merchants and carriers. For details, see “Business — Our Growth Strategies — Expand our service offerings”.
- approximately [REDACTED]%, or HK\$[REDACTED], will be used over the next three to five years to further accelerate our global expansion to capture the massive opportunity in the global logistics market, including but not limited to:
 - approximately [REDACTED]%, or HK\$[REDACTED], will be used to consolidate our leadership in Southeast Asia, especially on the expansion of service offerings. Today, our operations cover all major Southeast Asian markets including Thailand, the Philippines, Singapore, Indonesia, Vietnam and Malaysia. We plan to further strengthen our localization efforts in Southeast Asia by propelling the growth of our four-wheeler delivery services leveraging our experience gained from our operations in Mainland China. Specifically, we plan to further penetrate the cities where we have operations, such as Jakarta. Furthermore, we will continue to deploy larger vehicles in Southeast Asia to fulfill long-haul freight orders. To these ends, we intend to use the net [REDACTED] from the [REDACTED] to recruit local talent and carry out marketing and promotional campaigns to attract more carriers and merchants in Southeast Asia.
 - approximately [REDACTED]%, or HK\$[REDACTED], will be used to capture massive opportunities in LatAm, by expanding service offerings, user reach and geographic coverage. As of the Latest Practicable Date, we had a growing presence in LatAm. We expect to continue to make significant investments to expand our operations and compete with global and local competitors in LatAm, especially in Brazil and Mexico. Specifically, we plan to expand our presence in the cities where

FUTURE PLANS AND USE OF [REDACTED]

we have operations, such as Rio de Janeiro and Mexico City. To this end, we plan to use the net [REDACTED] from the [REDACTED] to recruit local teams and invest in marketing and promotional campaigns for carrier acquisition.

- approximately [REDACTED]%, or HK\$[REDACTED], will be used to fund our efforts to enter and expand in other markets. For example, we will continue to expand in the South Asian market, such as Bangladesh. We also plan to enter other regions, such as the Middle East, in the coming years. For details of our plans and strategies on global expansion, see “Business — Our Growth Strategies — Accelerate our global expansion”.
- approximately [REDACTED]%, or HK\$[REDACTED], will be used over the next three to five years to further invest in research and development to continue developing and enhancing our technology infrastructure, as technology is at the core of our Company and drives elements essential for the transportation of freight.
- approximately [REDACTED]%, or HK\$[REDACTED], will be used to attract and retain more talented and committed individuals who believe in our vision, including technology talents specialized in the areas of AI algorithms, machine learning, big data analytics, data privacy and security, in the next few years, to maintain and strengthen our competitive edge. We plan to increase the headcount of research and development personnel in the next three to five years, mainly for upgrading our AI-powered matching, dispatching and pricing algorithms, digital maps, IT systems and mobile apps. Specifically, we plan to further refine our AI-powered matching, dispatching, and pricing algorithms to enhance user experience, with a focus on optimizing response times, improving pricing accuracy, and delivering greater benefits to both merchants and carriers. In addition, we expect to constantly enhance our proprietary smart mapping technology to increase the accuracy of our digital maps. We are also continuously iterating our IT systems and mobile apps to offer superior user experience to our merchants and carriers.
- approximately [REDACTED]%, or HK\$[REDACTED], will be used to upgrade our technology infrastructure. We build our service offerings across geographies upon a unified set of technology infrastructure, which is a critical part of our business operations. We intend to use the net [REDACTED] from the [REDACTED] to constantly optimize and upgrade our technology infrastructure by (i) upgrading our servers, as well as purchasing new IT equipment and software; (ii) improving our network capacity, where we plan to install new network equipment and increase bandwidth to better support our growing business needs; and (iii) deepening our collaboration with cloud service providers to improve our access to cloud-based resources.
- approximately [REDACTED]%, or HK\$[REDACTED], will be used for working capital and general corporate purposes.

FUTURE PLANS AND USE OF [REDACTED]

To the extent that our actual net [REDACTED] from the [REDACTED] is higher or lower than our estimate above, we will increase or decrease our allocation of the net [REDACTED] for the purposes set out above on a pro rata basis.

Assuming the [REDACTED] is not exercised, after deducting the [REDACTED] fees, [REDACTED] and estimated [REDACTED] payable by us in relation to the [REDACTED], we estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] from the [REDACTED], assuming the [REDACTED] is determined to be HK\$[REDACTED] per [REDACTED], being the high-end of the indicative [REDACTED] stated in this Document, approximately HK\$[REDACTED], assuming the [REDACTED] is determined to be HK\$[REDACTED] per [REDACTED], being the low-end of the indicative [REDACTED] stated in this Document, and approximately HK\$[REDACTED], assuming the [REDACTED] is determined to be HK\$[REDACTED] per [REDACTED], being the mid-end of indicative [REDACTED] stated in this Document.

Assuming the [REDACTED] is exercised in full, after deducting the [REDACTED] and estimated related [REDACTED] payable by our Company, we estimate that the total net [REDACTED] that we would receive would be (i) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the high-end of the indicative [REDACTED] stated in this Document); (ii) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-end of the indicative [REDACTED] stated in this Document); and (iii) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the low-end of the indicative [REDACTED] stated in this Document).

To the extent that the net [REDACTED] of the [REDACTED] are not immediately required for the above purposes or if we are unable to put into effect any part of our plan as intended, we will hold such funds only in short-term interest-bearing accounts at authorized licensed banks (as defined under the Securities and Future Ordinance for Hong Kong-based deposits or the applicable laws in the relevant jurisdiction for non-Hong Kong-based deposits).

We will issue announcements, where required, if there is any material change in the use of [REDACTED] mentioned above.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

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STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

The following is the text of a report set out on pages I-1 to I-[●], received from the Company’s reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF LALATECH HOLDINGS LIMITED, GOLDMAN SACHS (ASIA) L.L.C., MERRILL LYNCH (ASIA PACIFIC) LIMITED AND J.P. MORGAN SECURITIES (FAR EAST) LIMITED

Introduction

We report on the historical financial information of Lalatech Holdings Limited (formerly known as Huolala Global Investment Limited) (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-[●] to I-[●], which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2021, 2022 and 2023, and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended December 31, 2021, 2022 and 2023 (the “Track Record Period”), and a summary of material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-[●] to I-[●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the “Document”) in connection with the [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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ACCOUNTANTS' REPORT

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at December 31, 2021, 2022 and 2023, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 25(c) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

[Date]

APPENDIX I

ACCOUNTANTS’ REPORT

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP Shenzhen Branch in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “Underlying Financial Statements”).

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Expressed in US Dollars (“US\$”)

| | <i>Note</i> | Years ended December 31, | | |
|---|-------------|---------------------------------|-----------------|-----------------|
| | | 2021 | 2022 | 2023 |
| | | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> |
| Revenue | 4 | 844,780 | 1,035,786 | 1,334,213 |
| Cost of revenue | | (511,881) | (479,983) | (517,214) |
| Gross profit | | 332,899 | 555,803 | 816,999 |
| Other income | 6 | 38,417 | 46,161 | 46,173 |
| Selling and marketing expenses | 5 | (673,441) | (198,199) | (179,192) |
| Research and development expenses | 5 | (176,228) | (196,834) | (174,788) |
| General and administrative expenses | 5 | (182,543) | (204,302) | (186,900) |
| Operating (loss)/profit | | (660,896) | 2,629 | 322,292 |
| Finance income | 7 | 18,816 | 26,562 | 48,451 |
| Finance costs | 7 | (1,042) | (3,718) | (2,774) |
| Share of loss of an equity-accounted investee, net of tax | 13 | — | — | (741) |
| (Losses)/gains of financial instruments measured at fair value through profit or loss | 15 | (21,644) | (67,280) | 6,356 |
| Changes in fair value of redeemable convertible preferred shares | 24 | (1,420,131) | (5,345) | 605,801 |
| (Loss)/profit before taxation | | (2,084,897) | (47,152) | 979,385 |
| Income tax expense | 8(a) | (1,439) | (1,939) | (6,704) |
| (Loss)/profit for the year | | <u>(2,086,336)</u> | <u>(49,091)</u> | <u>972,681</u> |
| Attributable to: | | | | |
| Shareholders of the Company | | (2,086,034) | (48,709) | 971,861 |
| Non-controlling interests | | (302) | (382) | 820 |
| (Loss)/profit for the year | | <u>(2,086,336)</u> | <u>(49,091)</u> | <u>972,681</u> |
| (Loss)/earnings per share | | | | |
| Basic (US\$) | 11 | (24.64) | (0.57) | 11.50 |
| Diluted (US\$) | 11 | (24.64) | (0.57) | 2.15 |

The notes on pages [●] to [●] form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS' REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Expressed in US\$

| | Years ended December 31, | | |
|---|---------------------------------|------------------------|-----------------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| (Loss)/profit for the year | (2,086,336) | (49,091) | 972,681 |
| Other comprehensive income/(loss) for the year | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of financial statements | 648 | (43,880) | (7,610) |
| Total comprehensive (loss)/income for the year .. | <u>(2,085,688)</u> | <u>(92,971)</u> | <u>965,071</u> |
| Attributable to: | | | |
| Equity shareholders of the Company | (2,085,366) | (92,610) | 964,241 |
| Non-controlling interests | (322) | (361) | 830 |
| Total comprehensive (loss)/income for the year .. | <u>(2,085,688)</u> | <u>(92,971)</u> | <u>965,071</u> |

The notes on pages [●] to [●] form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Expressed in US\$

| | <i>Note</i> | As at December 31, | | |
|--|-------------|---------------------------|------------------|------------------|
| | | 2021 | 2022 | 2023 |
| | | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Non-current assets | | | | |
| Property, plant and equipment | 12 | 37,405 | 29,891 | 26,312 |
| Intangible assets | | 1,731 | 1,412 | 1,161 |
| Interest in an equity-accounted investee | 13 | 92,154 | 117,818 | 115,104 |
| Finance lease receivables | 16 | 2,973 | 6,253 | 10,785 |
| | | <u>134,263</u> | <u>155,374</u> | <u>153,362</u> |
| Current assets | | | | |
| Inventories | 14 | 7,543 | 3,152 | 2,105 |
| Trade and other receivables | 17 | 82,705 | 108,635 | 146,257 |
| Finance lease receivables | 16 | 5,263 | 4,135 | 7,267 |
| Financial assets measured at fair value | | | | |
| through profit or loss | 15 | 90,973 | 90,162 | 98,449 |
| Deposits with banks | 18(b) | 103,480 | 244,327 | 212,244 |
| Restricted cash | 18(c) | 144,851 | 203,657 | 246,048 |
| Cash and cash equivalents | 18(a) | 1,564,319 | 1,400,176 | 1,676,633 |
| | | <u>1,999,134</u> | <u>2,054,244</u> | <u>2,389,003</u> |
| Current liabilities | | | | |
| Trade and other payables | 20 | 503,132 | 582,367 | 651,458 |
| Contract liabilities | 22 | 14,428 | 11,874 | 16,184 |
| Lease liabilities | 21 | 11,710 | 11,233 | 10,769 |
| Financial liabilities measured at fair value | | | | |
| through profit or loss | 15 | 6,474 | 834 | – |
| | | <u>535,744</u> | <u>606,308</u> | <u>678,411</u> |
| Net current assets | | <u>1,463,390</u> | <u>1,447,936</u> | <u>1,710,592</u> |
| Total assets less current liabilities | | <u>1,597,653</u> | <u>1,603,310</u> | <u>1,863,954</u> |

The notes on pages [●] to [●] form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

| | Note | As at December 31, | | |
|---|-------|---------------------------|---------------------------|---------------------------|
| | | 2021 | 2022 | 2023 |
| | | US\$'000 | US\$'000 | US\$'000 |
| Non-current liabilities | | | | |
| Lease liabilities | 21 | 15,090 | 9,653 | 9,184 |
| Redeemable convertible preferred shares . . . | 24(b) | 5,188,705 | 5,274,050 | 4,673,030 |
| | | <u>5,203,795</u> | <u>5,283,703</u> | <u>4,682,214</u> |
| NET LIABILITIES | | <u>(3,606,142)</u> | <u>(3,680,393)</u> | <u>(2,818,260)</u> |
| CAPITAL AND RESERVES | | | | |
| Share capital | 25(a) | 86 | 86 | 86 |
| Share premium | 25(a) | 68,310 | 68,310 | 68,310 |
| Treasury shares | 25(b) | – | – | (109,358) |
| Reserves | 25(b) | 45,434 | 20,253 | 19,906 |
| Accumulated losses | | <u>(3,720,036)</u> | <u>(3,768,745)</u> | <u>(2,797,737)</u> |
| Total deficit attributable to equity | | | | |
| shareholders of the Company | | (3,606,206) | (3,680,096) | (2,818,793) |
| Non-controlling interests | | 64 | (297) | 533 |
| TOTAL DEFICIT | | <u>(3,606,142)</u> | <u>(3,680,393)</u> | <u>(2,818,260)</u> |

The notes on pages [●] to [●] form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS' REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

Expressed in US\$

| | Note | As at December 31, | | |
|--|-------|--------------------|--------------------|--------------------|
| | | 2021 | 2022 | 2023 |
| | | US\$'000 | US\$'000 | US\$'000 |
| Non-current assets | | | | |
| Investments in subsidiaries | 1 | 75,284 | 75,284 | 75,294 |
| Amounts due from subsidiaries | 19 | 281,540 | 385,217 | 451,111 |
| | | <u>356,824</u> | <u>460,501</u> | <u>526,405</u> |
| Current assets | | | | |
| Other receivables | | 7,210 | 12,393 | 9,619 |
| Amounts due from subsidiaries | 19 | 997,839 | 1,153,555 | 1,097,858 |
| Financial asset measured at fair value through profit or loss | | 5,000 | 5,833 | 5,833 |
| Deposits with banks | 18(b) | 103,478 | 244,325 | 134,070 |
| Cash and cash equivalents | 18(a) | 1,178,071 | 830,067 | 659,337 |
| | | <u>2,291,598</u> | <u>2,246,173</u> | <u>1,906,717</u> |
| Current liabilities | | | | |
| Other payables | | 7,998 | 6,382 | 3,453 |
| Amounts due to subsidiaries | 19 | 28,497 | 26,939 | 22,249 |
| | | <u>36,495</u> | <u>33,321</u> | <u>25,702</u> |
| Net current assets | | <u>2,255,103</u> | <u>2,212,852</u> | <u>1,881,015</u> |
| Total assets less current liabilities | | <u>2,611,927</u> | <u>2,673,353</u> | <u>2,407,420</u> |
| Non-current liabilities | | | | |
| Redeemable convertible preferred shares . . . | 24(b) | 5,188,705 | 5,274,050 | 4,591,209 |
| NET LIABILITIES | | <u>(2,576,778)</u> | <u>(2,600,697)</u> | <u>(2,183,789)</u> |
| CAPITAL AND RESERVES | | | | |
| Share capital | 25(a) | 86 | 86 | 86 |
| Share premium | 25(a) | 68,310 | 68,310 | 68,310 |
| Treasury shares | 25(b) | – | – | (109,358) |
| Reserves | 25(b) | 48,904 | 67,624 | 74,044 |
| Accumulated losses | | <u>(2,694,078)</u> | <u>(2,736,717)</u> | <u>(2,216,871)</u> |
| TOTAL DEFICIT | | <u>(2,576,778)</u> | <u>(2,600,697)</u> | <u>(2,183,789)</u> |

The notes on pages [●] to [●] form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Expressed in US\$

Total equity attributable to equity shareholders of the Company

| | Share capital | Share premium | Other reserves | Share-based payment reserve | Exchange reserve | Accumulated losses | Total | Non-controlling interest | Total deficit |
|--|---------------|---------------|----------------|-----------------------------|------------------|--------------------|-------------|--------------------------|---------------|
| Note | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| | 84 | 63,976 | (10,133) | 40,089 | (4,138) | (1,595,994) | (1,506,116) | (3,310) | (1,509,426) |
| Balance at January 1, 2021 | | | | | | | | | |
| Changes in equity for 2021: | | | | | | | | | |
| Loss for the year | — | — | — | — | — | (2,086,034) | (2,086,034) | (302) | (2,086,336) |
| Other comprehensive income | — | — | — | — | 668 | — | 668 | (20) | 648 |
| Total comprehensive loss | — | — | — | — | 668 | (2,086,034) | (2,085,366) | (322) | (2,085,688) |
| Equity-settled share-based transactions | 2 | 4,334 | — | 13,836 | — | — | 18,172 | — | 18,172 |
| Repurchase of exercised/vested share award | — | — | — | (16,005) | — | (13,195) | (29,200) | — | (29,200) |
| Forfeiture of share incentive plans | — | — | — | (2,432) | — | 2,432 | — | — | — |
| Acquisition of non-controlling interests | — | — | 23,549 | — | — | (27,245) | (3,696) | 3,696 | — |
| Balance at December 31, 2021 | 86 | 68,310 | 13,416 | 35,488 | (3,470) | (3,720,036) | (3,606,206) | 64 | (3,606,142) |

The notes on pages [●] to [●] form part of the Historical Financial Information

APPENDIX I

ACCOUNTANTS’ REPORT

| Total equity attributable to equity shareholders of the Company | | | | | | | | | |
|---|---------------|---------------|----------------|-----------------------------|------------------|--------------------|-------------|--------------------------|---------------|
| | Share capital | Share premium | Other reserves | Share-based payment reserve | Exchange reserve | Accumulated losses | Total | Non-controlling interest | Total deficit |
| Note | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| | 86 | 68,310 | 13,416 | 35,488 | (3,470) | (3,720,036) | (3,606,206) | 64 | (3,606,142) |
| | — | — | — | — | — | (48,709) | (48,709) | (382) | (49,091) |
| | — | — | — | — | (43,901) | — | (43,901) | 21 | (43,880) |
| | — | — | — | — | (43,901) | (48,709) | (92,610) | (361) | (92,971) |
| 23 | — | — | — | 27,518 | — | — | 27,518 | — | 27,518 |
| | — | — | — | (8,123) | — | — | (8,123) | — | (8,123) |
| 23 | — | — | — | (675) | — | — | (675) | — | (675) |
| | 86 | 68,310 | 13,416 | 54,208 | (47,371) | (3,768,745) | (3,680,096) | (297) | (3,680,393) |

Balance at January 1, 2022
Changes in equity for 2022:

Loss for the year
 Other comprehensive loss
 Total comprehensive loss
 Equity-settled share-based transactions
 Repurchase of exercised/vested share award
 Forfeiture of share incentive plans
Balance at December 31, 2022

The notes on pages [●] to [●] form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

| Total equity attributable to equity shareholders of the Company | | | | | | | | | | | |
|---|---|---------------|-----------------|----------------|-----------------------------|-------------------|------------------|--------------------|-------------|--------------------------|---------------|
| Note | Share capital | Share premium | Treasury shares | Other reserves | Share-based payment reserve | Statutory reserve | Exchange reserve | Accumulated losses | Total | Non-controlling interest | Total deficit |
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| | Note 25(a) | Note 25(a) | Note 25(b) | Note 25(b) | Note 25(b) | Note 25(b) | Note 25(b) | | | | |
| | 86 | 68,310 | — | 13,416 | 54,208 | — | (47,371) | (3,768,745) | (3,680,096) | (297) | (3,680,393) |
| | — | — | — | — | — | — | — | 971,861 | 971,861 | 820 | 972,681 |
| | — | — | — | — | — | — | (7,620) | — | (7,620) | 10 | (7,610) |
| | — | — | — | — | — | — | (7,620) | 971,861 | 964,241 | 830 | 965,071 |
| | Equity-settled share-based transactions 23 | | | | | | | | | | |
| | Appropriation for statutory reserve (853) | | | | | | | | | | |
| | Repurchase of exercised/vested share award (11,947) | | | | | | | | | | |
| | Forfeiture of share incentive plans 23 | | | | | | | | | | |
| | Repurchases of ordinary shares issued 25(b) | | | | | | | | | | |
| | Repurchases of non-redeemable convertible preferred shares issued 25(b) | | | | | | | | | | |
| | 86 | 68,310 | (109,358) | 13,416 | 60,628 | 853 | (54,991) | (2,797,737) | (2,818,793) | 533 | (2,818,260) |
| | Balance at December 31, 2023 | | | | | | | | | | |

The notes on pages [●] to [●] form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

Expressed in US\$

| | <i>Note</i> | Years ended December 31, | | |
|---|--------------|---------------------------------|------------------|-----------------|
| | | 2021 | 2022 | 2023 |
| | | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> |
| Operating activities | | | | |
| Cash (used in)/generated from operations . . . | <i>18(d)</i> | (604,138) | 87,782 | 362,395 |
| Income tax paid | | (436) | (2,706) | (3,253) |
| Net cash (used in)/generated from operating activities | | (604,574) | 85,076 | 359,142 |
| Investing activities | | | | |
| Interest received | | 17,358 | 22,530 | 44,836 |
| Payment for purchase of property, plant and equipment | | (7,737) | (4,813) | (3,032) |
| Payment for purchase of intangible assets . . | | (771) | (451) | — |
| Proceeds from disposal of property, plant and equipment | | 1,280 | 459 | 244 |
| Placement of deposits with banks | | (148,816) | (285,551) | (506,270) |
| Withdrawal of deposits with banks | | 172,903 | 144,704 | 534,858 |
| Purchase of wealth management products . . . | | (194,341) | (140,242) | (31,610) |
| Redemption of wealth management products | | 230,556 | 139,547 | 41,714 |
| Acquisition of financial assets measured through profit or loss | | (96,228) | (71,415) | (12,934) |
| Payments for investment in an equity-accounted investee | | (92,154) | (25,664) | — |
| Net cash (used in)/generated from investing activities | | (117,950) | (220,896) | 67,806 |

The notes on pages [●] to [●] form part of the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

| | <i>Note</i> | Years ended December 31, | | |
|---|-------------|---------------------------------|------------------|------------------|
| | | 2021 | 2022 | 2023 |
| | | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> |
| Financing activities | | | | |
| Proceeds from shares issued under share incentive plans | | 3,349 | 318 | 344 |
| Payment for purchase of shares for share incentive plans | | (31,638) | (11,099) | (14,580) |
| Proceeds from the issuance of redeemable convertible preferred shares | 18(e) | 1,718,000 | 80,000 | 77,000 |
| Payment for repurchase of redeemable convertible preferred shares | 18(e) | — | — | (72,219) |
| Payment for repurchase of non-redeemable convertible preferred shares | | — | — | (36,328) |
| Payment for repurchase of ordinary shares | | — | — | (73,030) |
| Proceeds from new bank loans | | — | 150,000 | 49,781 |
| Repayment of bank loans | | — | (150,000) | (49,781) |
| Capital element of lease rentals paid | 18(e) | (10,314) | (13,851) | (13,857) |
| Interest element of lease rentals paid | 18(e) | (1,042) | (1,307) | (968) |
| Interest and other borrowing costs paid | | — | (2,411) | (1,692) |
| Net cash generated from/(used in) financing activities | | 1,678,355 | 51,650 | (135,330) |
| Net increase/(decrease) in cash and cash equivalents | | 955,831 | (84,170) | 291,618 |
| Cash and cash equivalents at the beginning of the year | | 596,788 | 1,564,319 | 1,400,176 |
| Effect of movements in exchange rates | | 11,700 | (79,973) | (15,161) |
| Cash and cash equivalents at the end of the year | 18(a) | 1,564,319 | 1,400,176 | 1,676,633 |

The notes on pages [●] to [●] form part of the Historical Financial Information.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

Expressed in US\$ unless otherwise indicated

1 Basis of preparation and presentation of Historical Financial Information

Lalatech Holdings Limited (the “Company”) was incorporated in the Cayman Islands on October 27, 2014 as an exempted company with limited liability under the Companies Act (As Revised) of the Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the “Group”) are principally engaged in the rendering of comprehensive services for carriers through its online platform (the “[REDACTED] Business”) in the People’s Republic of China (the “PRC”).

As the [REDACTED] Business conducted by Shenzhen Huolala Technology Co., Ltd., Lala (Tianjin) Automotive Technology Co., Ltd., Tianjin Huolala Technology Co., Ltd., Full Truck (Beijing) Logistics Co., Ltd., Tianjin Jiche Youxiang Network Technology Co., Ltd., and Beijing Jiche Technology Co., Ltd. (the “Structured Entities”) are subject to foreign investment restrictions under the relevant PRC laws and regulations (the “Restricted Business”), the Group (through wholly-owned subsidiary of the Company (“WFOE”)) entered into a series of contractual arrangements (the “Contractual Arrangements”) with the Structured Entities and their registered shareholders to operate the Restricted Business.

The equity interests of the Structured Entities are legally held by individuals and companies who act as their registered shareholders on behalf of the WFOE. The Contractual Arrangements include the Exclusive Business Cooperation Agreement, Exclusive Option Agreement, Share Pledge Agreement, and Power of Attorney. Under the Contractual Arrangements, the WFOE has the power to direct activities that most significantly impact the Structured Entities and their subsidiaries, including appointing key management, setting up financial and operating policies, exerting financial controls and transferring profits or assets out of the Structured Entities and its subsidiaries at its discretion, to the extent permitted by the PRC laws and regulations. The WFOE considers that they also have the right to substantially transfer all of the economic benefits of the Structured Entities and have an exclusive option to purchase all or part of the equity interests in the Structured Entities when and to the extent permitted by the PRC laws and regulations at the minimum price possible.

The Group has determined that the Contractual Arrangements are in compliance with the PRC laws and regulations and are legal and valid. However, uncertainties in the PRC legal system could limit the Group’s ability to enforce the Contractual Arrangements.

Other Contractual Arrangements were also established by the Group for other entities or operations in certain jurisdictions which were neither individually nor aggregately material to the Historical Financial Information throughout the Track Record Period.

APPENDIX I

ACCOUNTANTS’ REPORT

As of December 31, 2023, the Company’s principal subsidiaries are as follows:

| Company name | Place and date of incorporation | Particulars of issued and paid-up capital | Proportion of ownership interest | | Principal activities |
|---|---------------------------------|---|----------------------------------|----------------------|---|
| | | | Held by the Company | Held by a subsidiary | |
| Directly and indirectly held | | | | | |
| Shenzhen Yishi Huolala Technology Limited (深圳依時貨拉拉科技有限公司)* (notes (a), (c)) | The PRC February 10, 2015 | RMB100,000,000/ RMB100,000,000 | — | 100% | Freight platform operation and logistics service |
| Shenzhen Lalapeisong Limited (深圳市啦啦配送有限公司)* (notes (a), (e)) | The PRC November 4, 2015 | RMB55,000,000/ nil | — | 100% | Lease and sales of vehicles |
| Shenzhen Lala Management Service Consultancy Co., Ltd. (深圳啦啦管理服務諮詢有限公司)* (notes (a), (d)) | The PRC March 3, 2021 | RMB10,000,000/nil | — | 100% | Corporate management and human resources consultancy services |
| Held through Contractual Arrangements | | | | | |
| Shenzhen Huolala Technology Co., Ltd. (深圳貨拉拉科技有限公司)* (notes (b), (c)) | The PRC August 31, 2016 | RMB10,000,000/ nil | — | 100% | Less-than-truckload and home-moving services |
| Tianjin Huolala Technology Co., Ltd. (天津貨拉拉科技有限公司)* (notes (b), (c)) | The PRC March 23, 2020 | RMB60,000,000/ nil | — | 100% | Freight and home-moving information matching |
| Lala (Tianjin) Automotive Technology Co., Ltd. (啦啦(天津)汽車科技有限公司)* (notes (b), (c)) | The PRC November 7, 2019 | RMB10,000,000/ RMB10,000,000 | — | 100% | Online freight and integrated enterprise platform service |

* The English translation of the names are for reference only. The official names of these entities are in Chinese.

APPENDIX I

ACCOUNTANTS’ REPORT

Notes:

- (a) These entities were registered as a wholly foreign-owned enterprise under the PRC Law.
- (b) These entities were registered as a domestic enterprise under the PRC Law.
- (c) These entities’ statutory financial statements for the years ended December 31, 2021 and 2022 were prepared in accordance with People’s Republic of China Generally Accepted Accounting Principles (“PRC GAAP”) and audited by Peking Certified Public Accountants Co., Ltd. (中勤萬信會計師事務所(特殊普通合夥)). The statutory financial statements for the year ended December 31, 2023 is not yet available as of the date of this report.
- (d) No statutory financial statements have been prepared for this entity for the years ended December 31, 2021, 2022 and 2023.
- (e) The entity’s statutory financial statements for the years ended December 31, 2021 and 2022 were prepared in accordance with PRC GAAP and audited by Shenzhen Guang Cheng Certified Public Accountants Co., Ltd. (深圳廣誠會計師事務所(普通合夥)). The statutory financial statements for the year ended December 31, 2023 is not yet available as of the date of this report.

All companies comprising the Group have adopted December 31 as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards issued by the International Accounting Standards Board (“IASB”). Further details of the material accounting policy information adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing the Historical Financial Information, the Group has consistently applied all applicable new and revised IFRS Accounting Standards throughout the Track Record Period. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on January 1, 2023 and not adopted in the Historical Financial Information are set out in Note 29.

As at December 31, 2023, the Group had net liabilities of US\$2,818,260,000 primarily due to the redeemable convertible preferred shares amounting to US\$4,673,030,000. Further details of the redeemable convertible preferred shares are disclosed in Note 24.

Management has assessed that the preferred rights and redemption features of the Preference Shares would be terminated upon a Qualified [REDACTED] (defined in Note 24(b)) and the redeemable convertible preferred shares would be converted into equity which would lead to a significant improvement to the Group’s net liabilities position. By excluding the redeemable convertible preferred shares, the Group would be at a net assets position of US\$1,854,770,000 as at December 31, 2023. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the Historical Financial Information on a going concern basis.

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ACCOUNTANTS’ REPORT

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

2 Material accounting policy information

(a) Basis of Measurement

The Historical Financial Information is presented in US\$, rounded to nearest thousands, unless otherwise indicated.

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis, except for certain financial assets and liabilities measured at their fair value as explained in Notes 2(l) and 2(p).

(b) Use of Estimates and Judgments

The preparation of the Historical Financial Information in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Historical Financial information and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries and Non-controlling Interests

Subsidiaries are entities (including entities controlled through Contractual Arrangements) controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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ACCOUNTANTS' REPORT

Subsidiaries controlled through Contractual Arrangements have been designed such that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of Contractual Arrangements.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information.

Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between non-controlling interests and the shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(1)) or, when appropriate, the cost on initial recognition of an investment in a joint venture (see Note 2(d)).

(d) Interest in an equity-accounted investee

The Group's interest in an equity-accounted investee represents its interest in an associate/joint venture.

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

APPENDIX I

ACCOUNTANTS' REPORT

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(h)(ii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the period are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

(e) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(h)(ii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives as follows:

- | | |
|-------------------------------------|---|
| • Leasehold improvements | Over the shorter of the lease term and the estimated useful lives |
| • Right-of-use asset | Over the unexpired lease terms |
| • Furniture, fixtures and equipment | 3 years |
| • Motor vehicles | 4 years |

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

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Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(g) Leased Assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(h)(ii)).

APPENDIX I

ACCOUNTANTS’ REPORT

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in “property, plant and equipment” and lease liabilities separately in the consolidated statements of financial position. The current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

The Group has also elected not to recognise lease liabilities and right-of-use assets for leases for which the remaining lease term ends within 12 months from the date of initial adoption of IFRS Accounting Standards.

(ii) As a lessor

The Group operates a business of leasing vehicles to carriers when the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis.

When the Group acts as a dealer lessor under finance lease, the Group recognise:

- (a) revenue being the fair value of the underlying asset, or, if lower, the present value of the lease payments accruing to the Group, discounted using a market rate of interest; and interest income is accrued separately under the effective interest method;
- (b) the cost of sale being the cost, or carrying amount if different, of the underlying asset less the present value of the unguaranteed residual value; and
- (c) selling profit or loss (being the difference between revenue and the cost of sale) in accordance with its policy for outright sales to which IFRS 15, *Revenue from Contracts with Customers* applies.

APPENDIX I

ACCOUNTANTS’ REPORT

(h) Credit Losses and Impairment of Assets

(i) Credit losses from financial instruments and lease receivables

The Group recognises a loss allowance for expected credit losses (“ECLs”) on the following items:

- financial assets measured at amortised cost; and
- finance lease receivables.

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate; and
- finance lease receivables: discount rate used in the measurement of the lease receivables.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

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Loss allowance for trade receivables and finance lease receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant Increases in Credit Risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates. Loan commitments to provide a loan at a below-market interest rate are designated as financial liabilities at fair value through profit or loss.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

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ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of Calculation of Interest Income

Interest income recognised in accordance with Note 2(u)(i) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off Policy

The gross carrying amount of a financial asset or lease receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

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(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets;
- intangible assets;
- interest in an equity-accounted investee; and
- investments in subsidiaries in the Company's statements of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

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(i) Inventories

Inventories represent vehicles held for sale and other supplies held in the ordinary course of business.

Inventories are carried at the lower of cost and net realisable value calculated as follows:

- Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.
- Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) Contract Liabilities

The Group's contract liabilities mainly consist of deferred revenue for membership fees (see Note 2(t)(i)), which are non-refundable and are recognised as revenue on a straight-line basis over the membership period.

(k) Trade and Other Receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(h)(i)).

(l) Other Investments

The Group's policies for investments, other than investments in subsidiaries are set out below.

Investments in equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 26(e). These investments are subsequently accounted for as follows, depending on their classification.

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Investments other than equity investments

Non-equity investments, including committed future investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(u)(i)).
- fair value through other comprehensive income (FVOCI) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

(m) Finance Lease Receivables

At the commencement of the lease term, the aggregate of the minimum lease receivable at the inception of the lease and the initial direct costs is recognised as finance lease receivables, and the unguaranteed residual value is recorded at the same time. The difference between the aggregate of the minimum lease receivable, the initial direct costs and the unguaranteed residual value, and the aggregate of their present values is recognised as unearned finance income. Unearned finance income is recognised as interest income using the effective interest method over the lease term.

Contingent rentals under finance lease are recognised as revenue in the periods in which they are incurred.

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(n) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in Note 2(h)(i).

(o) Trade and Other Payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Preferred Shares

The Company issued certain series of redeemable and non-redeemable preferred shares to investors.

(i) Non-redeemable convertible preferred shares

Non-redeemable convertible preferred shares are classified as equity when they have no maturities or redemption features, but can be converted into ordinary shares of the Company upon certain conversion events. The non-redeemable convertible preferred shares were initially recognised at the amounts equal to the considerations received from the holders for issuance and net of issuance costs.

(ii) Redeemable convertible preferred shares

The holders of the redeemable convertible preferred shares have the right to require the Group to redeem all of the redeemable convertible preferred shares at guaranteed predetermined fixed amount at certain redemption events, which are out of the control of the Group.

Upon the completion of a qualified [REDACTED] (Qualified “[REDACTED]”, as defined in Note 24(b)), all the redeemable convertible preferred shares will be automatically converted into the Company’s fully paid and non-assessable ordinary shares.

The redeemable convertible preferred shares are accounted for in their entirety as financial liabilities at fair value through profit or loss, with fair value changes reflected in change in fair value of redeemable convertible preferred shares within the consolidated statements of profit or loss.

Accordingly, the embedded conversion features do not require future evaluation, bifurcation, and separate accounting as embedded derivatives as the change in fair value of embedded features are reflected in the change in fair value in the compound instrument under such whole instrument approach. Issue costs that are directly attributable to the issue of the instruments, designated as financial liabilities at fair value through profit or loss, are recognised immediately in profit or loss. The amounts are classified as non-current liabilities unless the Group has an obligation to settle the liability within twelve months after the end of the reporting period.

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(q) Employee Benefits

(i) Short-term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to defined contribution retirement plans

Pursuant to the relevant laws and regulations of the PRC, the Group’s subsidiaries in the PRC participate in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are recognised as part of the cost of assets or charged to profit or loss as the related services are rendered by the employees.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance (the “MPF Scheme”) for all employees in Hong Kong, which is a defined contribution retirement scheme. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees’ relevant aggregate income. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

The Group participates in various defined contribution retirement benefit plans which are available to all other overseas subsidiaries. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a fund and the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee services in the current and prior periods. The Group’s contributions to the defined contribution plans are expensed as incurred.

(iii) Share-based payment

The Group operates certain equity-settled share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments of the Group.

The fair value of share awards granted to employees is recognised as an employee cost with a corresponding increase in the share-based payment capital reserve. The fair value is measured at grant date, taking into account the terms and conditions upon which the shares or share options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares or share options, the total estimated fair value of the shares or share options is spread over the vesting period, taking into account the probability that the shares or share options will vest.

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During the vesting period, the number of shares that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the period of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based payment reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the [REDACTED] of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised and the share is issued (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

If new equity instruments are granted to the employee and, on the date when those new equity instruments are granted, the entity identifies the new equity instruments granted as replacement equity instruments for the cancelled equity instruments, the entity shall account for the granting of replacement equity instruments in the same way as a modification of the original grant of equity instruments.

(iv) Termination benefits

Termination benefits are recognised as an expense at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits. If benefits are not expected to be settled wholly within twelve months of the reporting date, then they are discounted.

(r) Income Tax

Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

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- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria is adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

(s) Provisions and Contingent Liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

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(t) *Revenue Recognition*

The Group derives revenue principally from the following sources:

- membership fees and commissions from carriers from the provision of platform services, in which the Group arranges for freight transportation opportunities to be offered to prospective carriers;
- freight transportation revenue from corporate users from the provision of enterprise services, in which the Group provides one-stop shop logistic solutions by utilising the network of registered carriers on the Group's platform; and
- revenue from the sale or leasing of trucks to carriers and other value-added services in connection with the platform.

Revenue is recognised when a performance obligation is satisfied, i.e. when control over a good or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue is after deduction of any trade discounts and excludes value added tax ("VAT"). The Group does not report VAT in the profit or loss as the Group collects VAT on behalf of the government.

Further details of the Group's revenue recognition policies are as follows:

(i) *Freight platform services*

The Group generates revenue from freight platform services primarily through membership fees and transaction-based commissions from carriers for their use of the Group's platform. The Group's role is to arrange for freight transportation opportunities to be offered to prospective carriers, and does not have the ability to control whether or how the freight transportation service is performed by carriers. Accordingly, the Group has determined that it acts as an agent and presents the related revenue net. For platform services, the Group has identified only the carriers but not the merchants as the customers under IFRS 15. This identification involves a judgment of all relevant facts and circumstances. Among other things, the Group's contractual arrangements with merchants explicitly state that it neither charges merchants fees or other consideration for their access and use of the platform, nor guarantees that merchants' transportation service requests would be accepted by carriers; the arrangements with merchants are also explicit that the Group collects fees from merchants on behalf of carriers.

Carriers are required to register on the platform and agree to a framework agreement, which lists out the terms and conditions with regards to receiving services through the Group's platform.

Membership fees

The Group's freight platform offers different tiers of paid memberships to carriers, which come with various levels of privileges, including different limits on the maximum number of freight transportation service transactions carriers can complete per day and different entitlements to the number of commission-free referrals. Most of the carriers of the Group are paid members. Paid memberships are generally run for calendar months with fees payable in advance. Membership fee revenue is recognised over the subscription period on a straight-line basis.

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Commissions

Carriers agree to the Group retaining a certain percentage of fees earned by the carriers as consideration for their use of the Group's platform from the fare it collects from the merchants on behalf of the carriers. The Group recognises such commission revenue upon making a successful referral of a paying merchant to a carrier, at the time when the related freight transportation service has been completed by the carriers and the merchants have the obligation to pay to carriers.

(ii) Enterprise services

Under the business model of enterprise services, the Group generates revenue from freight transportation service fees from corporate users for fulfilling their shipment orders and providing certain other ancillary services through the Group's platform. The Group has determined that it is a principal as it is primarily responsible for fulfilling freight transportation needs of corporate users and has the ability to control the related services. Among other things, under the contractual arrangements with corporate users the Group is responsible for and guarantees identifying and directing carriers that meet the specified quality criteria, including fulfilment rates, and is liable for damages if such quality criteria are not met or if there are losses or damage during transportation. In order to fulfil its primary responsibility under its contracts with corporate users, the Group identifies a specific group of carriers and commits their capacity by means of providing incremental consideration and minimum number of service orders assignment. Additionally, the Group negotiates separately the pricing of freight transportation services with the corporate users, which is generally pre-determined at contract inception, and the fulfilment costs payable to the carriers, which is determined subsequently and driven by market forces. Accordingly, the Group recognises enterprise services revenue at the time when related freight transportation service has been completed by the carriers, on a gross basis, with the amounts paid to carriers presented as cost of revenues.

(iii) Vehicles provision services

For carriers registered on the platform without their own vehicles, the Group facilitates them to obtain suitable vehicle through sales or lease using its platform. Auto manufacturers and dealers can sell or lease their vehicles to the carriers on the Group's platform. The Group charges a service fee from facilitating the vehicle sales or leasing transactions through the platform. To a lesser extent, the Group also procures new vehicles from third party suppliers and either resells or leases the vehicle to the carriers based on the carriers' needs.

Revenue from the facilitation of vehicle sales or lease transactions is recognised when the service is rendered.

Revenue from the sales of vehicles is recognised when the carrier obtains control of the vehicles. Factors to determine when the carrier obtains control of the vehicle include the timing of issuance of registration documents (applicable to certain jurisdictions) and dates of delivery and acceptance.

Revenue from operating lease of vehicles is recognised on a straight-line basis over the lease term. Revenue from finance lease is recognised at the commencement of the lease (see Note 2(g)(ii)).

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(iv) Other services

The Group also provides a variety of other services in relation to the platform, including home-moving service matching, less than truckload freight services and other value-added services to carriers, including energy services, credit solutions and insurance.

Revenue from the provision of the above services is recognised when the services are rendered.

Incentive Programs

The Group offers incentives to carriers and merchants, further details of which are set out below:

(i) Carriers incentives

Under the business model of freight platform services, the Group offers various cash subsidies to carriers, which can be separated into transaction-based subsidies, performance-based subsidies and referral subsidies. Transaction-based subsidies represent subsidies granted upon the completion of specific freight transportation requests during events or peak hours. Performance-based subsidies are granted upon the completion of certain tasks, such as completing a certain number of freight transportation requests by the carrier during a specified period. There are also subsidies granted to existing carriers for their referral of new carriers.

Transaction-based subsidies are granted upon the completion of the specific request. Performance-based subsidies are similar to retrospective volume-based rebates and represent variable consideration. Performance-based subsidies to be granted are estimated using the most likely amount method. Since the amount of performance-based subsidies to be granted is confirmed within a short period of time (typically within a week), there is limited uncertainty when estimating variable considerations.

Referral subsidies are granted upon a successful referral of new carriers.

For freight platform services, as the Group considers carriers to be its customers, both transaction-based and performance-based subsidies are recorded as a reduction to revenue as the Group does not receive a distinct good or service in exchange for the payment.

Subsidies granted for referral of new carriers are accounted for as sales and marketing expenses when the fair value of the benefit received can be reasonably estimated with reference to amounts paid to third parties for similar services.

When incentives provided to carriers exceed the revenue earned in a particular market, the resulting negative revenue is reclassified as sales and marketing expenses.

The Group also offer subsidies to carriers to incentivise them to fulfil freight transportation requests for enterprise services. For such transactions where the Group act as a principal and recognise revenue on a gross basis, the related carriers incentives are included in fulfilment costs.

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(ii) Merchant incentives

Under the business model of freight platform services, from time to time the Group at its discretion offers various forms of incentives, for example, coupons and discount vouchers, to merchants. Since the Group has identified the carriers but not the merchants as its customers under IFRS 15, the Group has considered whether such incentives to merchants are payment on behalf of carriers by assessing the varying features and objectives of different incentive programs and evaluating whether the incentives represent implicit obligation to merchants on behalf of carriers. Incentives to merchants that are payments on behalf of customers are recorded as reduction in revenue.

During the periods presented in these Historical Financial Information, the Group has not recorded any merchant incentives as reduction in revenue. The Group's merchant incentive offerings are primarily strategic offerings dynamically targeted at different selected groups of merchants with specific characteristics within a short period of time. For such strategic offerings, the target groups are primarily determined with the assistance of algorithms based on data analytics of individual merchants' usage pattern and market behaviours, and the targeted characteristics may change from time to time at the Group's judgment. In view of the above and the level of unpredictability of target groups, the Group has determined that such strategic incentive offerings are costs of enhancing the platform services provided to carriers and recognises the amounts of the coupons and discount vouchers under these strategic offerings as sales and marketing expenses when the coupons and discount vouchers are used.

(u) Other Income

(i) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(h)(i)).

(ii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

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(v) Translation of Foreign Currencies

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The functional currency of the Group's subsidiaries are determined based on the economic facts and circumstances. Statement of profit or loss items are translated into US\$ at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into US\$ at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

The Historical Financial Information are presented in US\$, which is the Company's functional currency. The Group's major operation is in the PRC and the functional currency of those principal operating consolidated entities is Renminbi ("RMB").

(w) Related Parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is a joint venture or joint venture of the other entity (or a joint venture or joint venture of a member of a group of which the other entity is a member).

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- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is a joint venture of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(x) *Segment Reporting*

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Accounting judgment and estimates

Note 26 contains information about the assumptions and their risk factors relating to measurement of ECL allowance for trade receivables and fair value of financial instruments. Other significant sources of estimation uncertainty are as follows:

(i) *Principal-agent Determination*

In certain businesses the Group acts as an intermediary between carriers and merchants/corporate users. The Group determines whether it provides the freight transportation services as a principal by directing the carriers to perform on its behalf or it acts as an agent by facilitating the transactions between the carriers and the merchants/corporate users. This assessment determines whether the Group should recognise revenue on a gross or net basis. It also affects how the Group should account for the incentives given to the carriers and the merchants. See Note 2(t) for further details.

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(ii) Share-based Compensation Arrangement and its Fair Value Measurement

The Group has set up share award schemes and granted options, restricted share units and restricted shares to employees and other qualifying participants. Certain share award schemes are determined to be equity-settled while some are cash-settled. For equity-settled share award schemes, the fair value of the options at the grant date, restricted share units and restricted shares are determined by using Binomial model or equity allocation method, and is expected to be expensed over the respective vesting period. Significant estimate on assumptions, including underlying equity value, risk-free interest rate, expected volatility, dividend yield, and terms, are made by the directors and an independent third-party valuer.

The Group has also authorised the repurchase of share awards from the holders. Judgment is required to determine whether the repurchase establishes "past practice" for which the Group has now created an obligation to settle in cash, and accordingly reclassify all outstanding awards to cash-settled. The Group has determined that no valid expectation for the Company to settle such share-based awards in cash is created, such that all awards remain as equity-settled awards.

(iii) Fair Value Measurement of Redeemable Convertible Preferred Shares

Redeemable convertible preferred shares are not traded in an active market and the respective fair value is determined by using valuation techniques. The Group has used the discounted cash flow ("DCF") method to determine the underlying equity value and adopted equity allocation model to determine the respective fair values. Key assumptions, such as discount rate and volatility are disclosed in Note 26. Considerable judgment is required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

(iv) Recognition of Deferred Tax Assets

Deferred tax assets in respect of tax losses and other deductible temporary differences carried forward have not been recognised, in view of the Group's assessment about based on the probability of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting periods. In determining the recognition and/or carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and requires significant level of judgment exercised by the directors. Any change in such assumptions and judgment would affect whether deferred tax assets should be recognised, and if so, the carrying amounts of deferred tax assets to be recognised and hence the profit or loss in future years.

(v) Control assessment over other entities through Contractual Arrangements or other arrangements

The Group has a number of involvements with other entities through contractual or other arrangements.

In particular, as disclosed in Note 1, the Group exercise control over certain entities and has the right to recognise and receive substantially all the economic benefits of these entities through Contractual Arrangements.

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The Group considers that it controls these entities through Contractual Arrangements, notwithstanding the fact that it does not hold any direct interest in these entities, as it has power over the financial and operating policies of these entities and receive substantially all of the benefits from the business activities of these entities through Contractual Arrangements.

Accordingly, these entities have been accounted as subsidiaries during the Track Record Period. However, uncertainties in the present legal system in the PRC could limit the Group’s ability to enforce the PRC Contractual Arrangements. Significant judgment is involved in determining whether the Group can exercise control over these entities. Nevertheless, the directors of the Company, after receiving advice from the PRC Legal Advisor, considered that the PRC Contractual Arrangements are in compliance with the applicable laws and regulations and are legal and valid.

(vi) Fair Value Measurement of Financial Instruments measured at FVPL

Financial instruments measured at FVPL are not traded in an active market and the respective fair values are determined by using valuation techniques. The Group has used the DCF method or backsolve method to determine the respective fair values. Key assumptions, such as discount rate and volatility are disclosed in Note 26. Considerable judgment is required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

4 Revenue

The principal activities of the Group are providing comprehensive services for truck carriers to match with delivery order requests through its online platform.

The amount of each significant category of revenue (excluded value added tax and after deduction of any trade discounts) is as follows:

| | Years ended December 31, | | |
|--|--------------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Revenue from contracts with customers within the scope of IFRS 15 | | | |
| — Membership subscription fee | 357,591 | 272,985 | 327,612 |
| — Commissions | 102,816 | 359,475 | 540,389 |
| — Enterprise services fee | 268,946 | 289,872 | 314,094 |
| — Sale of vehicles | 19,926 | 11,058 | 10,214 |
| — Other services | 58,069 | 56,658 | 78,868 |
| | 807,348 | 990,048 | 1,271,177 |
| Revenue from other sources | | | |
| — Leasing of vehicles | 37,432 | 45,738 | 63,036 |
| | 844,780 | 1,035,786 | 1,334,213 |

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A breakdown of the Group’s revenue by business line and geographical location of operations is as follows:

| | Years ended December 31, | | |
|---|--------------------------|------------------|------------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> |
| <u>Mainland China</u> | | | |
| Freight platform services (<i>note (i)</i>) | 409,338 | 565,920 | 778,464 |
| Diversified logistics services (<i>note (ii)</i>) | 268,126 | 300,709 | 349,869 |
| Value-added services (<i>note (iii)</i>) | 75,496 | 69,284 | 88,907 |
| Total revenue in Mainland China | 752,960 | 935,913 | 1,217,240 |
| Total revenue in overseas (<i>note (iv)</i>) | 91,820 | 99,873 | 116,973 |
| | <u>844,780</u> | <u>1,035,786</u> | <u>1,334,213</u> |

Notes:

- (i) Freight platform services represent primarily membership subscription fee received from carriers and commissions charged to carriers.
- (ii) Diversified logistics services represent primarily enterprise services provided to corporate users, less-than-truck-load services and home-moving services.
- (iii) Value-added services consist of the revenues generated from vehicles provision services as well as other value-added services such as energy services, credit solutions and insurance to carriers.
- (iv) Overseas revenue consists of primarily commission charged to carriers and enterprise services provided to corporate users.

The Group’s customer base is diversified and decentralised and the Group does not have any single customer with whom transactions have exceeded 10% of the Group’s revenue. Details of credit risks are set out in Note 26(a).

Disaggregation of the Group’s revenue from contracts with customers by the timing of revenue recognition is set out below:

| | Years ended December 31, | | |
|-------------------------|--------------------------|------------------|------------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> |
| Point-in-time | 448,689 | 716,213 | 942,032 |
| Over-time | 396,091 | 319,573 | 392,181 |
| | <u>844,780</u> | <u>1,035,786</u> | <u>1,334,213</u> |

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Details of contract liabilities are set out in Note 22.

The Group has applied the practical expedient in paragraph 121 of IFRS 15 and does not disclose the remaining obligation as all of the Group’s contracts with customers have an original expected duration of one year or less.

5 Segment reporting

(a) *Basis for Segmentation*

The Group’s chief operating decision maker (“CODM”), who has been identified as the Chief Executive Officer, being the Group’s most senior executive management, reviews the Group’s internal reporting when making decisions about allocating resources and assessing performance of the Group as a whole.

The Group manages its businesses from a geographic perspective. In a manner consistent with the way in which information is reported internally to the CODM for the purpose of decision making about resources allocation and performance assessment, the Group has presented two operating segments: Mainland China and Overseas.

The Mainland China operating segment is engaged in provision of platform related services for carriers, enterprise services and other value-added services in the Mainland China. The Overseas operating segment is engaged in the provision of platform related services for carriers outside the Mainland China.

The CODM reviews the internal management reports of each operating segment at least quarterly, and assesses the performance of each segment based on their segment external revenue, cost of revenues and gross profit. Segment profit represents revenue less cost of revenue of a reportable segment.

The Group’s other operating income and expenses, such as other income, selling and marketing expenses (excluding advertisement, marketing and merchant’s incentives), research and development expenses, general and administrative expenses, finance income, finance costs, share of loss of an equity-accounted investee, (losses)/gains of financial instruments measured at fair value through profit or loss, changes in fair value of redeemable convertible preferred shares, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, other operating income and expenses is presented.

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(b) Reportable Segments

| For the year ended December 31, 2021 | Mainland | | Total |
|---|-----------------|-----------------|-----------------|
| | China | Overseas | |
| | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> |
| Revenue | 752,960 | 91,820 | 844,780 |
| Cost of revenue | (453,685) | (58,196) | (511,881) |
| Segment profit | 299,275 | 33,624 | 332,899 |
| Depreciation and amortisation | (15,363) | (2,585) | (17,948) |
| Drivers’ fulfilment costs for enterprise services . . . | (213,791) | (32,601) | (246,392) |
| Costs of vehicles sold | (15,168) | — | (15,168) |
| Advertisement, marketing and merchant’s incentives | (558,767) | (55,307) | (614,074) |
| Payment processing costs | (17,159) | (2,376) | (19,535) |
| | | | |
| For the year ended December 31, 2022 | Mainland | | Total |
| | China | Overseas | |
| | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> |
| Revenue | 935,913 | 99,873 | 1,035,786 |
| Cost of revenue | (430,254) | (49,729) | (479,983) |
| Segment profit | 505,659 | 50,144 | 555,803 |
| Depreciation and amortisation | (15,568) | (3,787) | (19,355) |
| Drivers’ fulfilment costs for enterprise services . . . | (223,933) | (22,487) | (246,420) |
| Costs of vehicles sold | (1,840) | — | (1,840) |
| Advertisement, marketing and merchant’s incentives | (116,237) | (52,036) | (168,273) |
| Payment processing costs | (18,116) | (2,180) | (20,296) |
| | | | |
| For the year ended December 31, 2023 | Mainland | | Total |
| | China | Overseas | |
| | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> |
| Revenue | 1,217,240 | 116,973 | 1,334,213 |
| Cost of revenue | (473,006) | (44,208) | (517,214) |
| Segment profit | 744,234 | 72,765 | 816,999 |
| Depreciation and amortisation | (15,165) | (4,452) | (19,617) |
| Drivers’ fulfilment costs for enterprise services . . . | (269,343) | (15,391) | (284,734) |
| Costs of vehicles sold | (435) | — | (435) |
| Advertisement, marketing and merchant’s incentives | (121,263) | (36,197) | (157,460) |
| Payment processing costs | (22,859) | (3,730) | (26,589) |

Reconciliation of information on reportable segments to the amounts reported in the Historical Financial Information

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| | Years ended December 31, | | |
|--|--------------------------|------------------|------------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| <i>Revenue</i> | | | |
| Reportable segment revenue | 844,780 | 1,035,786 | 1,334,213 |
| Elimination of inter-segment revenue | — | — | — |
| Consolidated revenue | <u>844,780</u> | <u>1,035,786</u> | <u>1,334,213</u> |
| <i>Profit</i> | | | |
| Reportable segment profit | 332,899 | 555,803 | 816,999 |
| Elimination of inter-segment profits | — | — | — |
| Reportable segment profit derived from group’s external customers | <u>332,899</u> | <u>555,803</u> | <u>816,999</u> |
| <i>Unallocated income and expenses:</i> | | | |
| Other income | 38,417 | 46,161 | 46,173 |
| Selling and marketing expenses | (673,441) | (198,199) | (179,192) |
| Research and development expenses | (176,228) | (196,834) | (174,788) |
| General and administrative expenses | (182,543) | (204,302) | (186,900) |
| Finance income | 18,816 | 26,562 | 48,451 |
| Finance costs | (1,042) | (3,718) | (2,774) |
| Share of loss of an equity-accounted investee, net of tax | — | — | (741) |
| (Losses)/gains of financial instruments measured at fair value through profit or loss | (21,644) | (67,280) | 6,356 |
| Changes in fair value of redeemable convertible preferred shares | <u>(1,420,131)</u> | <u>(5,345)</u> | <u>605,801</u> |
| (Loss)/profit before taxation | <u>(2,084,897)</u> | <u>(47,152)</u> | <u>979,385</u> |

(c) Geographic location

The geographical information analyses the Group’s revenue and non-current assets by the Company’s country of domicile and other countries. In presenting the geographic information, segment revenue has been based on the geographic location of customers as disclosed in Note 4. Segment assets were based on the geographic location of the assets which is set out as follows:

Non-current assets

| | As at December 31, | | |
|--------------------------|--------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Mainland China | 128,535 | 148,510 | 147,599 |
| Overseas | <u>5,728</u> | <u>6,864</u> | <u>5,763</u> |
| | <u>134,263</u> | <u>155,374</u> | <u>153,362</u> |

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6 Other income

| | Years ended December 31, | | |
|---------------------------------|--------------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Other charges to carriers | 20,059 | 17,946 | 18,731 |
| Government grants | 13,070 | 18,332 | 16,232 |
| Others | 5,288 | 9,883 | 11,210 |
| | <u>38,417</u> | <u>46,161</u> | <u>46,173</u> |

7 (Loss)/profit before taxation

(Loss)/profit before taxation is arrived at after charging/(crediting):

(a) Finance (income)/costs

| | Years ended December 31, | | |
|--|--------------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Finance income | | | |
| Interest income | <u>(18,816)</u> | <u>(26,562)</u> | <u>(48,451)</u> |
| Finance costs | | | |
| Interest expense and other finance costs | — | 2,411 | 1,806 |
| Interest on lease liabilities | 1,042 | 1,307 | 968 |
| | <u>1,042</u> | <u>3,718</u> | <u>2,774</u> |

(b) Staff costs

| | Years ended December 31, | | |
|--|--------------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Salaries, wages and other benefits | 397,900 | 364,403 | 337,547 |
| Contributions to defined contribution retirement plan (<i>note</i>) | 25,894 | 25,192 | 22,885 |
| Equity-settled share-based payment expenses | 13,239 | 28,825 | 18,783 |
| | <u>437,033</u> | <u>418,420</u> | <u>379,215</u> |

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Note: The PRC subsidiaries of the Group participate in defined contribution retirement benefit schemes (the “Schemes”) mandated by the PRC municipal and provincial government authorities whereby the PRC subsidiaries are required to make contributions at the rate of 14% to 16% of the eligible employees’ salaries to the Schemes. The Group has accrued for the required contributions which are remitted to the respective local government authorities when the contributions become due. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes.

The Hong Kong subsidiaries of the Group participate in a Mandatory Provident Fund Scheme (the “MPF Scheme”) operated by an independent service provider under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The MPF Scheme is a defined contribution retirement scheme with the employer and its employees each contributing to the scheme in accordance with the relevant scheme rules. The MPF Scheme rules provide for voluntary contributions to be made by the employer calculated as a percentage of the employees’ basic salaries.

The Group has no other material obligation for the payment of pension benefits beyond those schemes described above.

(c) Other items

| | Years ended December 31, | | |
|---|--------------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> |
| Amortisation cost of intangible assets | 115 | 237 | 229 |
| Depreciation charge (<i>Note 12</i>) | | | |
| — Owned property, plant and equipment | 4,181 | 5,605 | 5,638 |
| — Right-of-use assets | 13,652 | 13,513 | 13,750 |
| | <u>17,833</u> | <u>19,118</u> | <u>19,388</u> |
| [REDACTED] expense | [REDACTED] | [REDACTED] | [REDACTED] |
| Auditors’ remuneration | 21 | 35 | 36 |
| Staff costs | 437,033 | 418,420 | 379,215 |
| Advertisement, marketing and merchants incentives | 614,074 | 168,273 | 157,460 |
| Drivers’ fulfilment costs for enterprise services . . . | 246,392 | 246,420 | 284,734 |
| Research and development expenses | 31,527 | 27,445 | 29,065 |
| Payment processing costs | 19,535 | 20,296 | 26,589 |
| Vehicle rentals | 30,676 | 36,260 | 47,423 |
| Cost of inventories | 23,428 | 8,003 | 4,880 |
| Net foreign exchange (gain)/loss | (8,983) | 30,751 | 6,886 |
| Losses/(gains) of financial instruments measured at fair value through profit or loss | 21,644 | 67,280 | (6,356) |

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8 Income taxes

(a) Taxation in the consolidated statements of profit or loss:

| | Years ended December 31, | | |
|--|--------------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Current tax — PRC Enterprise Income Tax (“EIT”) | | | |
| Provision for the year | — | 303 | 1,927 |
| Current tax — Overseas | | | |
| Provision for the year | 1,439 | 1,636 | 4,777 |
| | <u>1,439</u> | <u>1,939</u> | <u>6,704</u> |

Cayman Islands

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

The PRC

According to the PRC EIT Law, subsidiaries established in the PRC are generally subject to an income tax rate of 25% in the years ended December 31, 2021 2022 and 2023.

Pursuant to the relevant PRC EIT Law, regulations and implementation guidance notes, a subsidiary of the Group, Shenzhen Yishi Huolala Technology Limited, was granted the High and New Technology Enterprise (“HNTE”) status in 2020, enjoying a reduced income tax rate of 15% for the years ended December 31, 2020, 2021 and 2022. Shenzhen Yishi Huolala Technology Limited successfully renewed its HNTE status in November 2023 and will continue to enjoy a reduced income tax rate at 15% for another three years commencing from January 1, 2023.

Pursuant to the EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the PRC. The withholding tax rate may be lowered to a minimum of 5% if there is a tax arrangement between the PRC and the jurisdiction of the foreign investors. However, the 5% withholding tax rate does not automatically apply and certain requirements must be satisfied.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, the Group’s Hong Kong subsidiaries are subject to Hong Kong profits tax at the rate of 16.5% on their taxable income generated from the operations in Hong Kong. A two-tiered profits tax rates regime was introduced in 2018 where the first HKD2 million of assessable profits earned by a company will be taxed at half of the current tax rate (8.25%) whilst the remaining profits will continue to be taxed at 16.5%. There is an anti-fragmentation measure where each group will have to nominate only one company in the Group to benefit from the progressive rates.

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Thailand

The subsidiaries incorporated in Thailand are subject to income tax at the rate of 20% on the estimated assessable profits arising in Thailand during the years ended December 31, 2021, 2022 and 2023.

The Philippines

The subsidiaries incorporated in the Philippines are subject to income tax at the rate of 25% on the estimated assessable profits arising in Philippines during the years ended December 31, 2021, 2022 and 2023.

Malaysia

The subsidiary incorporated in Malaysia is subject to income tax at the rate of 24% on the estimated assessable profits arising in Malaysia during the years ended December 31, 2021, 2022 and 2023.

(b) Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

| | Years ended December 31, | | |
|--|--------------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| (Loss)/profit before taxation | (2,084,897) | (47,152) | 979,385 |
| Notional tax (credits)/expense on loss before taxation, calculated at the applicable rates in the relevant jurisdictions | (107,818) | 8,855 | 54,854 |
| Additional deduction for research and development costs | (16,803) | (16,491) | (17,709) |
| Tax effect of unused tax losses not recognised | 117,479 | 15,202 | 13,349 |
| Utilisation of previously unrecognised tax losses . . | (1,985) | (6,132) | (44,323) |
| Tax effect of temporary differences not recognised. | 10,162 | 339 | 113 |
| Others | 404 | 166 | 420 |
| Actual income tax expense | 1,439 | 1,939 | 6,704 |

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(c) Deferred tax assets not recognised

As at December 31, 2021, 2022 and 2023, the Group has not recognised deferred tax assets in respect of cumulative tax losses of US\$1,028,577,000, US\$1,075,169,000 and US\$842,921,000, deductible temporary differences of US\$10,162,000, US\$339,000 and US\$113,000 respectively, as it was not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The cumulative tax losses of US\$873,736,000, US\$859,357,000 and US\$545,597,000 will expire within 3 to 10 years and the deductible temporary differences of US\$10,162,000, US\$339,000 and US\$113,000 will expire in 5 years under the current tax legislation respectively. The remaining cumulative tax losses of US\$154,841,000, US\$215,812,000 and US\$297,324,000 respectively will not expire under current tax legislation.

9 Directors’ emoluments

Directors’ emoluments during the Track Record Period are as follows:

| | Year ended December 31, 2021 | | | | | | |
|---|------------------------------|---|-----------------------|---------------------------------|-----------|--------------------------|----------|
| | Directors’ fees | Salaries, allowances and benefits in kind | Discretionary bonuses | Retirement scheme contributions | Sub-Total | Share-based payments (i) | Total |
| | US\$’000 | US\$’000 | US\$’000 | US\$’000 | US\$’000 | US\$’000 | US\$’000 |
| Executive directors | | | | | | | |
| Mr. CHOW, Shing Yuk | — | 308 | — | 2 | 310 | — | 310 |
| Mr. TAM, Matthew Wan Bo | — | 314 | 51 | 5 | 370 | 39 | 409 |
| Mr. CHAN, Wai Chiu (Resigned since May 25, 2021) | — | 2 | — | 1 | 3 | 2 | 5 |
| Mr. CHEN, Guoji (Resigned since May 25, 2021) | — | 309 | 51 | 4 | 364 | 2,380 | 2,744 |
| Non-executive directors | | | | | | | |
| Ms. WANG, Mengqiu (Resigned since November 8, 2021) | — | — | — | — | — | — | — |
| Mr. CHANG, David Shui Kei | — | — | — | — | — | — | — |
| Mr. TANG, Hesong (Resigned since November 8, 2021) | — | — | — | — | — | — | — |
| Mr. CHENG, Tian (Resigned since May 24, 2021) | — | — | — | — | — | — | — |
| Mr. HUANG, Liming | — | — | — | — | — | — | — |

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Year ended December 31, 2021

| | Directors’ fees | Salaries, allowances and benefits in kind | Discretionary bonuses | Retirement scheme contributions | Sub-Total | Share-based payments (i) | Total |
|---|--------------------|--|--------------------------|---------------------------------------|-----------------|-----------------------------|-----------------|
| | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> |
| Mr. GUO, Shanshan (Resigned since November 8, 2021) . . . | — | — | — | — | — | — | — |
| Mr. SHEN, Nan Peng (Appointed since November 8, 2021) . . . | — | — | — | — | — | — | — |
| | — | 933 | 102 | 12 | 1,047 | 2,421 | 3,468 |
| | <u>—</u> | <u>933</u> | <u>102</u> | <u>12</u> | <u>1,047</u> | <u>2,421</u> | <u>3,468</u> |

Year ended December 31, 2022

| | Directors’ fees | Salaries, allowances and benefits in kind | Discretionary bonuses | Retirement scheme contributions | Sub-Total | Share-based payments (i) | Total |
|--|--------------------|--|--------------------------|---------------------------------------|-----------------|-----------------------------|-----------------|
| | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> |
| Executive directors | | | | | | | |
| Mr. CHOW Shing Yuk . . . | — | 306 | — | 2 | 308 | — | 308 |
| Mr. TAM Matthew Wan Bo | — | 312 | 38 | 6 | 356 | 26 | 382 |
| Non-executive directors | | | | | | | |
| Mr. CHANG, David Shui Kei | — | — | — | — | — | — | — |
| Mr. HUANG, Liming | — | — | — | — | — | — | — |
| Mr. SHEN, Nan Peng | — | — | — | — | — | — | — |
| | — | 618 | 38 | 8 | 664 | 26 | 690 |
| | <u>—</u> | <u>618</u> | <u>38</u> | <u>8</u> | <u>664</u> | <u>26</u> | <u>690</u> |

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Year ended December 31, 2023

| | Directors’ fees | Salaries, allowances and benefits in kind | Discretionary bonuses | Retirement scheme contributions | Sub-Total | Share-based payments (i) | Total |
|---|--------------------|--|--------------------------|---------------------------------------|-----------|-----------------------------|----------|
| | US\$’000 | US\$’000 | US\$’000 | US\$’000 | US\$’000 | US\$’000 | US\$’000 |
| Executive directors | | | | | | | |
| Mr. CHOW Shing Yuk . . . | — | 306 | — | 2 | 308 | — | 308 |
| Mr. TAM Matthew Wan Bo | — | 306 | 202 | 7 | 515 | 17 | 532 |
| Non-executive directors | | | | | | | |
| Mr. CHANG, David Shui Kei | — | — | — | — | — | — | — |
| Mr. HUANG, Liming . . . | — | — | — | — | — | — | — |
| Mr. SHEN, Nan Peng (Resigned since February 28, 2023) . . . | — | — | — | — | — | — | — |
| Ms. WANG Mengqiu (Appointed since March 27, 2023) | — | — | — | — | — | — | — |
| Mr. GUO Shanshan (Appointed since March 1, 2023) | — | — | — | — | — | — | — |
| | — | 612 | 202 | 9 | 823 | 17 | 840 |

Notes:

(i) These represent the estimated value of share options, restricted share units and restricted shares granted to the directors under the Group’s share award scheme. The value of these share awards is measured according to the Group’s accounting policies for share-based payment transactions as set out in Note 2(q)(iii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of equity instruments granted, are disclosed in Note 23.

(ii) During the Track Record Period, no emoluments were paid by the Group to the director as an inducement to join or upon joining the Group or as compensation for loss of office. No director of the Group waived or agreed to waive any emoluments during the Track Record Period.

10 Individuals with highest emoluments

The number of directors and non-directors included in the five highest paid individuals for the years ended December 31, 2021, 2022 and 2023 are set forth below:

| | Years ended December 31, | | |
|-------------------------|--------------------------|------|------|
| | 2021 | 2022 | 2023 |
| Directors | 1 | — | — |
| Non-directors | 4 | 5 | 5 |
| | 5 | 5 | 5 |

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The emoluments of the directors are disclosed in Note 9. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

| | Years ended December 31, | | |
|---|---------------------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Salaries, allowances and benefits in kind | 1,373 | 1,778 | 1,952 |
| Retirement scheme contributions | 18 | 34 | 46 |
| Discretionary bonuses | 259 | 142 | 514 |
| Share-based payment | 3,784 | 4,154 | 2,790 |
| Total | 5,434 | 6,108 | 5,302 |

The emoluments of the other individuals with the highest emoluments are all within the following band:

| | Years ended December 31, | | |
|---|---------------------------------|------------------------------|------------------------------|
| | 2021 | 2022 | 2023 |
| | <i>Number of individuals</i> | <i>Number of individuals</i> | <i>Number of individuals</i> |
| HKD4,000,001 — HKD4,500,000 | — | — | 1 |
| HKD5,000,001 — HKD5,500,000 | 1 | 2 | — |
| HKD6,000,001 — HKD6,500,000 | — | — | 1 |
| HKD7,000,001 — HKD7,500,000 | 1 | — | — |
| HKD8,000,001 — HKD8,500,000 | — | — | 1 |
| HKD9,000,001 — HKD9,500,000 | — | 1 | — |
| HKD10,500,001 — HKD11,000,000 | — | 1 | — |
| HKD11,000,001 — HKD11,500,000 | — | — | 1 |
| HKD11,500,001 — HKD12,000,000 | — | — | 1 |
| HKD14,500,001 — HKD15,000,000 | 2 | — | — |
| HKD17,000,001 — HKD17,500,000 | — | 1 | — |

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ACCOUNTANTS’ REPORT

11 (Loss)/earnings per share

(a) Basic (loss)/earnings per share

The calculations of basic (loss)/earnings per share are based on the following data:

| | Years ended December 31, | | |
|---|--------------------------|------------|------------|
| | 2021 | 2022 | 2023 |
| (Loss)/profit for the year attributable to equity shareholders of the Company (US\$’000) | (2,086,034) | (48,709) | 971,861 |
| Weighted-average number of shares | 84,664,501 | 86,140,482 | 84,490,650 |
| Basic (loss)/earnings per share attributable to equity shareholders of the Company (US\$ per share) | (24.64) | (0.57) | 11.50 |

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to equity shareholders of the Company and the weighted average number of shares in issue for each year and does not take into account the effect of share subdivision detailed in note 30.

The weighted-average number of shares are calculated as follows:

| | Years ended December 31, | | |
|---|--------------------------|-------------------|-------------------|
| | 2021 | 2022 | 2023 |
| Issued shares at January 1 for the purposes of basic (loss)/earnings per share | | | |
| — Ordinary shares (note 25(a)) | 51,441,059 | 53,639,969 | 53,639,969 |
| — Series A preferred shares to series Pre-B preferred shares (note 25(a)) | 32,500,513 | 32,500,513 | 32,500,513 |
| | 83,941,572 | 86,140,482 | 86,140,482 |
| Effect of shares issued under share incentive plans | 722,929 | — | — |
| Effect of shares repurchased | — | — | (1,649,832) |
| Weighted average number of shares at December 31 | <u>84,664,501</u> | <u>86,140,482</u> | <u>84,490,650</u> |

(b) Diluted (loss)/earnings per share

For the years ended December 31, 2021 and 2022, the Company’s redeemable convertible preferred shares, share options, restricted share units and restricted shares outstanding in the respective periods were excluded from the calculation of diluted loss per share as their inclusion would have been anti-dilutive. Accordingly, diluted loss per share for the years ended December 31, 2021 and 2022 were the same as basic loss per share of the respective years.

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ACCOUNTANTS’ REPORT

For the year ended December 31, 2023, the calculation of diluted earnings per share is based on the following data, after adjustment for the effects of all dilutive potential ordinary shares.

| | Years ended December 31, 2023 |
|---|--|
| Profit for the year attributable to equity shareholders of the Company (diluted) (US\$’000) | 361,239 |
| Weighted-average number of shares (diluted) | 167,810,356 |
| Diluted earnings per share attributable to equity shareholders of the Company (US\$ per share) | 2.15 |

Profit for the year attributable to equity shareholders of the Company (diluted) is calculated as follows:

| | Years ended December 31, 2023 |
|---|--|
| | <i>US\$’000</i> |
| Profit for the year attributable to equity shareholders of the Company | 971,861 |
| Effect of changes in fair value of redeemable convertible preferred shares (note 24) | (610,622) |
| Profit for the year attributable to equity shareholders of the Company (diluted) . | <u>361,239</u> |

The weighted-average number of shares (diluted) is calculated as follows:

| | Years ended December 31, 2023 |
|---|--|
| Weighted average number of shares at December 31 | 84,490,650 |
| Effect of conversion of redeemable convertible preferred shares (note 24) | 73,595,461 |
| Effect of deemed issue of share under share option plans (note 23(a)) | 5,779,321 |
| Effect of deemed issue of share under restricted share units scheme (note 23(b)) | 1,612,966 |
| Effect of deemed issue of share under restricted shares plan (note 23(c)) | <u>2,331,958</u> |
| Weighted average number of shares (diluted) at December 31 | <u>167,810,356</u> |

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ACCOUNTANTS' REPORT

12 Property, plant and equipment

| | Properties leased for own use | Leasehold improvements | Motor Vehicles | Furniture, fixtures and equipment | Total |
|--|--|-----------------------------------|---------------------------|--|-----------------|
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Cost: | | | | | |
| As at January 1, 2021 | 23,756 | 5,772 | 2,978 | 3,829 | 36,335 |
| Additions | 20,751 | 2,862 | 314 | 4,561 | 28,488 |
| Disposals | (6,282) | (2) | (2,227) | (38) | (8,549) |
| Exchange adjustments | 326 | 112 | 35 | (116) | 357 |
| As at December 31, 2021 and January 1, 2022 | 38,551 | 8,744 | 1,100 | 8,236 | 56,631 |
| Additions | 10,117 | 3,680 | 198 | 935 | 14,930 |
| Disposals | (7,911) | (205) | (787) | (143) | (9,046) |
| Exchange adjustments | (2,918) | (712) | (70) | (585) | (4,285) |
| As at December 31, 2022 and January 1, 2023 | 37,839 | 11,507 | 441 | 8,443 | 58,230 |
| Additions | 13,823 | 1,306 | 773 | 953 | 16,855 |
| Disposals | (7,910) | (247) | (353) | — | (8,510) |
| Exchange adjustments | (489) | (60) | (133) | (260) | (942) |
| As at December 31, 2023 | 43,263 | 12,506 | 728 | 9,136 | 65,633 |
| Accumulated depreciation: | | | | | |
| As at January 1, 2021 | (6,187) | (444) | (881) | (1,147) | (8,659) |
| Charge for the year | (13,652) | (1,933) | (510) | (1,738) | (17,833) |
| Written back on disposals | 6,282 | — | 881 | 33 | 7,196 |
| Exchange adjustments | 18 | 44 | (13) | 21 | 70 |
| As at December 31, 2021 and January 1, 2022 | (13,539) | (2,333) | (523) | (2,831) | (19,226) |
| Charge for the year | (13,513) | (2,946) | (265) | (2,394) | (19,118) |
| Written back on disposals | 7,607 | 130 | 480 | 66 | 8,283 |
| Exchange adjustments | 1,221 | 229 | 36 | 236 | 1,722 |
| As at December 31, 2022 and January 1, 2023 | (18,224) | (4,920) | (272) | (4,923) | (28,339) |
| Charge for the year | (13,750) | (3,368) | (150) | (2,120) | (19,388) |
| Written back on disposals | 7,460 | 116 | 240 | — | 7,816 |
| Exchange adjustments | 257 | 49 | 61 | 223 | 590 |
| As at December 31, 2023 | (24,257) | (8,123) | (121) | (6,820) | (39,321) |

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ACCOUNTANTS’ REPORT

| | Properties leased for own use | Leasehold improvements | Motor Vehicles | Furniture, fixtures and equipment | Total |
|-------------------------------|--|-----------------------------------|---------------------------|--|-----------------|
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Net book value: | | | | | |
| As at December 31, 2021 . . . | 25,012 | 6,411 | 577 | 5,405 | 37,405 |
| As at December 31, 2022 . . . | 19,615 | 6,587 | 169 | 3,520 | 29,891 |
| As at December 31, 2023 . . . | 19,006 | 4,383 | 607 | 2,316 | 26,312 |

Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

| | As at December 31, | | |
|--|---------------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Included in “Property, plant and equipment”: | | | |
| Properties leased for own use, carried at depreciated cost | 25,012 | 19,615 | 19,006 |

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

| | As at December 31, | | |
|--|---------------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Depreciation charge of right-of-use assets by class of underlying asset: | | | |
| Properties leased for own use (<i>note</i>) | 13,652 | 13,513 | 13,750 |
| Interest on lease liabilities | 1,042 | 1,307 | 968 |
| Expense related to short-term leases | 9,637 | 7,124 | 3,860 |

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During the years ended December 31, 2021, 2022 and 2023, additions to right-of-use assets were US\$20,751,000, US\$10,117,000 and US\$13,823,000 respectively. This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in Notes 18(f), 21 and 26(b) respectively.

Note: The Group has obtained the right to use properties as its administrative offices through tenancy agreements. The leases typically run for an initial period of 1 to 2 years. Lease payments are usually increased every 1 to 2 years to reflect market rentals. None of properties leased for own used include an option to renew the lease for an additional period after the end of the contract term.

13 Interest in an equity-accounted investee

On November 1, 2021, the Company entered into an investment agreement with other independent investors to invest in Shanghai Changyi Real Estate Development and Operation Limited (“Shanghai Changyi”), pursuant to which, the Group’s subsidiary acquired 30.3% of equity interest in Shanghai Changyi. Based on the investment agreement, all decisions on activities that may significantly affect the returns of Shanghai Changyi require unanimous consent of all parties, therefore, the Group considered the arrangement to be a joint venture.

During the year ended December 31, 2023, Shanghai Changyi issued shares to other investors, and the Group’s effective interest in Shanghai Changyi had been diluted from 30.3% to 26.4%. Based on the new shareholder agreement signed among all shareholders on April 25, 2023, the Company no longer has joint control over Shanghai Changyi, therefore, the Group reclassified Shanghai Changyi as an associate instead of joint venture from April 25, 2023.

Details of the Group’s interest in Shanghai Changyi, which is accounted for using the equity method in the consolidated financial statements, are as follows:

| Name of an equity-accounted investee | Form of business structure | Place of incorporation and business | Particulars of issued and paid up capital | Proportion of ownership interest | | | Principal activity |
|--|----------------------------|-------------------------------------|---|---|---------------------|---|--------------------|
| | | | | Group’s effective interest | Held by the company | Held by a subsidiary | |
| Shanghai Changyi Real Estate Development and Operation Limited | Incorporate | Mainland China | RMB3,161,000,000/ RMB3,110,424,000 | As at December 31, 2021 and 2022: 30.3% | — | As at December 31, 2021 and 2022: 30.3% | Real estate* |
| | | | | As at December 31, 2023: 26.4% | | As at December 31, 2023: 26.4% | |

* Shanghai Changyi is mainly engaged in the development of real estate. Shanghai Changyi is expected to acquire a property which the Group will use as its office building.

Shanghai Changyi is an unlisted corporate entity whose quoted market price is not available.

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The directors of the Company are of the view that the investment in Shanghai Changyi is not material and summarised financial information of Shanghai Changyi is not disclosed in accordance with the relevant accounting standards.

14 Inventories

The amount represents vehicles held for sale and other supplies held, net of write-down and reversals (if any).

For the years ended December 31, 2021, 2022 and 2023, US\$23,428,000, US\$8,003,000 and US\$4,880,000 were recognised as an expense and included in “cost of revenue”.

15 Financial instruments measured at FVPL

| | As at December 31, | | |
|---|--------------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Financial assets measured at FVPL | | | |
| — Wealth management products (<i>note (i)</i>) | 9,478 | 10,213 | 145 |
| — Unlisted equity investments | 5,500 | 6,333 | 12,562 |
| — Unlisted debt investments (<i>note (ii)</i>) | 75,995 | 73,616 | 85,742 |
| | <u>90,973</u> | <u>90,162</u> | <u>98,449</u> |
| Financial liabilities measured at FVPL | | | |
| — Investment commitments (<i>note (iii)</i>) | 6,474 | 834 | — |
| | <u>6,474</u> | <u>834</u> | <u>—</u> |
| | Years ended December 31, | | |
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Gains/(losses) of fair value of financial assets measured at FVPL | | | |
| — Wealth management products | 63 | 41 | 101 |
| — Unlisted equity investments | — | 833 | 1,287 |
| — Unlisted debt investments (<i>note (ii)</i>) | — | (65,863) | 4,968 |
| | 63 | (64,989) | 6,356 |
| Losses of fair value in financial liabilities measured at FVPL | | | |
| — Investment commitments (<i>note (iii)</i>) | (21,707) | (2,291) | — |
| (Losses)/gains of financial instruments measured at FVPL | <u>(21,644)</u> | <u>(67,280)</u> | <u>6,356</u> |

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Notes:

- (i) As at December 31, 2021, 2022 and 2023, the Group mainly invested in certain wealth management products issued by reputable financial institutions in the PRC. The principal amount and expected returns of these wealth management products are not guaranteed, and the contractual terms does not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Therefore, the wealth management products were classified as financial assets at FVPL.
- (ii) During the year ended December 31, 2021, the Company entered into a series of agreements with Xiaola Global Holding Limited (“Xiaola”) and its subsidiaries (together “Xiaola Group”) under which the Company agreed to subscribe to an interest-bearing lending facility of US\$130 million issued by Xiaola for a term of two years. The loan facility could be drawn down at the request of Xiaola during the two years period. The facility was guaranteed by Xiaola’s shareholders and secured by share charges over all ordinary shares in Xiaola held by these shareholders.

In view of the Company’s business model and the cash flow characteristics of the unlisted debt investments measured at FVPL, the Company determined that the investments did not meet the criteria of solely being payments of principal and interest and hence measured, together with the outstanding investment commitments at FVPL.

On April 22, 2022, the Group and Xiaola Group entered into an agreement to replace the lending facility with a convertible loan of RMB1,200 million. Before the maturity date of December 31, 2024, the Company shall be entitled to, by delivery of a conversion notice, convert any or all of the outstanding principal under the convertible note into the preferred shares of Xiaola, but the total equity interests the Company obtained shall not be more than 51% of Xiaola’s total equity. The convertible note is also measured at fair value through profit or loss.

- (iii) Upon entering into the agreements for the drawdown of the lending facility by Xiaola Group as mentioned in (ii) above, the Company recognised the investment commitments at fair value, the gains or losses arising from these investment commitments had been recognised in the profit or loss during the years ended December 31, 2021, 2022 and 2023.

16 Finance lease receivables

| | As at December 31, | | |
|--|---------------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> |
| Finance lease receivables | 9,172 | 11,989 | 21,256 |
| Less: unearned finance lease income | (936) | (1,601) | (3,204) |
| Present value of minimum finance lease receivables | <u>8,236</u> | <u>10,388</u> | <u>18,052</u> |
| Including: | | | |
| Current portion | 5,263 | 4,135 | 7,267 |
| Non-current portion | <u>2,973</u> | <u>6,253</u> | <u>10,785</u> |
| | <u>8,236</u> | <u>10,388</u> | <u>18,052</u> |

The Group entered into finance lease arrangements with individual customers for trucks. The term range of finance leases range from 2 to 4 years.

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17 Trade and other receivables

| | As at December 31, | | |
|--|--------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Trade receivables, net of loss allowance | 28,378 | 45,204 | 66,134 |
| Prepayments | 16,693 | 16,652 | 19,251 |
| Deposits | 14,624 | 11,953 | 9,641 |
| Other receivables | 23,010 | 34,826 | 51,231 |
| | <u>82,705</u> | <u>108,635</u> | <u>146,257</u> |

Trade receivables are due within 15 to 360 days from the date of billing, depending on the credit worthiness of individual customers.

Ageing analysis

As of the end of each of the Track Record Period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

| | As at December 31, | | |
|--|--------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Within 3 months (inclusive) | 27,766 | 44,214 | 60,785 |
| 3 months to 6 months (inclusive) | 464 | 1,259 | 3,370 |
| 6 months to 1 year (inclusive) | 170 | 370 | 1,793 |
| Over 1 year | 99 | 2 | 1,635 |
| Less: loss allowance | <u>(121)</u> | <u>(641)</u> | <u>(1,449)</u> |
| Trade receivables, net | <u>28,378</u> | <u>45,204</u> | <u>66,134</u> |

As at December 31, 2021, 2022 and 2023, except for deposits of US\$842,000, US\$1,979,000 and US\$1,514,000 are expected to be recovered after more than one year, all trade and other receivables are expected to be recovered or recognised as expense within one year.

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18 Cash and cash equivalents and other cash flow information

(a) Cash and cash equivalents:

The Group

| | As at December 31, | | |
|--|---------------------------|------------------|------------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> |
| Deposits with banks with original maturity within three months | 695,727 | 745,285 | 703,917 |
| Cash at bank and on hand | 840,725 | 632,346 | 944,400 |
| Cash balances with payment platforms (<i>note</i>) | 27,867 | 22,545 | 28,316 |
| | <u>1,564,319</u> | <u>1,400,176</u> | <u>1,676,633</u> |

The Company

| | As at December 31, | | |
|--|---------------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> |
| Deposits with banks with original maturity within three months | 693,244 | 745,272 | 476,077 |
| Cash at bank and on hand | 484,827 | 84,795 | 183,260 |
| | <u>1,178,071</u> | <u>830,067</u> | <u>659,337</u> |

Note: Cash balances with payment platforms represents cash balances kept with third party payment platforms, which can be withdrawn on demand.

(b) Deposits with banks

Deposits with banks comprises of fixed deposits with banks with maturities of more than three months at acquisition.

(c) Restricted cash

| | As at December 31, | | |
|--|---------------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> |
| Deposits in a designated account | 144,851 | 203,657 | 246,048 |
| | <u>144,851</u> | <u>203,657</u> | <u>246,048</u> |

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As at December 31, 2021, 2022 and 2023, US\$144,851,000, US\$203,657,000 and US\$246,048,000 have been placed with a bank in a designated account in relation to the prepayments from platform users respectively.

(d) Reconciliation of loss before taxation to cash (used in)/generated from operations:

| | Note | Years ended December 31, | | |
|---|------|--------------------------|----------------------|-----------------------|
| | | 2021 | 2022 | 2023 |
| | | US\$'000 | US\$'000 | US\$'000 |
| (Loss)/profit before taxation | | (2,084,897) | (47,152) | 979,385 |
| Adjustments for: | | | | |
| Finance income | 7(a) | (18,816) | (26,562) | (48,451) |
| Finance costs | 7(a) | 1,042 | 3,718 | 2,774 |
| Amortisation of intangible assets | 7(c) | 115 | 237 | 229 |
| Depreciation of owned property, plant and equipment | 7(c) | 4,181 | 5,605 | 5,638 |
| Depreciation of right-of-use assets | 7(c) | 13,652 | 13,513 | 13,750 |
| Provision for impairment loss on trade and other receivables | | 8,079 | 1,595 | 1,383 |
| Equity-settled share-based payment expenses | 7(b) | 13,239 | 28,825 | 18,783 |
| Changes in fair value of redeemable convertible preferred shares | 24 | 1,420,131 | 5,345 | (605,801) |
| Losses/(gains) of financial instruments measured at fair value through profit or loss | 7(c) | 21,644 | 67,280 | (6,356) |
| Net foreign exchange (gain)/loss | 7(c) | (8,983) | 30,751 | 6,886 |
| Net gain on disposal of subsidiaries | | (4,334) | (3) | (406) |
| Share of loss of an equity-accounted investee, net of tax | | — | — | 741 |
| | | <u>(634,947)</u> | <u>83,152</u> | <u>368,555</u> |
| Changes in working capital: | | | | |
| Decrease in inventories | | 1,214 | 4,391 | 1,047 |
| Increase in trade and other receivables | | (3,371) | (22,886) | (35,136) |
| Decrease/(increase) in finance lease receivables | | 829 | (2,759) | (8,085) |
| Increase in trade and other payables | | 177,835 | 87,244 | 74,095 |
| Increase in restricted cash | | (144,851) | (58,806) | (42,391) |
| (Decrease)/increase in contract liabilities | | (847) | (2,554) | 4,310 |
| Cash (used in)/generated from operations | | <u><u>(604,138)</u></u> | <u><u>87,782</u></u> | <u><u>362,395</u></u> |

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(e) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group’s liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group’s consolidated statements of cash flows as cash flows from financing activities.

| | <u>Lease liabilities</u> | <u>Redeemable convertible preferred shares</u> | <u>Total</u> |
|--|------------------------------|--|-----------------|
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| At January 1, 2021 | 15,781 | 2,050,574 | 2,066,355 |
| Proceeds from the issuance of redeemable convertible preferred shares | — | 1,718,000 | 1,718,000 |
| Capital element of lease rentals paid | (10,314) | — | (10,314) |
| Interest element of lease rentals paid | (1,042) | — | (1,042) |
| Total changes from financing cash flows | (11,356) | 1,718,000 | 1,706,644 |
| Other changes: | | | |
| Increase in lease liabilities from entering into new leases during the year | 20,751 | — | 20,751 |
| Interest expense | 1,042 | — | 1,042 |
| Net fair value change | — | 1,420,131 | 1,420,131 |
| Exchange adjustment | 582 | — | 582 |
| Total other changes | 22,375 | 1,420,131 | 1,442,506 |
| At December 31, 2021 and at January 1, 2022 | 26,800 | 5,188,705 | 5,215,505 |
| Proceeds from the issuance of redeemable convertible preferred shares | — | 80,000 | 80,000 |
| Capital element of lease rentals paid | (13,851) | — | (13,851) |
| Interest element of lease rentals paid | (1,307) | — | (1,307) |
| Total changes from financing cash flows | (15,158) | 80,000 | 64,842 |

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| | Lease liabilities | Redeemable convertible preferred shares | Total |
|---|------------------------------|--|------------------|
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Other changes: | | | |
| Increase in lease liabilities from entering into | | | |
| new leases during the year | 10,117 | — | 10,117 |
| Interest expense | 1,307 | — | 1,307 |
| Net fair value change | — | 5,345 | 5,345 |
| Adjustment from lease modification | (304) | — | (304) |
| Exchange adjustment | (1,876) | — | (1,876) |
| Total other changes | <u>9,244</u> | <u>5,345</u> | <u>14,589</u> |
| At December 31, 2022 and at January 1, 2023 . . | <u>20,886</u> | <u>5,274,050</u> | <u>5,294,936</u> |
| Payment for repurchase of redeemable | | | |
| convertible preferred shares | — | (72,219) | (72,219) |
| Proceeds from the issuance of redeemable | | | |
| convertible preferred shares | — | 77,000 | 77,000 |
| Capital element of lease rentals paid | (13,857) | — | (13,857) |
| Interest element of lease rentals paid | (968) | — | (968) |
| Total changes from financing cash flows | <u>(14,825)</u> | <u>4,781</u> | <u>(10,044)</u> |
| Other changes: | | | |
| Increase in lease liabilities from entering into | | | |
| new leases during the year | 13,823 | — | 13,823 |
| Interest expense | 968 | — | 968 |
| Net fair value change | — | (605,801) | (605,801) |
| Adjustment from lease modification | (450) | — | (450) |
| Exchange adjustment | (449) | — | (449) |
| Total other changes | <u>13,892</u> | <u>(605,801)</u> | <u>(591,909)</u> |
| At December 31, 2023 | <u>19,953</u> | <u>4,673,030</u> | <u>4,692,983</u> |

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(f) Total cash outflow for leases

Amounts included in the statements of cash flows for leases comprise the following:

| | Years ended December 31, | | |
|---------------------------------------|--------------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> |
| Within operating cash flows | 9,637 | 7,124 | 3,860 |
| Within financing cash flows | 11,356 | 15,158 | 14,825 |
| | <u>20,993</u> | <u>22,282</u> | <u>18,685</u> |

19 Amounts due from/to subsidiaries

The Company

The amounts due from subsidiaries were unsecured, interest-free and non-trade in nature. Apart from the amounts due from subsidiaries of US\$281,540,000, US\$385,217,000 and US\$451,111,000 as at December 31, 2021, 2022 and 2023, which were not expected to be settled within twelve months from the end of the reporting period, the remaining amounts due from subsidiaries as at December 31, 2021, 2022 and 2023 of US\$997,839,000, US\$1,153,555,000 and US\$1,097,858,000 were repayable on demand.

Amounts due to subsidiaries of US\$28,497,000, US\$26,939,000 and US\$22,249,000 as at December 31, 2021, 2022 and 2023 were unsecured, interest-free, repayable on demand and non-trade in nature.

20 Trade and other payables

| | <i>Notes</i> | As at December 31, | | |
|---------------------------------------|--------------|--------------------|-----------------|-----------------|
| | | 2021 | 2022 | 2023 |
| | | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> |
| Trade payables | | 38,965 | 43,797 | 33,197 |
| Payables to carriers | (i) | 315,110 | 391,566 | 464,741 |
| Payables to merchants | (ii) | 31,806 | 30,394 | 30,171 |
| Accrued staff costs | | 58,739 | 51,456 | 51,443 |
| Other payables and accruals | | 58,512 | 65,154 | 71,906 |
| | | <u>503,132</u> | <u>582,367</u> | <u>651,458</u> |

Notes:

- (i) The balance represents carrier wallet and carrier deposits. Carrier wallet represents amounts collected from merchants on behalf of carriers after deducting commissions for freight matching services plus fulfilment costs payable to carriers in respect of the enterprise services, which can be withdrawn by the carrier on demand. Carrier deposits are collected from carriers upon registration on the Group’s platform, which is deducted upon breach of agreed terms and refunded upon cancelation of registration.
- (ii) The balance represents merchant wallet, which can be recharged and used on the Group’s platform for all services provided. Funds held in merchant wallet have no expiry date and can be refunded upon request.

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As of the end of each of the Track Record Period, the ageing analysis of trade payables, based on the invoice date, is as follows:

| | As at December 31, | | |
|------------------------------|---------------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Within 6 months | 38,658 | 43,524 | 32,766 |
| 6 months to 1 year | 231 | 90 | 431 |
| 1 to 2 years | 14 | 183 | — |
| Over 2 years | 62 | — | — |
| | <u>38,965</u> | <u>43,797</u> | <u>33,197</u> |

As at December 31, 2021, 2022 and 2023, all of the trade and other payables are expected to be settled within one year or repayable on demand.

21 Lease liabilities

The following table shows the remaining contractual maturities of the Group’s lease liabilities at the end of each reporting period:

| | As at December 31, 2021 | | As at December 31, 2022 | | As at December 31, 2023 | |
|--|--|-----------------|--|-----------------|--|-----------------|
| | Present value of the minimum lease payments | | Present value of the minimum lease payments | | Present value of the minimum lease payments | |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Within 1 year | 11,710 | 12,695 | 11,233 | 11,934 | 10,769 | 11,436 |
| After 1 year but within 2 years . . . | 8,743 | 9,232 | 5,796 | 6,084 | 6,278 | 6,554 |
| After 2 years but within 5 years . . . | 6,347 | 6,586 | 3,857 | 3,978 | 2,906 | 2,948 |
| | <u>15,090</u> | <u>15,818</u> | <u>9,653</u> | <u>10,062</u> | <u>9,184</u> | <u>9,502</u> |
| | <u>26,800</u> | <u>28,513</u> | <u>20,886</u> | <u>21,996</u> | <u>19,953</u> | <u>20,938</u> |
| Less: total future interest expenses | | <u>(1,713)</u> | | <u>(1,110)</u> | | <u>(985)</u> |
| Present value of lease liabilities . . . | | <u>26,800</u> | | <u>20,886</u> | | <u>19,953</u> |

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22 Contract liabilities

| | As at December 31, | | |
|--|--------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Receipts in advance for membership subscriptions . | 14,428 | 11,874 | 16,184 |

The Group recognises membership fees received prior to the commencement of the membership period as contract liabilities. Contract liabilities are recognised as revenue on a straight-line basis over the membership period.

Movements in Contract Liabilities

| | As at December 31, | | |
|--|--------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Balance as at January 1 | 15,275 | 14,428 | 11,874 |
| Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year | (15,275) | (14,428) | (11,874) |
| Increase in contract liabilities as a result of receipts in advance for membership subscriptions | 14,428 | 11,874 | 16,184 |
| Balance as at December 31 | 14,428 | 11,874 | 16,184 |

All billings in advance for membership subscriptions are expected to be recognised as revenue within one year.

23 Share-based payment arrangements

(a) Share option plans

The Group has various employee share option plans for its employees and management, which were approved by its board of directors. The purpose of share option plans are to provide incentives and rewards to eligible participants for their contribution or potential contribution to the Group.

Pursuant to the plans, a grantee has the right to subscribe for the ordinary shares at a price determined by management. The options granted can only vest if the service conditions are met. On specific service condition that the employees and key management remain in service and scheduled to be vested over four years from the grant date. 25% of the granted option will be vested at the first anniversary of the vesting commencement date while the remaining 75% of the granted options are vested in 3 years or in 36 equal monthly instalments following the first anniversary date of the vesting commencement date. Options granted typically expire in ten years from the grant date as stated in grant agreements.

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Participation in the plans is at the discretion of the board of directors of the Group and no individual has contractual rights to participate in the plans or receive any guaranteed benefits.

The fair value of the employee share options have been measured using the Binomial Model. Service conditions attached to the arrangements were not taken into account in measuring fair value.

The number and weighted-average exercise price of share options under the share option program were as follows:

| | December 31, 2021 | | December 31, 2022 | | December 31, 2023 | |
|--|-------------------|---------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Outstanding at January 1 | 3,271,139 | 1.555 | 2,878,732 | 1.468 | 2,703,064 | 1.434 |
| Granted during the year | — | NA | — | NA | — | NA |
| Exercised during the year | (308,785) | 1.512 | (174,043) | 1.764 | (745,257) | 0.237 |
| Forfeited during the year | (83,622) | 4.700 | (1,625) | 25.643 | — | NA |
| Outstanding at December 31 | <u>2,878,732</u> | <u>1.468</u> | <u>2,703,064</u> | <u>1.434</u> | <u>1,957,807</u> | <u>1.889</u> |
| Weighted average remaining contractual life (Year) | | <u>4.92</u> | | <u>3.97</u> | | <u>3.09</u> |

(b) Restricted share units

The Group has a restricted share units scheme for its employees, management and consultants, which were approved by its board of directors. The purpose of the scheme is to provide incentives and rewards to eligible participants for their contribution or potential contribution to continue leading the future success of the Group.

Pursuant to the scheme, a grantee will be entitled to the ordinary shares at nil price. Certain restricted share units are granted with cash alternative which are classified as cash-settled share-based payment arrangement. The restricted share units granted can only vest if the service conditions are met. On specific service condition the employees and key management remain in service and scheduled to be vested over four years from the grant date. 25% of the granted option will be vested at the first anniversary of the vesting commencement date while the remaining 75% of the granted options are progressively vested on each anniversary of the vesting commencement date.

Restricted share units with cash alternative are cash-settled and are included in trade and other payables. The balance was amounted to US\$1,305,000, US\$3,604,000 and US\$4,197,000 at December 31, 2021, 2022 and 2023 respectively.

Fair value of restricted share units granted to employees and non-employees are measured using the equity allocation method. Service conditions attached to the arrangements were not taken into account in measuring fair value.

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During the years ended December 31, 2021, 2022 and 2023, the Group granted 805,829, 863,977 and 441,019 restricted share units to the employees at the grant date fair value of US\$7.445 to US\$62.043, US\$8.007 to US\$66.774 and US\$7.161 to US\$62.247 for each restricted share unit, respectively. Subject to the grantees continue to provide services for the Group, 100% of these restricted share units will be vested over 4 years upon fulfilling the service conditions.

Movements in the number of restricted share units granted to employees are as follows:

| | December 31, 2021 | | December 31, 2022 | | December 31, 2023 | |
|-------------------------------------|----------------------------------|-----------------------------|----------------------------------|-----------------------------|----------------------------------|-----------------------------|
| | Number of restricted share units | Weighted average fair value | Number of restricted share units | Weighted average fair value | Number of restricted share units | Weighted average fair value |
| Unvested at January 1 | 1,626,778 | 20.717 | 1,675,218 | 31.463 | 1,807,299 | 31.665 |
| Granted during the year | 805,829 | 42.797 | 863,977 | 30.891 | 441,019 | 37.697 |
| Vested during the year | (458,352) | 20.302 | (604,614) | 29.594 | (725,625) | 29.232 |
| Forfeited during the year | (299,037) | 20.654 | (127,282) | 33.592 | (149,436) | 30.373 |
| Unvested at December 31 | <u>1,675,218</u> | <u>31.463</u> | <u>1,807,299</u> | <u>31.665</u> | <u>1,373,257</u> | <u>35.028</u> |

(c) Restricted shares

In 2016, the board of directors of the Group approved for a restricted shares plan for its key employees and key management. The purpose is to provide incentives and rewards to eligible participants for their contribution or potential contribution to continue leading the future success of the Group.

Pursuant to the plan, restricted shares awarded were vested immediately during the years ended December 31, 2021, 2022 and 2023.

Fair value of restricted shares to key employees and key management are measured using the equity allocation method. Service conditions attached to the arrangements were not taken into account in measuring fair value.

On April 1, 2021, employees were granted 98,354 restricted shares pursuant to the share incentive plan adopted by the Group. Such restricted shares were vested immediately at an exercise price of US\$58.984 per share. All of the 98,354 restricted shares granted to employees were granted and vested during the year ended December 31, 2021.

During the years ended December 31, 2022 and 2023, no restricted shares were granted to its key management and employees by the Group.

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Movements in the number of restricted shares granted to employees are as follows:

| | <u>December 31, 2021</u> | | <u>December 31, 2022</u> | | <u>December 31, 2023</u> | |
|--------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | <u>Number of restricted shares</u> | <u>Weighted average fair value</u> | <u>Number of restricted shares</u> | <u>Weighted average fair value</u> | <u>Number of restricted shares</u> | <u>Weighted average fair value</u> |
| Outstanding at January 1 | — | NA | — | NA | — | NA |
| Granted during the year | 98,354 | 62.04 | — | NA | — | NA |
| Exercised during the year | (98,354) | 62.04 | — | NA | — | NA |
| Outstanding at December 31 | <u>—</u> | <u>NA</u> | <u>—</u> | <u>NA</u> | <u>—</u> | <u>NA</u> |

24 Preferred shares

Since the date of incorporation, the Company has completed several rounds of financing arrangements by issuing preferred shares (“Preferred Shares”), details of which are included below:

| <u>Type</u> | <u>Classification</u> | <u>Date of issuance</u> | <u>Number of preferred shares</u> | <u>Total consideration</u> <i>(US\$'000)</i> |
|---|-----------------------------|-------------------------|-----------------------------------|---|
| Series A preferred shares | Equity | December 30, 2014 | 19,041,448 | 6,150 |
| Series A+ preferred shares | Equity | September 2, 2015 | 7,173,835 | 7,089 |
| Series Pre-B preferred shares | Equity | June 22, 2016 | 7,212,939 | 7,775 |
| Series B preferred shares | Financial liability at FVPL | December 16, 2016 | 10,189,183 | 26,182 |
| Series C preferred shares | Financial liability at FVPL | September 11, 2017 | 10,729,341 | 61,000 |
| Series D preferred shares | Financial liability at FVPL | June 19, 2018 | 7,713,403 | 120,000 |
| Series D2 preferred shares | Financial liability at FVPL | November 13, 2018 | 5,466,537 | 120,500 |
| Series E preferred shares | Financial liability at FVPL | January 22, 2020 | 5,434,949 | 205,000 |
| Series E2 preferred shares | Financial liability at FVPL | September 30, 2020 | 6,111,192 | 310,000 |

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| <u>Type</u> | <u>Classification</u> | <u>Date of issuance</u> | <u>Number of preferred shares</u> | <u>Total consideration</u> <i>(US\$'000)</i> |
|-------------------------------------|-----------------------------|--|-----------------------------------|---|
| Series F preferred shares | Financial liability at FVPL | January 7, January 22, and February 16, 2021 | 26,583,296 | 1,568,000 |
| Series G preferred shares | Financial liability at FVPL | November 8, and December 21, 2021, January 25, and February 16, 2022 | 3,019,887 | 230,000 |
| | | | | <u>2,661,696</u> |

(a) *Non-redeemable convertible preferred shares — series A preferred shares to series Pre-B preferred shares*

Non-redeemable convertible preferred shares are classified as equity when they have no maturities or any redemption features, but they can be converted into ordinary shares of the Company at any time at the option of the holders, or automatically upon the closing of the Qualified [REDACTED] (see definition below), or when agreed by the majority of the holders of each class of the non-redeemable convertible preferred shares. The non-redeemable convertible preferred shares were initially recognised at the amounts equal to the considerations received from the holders for issuance and net of issuance costs.

(b) *Redeemable convertible preferred shares — series B preferred shares to series G preferred shares*

Redeemable convertible preferred shares issued by the Company are redeemable on or after the earlier of (i) the 5th anniversary of the date on which latest round of Preferred Shares are first issued by the Company, if the Company has not consummated a Qualified [REDACTED] and (ii) upon occurrence of certain future events. These Preferred Shares can also be converted into ordinary shares of the Company at any time at the option of the holders, or automatically upon the closing of the Qualified [REDACTED], or when agreed by 67% of the holders of each class of the redeemable convertible preferred shares (see Note 24(b)(iv) for the redemption features).

The Group does not bifurcate any embedded derivatives from the host instruments and has designated the entire instruments as financial liabilities at FVPL. Any directly attributable transaction costs are recognised in profit or loss. Subsequent to initial recognition, the fair value change of the redeemable convertible preferred shares is recognised in profit or loss except for the portion attributable to credit risk change which shall be recognised in other comprehensive income or loss, if any. The directors of the Company considered that there is no material credit risk change during the year.

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The redeemable convertible preferred shares were classified as non-current liabilities unless the Company has no unconditional right to avoid the payment within 12 months after the end of each year (see Note 24(b)(iv) for the redemption features).

The redemption rights shall cease to be exercisable immediately before the first filing of the listing application by the Company with the Hong Kong Stock Exchange, and shall resume to be exercisable upon the earliest of (i) the withdrawal, rejection or lapse of the [REDACTED] by the Company; or (ii) the failure by the Company to achieve a Qualified [REDACTED] within 24 months from the date of first filing of the [REDACTED] by the Company. All other special rights of the [REDACTED] Investors granted under the foregoing documents will be automatically terminated upon the completion of a Qualified [REDACTED].

“Qualified [REDACTED]” is defined as a first firm commitment [REDACTED] of the ordinary shares of the Company (or any securities representing ordinary shares) on the New York Stock Exchange, NASDAQ, Hong Kong Stock Exchange or such other internationally reputable stock exchange approved by the Board (including the affirmative votes of at least three Preferred Directors), with an equity valuation (as adjusted for share splits, share dividends, share combinations, recapitalisations and similar events) of the Company immediately prior to such [REDACTED] in excess of certain thresholds.

The key other terms of the Preferred Shares are summarised as follows:

(i) *Dividend rights*

Prior to the Qualified [REDACTED], the declaration or payment of dividends or any other kinds of profit distributions of the Company and the material change of the dividend policies of the Company shall obtain the unanimous approval of the Company’s board of directors. No dividends have been declared by the Company up to the date of this report. Holders of the Preferred Shares shall be entitled to the distributions of dividends in the following order, to each of the Series G Preferred Shares, Series F Preferred Shares, Series E2 Preferred Shares, Series E Preferred Shares, Series D2 Preferred Shares, Series D Preferred Shares, Series C Preferred Shares and Series B Preferred Shares.

If legally available funds are not sufficient to pay such dividends in full, then the holders of such Preferred Shares shall be paid on a pro rata basis. Such dividends shall accrue when, as and if declared by unanimous approval of the Company’s board of directors. No dividends or other distributions, whether in cash, property or securities shall be paid to the holders of all other lower-ranked classes of shares unless all declared but unpaid dividends on the such holders shall have been paid or set aside for payment.

After the dividends have been paid in full to the holders of the Series G Preferred Shares, Series F Preferred Shares, Series E2 Preferred Shares, Series E Preferred Shares, Series D2 Preferred Shares, Series D Preferred Shares, Series C Preferred Shares and Series B Preferred Shares, the Company’s board of directors may from time to time by unanimous approval declare dividends and other distributions on the issued and outstanding shares of the Company and authorise payment of the same out of the funds of the Company legally available therefor. Such dividends shall be ratably declared and paid to the holders of Preferred Shares (including Series G Preferred Shares, Series F Preferred Shares, Series E2 Preferred Shares, Series E Preferred Shares, Series D2 Preferred Shares,

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Series D Preferred Shares, Series C Preferred Shares and Series B Preferred Shares) and the holders of ordinary shares based on the number of ordinary shares held by each such holder as if all the Preferred Shares were converted into the ordinary shares, or on an as-if converted basis;

If the Company shall have declared but have not paid dividends outstanding upon the Preferred Shares, then immediately prior to and in the event of a conversion of Preferred Shares, the Company shall pay off such dividends by cash upon conversion of such Preferred Shares.

(ii) Conversion options

The Preferred Shares shall be converted into ordinary shares at the option of holders at any time, or automatically be converted to ordinary shares at the then effective applicable conversion price upon (a) the closing of the Qualified [REDACTED], or (b) the written notice signed by the holders of 67% of the outstanding Preferred Shares of the same series.

(iii) Liquidation preferences

In a Liquidation Event (see definition below), all assets and funds of the Company legally available for distribution to the shareholders (and, if applicable, any proceeds, whether in cash or properties, resulting from a Liquidation Event) shall, by reason of the shareholders' ownership of the Preferred Shares, be distributed in the following order, to each holder of Series G Preferred Shares, Series F Preferred Shares, Series E2 Preferred Shares, Series E Preferred Shares, Series D2 Preferred Shares, Series D Preferred Shares, Series C Preferred Shares, Series B Preferred Shares, Series Pre-B Preferred Shares, Series A+ Preferred Shares and Series A Preferred Shares, ordinary shareholders and other equity holders.

After distribution or payment in full of the Preferred Shares, the remaining assets and funds of the Company legally available for distribution to the shareholders shall be distributed ratably among the holders of ordinary shares in proportion to the number of ordinary shares held by them. For purposes of determining the amount that the holders of ordinary shares are entitled to receive, none of the holders of the Preferred Shares shall be deemed to have converted its Preferred Shares into ordinary shares immediately prior to the Liquidation Event (see definition below).

"Liquidation Event" is defined as any of the following events: (a) the liquidation, dissolution or winding-up of the Company; (b) the acquisition of any group company (whether by a sale of equity, merger or consolidation) in which in excess of 50% of such group company's voting power outstanding before such transaction is transferred; or (c) the sale or other disposition of all or substantially all of the assets of any group company, or the exclusive licensing of all or substantially all of the intellectual property of any group company.

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(iv) Redemption features

At any time and from time to time, on or after the earlier of (i) the 5th anniversary of the date on which latest round of Preferred Shares are first issued by the Company, if the Company has not consummated a Qualified [REDACTED], (ii) the occurrence of any material misrepresentation or inaccuracy in or breach by any warrantor of any of its representations, warranties, agreements, covenants or under the relevant transaction documents or any fraud or wilful misconduct by any warrantor which would have a Material Adverse Effect (see definition below) on the Company and its subsidiaries, or (iii) when the redemption rights of the holders of any other classes of Preferred Shares are being exercised. Holders of the Preferred Shares shall be entitled to the redemption of Preferred Shares in the following order:

The redemption price shall be paid by the Company to the holders of the Preferred Shares in amount equal to 100% of the original purchase price on each Preferred Share, plus: (i) simple annual interest calculated at 8% per annum on the Series B to Series G Preferred Share Purchase Price from the Series B to Series G original issue date and up to and including the date of receipt by the holder thereof of the full redemption amount for such Series B to Series G Preferred Share, plus (ii) all declared but unpaid dividends on such Series B to Series G Preferred Share through the date of receipt by the holder of the full redemption amount thereof.

If the Company fails to redeem any Series B to Series G Preferred Shares on its due date for redemption then, as from such date until the date on which the same are redeemed, the Company shall not declare or pay any dividend nor otherwise make any distribution of or otherwise decrease its profits available for distribution.

If legally available funds and assets are not sufficient to pay such Preferred Share price in full, then (i) the Company's funds and assets legally available for distribution shall be used to the extent permitted by applicable law to pay such Preferred Share redemption price due on such date ratably in proportion to the full amounts to which the holders of such Preferred Share would otherwise be entitled to, and (ii) the remaining such Preferred Share to be redeemed but with respect to which the such Preferred Share redemption price due and payable has not been paid in full shall be carried forward and redeemed as soon as the Company has funds and assets legally available for distribution to redeem the remaining such Preferred Share.

"Material Adverse Effect" is defined as a material adverse effect on (a) the business, properties, assets, outlook, operations, results of operations, financial condition, or liabilities of any group company, or (b) the ability of any covenantor to perform its obligations under any relevant transaction documents or the validity or enforceability of any relevant transaction documents against such covenantor.

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The movements of the redeemable convertible preferred shares are set out below:

| | Series B Preferred Shares | Series C Preferred Shares | Series D Preferred Shares | Series D2 Preferred Shares | Series E Preferred Shares | Series E2 Preferred Shares | Series F Preferred Shares | Series G Preferred Shares | Total |
|---|---------------------------------|---------------------------------|---------------------------------|----------------------------------|---------------------------------|----------------------------------|---------------------------------|---------------------------------|-----------|
| | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 | US\$'000 |
| At January 1, 2021 | 407,267 | 455,974 | 339,785 | 246,823 | 270,097 | 330,628 | — | — | 2,050,574 |
| Issue | — | — | — | — | — | — | 1,568,000 | 150,000 | 1,718,000 |
| Changes in fair value | 242,621 | 268,999 | 185,012 | 126,653 | 109,024 | 105,758 | 382,064 | — | 1,420,131 |
| At December 31, 2021 and January 1, 2022 | 649,888 | 724,973 | 524,797 | 373,476 | 379,121 | 436,386 | 1,950,064 | 150,000 | 5,188,705 |
| Issue | — | — | — | — | — | — | — | 80,000 | 80,000 |
| Changes in fair value | 5,377 | 5,884 | 3,612 | 2,300 | 1,022 | (437) | (10,106) | (2,307) | 5,345 |
| At December 31, 2022 and January 1, 2023 | 655,265 | 730,857 | 528,409 | 375,776 | 380,143 | 435,949 | 1,939,958 | 227,693 | 5,274,050 |
| Repurchase* | (15,821) | (12,199) | (8,824) | (7,792) | (5,920) | (9,308) | (12,355) | — | (72,219) |
| Changes in fair value | (80,894) | (89,919) | (64,343) | (45,531) | (44,361) | (49,194) | (212,652) | (23,728) | (610,622) |
| At December 31, 2023 | 558,550 | 628,739 | 455,242 | 322,453 | 329,862 | 377,447 | 1,714,951 | 203,965 | 4,591,209 |

* On February 18, 2023, the Company repurchased a total of 1,254,504 redeemable convertible preferred shares from certain [REDACTED] Investors (the “Share Repurchase”). The repurchase price of the Share Repurchase was determined after arm’s length negotiations among the parties taking into account the relevant shareholders’ assessment of the operating results of the Company and the status of the business at the relevant time.

(c) Redeemable convertible preferred shares issued by a subsidiary of the Company

During the year ended December 31, 2023, LaLa Autobot Company Limited (“LaLa Autobot”), a subsidiary of the Company, issued 21,038,251 preferred shares (the “LaLa Autobot Preferred Shares”) to third party investors at a price of USD3.66 per share. The consideration of USD77,000,000 was fully received by LaLa Autobot by June 23, 2023.

The key terms of the LaLa Autobot Preferred Shares are summarised as follows:

(i) Dividend rights

Each shareholder of LaLa Autobot shall be entitled to receive dividends for each of the LaLa Autobot Preferred Shares held by such holder, payable out of funds or assets when and as such funds or assets become legally available therefor on parity with each other. Such dividends shall be payable only when, as, and if declared by the board of directors of LaLa Autobot, and all declared but unpaid dividends shall be cumulative.

(ii) Conversion option

The LaLa Autobot Preferred Shares shall automatically be converted, based on the then-effective conversion price, without the payment of any additional consideration, into fully-paid and non-assessable ordinary shares of LaLa Autobot upon the closing of a Qualified [REDACTED] (see definition below) of LaLa Autobot.

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Also, at the option of the holders, the LaLa Autobot Preferred Shares can be converted into fully-paid, non-assessable ordinary shares of LaLa Autobot on the date specified on the written request with respect to such conversion.

“Qualified [REDACTED]” for LaLa Autobot means a firm commitment [REDACTED] of the Ordinary Shares of the LaLa Autobot in the United States on the New York Stock Exchange or the Nasdaq Global Market pursuant to an effective Registration Statement under the United States Securities Act of 1933, as amended, or on Hong Kong Stock Exchange, Shanghai Stock Exchange, Shenzhen Stock Exchange, or another internationally recognized stock exchange approved in writing by the Board of Directors, in any case, with a required per share [REDACTED], with gross [REDACTED] to LaLa Autobot in excess of certain target.

(iii) Liquidation preferences

In any liquidation, dissolution or winding-up of LaLa Autobot, or in Deemed Liquidation Event (see definition below), whether voluntary or involuntary, all assets and funds of the LaLa Autobot legally available for distribution to the shareholders of LaLa Autobot shall be distributed in the following order and manner.

First, the holders of the LaLa Autobot Preferred Shares shall be entitled to receive for each LaLa Autobot Preferred Share held by it, prior and in preference to any distribution of any of the assets or funds of LaLa Autobot to the holders of any other class or series of shares by reason of their ownership of such shares, an amount being higher of, a) sum of 100% of the issue price of the LaLa Autobot Preferred Shares, and an amount of cash per share sufficient to provide such holders of the LaLa Autobot Preferred Shares with an annual simple interest rate 10%, or b) the fair market value of each LaLa Autobot Preferred Share as of the date of full payment.

If the assets and funds thus distributed among the LaLa Autobot Preferred Shareholders shall be insufficient to permit the payment to such holders of the full LaLa Autobot Preference Amount, then the entire assets and funds of LaLa Autobot legally available for distribution shall be distributed ratably among the LaLa Autobot Preferred Shareholders in proportion to the aggregate LaLa Autobot Preference Amount each such LaLa Autobot Preferred Shareholder is otherwise entitled to receive.

After distribution or payment in full of the LaLa Autobot Preferred Shares, the remaining assets and funds of LaLa Autobot legally available for distribution to the shareholders of LaLa Autobot shall be distributed ratably among the holders of ordinary shares in proportion to the number of ordinary shares held by them.

“Deemed Liquidation Event” is defined as any of the following events: (a) any of the Trade Sale; (b) any liquidation of any key subsidiary that is duly approved; or (c) any liquidation, dissolution or winding up of any key subsidiary under applicable Laws.

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(iv) Redemption features

Upon written notice of the majority of the LaLa Autobot Preferred Shareholders (the “Redemption Requestor”), LaLa Autobot shall redeem all or a portion of the preferred shares upon occurrence of any of certain specified events, including: 1) its failure to consummate a Qualified [REDACTED] (see definition above) within five years from the date of closing, 2) the production capacity for its certain product failing to reach certain targets for the year of 2025, and 3) any Material Adverse Effect for LaLa Autobot (see definition below), or any events that have had or could reasonably be expected to have material adverse effect on the consummation of a Qualified [REDACTED] of LaLa Autobot or incur material losses by any of the investors.

The redemption price shall be the higher of the following:

- (a) sum of 100% of the LaLa Autobot Preferred Shares issue price, and an amount of cash per share sufficient to provide such holder with an annual simple interest rate of 10%, plus any declared but unpaid dividends on the LaLa Autobot Preferred Share; or
- (b) the fair market value of each LaLa Autobot Preferred Share as of a date no later than forty-five days of the redemption notice date.

“Material Adverse Effect for LaLa Autobot” is defined as a material adverse effect on (a) the business, properties, assets, employees, operations, results of operations, condition (financial or otherwise), prospects, assets or liabilities of LaLa Autobot, or (b) the ability of any covenantor to perform its obligations under any relevant transaction documents or the validity or enforceability of any relevant transaction documents against such covenantor.

Based on the features above, the Group has designated the above LaLa Autobot Preferred Shares as financial liabilities at FVPL. The movements of the LaLa Autobot Preferred Shares are set out as below:

| | As at December 31, | | |
|---------------------------------|---------------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| At January 1 | — | — | — |
| Issue | — | — | 77,000 |
| Changes in fair value | — | — | 4,821 |
| At December 31 | — | — | 81,821 |

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25 Capital, reserves and dividends

(a) Share capital and share premium

| | <u>December 31, 2021</u> | | <u>December 31, 2022</u> | | <u>December 31, 2023</u> | |
|--|--------------------------|-----------------|--------------------------|-----------------|--------------------------|-----------------|
| | <i>Number of</i> | <i>US\$’000</i> | <i>Number of</i> | <i>US\$’000</i> | <i>Number of</i> | <i>US\$’000</i> |
| | <i>shares</i> | | <i>shares</i> | | <i>shares</i> | |
| Ordinary shares of US\$0.001 each, issued and fully paid | | | | | | |
| At January 1 | 51,441,059 | 51 | 53,639,969 | 53 | 53,639,969 | 53 |
| Issuance of new share under share incentive plans | 2,198,910 | 2 | — | — | — | — |
| At December 31 | 53,639,969 | 53 | 53,639,969 | 53 | 53,639,969 | 53 |
| Non-redeemable convertible preferred shares at par value of US\$0.001 each, issued and fully paid | | | | | | |
| At January 1 and December 31 | 32,500,513 | 33 | 32,500,513 | 33 | 32,500,513 | 33 |
| At December 31 | 86,140,482 | 86 | 86,140,482 | 86 | 86,140,482 | 86 |

Holder of the Company’s shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. The aggregate par value of ordinary shares and non-redeemable convertible preferred shares outstanding was recognised as share capital of the Company. The excess of capital injections made by the equity shareholders over the par value was credited to the share premium.

(b) Reserves

(i) Other reserves

Other reserve comprises the excess of consideration for repurchasing the convertible non-redeemable preferred shares (see Note 24(a)) and the equity consideration for acquisition of non-controlling interests.

(ii) Share-based payment reserve

The share-based payment reserve comprises the Company’s equity settled share-based payments (see Note 23).

(iii) Exchange reserve

The exchange reserve comprises all relevant exchange differences arising from the translation of the financial statements of operations with functional currency other than US\$.

(iv) Acquisition of non-controlling interests

The Group has acquired interests from non-controlling interests of its subsidiaries, either by cash settlement or equity settlement. Any gain or loss from acquisition is recorded in accumulated losses.

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(v) Treasury shares

On February 18, 2023, the Company repurchased a total of 1,268,604 ordinary shares and 631,045 non-redeemable convertible preferred shares from certain directors and [REDACTED] Investors. The repurchase price of the Share Repurchase was determined after arm’s length negotiations among the parties taking into account the relevant shareholders’ assessment of the operating results of the Company and the status of the business at the relevant time.

(vi) Statutory reserve

Pursuant to the Articles of Association of the Group’s PRC companies and relevant statutory regulations, appropriations to the statutory reserve fund were made at 10% of profit after tax determined in accordance with accounting rules and regulations of the PRC until the reserve balance reaches 50% of the registered capital. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the PRC companies provided that the balance after such conversion is not less than 25% of their registered capital, and is non-distributable other than in liquidation.

(c) Dividends

No dividends have been declared or paid by the Company or the companies comprising the Group to its equity shareholders during the years ended December 31, 2021, 2022 and 2023.

(d) Capital management

The Group’s primary objective when managing capital are to safeguard the Group’s ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

26 Financial risk management and fair values of financial instruments

Exposure to credit risk, liquidity risk, interest rate risk, currency risk and fair value measurement arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practice used by the Group to manage these risks are described below.

(a) Credit risk

Financial instruments that potentially subject the Group to significant concentration of credit risk consist primarily of cash and cash equivalents (see Note 18).

As of December 31, 2021, 2022 and 2023, the majority of the Group's cash and cash equivalents were held at reputable financial institutions with high-credit ratings. In the event of bankruptcy of one of these financial institutions, the Group may not be able to claim its cash and cash equivalents back in full. The Group continues to monitor the financial strength of the financial institutions. There has been no recent history of default in relation to these financial institutions.

Receivables from online payment platforms are derived from transactions on Group's technology-empowered platforms. The risk is mitigated by credit evaluations the Group performs on the selected online payment platforms that are highly reputable and market leaders. There has been no default of payments from these online payment platforms.

The Group measures loss allowances for trade receivables and other receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. The expected credit loss rates for these assets were 0.42%, 1.40% and 2.14% for the years ended December 31, 2021, 2022 and 2023 respectively.

As at December 31, 2021, 2022 and 2023, the Group is also exposed to credit risk arising from its investment commitments (see Note 15) where the Group commits to acquire debt instruments of US\$38,772,000, US\$18,690,000 and US\$Nil, respectively.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Management is responsible for the Group's cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands. Management performs this by monitoring rolling forecasts of the Group's liquidity reserve and cash and cash equivalents on the basis of expected cash flows.

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The Group’s policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities of the Group’s financial liabilities at the end of each reporting period, which are based on the contractual undiscounted cash flows and the earliest date the Group can be required to pay:

As at December 31, 2021 contractual undiscounted cash outflow

| | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | Total | Carrying amounts in the consolidated statement of financial position |
|--|---|---|--|------------------|---|
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Trade and other payables | 503,132 | — | — | 503,132 | 503,132 |
| Lease liabilities | 12,695 | 9,232 | 6,586 | 28,513 | 26,800 |
| Redeemable convertible preferred shares | — | — | 3,760,357 | 3,760,357 | 5,188,705 |
| Investment commitments | 38,772 | — | — | 38,772 | 6,474 |
| | <u>554,599</u> | <u>9,232</u> | <u>3,766,943</u> | <u>4,330,774</u> | <u>5,725,111</u> |

As at December 31, 2022 contractual undiscounted cash outflow

| | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | Total | Carrying amounts in the consolidated statement of financial position |
|--|---|---|--|------------------|---|
| | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> | <i>US\$'000</i> |
| Trade and other payables | 582,367 | — | — | 582,367 | 582,367 |
| Lease liabilities | 11,934 | 6,084 | 3,978 | 21,996 | 20,886 |
| Redeemable convertible preferred shares | — | — | 3,877,904 | 3,877,904 | 5,274,050 |
| Investment commitments | 18,690 | — | — | 18,690 | 834 |
| | <u>612,991</u> | <u>6,084</u> | <u>3,881,882</u> | <u>4,500,957</u> | <u>5,878,137</u> |

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As at December 31, 2023 contractual undiscounted cash outflow

| | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | Total | Carrying amounts in the consolidated statement of financial position |
|--|---|---|--|------------------|---|
| | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> |
| Trade and other payables | 651,458 | — | — | 651,458 | 651,458 |
| Lease liabilities | 11,436 | 6,554 | 2,948 | 20,938 | 19,953 |
| Redeemable convertible preferred shares | — | — | 4,068,865 | 4,068,865 | 4,673,030 |
| | <u>662,894</u> | <u>6,554</u> | <u>4,071,813</u> | <u>4,741,261</u> | <u>5,344,441</u> |

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group’s interest rate risk arises primarily from deposits with banks, restricted cash, cash at banks and lease liabilities. Interest-bearing financial instruments at variable rates expose the Group to cash flow interest rate risk. The Group’s interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group’s deposits with banks, restricted cash, cash at banks and lease liabilities at the end of reporting period.

| | | As at December 31, | | |
|---|-------------|---------------------------|-----------------|------------------|
| | <i>Note</i> | 2021 | 2022 | 2023 |
| | | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> |
| Fixed rate instruments | | | | |
| Lease liabilities | 21 | (26,800) | (20,886) | (19,953) |
| Deposits with banks | 18(b) | 103,480 | 244,327 | 212,244 |
| Deposits with banks with original maturity within three months | 18(a) | 695,727 | 745,285 | 703,917 |
| | | <u>772,407</u> | <u>968,726</u> | <u>896,208</u> |
| Variable rate instruments | | | | |
| Restricted cash | 18(c) | 144,851 | 203,657 | 246,048 |
| Cash balances with payment platforms | 18(a) | 27,867 | 22,545 | 28,316 |
| Cash at bank and on hand | 18(a) | 840,725 | 632,346 | 944,400 |
| | | <u>1,013,443</u> | <u>858,548</u> | <u>1,218,764</u> |

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(ii) Sensitivity analysis

At December 31, 2021 and 2022, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group’s loss and accumulated losses by approximately US\$10,134,000 and US\$8,585,000, respectively.

At December 31, 2023, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group’s profit by approximately US\$12,190,000.

The sensitivity analysis above indicates the instantaneous change in the Group’s (loss)/profit for the year (and accumulated losses) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to remeasure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group’s (loss)/profit for the year (and accumulated losses) is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(d) Currency risk

The Group is exposed to currency risk primarily through transactions or recognised monetary assets and liabilities that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The Group’s transactions in the PRC are mainly denominated in RMB. The Group’s subsidiaries in other geographical locations normally adopt the local currency as functional currency and normally conduct transactions in local currency. As a result, the directors do not expect that there was any significant foreign exchange exposure which may arise currency risk to the Group for the years ended December 31, 2021, 2022 and 2023.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group’s financial instruments measured at the end of each reporting period on a recurring basis, categorised into three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation techniques as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

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- Level 3 valuations: Fair value measured using significant unobservable inputs.

| | Fair value at December 31, 2021 | Fair value measurements at December 31, 2021 categorised into Level 2 | Fair value measurements at December 31, 2021 categorised into Level 3 |
|---|---------------------------------------|--|--|
| | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> |
| Recurring fair value measurements | | | |
| <i>Assets:</i> | | | |
| Wealth management products | 9,478 | 9,478 | — |
| Unlisted equity investment | 5,500 | — | 5,500 |
| Unlisted debt investments | 75,995 | — | 75,995 |
| | <u>90,973</u> | <u>9,478</u> | <u>81,495</u> |
| <i>Liabilities:</i> | | | |
| Investment commitments | 6,474 | — | 6,474 |
| Redeemable convertible preferred shares | 5,188,705 | — | 5,188,705 |
| | <u>5,195,179</u> | <u>—</u> | <u>5,195,179</u> |

| | Fair value at December 31, 2022 | Fair value measurements at December 31, 2022 categorised into Level 2 | Fair value measurements at December 31, 2022 categorised into Level 3 |
|---|---------------------------------------|---|---|
| | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> |
| Recurring fair value measurements | | | |
| <i>Assets:</i> | | | |
| Wealth management products | 10,213 | 10,213 | — |
| Unlisted equity investment | 6,333 | — | 6,333 |
| Unlisted debt investments | 73,616 | — | 73,616 |
| | <u>90,162</u> | <u>10,213</u> | <u>79,949</u> |
| <i>Liabilities:</i> | | | |
| Investment commitments | 834 | — | 834 |
| Redeemable convertible preferred shares | 5,274,050 | — | 5,274,050 |
| | <u>5,274,884</u> | <u>—</u> | <u>5,274,884</u> |

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| | Fair value at December 31, 2023 | Fair value measurements at December 31, 2023 categorised into Level 2 | Fair value measurements at December 31, 2023 categorised into Level 3 |
|---|---------------------------------------|--|--|
| | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> |
| Recurring fair value measurements | | | |
| <i>Assets:</i> | | | |
| Wealth management products | 145 | 145 | — |
| Unlisted equity investment | 12,562 | — | 12,562 |
| Unlisted debt investments | 85,742 | — | 85,742 |
| | <u>98,449</u> | <u>145</u> | <u>98,304</u> |
| <i>Liabilities:</i> | | | |
| Redeemable convertible preferred shares | 4,673,030 | — | 4,673,030 |
| | <u>4,673,030</u> | <u>—</u> | <u>4,673,030</u> |

During the years ended December 31, 2021, 2022 and 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group’s policy is to recognise transfers between levels of fair value hierarchy as at the end of each reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

Valuation method used for wealth management products

The fair value of wealth management products are measured at fair values in the consolidated statements of financial position as of December 31, 2021, 2022 and 2023. The Group determines the fair value of wealth management products by using the DCF models. Future cash flows are estimated based on contractual terms of the wealth management products and discounted at a rate that reflects the credit risk of counterparties.

The estimated future cash flows arising from the wealth management product is discounted at the benchmark interest rate plus the risk premium as at the end of each reporting period. The significant unobservable input is the wealth management products’ future rate of return.

Valuation techniques and inputs used in Level 3 fair value measurements

Valuation method used for unlisted equity investments

The fair value of unlisted equity investments is approximated using the backsolve method, a market approach which represents the unlisted equity investments’ most recent market value. The higher the price of the latest round financing, the higher the fair value of the unlisted equity investments would be.

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Valuation method used for the unlisted debt investments and related investment commitments

The Group applied the DCF method to determine the fair value of the unlisted debt investments and related investment commitments with the assistance of an independent third-party valuation firm. Key assumptions are set out below:

| | As at December 31, | | |
|-------------------------|--------------------|--------|--------|
| | 2021 | 2022 | 2023 |
| Discount rate | 16.31% | 14.15% | 15.13% |

If the Company’s discount rate applied in the valuation had been 1% lower or higher than management’s estimation as at December 31, 2021, 2022 and 2023, the fair value of the unlisted debt investments and related investment commitments would increase/(decrease) by the amounts listed in table below:

| | As at December 31, | | |
|-------------------------------------|--------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> |
| Discount rate decrease 1% | 1,196 | 1,308 | 751 |
| Discount rate increase 1% | (1,167) | (1,274) | (738) |

Valuation method used for redeemable convertible preferred shares issued by the Company

The Group applied the DCF method to determine the underlying equity value of the Company and adopted the option-pricing method and equity allocation model to determine the fair value of the redeemable convertible preferred shares. Key assumptions are set out below:

| | As at December 31, | | |
|-------------------------|--------------------|--------|--------|
| | 2021 | 2022 | 2023 |
| Discount rate | 19.00% | 18.00% | 18.00% |
| Volatility | 41.05% | 46.73% | 44.45% |

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If the Company’s discount rate applied in the valuation had been 1% lower or higher than management’s estimation as at December 31, 2021, 2022 and 2023, the carrying amounts of the redeemable convertible preferred shares would increase/(decrease) by the amounts listed in table below:

| | As at December 31, | | |
|-------------------------------------|---------------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> |
| Discount rate decrease 1% | 421,128 | 371,709 | 247,449 |
| Discount rate increase 1% | (368,582) | (324,577) | (216,104) |

If the Company’s volatility applied in the valuation had been 1% lower or higher than management’s estimation as at December 31, 2021, 2022 and 2023, the carrying amounts of the FVPL liabilities would increase/(decrease) by the amounts listed in table below:

| | As at December 31, | | |
|---|---------------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> |
| Expected volatility increase 1% | 1,237 | 1,223 | 1,288 |
| Expected volatility decrease 1% | (1,358) | (1,313) | (1,364) |

Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group’s other financial instruments carried at cost or amortised cost are not materially different from their fair values as at December 31, 2021, 2022 and 2023.

27 Commitment and contingencies

(a) Commitment

Commitment outstanding at the end of the reporting periods not provided for in the Historical Financial Information was as follow:

| | As at December 31, | | |
|--|---------------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> |
| Commitment to investment in an equity-accounted investee | 38,775 | 2,040 | 1,891 |

(b) Legal proceedings

The Group may from time to time be involved in, legal proceedings, claims, regulatory inquiries, and governmental investigations in the ordinary course of business, including lawsuits from carriers, merchants, or third parties alleging, among other things, various wage and expense-related claims, violations of laws, rules or policies, that such rules or policies violate applicable law, or that the Company has not acted in conformity with such rules or policies.

The Group is currently not a party to any material legal and administrative proceedings.

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28 Material related party transactions

(a) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Company’s directors.

Remuneration for key management personnel of the Group, including amounts paid to the Company’s directors as disclosed in Note 9, and certain of the highest paid employees as disclosed in Note 10, is as follows:

| | Years ended December 31, | | |
|---|--------------------------|-----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>US\$’000</i> | <i>US\$’000</i> | <i>US\$’000</i> |
| Salaries, allowances and benefits in kind | 1,725 | 2,765 | 3,504 |
| Retirement scheme contributions | 18 | 69 | 120 |
| Discretionary bonuses | 285 | 181 | 923 |
| Equity-settled share-based payments | 4,029 | 4,524 | 3,262 |
| | <u>6,057</u> | <u>7,539</u> | <u>7,809</u> |

Executive officers also participate in the Group’s share-based payment arrangements, see Note 23).

Total above remuneration to key management personnel is included in “staff costs” (Note 7(b)).

(b) Names and relationships of the related parties that had material transactions and/or material balances with the Group for the years ended December 31, 2021, 2022 and 2023

| Names of related parties | Nature of relationship |
|-----------------------------------|---|
| Mr. CHOW, Shing Yuk | Chief Executive Officer, Chairman of the Board of Director, Executive Director, One of Controlling Shareholders |
| Mr. TAM, Matthew Wan Bo | Executive Director, Chief Operating Officer, One of Controlling Shareholders |

(c) Other material related party transactions

Other than the key management personnel remuneration, as mentioned in Note 25(b)(v), the Company repurchased ordinary shares from certain directors on February 2023, of which, 1,141,552 and 54,537 ordinary shares were repurchased from Mr. Chow, Shing Yuk and Mr. Tam, Matthew Wan Bo for a total consideration of US\$65,716,299 and US\$3,139,571 respectively.

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29 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended December 31, 2023

Up to date of issue of this report, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the Track Record Period and which have not been adopted in the Historical Financial Information.

| | Effective for accounting periods beginning on or after |
|---|---|
| Amendments to IAS 1, <i>Presentation of financial statements: Classification of liabilities as current or non-current (“2020 amendments”)</i> | January 1, 2024 |
| Amendments to IAS 1, <i>Presentation of financial statements: Non-current liabilities with covenants (“2022 amendments”)</i> | January 1, 2024 |
| Amendments to IFRS 16, <i>Leases: Lease liability in a sale and leaseback</i> | January 1, 2024 |
| Amendments to IAS 7 and IFRS 7, <i>Statement of cash flows and IFRS 7, Financial Instruments: Disclosures: Supplier finance arrangements</i> ... | January 1, 2024 |
| Amendments to IAS 21, <i>The effects of changes in foreign exchange rates: Lack of exchangeability</i> | January 1, 2025 |

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Historical Financial Information.

30 Subsequent Events

As approved by the Company’s shareholders’ written resolutions passed on [REDACTED], subject to the [REDACTED] becoming unconditional and immediately before completion of the [REDACTED], each share in the Company’s issued and unissued share capital with a par value of US\$[REDACTED] each be subdivided into 10 shares of the corresponding class with a par value of US\$[REDACTED] each.

IV SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of its subsidiaries comprising the Group in respect of any period subsequent to December 31, 2023.

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UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX III

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SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on [●] and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is on display on the websites of the Stock Exchange and the Company as specified in Appendix V in the section headed "Documents available on display".

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on [●] and include provisions to the following effect:

2.1 Classes of Shares

(a) Share capital

The share capital of the Company consists of Class A Shares and Class B Shares. The capital of the Company at the date of adoption of the Articles is US\$[REDACTED] divided into [REDACTED] Class A Shares of US\$[REDACTED] each and [REDACTED] Class B Shares of US\$[REDACTED] each.

(b) Weighted voting rights

Subject to the provisions of the Articles of Association, the holders of Class A Shares and Class B Shares shall at all times vote together as one class on all resolutions submitted to a vote by the members. On a poll, each Class A Share shall entitle its holder to ten votes and each Class B Share shall entitle its holder to one vote, provided that each Class A Share and each Class B Share shall entitle its holder to one vote on a poll at a general meeting in respect of a resolution on the following matters:

- (i) any amendment to the Memorandum of Association or the Articles of Association, including the variation of the rights attached to any class of shares;
- (ii) the appointment, election or removal of any independent non-executive Director;
- (iii) the appointment or removal of the auditors; or
- (iv) the voluntary liquidation or winding-up of the Company.

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Notwithstanding the foregoing, where a holder of Class A Shares is permitted by the Stock Exchange from time to time to exercise more than one vote per share when voting on a resolution to amend the Memorandum of Association or the Articles of Association, any holder of Class A Shares may elect to exercise such number of votes per share as is permitted by the Stock Exchange, up to the maximum number of votes attached to each Class A Share as set out in the Articles of Association.

The Company shall not take any action (including the issue or repurchase of shares of any class) that would result in (i) the aggregate number of votes entitled to be cast by all holders of Class B Shares (for the avoidance of doubt, excluding those who are also holders of Class A Shares) present at a general meeting to be less than 10% of the votes entitled to be cast by all members at a general meeting; or (ii) an increase in the proportion of Class A Shares to the total number of shares in issue.

(c) Restrictions on issue of shares with weighted voting rights

No further Class A Shares shall be allotted, issued or granted by the Company, except with the approval of the Stock Exchange and pursuant to (i) an offer to subscribe for shares in the Company made to all the members of the Company pro rata (apart from fractional entitlements) to their existing holdings; (ii) a pro rata issue of shares to all the members of the Company by way of scrip dividends; or (iii) a share subdivision or other similar capital reorganisation, provided that each member of the Company shall be entitled to subscribe for or be issued shares in the same class as the shares then held by him, and further provided that the proposed allotment or issuance will not result in an increase in the proportion of Class A Shares in issue, so that:

- (A) if, under a pro rata offer, any holder of Class A Shares does not take up any part of the Class A Shares or the rights thereto offered to him, such untaken shares or rights shall only be transferred to another person on the basis that such transferred rights will only entitle the transferee to an equivalent number of Class B Shares; and
- (B) to the extent that rights to Class B Shares in a pro rata offer are not taken up in their entirety (including, but not limited to, where the pro rata offering is not fully [REDACTED]), the number of Class A Shares that shall be allotted, issued or granted in such pro rata offer shall be reduced proportionately,

and where necessary, the holders of Class A Ordinary Shares shall use their best endeavours to enable the Company to comply with this requirement.

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(d) Reduction of shares with weighted voting rights on repurchase of shares

In the event the Company reduces the number of Class B Shares in issue (including, but not limited to, through a purchase of its own shares), the holders of Class A Shares shall reduce their weighted voting rights in the Company proportionately (including, but not limited to, through a conversion of a portion of their shares with those rights into shares without those rights), if the reduction in the number of Class B Shares in issue would otherwise result in an increase in the proportion of Class A Shares.

(e) Prohibition on variation of terms of shares with weighted voting rights

The Company shall not change the terms of the Class A Shares to increase the weighted voting rights attached to that class, unless, in addition to complying with any requirement under law, prior approval of the Stock Exchange is obtained and, if such approval is granted, the change is announced.

(f) Conversion of Class A Shares

Each Class A Share is convertible into one Class B Share at any time by the holder thereof, such right to be exercisable by the holder of the Class A Share delivering a written notice to the Company that such holder elects to convert a specified number of Class A Shares into Class B Shares.

(g) Qualification of holders of shares with weighted voting rights

Class A Shares shall only be held by the WVR Beneficiary, or (a) a partnership of which the WVR Beneficiary is a partner and the terms of which must expressly specify that the voting rights attached to any and all Class A Shares held by such partnership are solely dictated by the WVR Beneficiary; (b) a trust of which the WVR Beneficiary is a beneficiary and that meets the following conditions: (i) the WVR Beneficiary must in substance retain an element of control of the trust and any immediate holding companies of, and retain a beneficial interest in any and all of the Class A Shares held by such trust; and (ii) the purpose of the trust must be for estate planning and/or tax planning purposes; or (c) a private company or other vehicle wholly-owned and wholly controlled by the WVR Beneficiary or by a trust referred to in (b) above (a "**Founder Holding Vehicle**"). Subject to the Listing Rules or other applicable laws and regulations, each Class A Share shall be automatically converted into one Class B Share upon the occurrence of any of the following events:

- (i) the death of the holder of such Class A Share (or, where the holder is a Founder Holding Vehicle, the death of the WVR Beneficiary);
- (ii) the holder of such Class A Share ceasing to be a Director or a Founder Holding Vehicle for any reason;

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- (iii) the holder of such Class A Share (or, where the holder is a Founder Holding Vehicle, the WVR Beneficiary being deemed by the Stock Exchange to be incapacitated for the purpose of performing his duties as a Director;
- (iv) the holder of such Class A Share (or, where the holder is a Founder Holding Vehicle, the WVR Beneficiary) being deemed by the Stock Exchange to no longer meet the requirements of a director set out in the Listing Rules; or
- (v) the transfer to another person of the beneficial ownership of, or economic interest in, such Class A Share or the control over the voting rights attached to such Class A Share (through voting proxies or otherwise), including where the Founder Holding Vehicle holding such Class A Share no longer complies with Rule 8A.18(2) of the Listing Rules (in which event the Company and such Founder Holding Vehicle or the WVR Beneficiary shall notify the Stock Exchange of the details of the non-compliance as soon as practicable), other than (A) the grant of any lien, mortgage, charge or other encumbrance over such Class A Share which does not result in the transfer of the legal title or beneficial ownership of, or the voting rights attached to, such Class A Share, until the same is transferred upon the enforcement of such lien, mortgage, charge or other encumbrance, and (B) a transfer of the legal title to such Class A Share by the WVR Beneficiary to Founder Holding Vehicle, or by a Founder Holding Vehicle to the WVR Beneficiary or another Founder Holding Vehicle.

(h) Cessation of weighted voting rights

All of the Class A Shares in the authorised share capital shall be automatically re-designated into Class B Shares in the event none of the holders of Class A Shares at the time of [REDACTED] of the Company's shares on the Stock Exchange have beneficial ownership of Class A Shares, and no further Class A Shares shall be issued by the Company.

(i) Shares to rank pari passu

Save and except for the rights, preferences, privileges and restrictions set out in this paragraph 2.1, the Class A Shares and the Class B Shares shall rank pari passu in all other respects and shall have the same rights, preferences, privileges and restrictions.

2.2 Directors

(a) Number of Directors

The number of Directors shall not be less than two, and the board of Directors shall consist of not less than one-third and less than one-half of independent non-executive Directors.

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(b) Power to allot and issue shares

Subject to the provisions of the Memorandum of Association, the Articles of Association, compliance with the Listing Rules and the Code on Takeovers and Mergers and Share Buy-back issued by the Securities and Futures Commission of Hong Kong and any direction that may be given by the Company in general meeting, and without prejudice to any rights attached to any existing shares, the Directors may allot, issue, grant options over or otherwise dispose of shares with or without preferred, deferred or other rights or restrictions, whether in regard to dividend or other distribution, voting, return of capital or otherwise and to such persons, at such times and on such other terms as the Directors think proper, provided however that (a) no new class of shares with voting rights superior to those of Class B Shares shall be created, and (b) any variation in the relative rights as between different classes of shares shall not result in the creation of a new class of shares with voting rights superior to those of Class B Shares.

(c) Power to dispose of the assets of the Company or any subsidiary

Subject to the provisions of the Companies Act, the Memorandum and Articles of Association and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of the Memorandum and Articles of Association and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given.

(d) Compensation or payment for loss of office

There are no provisions in the Articles of Association relating to compensation or payment for loss of office of a Director.

(e) Loans to Directors

There are no provisions in the Articles of Association relating to making of loans to Directors.

(f) Financial assistance to purchase shares

There are no provisions in the Articles of Association relating to the giving of financial assistance by the Company to purchase shares in the Company or its subsidiaries.

(g) Disclosure of interest in contracts with the Company or any of its subsidiaries

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be

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or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding office or of the fiduciary relationship thereby established, provided that the nature of the interest of any Director or any alternate Director in any such contract or transaction shall be disclosed by them at or prior to its consideration and any vote thereon.

A Director shall not be entitled to vote on (nor shall the Director be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an [REDACTED] of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the [REDACTED] or [REDACTED] of the [REDACTED];
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
 - (B) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of their interest in shares or debentures or other securities of the Company.

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(h) Remuneration

The remuneration to be paid to the Directors, if any, shall be such remuneration as the Directors shall determine. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors, or general meetings of the Company, or separate meetings of the holders of any class of shares or debentures of the Company, or otherwise in connection with the business of the Company or the discharge of their duties as a Director, or to receive a fixed allowance in respect thereof as may be determined by the Directors, or a combination partly of one such method and partly the other.

The Directors may approve additional remuneration to any Director for any services which in the opinion of the Directors go beyond that Director's ordinary routine work as a Director. Any fees paid to a Director who is also counsel, attorney or solicitor to the Company, or otherwise serves it in a professional capacity shall be in addition to their remuneration as a Director.

(i) Retirement, appointment and removal

The Company may by ordinary resolution appoint any person to be a Director, either to fill a vacancy or as an additional Director.

The Company may by ordinary resolution remove any Director (including a managing or other executive Director) before the expiration of such Director's term of office, notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director, and may by ordinary resolution elect another person in their stead. Nothing shall be taken as depriving a Director so removed of compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles of Association as the maximum number of Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after such Director's appointment and shall then be eligible for re-election at that meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

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The office of a Director shall be vacated if:

- (i) the Director gives notice in writing to the Company that he resigns the office of Director;
- (ii) the Director is absent (for the avoidance of doubt, without being represented by proxy or an alternate Director appointed by him) for a continuous period of 12 months without special leave of absence from the Directors, and the Directors pass a resolution that he has by reason of such absence vacated office;
- (iii) the Director dies, becomes bankrupt or makes any arrangement or composition with his creditors generally; or
- (iv) the Director is found to be or becomes of unsound mind.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election at such meeting. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(j) Borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

2.3 *Alteration to constitutional documents*

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 *Variation of rights of existing shares or classes of shares*

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class for the time being issued (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied only with (in addition to a special resolution to amend the Memorandum or the Articles) the consent in writing of the holders of not less than three-fourths of the voting rights of the issued shares of that class, or with the approval of a resolution passed by a majority of not less than three-fourths of the votes cast at a separate meeting of the holders of the shares of that class. For so long as any

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Class A Share is in issue and unless such change is otherwise required by law or the Listing Rules, (a) any change to the composition of the board of Directors set out in paragraph 2.2(a) above; (b) any change in the proportion of votes required to pass a resolution of the members, whether as an ordinary resolution or a special resolution or in respect of particular matters or generally; (c) any variation to the number of votes attached to a share of any class, except any such variation arising from a conversion of a Class A Share into a Class B Share pursuant to paragraph 2.1(f) or paragraph 2.1(g) above; and (d) any change to the matters in respect of which each Class A Share and each Class B Share shall entitle its holder to one vote on a poll at a general meeting as described in paragraph 2.1(b), to the quorum requirements for meetings of Directors or to this provision, shall require the consent in writing of the holders of not less than three-fourths in nominal value of the issue Class A Shares. To any such separate meeting all the provisions of the Articles of Association relating to general meetings shall apply *mutatis mutandis*, except that the necessary quorum shall be one or more persons holding or representing by proxy or duly authorised representative at least one-third of the voting rights of the issued shares of that class.

The rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may by ordinary resolution:

- (a) increase its share capital by such sum as the ordinary resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;
- (b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchasers thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (c) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association or into shares without par value; and
- (d) cancel any shares that at the date of the passing of the ordinary resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

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The Company may by special resolution reduce its share capital or any capital redemption reserve fund, subject to the provisions of the Companies Act.

2.6 *Special resolution – majority required*

A “special resolution” is defined in the Articles of Association to have the same meaning as in the Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 *Voting rights*

Subject to paragraph 2.1(b) above and any rights or restrictions attached to any shares, at any general meeting every member of the Company present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have (a) the right to speak; (b) one vote on a show of hands; and (c) one vote for every share of which he is the holder on a poll.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint holders the vote of the senior holder who tenders a vote, whether in person or by proxy (or in the case of a corporation or other non-natural person, by its duly authorised representative or proxy) shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by their committee, receiver, curator bonis, or other person on such member’s behalf appointed by that court, and any such committee, receiver, curator bonis or other person may vote by proxy.

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No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairperson of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorised shall be entitled to exercise the same powers as the corporation could exercise if it were an individual member.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company, provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which that person represents as that recognised clearing house (or its nominee(s)) could exercise as if such person were an individual member of the Company holding the number and class of shares specified in such authorisation, including the right to speak and, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting for each financial year within six months (or such other period as may be permitted by the Listing Rules or the Stock Exchange) after the end of such financial year. An annual general meeting shall be specified as such in the notices calling it.

The Directors may call general meetings, and they shall on a members' requisition forthwith proceed to convene an extraordinary general meeting of the Company. A members' requisition is a requisition of one or more members holding at the date of deposit of the requisition not less than 10% of the voting rights, on a one vote per share basis, of the issued shares which as at that date carry the right to vote at general meetings of the Company. The members' requisition must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists and deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists. If there are no Directors as at the date of the deposit of the members' requisition or if the Directors do not within 21 days from

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the date of the deposit of the members' requisition duly proceed to convene a general meeting to be held within a further 21 days, the requisitionists, or any of them representing more than one-half of the total voting rights of all the requisitionists, may themselves convene a general meeting, but any meeting so convened shall be held no later than the day which falls three months after the expiration of the said 21-day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

2.9 Accounts and audit

The Directors shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Such books of account must be retained for a minimum period of five years from the date on which they are prepared. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

The Directors shall determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members of the Company not being Directors, and no member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Companies Act or authorised by the Directors or by the Company in general meeting.

The Directors shall cause to be prepared and to be laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law.

2.10 Auditors

The Company shall at every annual general meeting by ordinary resolution appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The Company may by ordinary resolution remove an auditor before the expiration of his period of office. No person may be appointed as an auditor of the Company unless such person is independent of the Company. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed by ordinary resolution, or in the manner specified in such resolution.

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2.11 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice and any extraordinary general meeting shall be called by not less than 14 days' notice, which shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Every notice shall specify the place, the day and the hour of the meeting, particulars of the resolutions and the general nature of the business to be conducted at the meeting. Notwithstanding the foregoing, a general meeting of the Company shall, whether or not the notice specified has been given and whether or not the provisions of the Articles of Association regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

- (a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote at the meeting; and
- (b) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting, together holding not less than 95% in par value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, they may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

- (a) the Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning or black rainstorm warning being in force on the day of the general meeting;

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- (b) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and
- (c) only the business set out in the notice of the original meeting shall be transacted at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be transacted at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be transacted at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles of Association.

2.12 Transfer of shares

Transfers of shares may be effected by an instrument of transfer, which shall be in writing and in any standard form of transfer as prescribed by the Stock Exchange or such other form as the Directors may approve. The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company.

The Directors may decline to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

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If the Directors refuse to register a transfer of any share they shall notify the transferor and the transferee within two months of such refusal.

The registration of transfers shall be suspended during such periods as the register of members of the Company is closed. The Directors may, on at least 10 business days' notice (or on at least 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may from time to time determine, provided that the register of members shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

2.13 Power of the Company to purchase its own shares

Subject to the provisions of the Companies Act, the Company may purchase its own shares provided that (a) the manner of purchase has first been authorised by the members of the Company by ordinary resolution, and (b) any such purchase shall only be made in accordance with any relevant code, rules or regulations issued by the Stock Exchange or the Securities and Futures Commission of Hong Kong from time to time in force.

2.14 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.15 Dividends and other methods of distribution

Subject to the Companies Act and the Articles of Association, the Company may by ordinary resolution resolve to pay dividends and other distributions on shares in issue and authorise payment of the dividends or other distributions out of the funds of the Company lawfully available therefor, provided no dividends shall exceed the amount recommended by the Directors. No dividend or other distribution shall be paid except out of the realised or unreleased profits of the Company, out of the share premium account or as otherwise permitted by law.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may in addition from time to time declare and pay special dividends on shares of such amounts and on such dates as they think fit.

Except as otherwise provided by the rights attached to any shares, all dividends and other distributions shall be paid according to the amounts paid up on the shares that a member holds during any portion or portions of the period in respect of which the dividend is paid. For this purpose no amount paid up on a share in advance of calls shall be treated as paid up on the share.

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The Directors may deduct from any dividends or other distribution payable to any member of the Company all sums of money (if any) then payable by the member to the Company on account of calls or otherwise. The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividend shall carry interest against the Company. Except as otherwise provided by the rights attached to any shares, dividends and other distributions may be paid in any currency.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other monies payable in cash in respect of shares may be paid by wire transfer to the holder or by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, other distributions, bonuses, or other monies payable in respect of the shares held by them as joint holders.

Any dividend or other distribution which remains unclaimed after a period of six years from the date on which such dividend or distribution becomes payable shall be forfeited and shall revert to the Company.

The Directors, with the sanction of the members of the Company by ordinary resolution, may resolve that any dividend or other distribution be paid wholly or partly by the distribution of specific assets, and in particular (but without limitation) by the distribution of shares, debentures, or securities of any other company or in any one or more of such ways, and where any difficulty arises in regard to such distribution, the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members of the Company upon the basis of the value so fixed in order to adjust the rights of all members, and may vest any such specific assets in trustees as may seem expedient to the Directors.

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2.16 Proxies

A member of the Company entitled to attend and vote at a general meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. Votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting or at any one class meeting.

The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation or other non-natural person, under the hand of its duly authorised representative.

The Directors shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner (including by electronic means) by which the instrument appointing a proxy shall be deposited and the place and the time (being not later than the time appointed for the commencement of the meeting or adjourned meeting to which the proxy relates) at which the instrument appointing a proxy shall be deposited.

The instrument appointing a proxy may be in any usual or common form (or such other form as the Directors may approve) and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked.

2.17 Calls on shares and forfeiture of shares

Subject to the terms of the allotment and issue of any shares, the Directors may make calls upon the members of the Company in respect of any monies unpaid on their shares (whether in respect of par value or premium), and each member of the Company shall (subject to receiving at least 14 clear days' notice specifying the times or times of payment) pay to the Company at the time or times so specified the amount called on his shares. A call may be revoked or postponed, in whole or in part, as the Directors may determine. A call may be required to be paid by instalments. A person upon whom a call is made shall remain liable for calls made upon him, notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share.

If a call remains unpaid after it has become due and payable, the person from whom it is due shall pay interest on the amount unpaid from the day it became due and payable until it is paid at such rate as the Directors may determine (and in addition all expenses that have been incurred by the Company by reason of such non-payment), but the Directors may waive payment of the interest or expenses wholly or in part.

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If any call or instalment of a call remains unpaid after it has become due and payable, the Directors may give to the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any expenses incurred by the Company by reason of such non-payment. The notice shall specify where payment is to be made and shall state if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors. Such forfeiture shall include all dividends, other distributions or other monies payable in respect of the forfeited shares and not paid before the forfeiture.

A forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors think fit.

A person any of whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares and shall surrender to the Company for cancellation the certificate for the shares forfeited and shall remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with interest at such rate as the Directors may determine, but that person's liability shall cease if and when the Company shall have received payment in full of all monies due and payable by them in respect of those shares.

2.18 Inspection of register of members

The Company shall maintain or cause to be maintained the register of members of the Company in accordance with the Companies Act. The Directors may, on giving 10 business days' notice (or 6 business days' notice in the case of a rights issue) by advertisement published on the Stock Exchange's website or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may determine, either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Except when the register is closed, the register of members shall during business hours be kept open for inspection by any member of the Company without charge.

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2.19 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present. Two members of the Company holding not less than one-third of the total voting power of the Company present in person or by proxy, or if a corporation or other non-natural person by its duly authorised representative or proxy, shall be a quorum unless the Company has only one member entitled to vote at such general meeting in which case the quorum shall be that one member present in person or by proxy, or in the case of a corporation or other non-natural person by its duly authorised representative or proxy.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.3 above.

2.20 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.21 Procedure on liquidation

Subject to the Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.

Subject to the rights attaching to any shares, in a winding up:

- (a) if the assets available for distribution amongst the members of the Company shall be insufficient to repay the whole of the Company's paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, on the shares held by them at the commencement of the winding up;
- (b) if the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed amongst the members of the Company in proportion to the capital paid up on the shares held by them at the commencement of the winding up.

If the Company shall be wound up, the liquidator may with the approval of a special resolution of the Company and any other approval required by the Companies Act, divide amongst the members of the Company in kind the whole or any part of the assets of the Company (whether such assets shall consist of property of the same kind or not) and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like approval, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like approval, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

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2.22 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three-month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12-year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12-year period, the Company has caused an advertisement to be published in the newspapers or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net [REDACTED] of any such sale shall belong to the Company and upon receipt by the Company of such net [REDACTED] it shall become indebted to the former member for an amount equal to such net [REDACTED].

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 27 October 2014 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

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3 Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a

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purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

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Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

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11 Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

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14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (a) 75% in value of shareholders, or (b) a majority in number representing 75% in value of creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Restructuring

A company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company:

- (a) is or is likely to become unable to pay its debts; and
- (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring.

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The Grand Court may, among other things, make an order appointing a restructuring officer upon hearing of such petition, with such powers and to carry out such functions as the court may order. At any time (i) after the presentation of a petition for the appointment of a restructuring officer but before an order for the appointment of a restructuring officer has been made, and (ii) when an order for the appointment of a restructuring officer is made, until such order has been discharged, no suit, action or other proceedings (other than criminal proceedings) shall be proceeded with or commenced against the company, no resolution to wind up the company shall be passed, and no winding up petition may be presented against the company, except with the leave of the court. However, notwithstanding the presentation of a petition for the appointment of a restructuring officer or the appointment of a restructuring officer, a creditor who has security over the whole or part of the assets of the company is entitled to enforce the security without the leave of the court and without reference to the restructuring officer appointed.

18 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

19 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

20 Taxation

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

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The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

21 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

22 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisors on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is on display on the websites as referred to in "Documents available on display" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

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A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on October 27, 2014. Our registered office is at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Accordingly, our Company’s corporate structure and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Articles of Association is set out in “Summary of the Constitution of Our Company and Cayman Islands Company Law” in Appendix III.

Our headquarters and principal place of business in Hong Kong is Units 401-412, 4/F, InnoCentre, 72 Tat Chee Avenue, Kowloon Tong, Hong Kong. We have been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on August 5, 2022 with the Registrar of Companies in Hong Kong. Ms. Cheung Yuet Fan and Ms. Cheng Choi Ha have been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 5/F, Manulife Place, 348 Kwun Tong Road, Hong Kong.

2. Changes in the Share Capital of Our Company, Our Major Subsidiaries and Operating Entities

At the time of formation, our Company had an authorized share capital of US\$50,000.00 divided into 50,000 ordinary shares with a par value of US\$1.00 each. On December 17, 2014, we conducted a share subdivision pursuant to which each ordinary share with a par value of US\$1.00 each in the Company’s issued and unissued share capital was subdivided into 1,000 ordinary shares with a par value of US\$0.001 each.

The following sets out the changes in the share capital of our Company during the two years immediately preceding the date of this document:

- (a) On February 20, 2023, our Company conducted the following share repurchase:

| <u>Shareholder</u> | <u>Number of shares</u> |
|-------------------------|-------------------------------------|
| Mr. Chow | 1,141,552 ordinary shares |
| HH HLL Holdings Limited | 70,989 ordinary shares |
| | 26,715 Series A Preferred Shares |
| | 35,403 Series A+ Preferred Shares |
| | 2,304 Series Pre-B Preferred Shares |
| | 127,734 Series D Preferred Shares |
| | 7,324 Series D2 Preferred Shares |
| | 15,805 Series E Preferred Shares |
| | 42,113 Series F Preferred Shares |

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| Shareholder | Number of shares |
|---|---|
| MCF2 Holdings | 1,526 ordinary shares 24,167 Series B Preferred Shares 4,369 Series C Preferred Shares |
| Mr. Tam | 54,537 ordinary shares |
| HCM VC Investments Limited | 230,662 Series A Preferred Shares |
| ML1 Holding Co. | 60,134 Series A Preferred Shares 59,033 Series A+ Preferred Shares 72,606 Series Pre-B Preferred Shares 15,944 Series B Preferred Shares |
| ML2 Holding Co. | 16,687 Series A Preferred Shares 16,380 Series A+ Preferred Shares 20,147 Series Pre-B Preferred Shares 4,424 Series B Preferred Shares |
| Ocean Prosperity Limited | 10,616 Series A Preferred Shares 371 Series A+ Preferred Shares 10,541 Series Pre-B Preferred Shares |
| Crystal Stream Fund II, L.P. | 20,359 Series A+ Preferred Shares 23,044 Series Pre-B Preferred Shares 19,334 Series B Preferred Shares |
| Mindworks Ventures Limited | 12,668 Series A+ Preferred Shares |
| MindWorks Ventures Fund 3 SPC – Fund SP | 5,732 Series A+ Preferred Shares 4,790 Series D Preferred Shares 1,127 Series D2 Preferred Shares |
| Shunwei HLL Limited | 7,643 Series A+ Preferred Shares 207,533 Series C Preferred Shares 20,757 Series D Preferred Shares 9,771 Series E Preferred Shares |
| Xiang He Fund I, L.P. | 210,954 Series B Preferred Shares |
| HSG Growth V 2018-C Holdco A, Ltd. | 126,905 Series D2 Preferred Shares |
| SC GGFII Holdco, Ltd. | 77,252 Series E Preferred Shares |
| AUT-XII Holdings Limited | 48,968 Series E2 Preferred Shares |
| SC GGF III Holdco, Ltd. | 88,235 Series E2 Preferred Shares 54,066 Series F Preferred Shares |
| Astrend Opportunity III Alpha Limited | 24,484 Series E2 Preferred Shares |
| LLMV Holdings Limited | 42,113 Series F Preferred Shares |
| HCEP Master Fund | 4,743 Series F Preferred Shares |
| Golden Spectrum Limited | 29,479 Series F Preferred Shares |
| MLLM LP | 42,113 Series F Preferred Shares |

For details of our Company’s authorized and issued share capital and consideration relating to the allotment of the Preferred Shares above, see “Share Capital — Authorized and Issued Share Capital” and “History, Development and Corporate Structure — [REDACTED] Investments”.

Save as disclosed above, there has been no alternation in our share capital of our Company within the two years immediately preceding the date of this Document.

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Our principal subsidiaries during the Track Record Period are referred to in the Accountants’ Report set out in Appendix I. Our Company [was granted] a waiver from strict compliance with the requirements of paragraph 26 of Appendix D1A to the Listing Rules in respect of disclosing the particulars of any alterations in the capital of any member of our Group within two years immediately preceding the issue of this Document. For details, see “Waivers and Exemption — Waiver in relation to the disclosure requirements with respect to changes in share capital”. There has been no alteration in the share capital of the major subsidiaries and operating entities within the two years immediately preceding the date of this Document.

3. Resolutions of our Shareholders

Written resolutions of our Shareholders were passed on [REDACTED], pursuant to which, among others:

- (a) the Memorandum and Articles of Association were approved and adopted conditional upon [REDACTED];
- (b) conditional upon all the conditions set out in “Structure and Conditions of the [REDACTED]” being fulfilled:
 - (i) the [REDACTED], the [REDACTED] and the [REDACTED] were approved and the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to make or effect such modifications as it thinks fit;
 - (ii) the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to allot, issue and approve the [REDACTED] in connection with the [REDACTED]; and
 - (iii) the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to determine the [REDACTED];
- (c) immediately prior to the completion of the [REDACTED], each share in the Company’s issued and unissued share capital with a par value of [REDACTED] each be subdivided into [REDACTED] shares of the corresponding class with a par value of [REDACTED] each;
- (d) all issued ordinary shares held by Mr. Chow and Lalatech Underscore be redesignated and re-classified as Class A Shares of par value of US\$[REDACTED] each, each having the rights and restrictions as set out in the Memorandum and Articles of Association; (ii) all issued and unissued ordinary shares other than those set out in (i) above and all issued and unissued Preferred Shares be redesignated and reclassified as Class B Shares of par value [REDACTED] each; such that the authorized share capital of the Company shall be US\$500,000 divided into 426,433,480 Class A Shares of US\$[REDACTED] par value each and 4,573,566,520 Class B Shares of US\$[REDACTED] par value each and the issued share capital of the Company shall be US\$[REDACTED] divided into [REDACTED] Class A Shares of US\$[REDACTED] par value each and [REDACTED] Class B Shares of US\$[REDACTED] par value each, in each case to be effective on the [REDACTED];

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- (e) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with Class B Shares or securities convertible into Class B Shares and to make or grant offers or agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Class B Shares) which might require Class B Shares to be allotted, issued or dealt with, otherwise than pursuant to the [REDACTED] or pursuant to a right issue or pursuant to the exercise of any subscription rights attaching to any warrants or any option scheme or similar arrangement which may be allotted and issued by our Company from time to time on a specific authority granted by the Shareholders in general meeting or, pursuant to the allotment and issue of Class B Shares in lieu of the whole or part of a dividend on Class B Shares in accordance with the Articles, Class B Shares not exceed 20% of the number of the Shares in issue immediately following completion of the [REDACTED], such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable laws, or until revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever is the earliest;

- (f) a general unconditional mandate was given to our Directors authorizing them to exercise all the powers of our Company to repurchase our own Class B Shares on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be [REDACTED] and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Class B Shares will represent up to 10% of the number of the Shares in issue immediately following the completion of the [REDACTED], such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable laws, or until revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever occurs first; and

- (g) the general mandate mentioned in paragraph (d) above be extended by the addition to the number of the Class B Shares which may be allotted, or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the number of Class B Shares repurchased by our Company pursuant to the mandate to repurchase shares referred to in paragraph (e) above.

4. Corporate Reorganization

Our Company has not gone through any corporate reorganization. For details of the history and development of our Company, see "History, Development and Corporate Structure".

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5. Repurchases of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this document concerning the repurchase of our own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary [REDACTED] on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' approval

All proposed repurchases of shares (which must be fully paid up) by a company with a primary [REDACTED] on the Stock Exchange must be approved in advance by an ordinary resolution of the Shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a written Shareholder's resolution of our Company dated [●], a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors authorizing any repurchase by our Company of Class B Shares on the Stock Exchange or on any other stock exchange on which the securities may be [REDACTED] and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the number of Shares in issue immediately following the completion of the [REDACTED] but excluding any Class B Shares which may be issued pursuant to the exercise of the [REDACTED] until the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the applicable laws of Hong Kong and the Cayman Islands. A [REDACTED] company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman law, any repurchases by the Company may be made out of profits or out of the [REDACTED] of a new issue of shares made for the purpose of the repurchase or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles of Association and subject to the Cayman Companies Act. Any premium payable on the repurchase over the par value of the shares to be repurchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles of Association and subject to the Cayman Companies Act.

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(iii) [REDACTED] restrictions

The total number of Class B Shares which our Company may repurchase is up to 10% of the total number of our Shares in issue immediately after the completion of the [REDACTED] (but not taking into account any Class B Shares which may be issued pursuant to the exercise of the [REDACTED]). Our Company may not issue or announce a proposed issue of Class B Shares for a period of 30 days immediately following a repurchase of Class B Shares (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing Class B Shares on the Stock Exchange if the repurchase would result in the number of [REDACTED] Class B Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. Our Company is required to procure that the broker appointed by our Company to effect a repurchase of Class B Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing [REDACTED] for the five preceding [REDACTED] days on which its shares were [REDACTED] on the Stock Exchange.

(iv) Status of repurchased Class B Shares

All repurchased Class B Shares (whether effected on the Stock Exchange or otherwise) will be automatically [REDACTED] and the certificates for those Class B Shares must be cancelled and destroyed. Under the laws of the Cayman Islands, unless, prior to the repurchase the Directors of the Company resolve to hold the shares repurchased by the Company as treasury shares, shares repurchased by the Company shall be treated as cancelled and the amount of the Company's issued share capital shall be diminished by the nominal value of those shares. However, the repurchase of shares will not be taken as reducing the amount of the authorised share capital under Cayman law.

(v) Suspension of repurchase

Pursuant to the Listing Rules, our Company may not make any repurchases of Class B Shares after inside information has come to its knowledge until the information is made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of our Company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, our Company may not repurchase Class B Shares on the Stock Exchange unless the circumstances are exceptional.

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In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a [REDACTED] company has breached the Listing Rules.

(vi) Procedural and reporting requirements

As required by the Listing Rules, repurchases of Class B Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning [REDACTED] session or any pre-opening session on the Stock Exchange business day following any day on which our Company may make a purchase of Class B Shares. The report must state the total number of Class B Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our Company's annual report is required to disclose details regarding repurchases of Class B Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) Connected parties

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person (as defined in the Listing Rules) and a core connected person shall not knowingly sell its securities to the company on the Stock Exchange.

(b) Reasons for repurchases

The Directors believe that it is in the best interests of our Company and Shareholders for the Directors to have general authority from the Shareholders to enable the Directors to repurchase Class B Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of Hong Kong and the Cayman Islands.

On the basis of the current financial position as disclosed in this Document and taking into account the current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Company as compared with the position disclosed in this Document. The Directors, however, do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Company which in the opinion of the Directors are from time to time appropriate for our Company.

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The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately following the completion of the [REDACTED] and the [REDACTED] (but not taking into account any Class B Shares which may be issued pursuant to the exercise of the [REDACTED]), could accordingly result in [REDACTED] Class B Shares being repurchased by our Company during the period prior to the earliest occurrence of (1) the conclusion of the next annual general meeting of our Company; (2) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of Hong Kong to be held; or (3) the revocation or variation of the repurchase mandate by an ordinary resolution of the Shareholders in general meeting (the "**Relevant Period**").

(d) General

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of Hong Kong and the Cayman Islands. Our Company have not repurchased any Shares since our incorporation.

If, as a result of any repurchase of Class B Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. Any repurchase of Class B Shares which results in the number of Shares held by the public being reduced to less than 25% of our Shares then in issue or such other minimum percentage prescribed by the Stock Exchange could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

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B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this Document that are or may be material:

- (a) loan agreements dated September 19, 2022 between Lalamove Indonesia and each of CUG and CUTG, pursuant to which Lalamove Indonesia agreed to provide a loan in sum of IDR1,100,000,000 to each of CUG and CUTG to acquire 1,100 shares in Lalamove Logistik, respectively (the “**Loan Agreements**”);
- (b) first amendment to the Loan Agreements dated March 31, 2023 between Lalamove Indonesia and each of CUG and CUTG to amend and replace certain terms of the Loan Agreements;
- (c) pledge of shares agreements dated September 19, 2022 between Lalamove Logistik, Lalamove Indonesia and each of CUG and CUTG, pursuant to which each of CUG and CUTG pledged its entire shareholding interest of 1,100 shares in Lalamove Logistik in favour of Lalamove Indonesia, respectively (the “**Pledge of Shares Agreements**”);
- (d) first amendment to the Pledge of Shares Agreements dated March 31, 2023 between Lalamove Logistik, Lalamove Indonesia and each of CUG and CUTG to amend and replace certain terms of the Pledge of Shares Agreements;
- (e) power of attorney dated September 19, 2022 which has been revoked and replaced by power of attorney dated March 31, 2023 (with effect retroactively on September 19, 2022) and executed by Lalamove Indonesia and each of CUG and CUTG, pursuant to which each of CUG and CUTG appointed Lalamove Indonesia as its attorney to, among other things, sell and transfer the shares of Lalamove Logistik held by each of CUG and CUTG;
- (f) power of attorney dated March 31, 2023 and executed by Lalamove Indonesia and each of CUG and CUTG, pursuant to which each of CUG and CUTG appointed Lalamove Indonesia as its attorney to, among other things, sell and transfer the shares of Lalamove Logistik held by each of CUG and CUTG;
- (g) assignment of dividends agreements dated September 19, 2022 entered into between Lalamove Indonesia and each of CUG and CUTG, pursuant to which each of CUG and CUTG assigned and transferred all its right, title and interest in all dividends or other distributions (such as bonus shares) paid out by Lalamove Logistik to Lalamove Indonesia (the “**Assignment of Dividends Agreements**”);

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- (h) first amendment to the Assignment of Dividends Agreements dated March 31, 2023 between Lalamove Indonesia and each of CUG and CUTG to amend and replace certain terms of the Assignment of Dividends Agreements;
- (i) call option agreements dated September 19, 2022 entered into between Lalamove Indonesia and each of CUG and CUTG, pursuant to which each of CUG and CUTG granted Lalamove Indonesia an option to purchase all of the issued capital owned by each of CUG and CUTG in Lalamove Logistik (the “**Call Option Agreements**”);
- (j) first amendment to the Call Option Agreements dated March 31, 2023 between Lalamove Indonesia and each of CUG and CUTG to amend and replace certain terms of the Call Option Agreements;
- (k) indemnity agreements dated September 19, 2022 entered into between each of CUG and CUTG and Lalamove Indonesia, pursuant to which Lalamove Indonesia agreed to indemnify, protect and hold harmless each of CUG and CUTG against all losses incurred by CUG and CUTG resulting from or arising in connection with, among others, any loss or damage of Lalamove Logistik due to operational or non-operational activities (the “**Indemnity Agreements**”);
- (l) first amendment to the Indemnity Agreements dated March 31, 2023 between Lalamove Indonesia and each of CUG and CUTG to amend and replace certain term of the Indemnity Agreements; and
- (m) the [REDACTED].

2. Intellectual Property Rights of our Group



(a) Trademarks

As of the Latest Practicable Date, our Group had registered the following trademarks which we consider to be material to our Group’s business:

| No. | Trademark |
|-----|---|
| 1. |  |
| 2. |  |
| 3. |  |
| 4. |  |

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| No. | Trademark |
|-----|---|
| 5. | <div style="display: flex; flex-direction: column; align-items: center;"> <div style="display: flex; align-items: center; margin-bottom: 20px;"> A  </div> <div style="display: flex; align-items: center;"> B  </div> </div> |

(b) Patents

As of the Latest Practicable Date, our Group had registered the following patents which we consider to be material to our Group’s business:

| No. | Patent Registered | Granting Jurisdiction of Organization | Patent number | Date of authorization proclamation |
|-----|--|---------------------------------------|------------------|------------------------------------|
| 1. | Display screen panel with multi-player simultaneous grabbing for graphical user interface (帶多人同時搶單圖形用戶界面的顯示屏幕面板) | The PRC | ZL202030501001.0 | March 12, 2021 |
| 2. | Display screen panel with real-time information grabbing for graphical user interface (帶實時信息搶單圖形用戶界面的顯示屏幕面板) | The PRC | ZL202030501005.9 | March 12, 2021 |
| 3. | Display screen panel with reading order content for graphical user interface (帶閱讀訂單內容圖形用戶界面的顯示屏幕面板) | The PRC | ZL202030501252.9 | March 12, 2021 |
| 4. | Display screen panel with time limit for graphical user interface (帶時間限制的圖形用戶界面的顯示屏幕面板) | The PRC | ZL202030501255.2 | March 12, 2021 |
| 5. | Driving recorder (行車記錄儀) | The PRC | ZL202030785374.5 | June 25, 2021 |
| 6. | Driving recorder (行車記錄儀) | The PRC | ZL202030786132.8 | June 25, 2021 |

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| No. | Patent Registered | Granting Jurisdiction of Organization | Patent number | Date of authorization proclamation |
|------------|--|--|----------------------|---|
| 7. | Driving recorder (Anxinla vehicle intelligent type) (行車記錄儀(安心拉車載智能型)) | The PRC | ZL202130011687.X | July 6, 2021 |
| 8. | Driving recorder (Anxinla vehicle intelligent type) (行車記錄儀(安心拉車載智能型)) | The PRC | ZL202130011690.1 | July 6, 2021 |
| 9. | A method, device and server for controlling drivers to receive orders (一種控制司機接單的方法、裝置及服務器) | Hong Kong | HK1251797 | March 15, 2019 |

(c) Domain Names

As of the Latest Practicable Date, our Group had registered the following domain names which we consider to be material to our Group’s business:

| Domain Name | Registered Owner |
|---------------------|-------------------------|
| http://lalatech.com | The Company |
| www.huolala.cn | Shenzhen Huolala |
| www.lalamove.com | Huolala S.E.A. Limited |

(d) Copyrights

As of the Latest Practicable Date, the key copyrights in relation to the business of our Group as a whole were:

| Copyright Name | Place of Registration | Registration Number |
|--|----------------------------------|--------------------------------|
| Huolala logistics order portrait center platform V1.0 (貨拉拉物流訂單畫像中心平台V1.0) | The PRC | 2019SR0455618 |
| Huolala freight platform (Quick App terminal) V1.0 (貨拉拉貨運平台(快應用端)V1.0) | The PRC | 2019SR0454319 |
| Huolala freight platform (Baidu terminal) V1.0 (貨拉拉貨運平台(百度端)V1.0) | The PRC | 2019SR0453522 |
| Huolala third-party logistics fleet assistant platform V1.0 (貨拉拉第三方物流車隊助手平台V1.0) | The PRC | 2019SR0453263 |
| Huolala big data unified rights management system V1.0 (貨拉拉大數據統一權限管理系統V1.0) | The PRC | 2019SR0453268 |
| Huolala user operation strategy platform V1.0 (貨拉拉用戶運營策略平台V1.0) | The PRC | 2019SR0452976 |

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| Copyright Name | Place of Registration | Registration Number |
|---|------------------------------|----------------------------|
| Huolala operation one-stop platform V1.0 (貨拉拉運營一站式平台V1.0) | The PRC | 2019SR0452978 |
| Huolala logistics broker scheduling system V1.0 (貨拉拉物流經紀人調度系統V1.0) | The PRC | 2019SR0452974 |
| Huolala invoice service center platform V1.0 (貨拉拉發票服務中心平台V1.0) | The PRC | 2019SR0455287 |
| Huolala big data integrated development platform V1.0 (貨拉拉大數據集成開發平台V1.0) | The PRC | 2019SR0455278 |
| Huolala C-end user promotion platform V1.0 (貨拉拉C端用戶推廣平台V1.0) | The PRC | 2019SR0457705 |
| Huolala app message push system V1.0 (貨拉拉APP消息推送系統V1.0) | The PRC | 2019SR0457700 |
| Huolala vehicle location reporting system V1.0 (貨拉拉車輛位置上報系統V1.0) | The PRC | 2019SR0457713 |
| Huolala express software platform V1.0 (貨拉拉快遞軟件平台V1.0) | The PRC | 2019SR0453786 |
| Huolala – driver version IOS software V1.0 (貨拉拉–司機版IOS軟件V1.0) | The PRC | 2016SR206415 |
| Huolala – driver version android software V1.0 (貨拉拉–司機版Android軟件V1.0) | The PRC | 2016SR206333 |
| Huolala IOS software V1.0 (貨拉拉IOS軟件V1.0) | The PRC | 2016SR206427 |
| Huolala Android software V1.0 (貨拉拉Android軟件V1.0) | The PRC | 2016SR206434 |
| Huolala enterprise shipping software (IOS version) V1.0 (貨拉拉企業版貨運軟件(IOS版)V1.0) | The PRC | 2018SR169596 |
| Huolala enterprise shipping software (Android version) V1.0 (貨拉拉企業版貨運軟件(Android版)V1.0) | The PRC | 2018SR169586 |
| Huolala enterprise driver – Android software [abbreviation: Huolala enterprise driver] 1.0.0 (貨拉拉企業司機–Android軟件[簡稱:貨拉拉企業司機]1.0.0) | The PRC | 2019SR1157115 |
| Huolala enterprise driver – IOS software [abbreviation: Huolala enterprise driver] 1.0.0 (貨拉拉企業司機–ios軟件[簡稱:貨拉拉企業司機]1.0.0) | The PRC | 2019SR1147851 |

Save as disclosed above, as of the Latest Practicable Date, there were no other trademarks, service marks, patents, intellectual property rights, or individual property rights which are or may be material in relation to our business.

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C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests and short positions of our Directors and chief executive in the share capital of our Company and its associated corporations following completion of the [REDACTED]

Immediately following completion of the [REDACTED] (without taking into account the Shares to be allotted and issued upon the exercise of the [REDACTED] and assuming the [REDACTED] are completed), the interests and/or short positions (as applicable) of our Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required under Section 352 of the SFO to be entered in the register referred to in that section, or which will be required to be notified to our Company and the Stock Exchange under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (“**Model Code**”) once the Shares are [REDACTED], will be as follows:

(i) Interest in the Shares

| <u>Name of Director</u> | <u>Capacity/ Nature of interest</u> | <u>Number and Class of Shares held⁽¹⁾</u> | <u>Approximate percentage of shareholding in the relevant class of Shares in our Company immediately following the completion of the [REDACTED]</u> | <u>Approximate percentage of shareholding in the total issued share capital of our Company immediately following the completion of [REDACTED]</u> |
|-------------------------|--|--|---|---|
| Class A Shares | | | | |
| Mr. Chow . . . | Beneficial interest | [REDACTED] Class A Shares | [REDACTED]% | [REDACTED]% |
| | Beneficiary of a trust ⁽²⁾ | [REDACTED] Class A Shares | [REDACTED]% | [REDACTED]% |
| | Founder of a trust ⁽²⁾ | | | |

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| <u>Name of Director</u> | <u>Capacity/ Nature of interest</u> | <u>Number and Class of Shares held⁽¹⁾</u> | <u>Approximate percentage of shareholding in the relevant class of Shares in our Company immediately following the completion of the [REDACTED]</u> | <u>Approximate percentage of shareholding in the total issued share capital of our Company immediately following the completion of [REDACTED]</u> |
|------------------------------------|--|--|---|---|
| Class B Shares | | | | |
| Mr. Tam | Beneficiary of a trust ⁽³⁾ | [REDACTED] Class B Shares | [REDACTED]% | [REDACTED]% |
| Mr. Chang David Shui Kei | Interest of controlled corporations ⁽⁴⁾ | [REDACTED] Class B Shares | [REDACTED]% | [REDACTED]% |
| Mr. Goodwin Gaw | Interest of controlled corporations ⁽⁵⁾ | [REDACTED] Class B Shares | [REDACTED]% | [REDACTED]% |

Notes:

1. Assumes that (i) the [REDACTED] is not exercised, (ii) the [REDACTED] are completed; and (iii) no Class A Shares are converted into Class B Shares.
2. Includes Shares held by Lalatech Underscore. The entire interest in Lalatech Underscore is held by the Chow’s Family Trust through Lalatech One. Mr. Chow is deemed to be interested in the Shares held by Lalatech Underscore.
3. Includes Shares held by Matpo Development Limited. The entire interest in Matpo Development Limited is held through a trust established on September 3, 2021 by Mr. Tam as the settlor with Infiniti Trust (Asia) Limited as the trustee and Mr. Tam as one of the beneficiaries. Mr. Tam is deemed to be interested in the Shares held by Matpo Development Limited.
4. Includes Shares held by MCF2 Holdings, ML1 Holding Co., ML2 Holding Co., Mindworks Ventures Fund 3 SPC – Fund SP and MLLM LP, which are investment vehicles of MindWorks Capital (概念資本) and are ultimately controlled by Mr. Chang David Shui Kei. As such, Mr. Chang David Shui Kei is deemed to be interested in the Shares held by MCF2 Holdings, ML1 Holding Co., ML2 Holding Co., Mindworks Ventures Fund 3 SPC – Fund SP and MLLM LP.
5. Includes Shares held by Star Link Limited, which is controlled by GAW Capital Partners. Mr. Goodwin Gaw controls GAW Capital Partners, which in turn controls Shares held by Star Link Limited.

(ii) Interests in associated corporations

Our Directors are not interested in the Shares of any associated corporation of our Company.

(b) Interests and short positions of the Substantial Shareholders in the Shares and underlying shares of our Company

Save as disclosed in “Substantial Shareholders”, our Directors or chief executives are not aware of any other person, not being a Director or chief executive of our Company, who has any an interest or short position in the Shares and underlying Shares of our Company which, once the Shares are [REDACTED], would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly interested in 10% or more of the issued voting shares of our Company.

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(c) Interests of the substantial shareholder of any member of our Group (other than our Company)

Save as set out above, as of the Latest Practicable Date, our Directors are not aware of any persons (not being Directors or chief executive of our Company) who would, immediately following the completion of the [REDACTED] (without taking into account the exercise of the [REDACTED]) be directly or indirectly interested in 10% or more of the issued voting shares of the member of our Group (other than our Company).

2. Particulars of Service Contracts

(a) Executive Directors

Each of the executive Directors has entered into a service contract with our Company under which they agreed to act as executive Directors for an initial term of three years commencing from the [REDACTED], which may be terminated by not less than three months' notice in writing served by either the executive Director or our Company.

The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

(b) Non-executive Director and Independent Non-executive Directors

Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with our Company for a term of three years with effect from the [REDACTED]. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee while the non-executive Directors are not entitled to any remuneration. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

(c) Others

- (i) Save as disclosed above, none of the Directors has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).
- (ii) For the years ended December 31, 2021, 2022 and 2023, the aggregate of the remuneration (including salaries, allowances and benefits in kind, bonuses, retirement scheme contributions, discretionary bonuses and share based payments) for the Directors was approximately US\$3.5 million, US\$0.7 million and US\$0.8 million, respectively. Details of the Directors' remuneration are also set out in note 9 of the Accountants' Report set out in Appendix I. Save as disclosed in this Document, no other emoluments have been paid or are payable in respect of the years ended December 31, 2021, 2022 and 2023 by our Company to the Directors.

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- (iii) Under the arrangements in force as of the date of this Document, it is estimated that our Directors will be entitled to receive the aggregate amount of remuneration of approximately US\$0.8 million for the year ending December 31, 2024.
- (iv) None of the Directors or any past Directors of any members of our Group has been paid any sum of money for the three years ended December 31, 2021, 2022 and 2023 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a Director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (v) There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind for the three years ended December 31, 2021, 2022 and 2023.
- (vi) None of the Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, our Company, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

3. Fees or commissions received

Save as disclosed in this Document, none of the Directors or any of the persons whose names are listed under “— E. Other Information — 9. Consent of Experts” below had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this Document.

4. Miscellaneous

Save as disclosed in this Document:

- (a) none of the Directors or chief executive of our Company has any interest or short positions in the Shares, underlying Shares or debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us 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 the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to in that section, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code, in each case once our Class B Shares are [REDACTED] on the Stock Exchange;
- (b) none of our Directors nor any of the parties listed in “— E. Other Information — 9. Consent of Experts” below has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this Document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

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- (c) none of our Directors nor any of the parties listed in “— E. Other Information — 9. Consent of Experts” below is materially interested in any contract or arrangement subsisting at the date of this Document which is significant in relation to the business of our Group taken as a whole;
- (d) other than pursuant to the [REDACTED], none of the parties listed in “— E. Other Information — 9. Consent of Experts” below:
 - (i) is interested legally or beneficially in any of our Shares or any shares of any of our subsidiaries; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe securities in any member of our Group; and
- (e) none of our Directors or their respective close associates (as defined under the Listing Rules) or any of our Shareholders (who to the knowledge of our Directors owns more than 5% of our number of issued shares) has any interest in our five largest suppliers or our five large customers.

D. SHARE INCENTIVE PLAN

The following is a summary of the principal terms of our Company’s Share Incentive Plan, which was adopted and approved by resolutions in writing by the Shareholders on November 8, 2021, to inherit and replace all the share incentive plans adopted by the Group previously (the “**Previous Plans**”). Upon the adoption of the Share Incentive Plan, the Previous Plans were terminated and eligible participants thereunder are deemed persons eligible for share awards under the Share Incentive Plan. The terms of the Share Incentive Plan are not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve any further grant of awards by our Company after the [REDACTED].

(a) Summary of terms

Purpose. The purpose of the Share Incentive Plan is to enhance the ability of our Company to attract and retain qualified individuals by allowing them to acquire a proprietary interest in the growth and performance of our Company.

Eligible Participants. Any of the following persons shall be eligible to participate in the Share Incentive Plan as selected from time to time by the Administrator (as defined below):

1. any key person employed by our Company or our subsidiaries;
2. any director of our Company or any of its subsidiaries; or
3. any person, including a consultant or an advisor, who is engaged by our Company or our subsidiaries to render consulting or advisory services and is compensated for such services.

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Types of awards. The Share Incentive Plan provides for the grant of options (“**Options**”), restricted shares (“**RSs**”) and RSUs (each an “**Award**” collectively referred to as “**Awards**”).

Duration. Unless otherwise determined by the Administrator, the term of the Plan, the term of the Share Incentive Plan shall be ten years commencing on the date of its adoption.

Administration. The Share Incentive Plan shall be subject to the sole administration of the Board (the “**Administrator**”). The Administrator may delegate to a person or a committee of the Board of its designation its authority under the Share Incentive Plan.

Maximum Number of Shares. The aggregate number of shares that may be issued pursuant to the Awards under the Share Incentive Plan shall not exceed [15,082,487] shares (or [REDACTED] Class B Shares as adjusted after the [REDACTED]). Prior to the [REDACTED], our Company (i) issued 2,198,910 ordinary shares of our Company on September 3, 2021 to Matpo Development Limited, which was designated by Mr. Tam upon the vesting of his corresponding RSs, and (ii) [issued] [12,563,549] ordinary shares of our Company on [●], 2024 to [●], a wholly-owned subsidiary of the ESOP Trustee at par value to facilitate the administration of the Share Incentive Plan. No further Award will be granted and no further Shares will be issued by the Company under the Share Incentive Plan after the [REDACTED], and that any unused scheme limit of the Share Incentive Plan will not be utilized after the [REDACTED].

As of the Latest Practicable Date, the [12,563,549] shares [issued] to the ESOP Trustee comprise of (i) 5,781,885 Awards granted to Directors, senior management, employees and consultants (including 2,096,997 Options, 1,352,620 RSUs and 2,332,268 RSs), which have been exercised (in the case of Options) or vested (in the case of RSs and RSUs) as of the Latest Practicable Date; and (ii) 2,486,241 granted Awards (including 1,743,930 Options and 742,311 RSUs), which are outstanding as of the Latest Practicable Date.

Performance Target. The Awards may be subject to performance goals or other criteria as set forth at the sole discretion of the Board during the Period of Restriction.

Period of Restriction. Each Award agreement of RSs will specify any Period of Restriction, the number of shares granted, and such other terms and conditions as the Administrator, in its sole discretion, will determine. Unless the Administrator determines otherwise, our Company as escrow agent will hold shares of RSs until the restrictions on such shares have lapsed. Except as provided in the Award agreement, shares of RSs may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of any applicable Period of Restriction. During the Period of Restriction, any RSUs and/or shares of RSs held by a Participant shall be forfeited and revert to our Company (or, if shares of RSs were sold to the Participant, the Participant shall be required to resell such shares to the Company at cost) upon the Participant’s termination of service or the failure to meet or satisfy any applicable performance goals or other terms.

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For the purpose of the Share Incentive Plan, a Period of Restriction means the period of time during which shares of RSs or RSUs are subject to a substantial risk of forfeiture and/or other restrictions, or, as applicable, the period of time within which performance is measured for purposes of determining whether such an Award has been earned.

Exercise Price or Consideration. The exercise price of each Option shall be fixed by the Administrator and shall be set forth in the Award Agreement. Awards may, in the discretion of the Administrator, be granted for no cash consideration, or for such minimal cash consideration as may be required by Applicable Laws. Pursuant to the Share Incentive Plan, a grantee of RSU may be entitled to the Shares at nil price. Certain RSUs may be granted with cash alternative and are settled by cash.

Vesting Schedule and Term of the Awards. The vesting schedule and the term of each Option shall be fixed by the Administrator and shall be set forth in the Award agreement. The Administrator will set vesting criteria (based upon, among other things, the achievement of Company-wide, divisional, business unit, or individual goals) of each RS and/or RSU in its discretion, which, depending on the extent to which the criteria are met, will determine the number of RSUs that will be paid out to the Participant. Option granted is exercisable upon vesting until the date of expiration as determined by the Administrator and shall be set forth in the Award agreement. During the Track Record Period, RSs awarded were vested immediately when granted.

Restrictions on Transfer. Unless the Administrator shall otherwise determine, no Award and no right under any such Award, shall be assignable, alienable, saleable or transferable by a Participant otherwise than by will or by the laws of descent and distribution; provided, however, that, if so determined by the Administrator, a Participant may, in the manner established by the Administrator, designate a beneficiary or beneficiaries to exercise the rights of the Participant, and to receive any property distributable, with respect to any Award upon the death of the Participant.

Change of Control. If there is an event of change in control of our Company by way of a merger, a privatisation of our Company by way of a scheme or by way of an offer, the Board or the committee of the Board or person(s) to which the Board has delegated its authority shall at their sole discretion determine whether the vesting dates of any Awards will be accelerated. For such purpose, "control" shall have the meaning as specified in The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC from time to time.

(b) Outstanding Awards

We have applied for, and [have been] granted (i) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of and paragraph 27 of Appendix D1A to the Listing Rules in connection with the information of the Options and RSUs granted under the Share Incentive Plan; and (ii) an exemption from the SFC from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in connection with the information of the Options granted under the Share Incentive Plan. For further details, please refer to "Waivers and Exemption – Waiver and Exemption in relation to the Share Incentive Plan of the Company".

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Options

As of the Latest Practicable Date, the grantees of outstanding Options under the Share Incentive Plan include a connected person of our Company and 69 other participants of the Share Incentive Plan. Details of the outstanding Options granted under the Share Incentive Plan as of the Latest Practicable Date are set out below:

| <u>Name of Grantee</u> | <u>Position held at our Company</u> | <u>Address</u> | <u>Exercise Price as adjusted after the [REDACTED]</u> <i>(US\$ per Share)</i> | <u>Number of Shares subject to the Options granted as adjusted after the [REDACTED]</u> | <u>Date of Grant</u> | <u>Vesting Period</u> | <u>Approximate percentage of shareholding immediately following completion of the [REDACTED]⁽¹⁾</u> % |
|--|--|--|---|---|--------------------------------|-----------------------|---|
| Connected Person | | | | | | | |
| He Guanhua (何冠華) | Director of Shenzhen Lalapeisong, Lala Tianjin, Tianjin Huolala and Shenzhen Huolala (significant subsidiaries of our Company) | 403-404, Block 5, Huimeinan Yuan, Chigang South, Guangzhou Road, Haizhu District, Guangzhou, China | 0.098816 | [REDACTED] | March 1, 2016 | 4 years | [REDACTED] |
| 69 other participants of the Share Incentive Plan | | | From 0.0001 to 2.914 | [REDACTED] | March 1, 2016 to July 17, 2019 | 4 years | [REDACTED]% |
| Total | | | | [REDACTED] | | | [REDACTED]% |

Note:

1. Approximate percentage of shareholding is calculated as the number of Shares subject to the Options granted to a grantee and divided by the total number of Shares in issue immediately upon completion of the [REDACTED] (assuming (i) the [REDACTED] is not exercised; and (ii) the [REDACTED] are completed).

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RSs and RSUs

As of the Latest Practicable Date, no RS was outstanding, and the grantees of outstanding RSUs under the Share Incentive Plan include a Director, two other connected persons of our Company and 408 other participants of the Share Incentive Plan. Details of the outstanding RSUs granted under the Share Incentive Plan as of the Latest Practicable Date are set out below:

| <u>Name of Grantee</u> | <u>Position held at our Company</u> | <u>Address</u> | <u>Number of Shares subject to the RSUs granted after the [REDACTED]</u> | <u>Date of Grant</u> | <u>Vesting Period</u> | <u>Approximate percentage of shareholding immediately following completion of the [REDACTED]⁽¹⁾</u> % |
|---|--|--|--|---|-----------------------|---|
| Director | | | | | | |
| Mr. Tam | Executive Director and Co-Chief Operating Officer | Flat B, 50/F Sun Tower (Tower 1A), The Arch 1 Austin Road West, Tsim Sha Tsui Kowloon Hong Kong | [REDACTED] | April 1, 2021 | 4 years | [REDACTED] |
| Connected Persons | | | | | | |
| Chen Guo Ji (陳國基) | Director of Tianjin Huolala and Shenzhen Huolala (significant subsidiaries of our Company) | 12D, Moon Tower, the Arch, west Kowloon, Hong Kong | [REDACTED] | April 1, 2021 | 4 years | [REDACTED] |
| Chow Wing Fuk (周榮馥) ⁽²⁾ | Platform Operation Specialist | Flat A, 26/F, Block 1, Imperial Seafront, Imperial Cullinan, 10 Hoi Fai Rd, Tai Kok Tsui, Kowloon, Hong Kong | [REDACTED] | May 5, 2022 and July 31, 2023 | 4 years | [REDACTED] |
| Subtotal | | | [REDACTED] | | | [REDACTED]% |
| 408 other participants of the Share Incentive Plan | | | [REDACTED] | From April 7, 2020 to February 29, 2024 | 2 to 4 years | [REDACTED]% |
| Total | | | [REDACTED] | | | [REDACTED]% |

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Notes:

1. Approximate percentage of shareholding is calculated as the number of Shares subject to the RSUs granted to a grantee and divided by the total number of Shares in issue immediately upon completion of the [REDACTED] and the [REDACTED] (assuming (i) the [REDACTED] is not exercised; and (ii) the [REDACTED] are completed).
2. Mr. Chow Wing Fuk (周榮馥) is a sibling of Mr. Chow, as such Mr. Chow Wing Fuk is a connected person of the Company.

(c) Dilution Effect and Impact on Earnings per Share

The maximum number of Shares which may be issued under the Share Incentive Plan is 15,082,487 shares (or [REDACTED] Class B Shares as adjusted after the [REDACTED]). Prior to the [REDACTED], our Company (i) issued 2,198,910 ordinary shares of our Company on September 3, 2021 to Matpo Development Limited, which was designated by Mr. Tam upon the vesting of his corresponding RSs, and (ii) [issued] [12,563,549] ordinary shares of our Company on [●] to a wholly-owned subsidiary of the ESOP Trustee at par value to facilitate the administration of the Share Incentive Plan. No further Shares will be issued by our Company under the Share Incentive Plan upon [REDACTED]. As such, the Share Incentive Plan will not have any dilutive effect on the shareholding of our Shareholders after the [REDACTED], and the consequent impact on the earnings per ordinary share for the years ended December 31, 2021, 2022 and 2023 is nil.

E. OTHER INFORMATION

1. Litigation

As of the Latest Practicable Date, we are not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

2. Application for [REDACTED]

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee for the [REDACTED] of, and permission to deal in, the Class B Shares in issue (including the Class B Shares on conversion of the Preferred Shares) and to be issued pursuant to (i) the [REDACTED], (ii) the exercise of the [REDACTED] and (iii) the conversion of Class A Shares into Class B Shares on a one to one basis. Our Class A Shares will remain [REDACTED] upon the Company's [REDACTED] as required under Rule 8A.08 of the Listing Rules.

3. No Material Adverse Change

The Directors confirm that there has been no material change in the financial or trading position or prospects of our Group since December 31, 2023 (being the date to which the latest audited consolidated financial statements of our Group were prepared) and up to the date of this Document.

4. Agency Fees and [REDACTED] Received

The [REDACTED] will receive an [REDACTED] as referred to in “[REDACTED]”.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

5. The Joint Sponsors and Joint Sponsors' fees

The Joint Sponsors are independent from our Company pursuant to Rule 3A.07 of the Listing Rules. The fee payable by our Company to each of the Joint Sponsors to act as sponsor to our Company in connection with the [REDACTED] is US\$300,000.

6. Preliminary expenses

We have not incurred any material preliminary expenses.

7. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this Document, within the two years immediately preceding the date of this Document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this Document.

8. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this Document:

| <u>Name</u> | <u>Qualification</u> |
|--|--|
| Goldman Sachs (Asia) L.L.C. | Licensed corporation under the SFO for type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on future contracts), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities as defined under the SFO |
| Merrill Lynch (Asia Pacific) Limited | Licensed corporation under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on future contracts) and type 6 (advising on corporate finance) regulated activities as defined under the SFO |
| J.P. Morgan Securities (Far East) Limited | Licensed corporation under the SFO for type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO |
| KPMG | Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance |

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| Name | Qualification |
|---|---|
| King & Wood Mallesons | Company's PRC legal advisor |
| Hutabarat Halim & Rekan | Company's Indonesia legal advisors |
| Kudun and Partners Company Limited | Company's Thailand legal advisors |
| Romulo Mabanta Buenaventura Sayoc & de los Angeles | Company's Philippines legal advisors |
| Maples and Calder (Hong Kong) LLP | Company's Cayman Islands legal advisors |
| Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. | Independent industry consultant |

9. Consent of Experts

Each of the experts named above has given and has not withdrawn its respective written consent to the issue of this Document with the inclusion of its report and/or letter and/or opinion and/or the references to its name included in this Document in the form and context in which it is respectively included.

10. Binding Effect

This Document shall have the effect, if an application is made in pursuance of this Document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

11. Bilingual Document

The English and Chinese language versions of this Document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this Document, the English language version shall prevail.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

F. MISCELLANEOUS

- (a) Save as disclosed in this Document, within the two years immediately preceding the date of this Document;
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founders or management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.
- (b) Save as disclosed in this Document, our Group had not issued any debentures nor did it have any outstanding debentures nor any convertible debt securities.
- (c) Our Directors confirm that:
 - (i) there is no arrangement under which future dividends are waived or agreed to be waived; and
 - (ii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this Document.
- (d) The principal register of members of our Company will be maintained in the Cayman Islands by our [REDACTED]. Unless the Directors otherwise agree, all transfer and other documents of title of Class B Shares must be lodged for registration with and registered by our [REDACTED].
- (e) All necessary arrangements have been made to enable our Class B Shares to be admitted into CCASS for clearing and settlement.
- (f) No company within our Group is presently [REDACTED] on any stock exchange or [REDACTED] on any trading system.

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE ON DISPLAY**

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this Document and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) the written consents referred to in “Statutory and General Information — E. Other Information — 9. Consent of Experts” in Appendix IV; and
- (b) a copy of each of the material contracts referred to in “Statutory and General Information — B. Further Information about our Business — 1. Summary of Material Contracts” in Appendix IV.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and our website at <http://lalatech.com> during a period of 14 days from the date of this Document:

- (a) the Memorandum and the Articles of Association;
- (b) the Accountants’ Report of our Group from KPMG, the texts of which are set out in Appendix I;
- (c) the report on the [REDACTED] of our Group from KPMG, the text of which is set forth in Appendix II;
- (d) the audited consolidated financial statements of our Company for the three financial years ended December 31, 2021, 2022 and 2023;
- (e) the PRC legal opinions issued by our PRC Legal Advisor on PRC law, in respect of certain general corporate matters of our Group, the property interests of our Group and certain aspects of PRC law referred to in “Contractual Arrangements — The PRC Contractual Arrangements”;
- (f) the Indonesian legal opinions issued by our Indonesian Legal Advisor on Indonesian law, in respect of certain general corporate matters of our Group and certain aspects of Indonesian law referred to in “Contractual Arrangements — The Indonesian Contractual Arrangements”;
- (g) the Thai legal opinion issued by our legal advisor in Thailand on Thailand laws and certain general corporate matters of our Group;
- (h) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our legal advisor on Cayman Islands law, summarizing certain aspects of the Cayman Islands Company Law referred to in Appendix III;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE ON DISPLAY**

- (i) the report issued by Frost & Sullivan, from which information in “Industry Overview” is extracted;
- (j) the written consents referred to in “Statutory and General Information — E. Other Information — 9. Consent of Experts” in Appendix IV;
- (k) the material contracts referred to in “Statutory and General Information — B. Further Information about our Business — 1. Summary of Material Contracts” in Appendix IV;
- (l) the service contracts and the letters of appointment with our Directors referred to in “Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders — 2. Particulars of Service Contracts” in Appendix IV;
- (m) the terms of the Share Incentive Plan; and
- (n) the Cayman Companies Act.

DOCUMENT AVAILABLE FOR INSPECTION

A copy of a list of grantees under the Share Incentive Plan, containing all details as required under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be available for inspection at the office of Davis Polk & Wardwell, Hong Kong Solicitors, at 10/F, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this Document.