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ANE (Cayman) Inc.

安能物流集團有限公司

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

(Stock Code: 9956)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2022

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

FINANCIAL HIGHLIGHTS

	Six months ended June 30 2022 RMB'000 (Unaudited)	Six months ended June 30 2021 RMB'000 (Unaudited)	Period-to- period change
Revenue	4,139,175	4,521,617	-8%
Gross profit	274,027	572,851	-52%
Operating (loss)/profit	(137,644)	146,626	-194%
(Loss)/profit for the Reporting Period	(175,677)	(2,661,374)	N/A
Adjusted net (loss)/profit	(104,872)	247,465	-142%
Adjusted EBITDA	468,446	621,769	-25%
Cash from operating activities	657,890	301,786	118%
	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)	Period-to- period change
Total asset	6,329,113	6,335,586	0%
Total equity	2,601,323	2,668,308	-3%

Mr. Wang Yongjun, Chairman of ANE, commented, “In the past six months, ANE has encountered many challenges, including strict lockdown measures imposed by governments, the general economic downturn and the rapid fuel price inflation, which caused a decrease in both our revenue and gross and net margin of our LTL business. Under such volatile operating environment, we prioritize on maintaining: (i) the quality of our products and services; and (ii) the strength of our ecosystem of freight partners and agents over short-term profitability. We have taken measures such as maintaining our line-haul routes to epidemic regions that have negatively impacted our transportation efficiency. We believe that these measures would help us to preserve our long-term competitiveness and growth prospects. Looking ahead, while the market environment remain challenging and volatile in the foreseeable future, we are confident we will continue to expand our market leadership.”

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS OVERVIEW

We operate a leading express freight network in China's less-than-truckload (“LTL”) market. Express freight network operators, like us, are LTL service providers who have nationwide coverage, and deliver timely and comprehensive freight transportation services. In the first half of 2022, we have completed shipment of a total freight volume of 5.5 million tons.

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

Our investment in self-operated fleets helps us achieve self-operation of the majority of two-way line-haul route transportation. In the meanwhile, we launched our full-truckload (“FTL”) business in May 2022, in order to fully utilize the backhaul capacity of self-operated fleets deployed for one-way route. FTL handles the freight demand of shippers with an entire truck for direct point-to-point service.

Our Market and Industry

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

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

Our Freight Partner Platform

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

We are dedicated to creating more value to our freight partners and agents while benefiting from their growth. As a result, we believe we are best positioned to consolidate China's fragmented and inefficient LTL market. As of June 30, 2022, we had approximately 32,000 freight partners and agents, enabling us to better serve shippers while expanding nationwide coverage. We continue to enjoy strong relationship with our top freight partners. The retention rate of our top freight partners¹, which refer to the ratio of the number of top freight partners which remains as our freight partners in a given period, over the total number of top freight partners in the previous period, was 98.7% and 95.2% in 2021 and the first half of 2022, respectively.

We mainly provide transportation services, value-added services and dispatch services to our freight partners, our direct customers. As of June 30, 2022, we, together with our freight partners and agents, served approximately 4.3 million shippers, our end-customers, across the entire commerce landscape in China.

Our Network and Infrastructure

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

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

Sorting Centres

As of June 30, 2022, we had 148 self-operated sorting centres across China, allowing us, together with our network outlets, to cover approximately 98% of the counties and townships in China. We directly operate all of our sorting centres on leased premises. Our sorting centres are connected by the line-haul transportation network that we operate. The consolidation sorting centres receive and sort the freight and dispatch them to the destination sorting centres, which deconsolidate the freight and assign the freight to dispatching freight partners and agents. The following map illustrates our nationwide sorting centre network as of June 30, 2022:



Based on the functions, operating freight volume and line-haul connectivity, our sorting centres include key transit hubs, transit hubs and other sorting centres. Out of our 148 sorting centres as of June 30, 2022, we had 11 key transit hubs with full coverage of China and 44 transit hubs, which are primarily responsible for inter-provincial transfer of freight. The following table sets forth details of our sorting centres as of June 30, 2022:

	Number	Average Area (m ²)	Average daily handling volume in the year ended June 30, 2022 (tons)	Functionality
Key hubs	11	48,329	4,955	Nationwide full connectivity
Transit hubs	44	24,364	2,319	Inter-provincial connectivity
Other sorting centres	93	5,657	432	Regional connectivity

Our key transit hubs are located in key commercial centres in China such as Shanghai, Hangzhou, Guangzhou, Shenzhen, Chengdu and Suzhou. On average, our key transit hub handled a freight volume of approximately 0.7 million tons in the first half of 2022. Our transit hubs are normally adjacent to highways and is each directly connected to about 17 provinces on average as of June 30, 2022.

Line-Haul Network

We directly manage all the line-haul transportation in our network. Our sorting centres are connected with approximately 3,260 well-planned line-haul routes as of June 30, 2022, among which approximately 96% are two-way routes. We have added approximately 150 line-haul routes in the first half of 2022, allowing us to optimize our line-haul network: reducing transit ratios in inter- and intra-regions and establish direct national connectivity in newly operational sorting centres.

We have invested RMB192 million in our self-operated fleets in the first half of 2022. As of June 30, 2022, our self-operated fleets consisted of approximately 4,000 high-capacity line-haul trucks and over 5,900 trailers, as compared to approximately 4,000 high-capacity line-haul trucks and over 4,600 trailers as of December 31, 2021. All of our self-operated fleets are operated by our approximately 6,100 contracted drivers as of June 30, 2022. We acquired approximately 1,300 trailers to (i) increase our self-owned transportation capacity, and (ii) release storage pressure (e.g. package backlog caused by COVID-19 and lockdowns) of sorting centres during the peak periods, taking into consideration that trailers may also function as temporary warehouses.

Affected by Spring Festival holiday and lockdowns due to COVID-19, the average mileages per month at full utilization rate of our 17.5-metre high capacity truck was approximately 17,000 kilometres in six months ended June 30, 2022.

Network Outlets

As of June 30, 2022, all of the network outlets are owned and operated by approximately 32,000 freight partners and freight agents across China, covering approximately 98% of counties and townships in China.

Our Technology

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

II. FINANCIAL REVIEW

Overview

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

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

	For the six months ended June 30,		Period-to- period change
	2022 (Unaudited)	2021 (Unaudited)	
Total LTL freight volume ('000 tons)	5,390	5,838	-7.7%
Total FTL freight volume ('000 tons)	89	0 ⁽²⁾	N/A ⁽²⁾
Total freight volume ⁽¹⁾ ('000 tons)	5,479	5,838	-6.1%
Unit price for LTL transportation and value-added services (RMB/ton)	583	592	-1.5%
Unit price for LTL dispatch services (RMB/ton)	183	182	0.5%
Unit price for total LTL services (RMB/ton)	766	774	-1.0%
Unit price for total FTL services (RMB/ton)	131	N/A ⁽²⁾	N/A ⁽²⁾
Unit price for total services (RMB/ton)	755	774	-2.5%
Unit line-haul transportation cost (RMB/ton)	326	317	2.8%
Unit sorting centre cost (RMB/ton)	188	175	7.4%
Unit cost of value-added services (RMB/ton)	29	23	26.1%
Unit cost of dispatch services (RMB/ton)	162	161	0.6%
Unit cost of revenues (RMB/ton)	705	676	4.3%
Unit gross profit (RMB/ton)	50	98	-49.0%

Note:

- (1) The "freight volume" means the amount of freight by volumetric weight. However, the freight volume of FTL is calculated based on the total specified capacities of relevant trucks for each transportation assignment.
- (2) The Company launched FTL business in May 2022, the FTL freight volume for the six months ended June 30, 2021 was therefore nil.

Our total freight volume decreased by 6.1% from 5.8 million tons in the first half of 2021 to 5.5 million tons in the first half of 2022, which is mainly attributable to (i) strict lockdown measures imposed by governments in response to COVID-19 pandemic situation, and (ii) the slowdown in demand for LTL services caused by general economic downturn.

Revenue

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

LTL business	For the six months ended June 30,			
	2022 (Unaudited)		2021 (Unaudited)	
	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>			
Transportation	2,413,264	58.5	2,686,078	59.4
Value-added services	729,223	17.7	772,504	17.1
Dispatch services	985,038	23.8	1,063,035	23.5
Total revenues	4,127,525	100.0	4,521,617	100.0
FTL business	For the six months ended June 30,			
	2022		2021	
	(Unaudited)		(Unaudited)	
	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>			
Transportation ⁽¹⁾	11,650	100.0	0 ⁽¹⁾	N/A ⁽¹⁾
Total revenues	11,650	100.0	0⁽¹⁾	N/A⁽¹⁾
LTL and FTL Business	For the six months ended June 30,			
	2022		2021	
	(Unaudited)		(Unaudited)	
	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>			
Transportation	2,424,914	58.6	2,686,078	59.4
Value-added services	729,223	17.6	772,504	17.1
Dispatch services	985,038	23.8	1,063,035	23.5
Total revenues	4,139,175	100.0	4,521,617	100.0

Notes:

(1) The Company launched FTL business in May 2022, the FTL revenue for the six months ended June 30, 2021 was therefore nil.

The pricing level of our transportation services is determined by various factors, including the volumetric weight of the freight, transportation distance, product types, market conditions and competition, among others. We have established a dynamic pricing system which periodically evaluates and adjusts our pricing levels, allowing us to optimise our capacity management and operational efficiency. We primarily rely on freight partners and agents to carry out dispatch services, while also carrying out dispatch services by ourselves in limited circumstances.

Our total revenue decreased by 8.5% from RMB4,521.6 million for the six months ended June 30, 2021 to RMB4,139.2 million for the six months ended June 30, 2022, primarily driven by (i) the decrease in our total LTL freight volume from 5.8 million tons for the six months ended June 30, 2021 to 5.4 million tons for the six months ended June 30, 2022, and (ii) the decrease in our unit price for LTL transportation services from RMB460/ton for the six months ended June 30, 2021 to RMB448/ton for the six months ended June 30, 2022.

The decrease in our total LTL freight volume was mainly due to (i) strict lockdown measures imposed by governments in certain regions in response to COVID-19 pandemic situation which had significant adverse effect on our transportation services (the said decrease of LTL freight volume occurred from late March to May 2022, while the LTL freight volume started to resume year-on-year growth in June), and (ii) the slowdown in demand for LTL services caused by general economic downturn. The decrease in our unit price for LTL transportation services was mainly due to (i) we lowered the price in certain pandemic-hit regions so we have sufficient freight volume to ensure a normal service, and (ii) in order to maintain the overall health of our ecosystem, our reduction of price and value-added service fees to our freight partners and agents under pressure.

The decrease in our transportation revenues was mainly driven by the decrease in our total freight volume and the decrease in our unit price for transportation services.

The decrease in our value-added services revenues was mainly attributable to the decrease of LTL freight volume. The unit value-added services revenue slightly increased from the six months ended June 30, 2021 to the six months ended June 30, 2022.

The decrease in our dispatch services revenues was mainly due to the decrease of our freight volume. The unit dispatch services revenue remained relatively stable from the six months ended June 30, 2021 to the six months ended June 30, 2022.

The Company launched its FTL business in May 2022. Since the business is at its preliminary stage and relevant freight volumes are still increasing, the increase in FTL transportation revenues has not fully offset the decline in LTL transportation revenues.

Cost of revenues

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

	For the six months ended June 30,			
	2022		2021	
	(Unaudited)		(Unaudited)	
	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>			
Line-haul transportation	1,788,343	46.3	1,852,242	47.0
Sorting centre	1,029,154	26.6	1,023,896	25.9
Value-added services	158,693	4.1	131,704	3.3
Dispatch services	888,958	23.0	940,924	23.8
Total	3,865,148	100.0	3,948,766	100.0

Our cost of revenues decreased by 2.1% from RMB3,948.8 million for the six months ended June 30, 2021 to RMB3,865.1 million for the six months ended June 30, 2022, which was mainly due to (i) the decrease in our line-haul transportation cost from RMB1,852.2 million for the six months ended June 30, 2021 to RMB1,788.3 million for the six months ended June 30, 2022, and (ii) the decrease in our dispatch services cost from RMB940.9 million for the six months ended June 30, 2021 to RMB889.0 million for the six months ended June 30, 2022, both attributable to the decrease in freight volume from 5.8 million tons for the six months ended June 30, 2021 to 5.5 million tons for the six months ended June 30, 2022.

The increase in our unit line-haul transportation cost from RMB317/ton for the six months ended June 30, 2021 to RMB326/ton for the same period in 2022 was mainly attributable to:

- (i) the lower truck utility rate (as measured by average truck mileage) and transportation efficiency especially loading rate due to the impact of COVID-19; and
- (ii) the significant increase in our fuel costs due to rising oil price.

The increase in our unit sorting centre cost from RMB175/ton for the six months ended June 30, 2021 to RMB188/ton for the six months ended June 30, 2022 was mainly because the decrease in freight volume resulted in the increased unit fixed sorting centre cost (e.g. depreciation on right-of-use assets and property management fees).

The increase in our unit cost of value-added services from RMB23/ton for the six months ended June 30, 2021 to RMB29/ton for the six months ended June 30, 2022 was mainly because (i) the decrease in freight volume resulted in the increased unit fixed cost of value-added services, and (ii) the cost of value-added services increased in some particular regions seriously affected by COVID-19.

Our unit cost of dispatch services remained relatively stable from the first half of 2021 to the first half of 2022.

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

	For the six months ended June 30, 2022		2021	
	(Unaudited) RMB	%	(Unaudited) RMB	%
	<i>(in thousands, except percentages)</i>			
Services costs for third-party fleets	174,841	9.8	865,971	46.8
Operating costs incurred by self-operated fleets:				
Toll costs	1,613,502	90.2	986,271	53.2
Fuel costs	505,191	28.2	344,826	18.6
Driver compensation	490,393	27.4	264,849	14.3
Depreciation	326,287	18.2	217,083	11.7
Others	169,017	9.5	96,286	5.2
	122,614	6.9	63,227	3.4
Total line-haul transportation costs	1,788,343	100.0	1,852,242	100.0

Our operating costs incurred by self-operated fleets increased significantly from the first half of 2021 to the first half of 2022 as a result of our investment in self-operated line-haul transportation.

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

	For the six months ended June 30, 2022		2021	
	(Unaudited) RMB	%	(Unaudited) RMB	%
	<i>(in thousands, except percentages)</i>			
Labour costs	577,753	56.1	610,013	59.6
Depreciation of right-of-use assets	299,111	29.1	261,834	25.6
Property management fees and utility costs	67,734	6.6	66,133	6.5
Equipment rental costs	46,785	4.5	42,449	4.1
Others	37,771	3.7	43,467	4.2
Total sorting centre costs	1,029,154	100.0	1,023,896	100.0

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

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

Gross Profit and Gross Profit Margin

For the six months ended June 30, 2022, the gross profit and gross profit margin was RMB274.0 million and 6.6%, respectively, as compared to RMB572.9 million and 12.7%, respectively, for the six months ended June 30, 2021. The decrease in gross profit was mainly driven by the decrease in freight volume in the first half of 2022 and the decrease in gross profit margin mainly due to the decreased unit revenue and increased unit cost of revenues due to the above-mentioned reasons. As a result, our unit gross profit decreased from RMB98/ton for the six months ended June 30, 2021 to RMB50/ton for the six months ended June 30, 2022.

General and Administrative Expenses

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

	For the six months ended June 30,			
	2022		2021	
	(Unaudited)		(Unaudited)	
	RMB	%	RMB	%
	<i>(in thousands, except percentages)</i>			
Salaries and other benefits	219,806	53.7	211,069	51.8
Business operation expenses	55,245	13.5	53,912	13.2
Professional service fees	28,295	6.9	56,273	13.8
Depreciation and amortisation	36,683	9.0	22,199	5.5
Share-based payment expenses	69,085	16.9	63,686	15.6
Total	<u>409,114</u>	<u>100.0</u>	<u>407,139</u>	<u>100.0</u>

Our general and administrative expenses remained relatively stable from the six months ended June 30, 2021 to the six months ended June 30, 2022. The main changes include (i) the decrease in professional fees due to the decrease in fees incurred from our IPO and Pre-IPO financing, and (ii) the increase in depreciation and amortisation.

Other Income and Gains/(Losses), Net

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

	For the six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>(RMB in thousands)</i>	
Government grants	9,847	4,972
Foreign exchange (loss)/gain	(2,416)	1,535
Interest income	6,784	5,476
Loss on disposal of long-term assets	(2,564)	(7,983)
Asset impairment	(9,670)	(22,771)
Others	(4,538)	(315)
Total	(2,557)	(19,086)

We recorded other losses of RMB2.6 million for the six months ended June 30, 2022, as compared to other losses of RMB19.1 million for the six months ended June 30, 2021. The change was primarily attributable to (i) the decrease in asset impairment of RMB13.1 million in relation to the one-off provision of trade receivables from a historical customer in the same period of 2021, and (ii) the foreign exchange loss of RMB2.4 million recorded as of June 30, 2022 due to exchange rate fluctuation.

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

As a result of the foregoing, our operating profit of RMB146.6 million for the six months ended June 30, 2021 decreased to an operating loss of RMB137.6 million for the six months ended June 30, 2022. Our operating profit margin of 3.2% for the six months ended June 30, 2021 decreased to an operating loss margin of 3.3% for the six months ended June 30, 2022, which was mainly due to the above-mentioned reasons.

Finance Costs

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

	For the six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>(RMB in thousands)</i>	
Interest on lease liabilities	31,062	32,707
Interest on bank and other loans	28,653	28,257
Transaction costs for the issue of convertible redeemable preferred shares and convertible loans and prepaid forward contract	<u>–</u>	<u>24,360</u>
Total	<u>59,715</u>	<u>85,324</u>

Our finance costs decreased by 30.0% from RMB85.3 million for the six months ended June 30, 2021 to RMB59.7 million for the six months ended June 30, 2022, mainly because we issued convertible redeemable preferred shares in the first half of 2021 and the costs are non-recurring in 2022.

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

There was no fair value change of financial assets and liabilities at fair value through profit or loss for the six months ended June 30, 2022, as compared to RMB2,631.4 million for the six months ended June 30, 2021. The changes in 2021 are non-recurring after the completion of the Company's global offering (“**Global Offering**”) in 2021, as all our convertible redeemable preferred shares were automatically converted into ordinary shares upon the completion of Global Offering.

Changes in Expected Redemption Amount Associated with the Put Option Liabilities

There was no change in expected redemption amount associated with the put option liabilities for the six months ended June 30, 2022, as compared to RMB203.6 million for the six months ended June 30, 2021. The changes in 2021 are non-recurring after the completion of the Company's Global Offering in 2021, as the relevant financial liabilities associated with put option were classified into non-controlling interest upon the completion of Global Offering.

Income Tax Credit

We recorded income tax credit of RMB21.7 million for the six months ended June 30, 2022, as compared to income tax credit of RMB112.3 million for the six months ended June 30, 2021, primarily due to the increase in recognition of deferred tax assets as one of our major subsidiaries recorded losses in the first half of 2022 caused by COVID-19 and economic downturn and we expect it to make profit and therefore utilise the accumulated tax losses carried forward.

Loss for the Reporting Period

As a result of the foregoing, we recorded a loss of RMB175.7 million with a net loss margin of 4.2% for the Reporting Period, as compared to a loss of RMB2,661.4 million with a net loss margin of 58.9% for the same period of 2021, which was, in particular, attributable to the loss on non-recurring fair value change of financial liabilities at fair value through profit or loss and changes in expected redemption amount associated with the put option liabilities, which occurred in 2021 only.

Non-HKFRS Measures

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

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

	For the six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>(RMB in thousands)</i>	
Loss for the period	(175,677)	(2,661,374)
Add:		
Shares-based payment expenses ⁽¹⁾	70,805	64,599
Fair value change of financial liabilities at fair value through profit or loss ⁽²⁾	–	2,631,394
Changes in expected redemption amount associated with the put option liabilities ⁽³⁾	–	203,625
Listing expenses ⁽⁴⁾	–	9,221
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Adjusted (loss)/profit for the period	<u>(104,872)</u>	<u>247,465</u>

Notes:

- (1) Share-based payment expenses relates to the share rewards we granted to our employees, which is a non-cash item.
- (2) Fair value change of financial liabilities at fair value through profit or loss represent the losses arising from change in fair value of our issued preferred shares and convertible loans, which is a non-cash item and is not directly related to our operating activities. Such fair value changes are also non-recurring in nature as the relevant preferred shares have been automatically converted into ordinary shares upon the completion of the listing of the Company's ordinary shares on the Main Board of the Stock Exchange (the "Listing").
- (3) Changes in expected redemption amount associated with the put option liabilities is a non-cash item and is not directly related to our operating activities. Such changes are also non-recurring in nature as the relevant financial liabilities associated with put option have been classified into non-controlling interest upon the completion of the Listing.
- (4) Listing expenses represent the fees incurred in relation to the Global Offering, which is a non-recurring item.

The following table sets out our non-HKFRS measures, and a reconciliation from loss for the period to adjusted EBITDA (a non-HKFRS measure) for the periods indicated.

	For the six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>(RMB in thousands)</i>	
Loss for the period	(175,677)	(2,661,374)
Add:		
Depreciation	529,349	396,200
Amortisation of other intangible assets	12,720	10,599
Interest income	(6,784)	(5,476)
Finance costs	59,715	85,324
Income tax credit	(21,682)	(112,343)
Shares-based payment expenses	70,805	64,599
Fair value change of financial liabilities at fair value through profit or loss	–	2,631,395
Changes in expected redemption amount associated with the put option liabilities	–	203,626
Listing expenses	–	9,221
Adjusted EBITDA	<u>468,446</u>	<u>621,769</u>

	For the six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>(%)</i>	
Net loss margin	(4.2)	(58.9)
Adjusted net (loss)/profit margin	(2.5)	5.5
Adjusted EBITDA margin	11.3	13.8

Capital Management

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

Depreciation

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

	For the six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>(RMB in thousands)</i>	
Depreciation of right-of-use assets	314,920	273,406
Depreciation of motor vehicles	185,992	102,129
Others	28,437	20,665
Total	<u>529,349</u>	<u>396,200</u>

Liquidity and Financial Resources

The Group's cash and cash equivalents as at June 30, 2022 were RMB1,067.9 million, representing an increase of 11.9% compared to RMB954.3 million as at December 31, 2021. The increase was primarily attributable to our net cash generated from operating activities.

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

Borrowings and Gearing Ratio

As at June 30, 2022, the Group had outstanding (i) secured borrowings of approximately RMB1,143.1 million; and (ii) unsecured borrowings of approximately RMB150.0 million. The Group's borrowings carried interest at prevailing market rates.

As of June 30, 2022, our gearing ratio, calculated as total borrowings divided by total equity attributable to equity holders of the Company, was approximately 49.7% (December 31, 2021: 37.8%).

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

Significant Investment Held

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

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

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

Future Plans for Material Investments and Capital Assets

As of June 30, 2022, we did not have plans for material investments and capital assets.

Charge on Assets

As at June 30, 2022, certain of our bank loans and other borrowings were secured by mortgages over certain of our motor vehicles and buildings with a net carrying amount of RMB868.1 million and RMB109.8 million, respectively.

Contingent Liabilities

As of June 30, 2022, we have guaranteed certain bank loans made to our customers, which amounted to RMB3.3 million. As of June 30, 2022, we did not have any other material contingent liabilities.

Foreign Exchange Exposure

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

Share Pledge

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

III. OUTLOOK AND PROSPECTS

COVID-19 Impact

Throughout the first half of 2022, the government implemented different levels of COVID-zero policy in different regions in domestic China, including implementation of travel bans, mass medical test and blockade of certain cities and regions and suspension of business activities, and may continue to take further measures to keep this epidemic outbreak in check. Stricter COVID-19 containment measures in mainland China in response to the COVID-19 resurgence from March to May 2022 led to slowdown in demand for high quality LTL services and logistic disruptions, which has resulted in a decline of freight volume, as compared with the same period in 2021.

We may continue to experience disruption to our operation due to the COVID-19 outbreak in the second half of 2022. We have taken considerable measures to reduce the impact of the COVID-19 outbreak, including strictly implementing self-quarantine and disinfection measures at our headquarters, sorting centres and network outlets in accordance with government issued protocols. We remain highly vigilant to the developing situation and aim to maintain our operational flexibility so to keep the disruption of the COVID-19 to the minimum.

Future Strategy

Our future strategies focus on meeting the demand for comprehensive transportation services brought by the fast-changing commerce landscape, accelerating the consolidation in China's LTL industry, increasing operational efficiency, implementing more stringent cost control measures, and strengthening our operational capability to cope with the uncertain market.

(i) Expand shipper base and upgrade product offerings

We will continue to grow our market share in the China LTL market by capturing the growing market demand brought by the rapid development of digitalised supply chain. We will strategically focus on developing high growth regions, industries and shipper groups. We endeavour to continuously consolidate the fragmented LTL market by attracting more freight operators, especially those with key industry expertise, to join our platform.

(ii) Strengthen our platform and collaborations with freight partners and agents

We endeavour to create more value to our freight partners and agents by building a more vibrant platform and empowering them with our proprietary technologies and management systems. In the second half of 2022, to maintain the sustainability of the overall ecology of our transportation and sorting network, we will provide our freight partners and agents with various support in relation to pricing and cost to help them deal with the uncertain market and gain more market share.

(iii) Invest in our mission-critical infrastructure

Investing in mission-critical infrastructure is a long-term strategic imperative. We will continue to (i) optimise our sorting capacity in multiple aspects to accommodate our high volume growth and improve our network structure; and (ii) further invest in and maintain our self-operated line-haul truck fleet.

(iv) Enhance operational efficiency

Maintaining and enhancing our cost leadership is our core strategic focus. We endeavour to create a highly efficient and safe working environment and further upgrade our driver management APPs and management tools, to improve workers' and drivers' safety, productivity and long-term loyalty.

(v) Continue technology innovations

Building on our existing technology innovations and capabilities, we intend to significantly increase our R&D expenses and investments, especially in sorting, line-haul and full AI-enabled decision-making process.

IV. RISK MANAGEMENT

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

	<i>Notes</i>	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Revenue	4	4,139,175	4,521,617
Cost of revenue		(3,865,148)	(3,948,766)
Gross profit		274,027	572,851
Other income and gains/(losses), net	5	(2,557)	(19,086)
General and administrative expenses		(409,114)	(407,139)
Operating (loss)/profit		(137,644)	146,626
Finance costs	6	(59,715)	(85,324)
Fair value changes of financial assets and liabilities at fair value through profit or loss	7	–	(2,631,394)
Changes in expected redemption amount associated with the put option liabilities		–	(203,625)
LOSS BEFORE TAX	8	(197,359)	(2,773,717)
Income tax credit	9	21,682	112,343
LOSS FOR THE PERIOD		(175,677)	(2,661,374)
Attributable to:			
Owners of the parent		(174,788)	(2,661,214)
Non-controlling interests		(889)	(160)
		(175,677)	(2,661,374)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic (RMB)		(0.15)	(10.26)
Diluted (RMB)		(0.15)	(10.26)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	2022 (Unaudited) <i>RMB'000</i>	2021 (Unaudited) <i>RMB'000</i>
LOSS FOR THE PERIOD	<u>(175,677)</u>	<u>(2,661,374)</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the financial statements of subsidiaries	<u>(91,997)</u>	<u>28,648</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the financial statements of the Company	<u>130,640</u>	<u>22,913</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>38,643</u>	<u>51,561</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(137,034)</u>	<u>(2,609,813)</u>
Attributable to:		
Owners of the parent	<u>(136,145)</u>	<u>(2,609,653)</u>
Non-controlling interests	<u>(889)</u>	<u>(160)</u>
	<u>(137,034)</u>	<u>(2,609,813)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	<i>Notes</i>	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		1,960,240	1,857,344
Prepayments for property, plant and equipment		15,387	25,312
Right-of-use assets		1,033,008	1,225,534
Goodwill		146,253	146,253
Other intangible assets		23,074	31,707
Deferred tax assets		418,037	396,390
Restricted cash		9,991	11,329
Other non-current assets		101,779	88,558
		<hr/>	<hr/>
Total non-current assets		3,707,769	3,782,427
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		10,125	11,529
Trade receivables	<i>12</i>	37,194	39,799
Prepayments		119,767	133,985
Other receivables and other assets		631,327	866,064
Financial assets at fair value through profit or loss		754,429	546,737
Restricted cash		586	727
Cash and cash equivalents		1,067,916	954,318
		<hr/>	<hr/>
Total current assets		2,621,344	2,553,159
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables	<i>13</i>	344,525	450,804
Other payables and accruals		1,031,740	968,992
Interest-bearing borrowings		876,597	705,713
Tax payable		4,770	5,264
Lease liabilities		498,093	520,886
		<hr/>	<hr/>
Total current liabilities		2,755,725	2,651,659
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(134,381)	(98,500)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,573,388	3,683,927
		<hr/>	<hr/>

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
NON-CURRENT LIABILITIES		
Interest-bearing borrowings	416,472	302,390
Lease liabilities	<u>555,593</u>	<u>713,229</u>
Total non-current liabilities	<u>972,065</u>	<u>1,015,619</u>
Net assets	<u>2,601,323</u>	<u>2,668,308</u>
EQUITY		
Equity attributable to owners of the parent		
Share capital	149	149
Reserves	<u>2,115,677</u>	<u>2,181,017</u>
Non-controlling interests	<u>2,115,826</u> <u>485,497</u>	<u>2,181,166</u> <u>487,142</u>
Total equity	<u>2,601,323</u>	<u>2,668,308</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

1. CORPORATE INFORMATION

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

Notwithstanding that the Group recorded net current liabilities of RMB134,381,000 as at 30 June 2022, the financial statements have been prepared on a going concern basis. The Group assesses its liquidity by its ability to generate cash from operating activities. The Group generated positive cash flows from operating activities during the Reporting Period. As at 30 June 2022, the Group has unutilised bank facilities available for future use of RMB400,000,000. The directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from 30 June 2022. The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial liabilities and obligations as they fall due and to sustain its operations for the next twelve months from 30 June 2022.

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

3. OPERATING SEGMENT INFORMATION

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

Geographical information

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

Information about major customers

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

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers:</i>		
Less-than-truckload		
Transportation	2,413,264	2,686,078
Dispatch services	985,038	1,063,035
Value-added services	729,223	772,504
	<u>4,127,525</u>	<u>4,521,617</u>
Full-truckload		
Transportation	11,650	–
	<u>11,650</u>	<u>–</u>
Total	<u><u>4,139,175</u></u>	<u><u>4,521,617</u></u>

(i) Disaggregated revenue information

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
Over time:		
Transportation	2,424,914	2,686,078
Dispatch services	985,038	1,063,035
Value-added services	55,288	69,967
	<u>673,935</u>	<u>702,537</u>
At a point in time:		
Value-added services	673,935	702,537
	<u>673,935</u>	<u>702,537</u>
Total revenue from contract with customers	<u><u>4,139,175</u></u>	<u><u>4,521,617</u></u>

(ii) Performance obligations

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

Transportation and dispatch services

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

Value-added services

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

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

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Transportation and dispatch services	81,349	74,879
Value-added services	11,861	3,210
	<hr/>	<hr/>
Total	93,210	78,089
	<hr/> <hr/>	<hr/> <hr/>

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

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

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Impairment losses, net of reversal		
– Trade receivables and other receivables	(9,670)	(22,771)
Government grants*	9,847	4,972
Net foreign exchange (losses)/gains	(2,416)	1,535
Loss on disposal of property, plant and equipment	(2,564)	(7,983)
Interest income	6,784	5,476
Others	(4,538)	(315)
	<hr/>	<hr/>
	(2,557)	(19,086)
	<hr/> <hr/>	<hr/> <hr/>

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on bank loans and other loans	28,653	28,257
Interest on lease liabilities	31,062	32,707
Transaction costs for the issue of convertible redeemable preferred shares and convertible loans	–	24,360
	<hr/>	<hr/>
	59,715	85,324
	<hr/> <hr/>	<hr/> <hr/>

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fair value changes of convertible redeemable preferred shares	–	2,598,832
Fair value changes of convertible loans	–	5,280
Fair value changes of a prepaid forward contract	–	26,679
Fair value changes of warrants	–	603
	<u>–</u>	<u>2,631,394</u>

8. LOSS BEFORE TAX

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

	<i>Notes</i>	For the six months ended 30 June	
		2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Cost of revenue*		3,058,759	3,434,325
Depreciation of property, plant and equipment		214,429	122,794
Depreciation of right-of-use assets		314,920	273,406
Amortisation of other intangible assets		12,720	10,599
Fair value changes of convertible redeemable preferred shares	7	–	2,598,832
Fair value changes of convertible loans	7	–	5,280
Fair value changes of a prepaid forward contract	7	–	26,679
Fair value changes of warrants	7	–	603
Changes in expected redemption amount associated with the put option liabilities		–	203,625
Government grants	5	(9,847)	(4,972)
Auditors' remuneration		1,000	–
Employee benefit expenses (including directors' and chief executive's remuneration):			
Wages, salaries and allowances		260,957	257,202
Pension scheme contributions		28,056	25,487
Share-based payment expenses		70,805	64,599
Impairment losses on trade receivables and other receivables	5	9,670	22,771
Lease expenses**		48,795	51,886
Utility fee		20,366	19,927
Interest income	5	(6,784)	(5,476)
Listing expense		–	9,221
Loss on disposal of property, plant and equipment	5	2,564	7,983

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

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

9. INCOME TAX

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

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

All of the Group's subsidiaries registered in the PRC, except for certain subsidiaries which enjoy a tax rate of 2.5% or 5%, are subject to PRC enterprise income tax ("EIT") at a rate of 25%.

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	307	83
Adjustments in respect of prior years	(342)	–
Deferred income tax	<u>(21,647)</u>	<u>(112,426)</u>
Tax credit for the period	<u>(21,682)</u>	<u>(112,343)</u>

10. DIVIDEND

The directors of the Company do not recommend the payment of any dividend for the six months ended 30 June 2022.

11. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,162,605,486 (2021: 259,465,854) in issue during the period.

The calculation of the diluted loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted loss per share are based on:

Loss per share – basic	For the six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
<u>Loss</u>		
Loss attributable to ordinary equity holders of the parent	(174,788)	(2,661,214)
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	1,162,605,486	259,465,854
Loss per share (RMB)	(0.15)	(10.26)
Loss per share – diluted		
<u>Loss</u>		
Loss attributable to ordinary equity holders of the parent	(174,788)	(2,661,214)
Loss attributable to ordinary equity holders of the parent for diluted loss per share calculation	(174,788)	(2,661,214)
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	1,162,605,486	259,465,854
Weighted average number of shares for diluted loss per share calculation	1,162,605,486	259,465,854
Loss per share (RMB)	(0.15)	(10.26)

As the Group incurred losses for the six months ended 30 June 2021, the potential ordinary shares were not included in the calculation of diluted loss per share as the potential ordinary shares had an anti-dilutive effect on the basic loss per share. Accordingly, the diluted loss per share during the period, are the same as the basic loss per share. The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2022.

12. TRADE RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables	100,714	102,762
Impairment	(63,520)	(62,963)
Trade receivables, net	<u>37,194</u>	<u>39,799</u>

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 year	36,025	39,060
1 to 2 years	1,169	739
Total	<u>37,194</u>	<u>39,799</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
At beginning of period	62,963	26,010
Impairment losses	3,868	43,509
Amount written off as uncollectible	(3,311)	(6,556)
At end of period	<u>63,520</u>	<u>62,963</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geography, service type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than two years and are not subject to enforcement activity.

13. TRADE PAYABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade payables	344,525	450,804

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 3 months	300,012	391,022
3 to 6 months	9,526	21,902
6 to 12 months	34,987	37,880
	344,525	450,804

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Amendments to Memorandum and Articles of Association

At the annual general meeting of the Company held on June 8, 2022 (the “AGM”), the shareholders of the Company (the “Shareholders”) passed a special resolution in relation to the amendment and restatement of the nineteenth amended and restated memorandum and articles of association of the Company currently in effect by the deletion in their entirety and the substitution in their place of the twentieth amended and restated memorandum and articles of association. For further details, please refer to the Company’s circular dated May 17, 2022.

Change of Company Secretary, Authorised Representative and Process Agent

During the Reporting Period and up to the date of this announcement, the company secretary (the “Company Secretary”), authorised representative and process agent of the Company changed as follows:

- Mr. LONG Jianyao – tendered his resignation as the joint company secretary of the Company (the “Joint Company Secretary”) with effect from June 24, 2022.
- Ms. LO Ka Man – tendered her resignation and ceased to act as (i) a Joint Company Secretary, (ii) an authorised representative of the Company pursuant to Rule 3.05 of the Rules Governing the Listing of Securities of the Stock Exchange (the “Stock Exchange”) (the “Listing Rules”) (the “Authorised Representative”); and (iii) an agent for acceptance of service of process and notices on behalf of the Company in Hong Kong under Rule 19.05(2) of the Listing Rules and Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Process Agent”) with effect from June 24, 2022.
- Ms. PUN Ka Ying – appointed as the sole Company Secretary, the Authorised Representative and the sole Process Agent with effect from June 24, 2022.

Re-election of Directors

At the AGM, the Shareholders passed ordinary resolutions in relation to re-election of Mr. Wang Yongjun, Mr. Qin Xinghua, Mr. Zhu Jianhui, Mr. Chen Weihao, Mr. Wang Jian, Ms. Li Dan, and Mr. Geh George Shalchu as Directors. For further details, please refer to the Company’s circular dated May 17, 2022.

Compliance with the Corporate Governance Code

The Company is committed to ensuring high standards of corporate governance and has adopted the code provisions set out in the Corporate Governance Code (the “**Corporate Governance Code**”) in Appendix 14 to the Listing Rules. During the Reporting Period, the Company has complied with all the applicable code provisions in the Corporate Governance Code.

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

Compliance with the Model Code

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

Employees and Remuneration

The Group had 4,419 employees as at June 30, 2022, representing a reduction of 5.6% compared to 4,680 employees as at December 31, 2021. The Group enters into employment contracts with its employees to cover matters such as wages, benefits, and grounds for termination.

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

Use of Proceeds from the Global Offering

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

The table below sets forth a detailed breakdown and description of the use of net proceeds from the listing of the Company to June 30, 2022. The Company intends to use the net proceeds in the same matter and proportion as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

Use of Proceeds	Percentage of total net proceeds (in the same proportion as stated in the Prospectus) (%)	Amount of net proceeds for the relevant use (in the same proportion as stated in the Prospectus) (HK\$ million)	Amount of net proceeds utilized as of June 30, 2022 (HK\$ million)	Amount not yet utilized as of the date of June 30, 2022 (HK\$ million)	Expected timeframe for utilizing the remaining unutilized net proceeds
(A) building, upgrading and potential acquisitions of 5 to 10 key transit hubs in strategic locations to accommodate our high volume growth, improve our network structure and ensure stability and long-term planning	40.0	403.7	–	403.7	24-36 months from the Listing
(B) investment in our line-haul truck fleet to further improve our operational efficiency	30.0	302.8	250.2	52.6	12-24 months from the Listing
(i) purchase approximately 2,000 to 3,000 modern and high-capacity truck tractors and trailers, and to partner with major trucking manufacturers to customise their models to fit our operational needs	25.0	252.3	199.8	52.6	
(ii) repay our borrowings for the purchase of trucks	5.0	50.5	50.5	0.0	
(C) investment in technology innovations	20.0	201.8	5.2	196.6	24-36 months from the Listing
(i) upgrade the technologies and automated facilities of our sorting network	10.0	100.9	3.9	97.0	
(a) deploy AI-enabled autonomous decision-making systems in our management of sorting network to reduce human error and reliance on individual workers	2.0	20.2	1.8	18.4	
(b) sorting automation, with focuses on AI vision monitoring systems, dynamic volume weighing devices, unmanned forklift, IoT devices and automated cross-belts tailored for freight sorting, which enable us to further improve sorting capacity and efficiency	8.0	80.7	2.1	78.6	
(ii) invest in intelligent transportation management systems and autonomous driving technologies	10.0	100.9	1.3	99.6	
(a) intelligent transportation management to further optimize our route planning and enhance our transportation efficiency	8.0	80.7	1.3	79.4	
(b) autonomous driving technologies to improve transportation safety and reduce transportation cost	2.0	20.2	–	20.2	
(D) Working capital and other general corporate purposes	10.0	100.9	19.3	81.6	24-36 months from the Listing

Purchase, Sale or Redemption of Listed Securities

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

Material Litigation

As of June 30, 2022, as far as the Company is aware, the Company and its subsidiaries were not involved in any material litigation or arbitration and no material litigation or claim of material importance was pending or threatened against or by the Company.

Audit Committee

The audit committee of the Board (the “**Audit Committee**”) has three members comprising three independent non-executive Directors, being Mr. Li Wilson Wei (chairman of the Audit Committee), Mr. Geh George Shalchu and Mr. Lam Man Kwong, with terms of reference in compliance with the Listing Rules.

The Audit Committee has considered and reviewed the interim financial results for the six months ended June 30, 2022, the accounting principles and practices adopted by the Company and the Group and discussed matters in relation to internal control, risk management and financial reporting with the management. The Audit Committee considers that the interim financial results for the six months ended June 30, 2022 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

In addition, the Company's independent auditor, Ernst & Young, has performed an independent review of the Group's interim financial information for the six months ended 30 June 2022 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

Other Board Committees

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

EVENTS AFTER THE END OF THE REPORTING PERIOD

On July 11, 2022, the Board announced (i) the change of the address of the principal place of business in Hong Kong of the Company from Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong to 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong with effect from July 10, 2022, and (ii) the change of the address of the Hong Kong share registrar and transfer office of the Company, Tricor Investor Services Limited, from Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong to 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong with effect from August 15, 2022. For details, please refer to the announcement of the Company dated July 11, 2022.

Save as above, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to June 30, 2022 and up to the date of this announcement.

INTERIM DIVIDEND

The Board resolved not to recommend the payment of an interim dividend for the six months ended June 30, 2022.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

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

The interim report for the six months ended June 30, 2022 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

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

By Order of the Board
ANE (Cayman) Inc.
Mr. Wang Yongjun
Chairman

Hong Kong, August 25, 2022

As at the date of this announcement, the Board comprises Mr. Wang Yongjun, Mr. Qin Xinghua and Mr. Zhu Jianhui as executive Directors; Mr. Chen Weihao, Mr. Wang Jian and Ms. Li Dan as non-executive Directors; and Mr. Li Wilson Wei, Mr. Geh George Shalchu and Mr. Lam Man Kwong as independent non-executive Directors.