



(A joint stock company incorporated
in the People's Republic of China with limited liability)

Stock Code : 2482

LOGORY LOGISTICS TECHNOLOGY CO., LTD.

合肥维天运通信息科技股份有限公司

GLOBAL OFFERING

Sole Sponsor, Overall Coordinator and Sole Global Coordinator



Joint Bookrunners



IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



Logory Logistics Technology Co., Ltd. 合肥維天運通信息科技股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

GLOBAL OFFERING

| | |
|---|---|
| Number of Offer Shares under the Global Offering | : 43,211,000 H Shares (subject to the Over-allotment Option) |
| Number of Hong Kong Offer Shares | : 4,322,000 H Shares (subject to adjustment) |
| Number of International Offer Shares | : 38,889,000 H Shares (subject to adjustment and the Over-allotment Option) |
| Maximum Offer Price | : HK\$3.5 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and Accounting and Financial Reporting Council transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund) |
| Nominal value | : RMB0.0625 per H Share |
| Stock code | : 2482 |

Sole Sponsor, Overall Coordinator and Sole Global Coordinator



Joint Bookrunners



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix VIII has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement between the Overall Coordinator (for itself and on behalf of the Underwriters) and our Company on or about Thursday, March 2, 2023 and, in any event, not later than Friday, March 3, 2023. The Offer Price will be not more than HK\$3.5 per H Share and is currently expected to be not less than HK\$2.9 per H Share, unless otherwise announced. If, for any reason, the Offer Price is not agreed by Friday, March 3, 2023 between the Overall Coordinator (for itself and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Overall Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate and with the consent of our Company, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and on the website of our Company at www.logory.com as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

We are incorporated, and all of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and the different risks relating to investment in PRC incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of our Shares. Such differences and risk factors are set out in the sections headed "Risk Factors", "Appendix V—Summary of Principal Legal and Regulatory Provisions" and "Appendix VI—Summary of the Articles of Association" in this prospectus.

The Offer Shares 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 offered, sold, pledged or transferred within the United States and may be offered, sold or delivered only outside the United States in offshore transactions in accordance with Regulation S.

February 27, 2023

IMPORTANT

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the “*HKEXnews > New Listings > New Listing Information*” section, and our website at www.logory.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

- (1) apply online through the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp) or at www.hkeipo.hk;
- (2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, included by:
 - (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
 - (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary, broker or agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

IMPORTANT

Your application must be for a minimum of 1,000 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

| No. of Hong Kong Offer Shares applied for | Amount payable on application <i>HK\$</i> | No. of Hong Kong Offer Shares applied for | Amount payable on application <i>HK\$</i> | No. of Hong Kong Offer Shares applied for | Amount payable on application <i>HK\$</i> | No. of Hong Kong Offer Shares applied for | Amount payable on application <i>HK\$</i> |
|---|--|---|--|---|--|---|--|
| 1,000 | 3,535.30 | 20,000 | 70,705.96 | 100,000 | 353,529.76 | 800,000 | 2,828,238.00 |
| 2,000 | 7,070.60 | 25,000 | 88,382.43 | 150,000 | 530,294.63 | 900,000 | 3,181,767.76 |
| 3,000 | 10,605.89 | 30,000 | 106,058.93 | 200,000 | 707,059.50 | 1,000,000 | 3,535,297.50 |
| 4,000 | 14,141.19 | 35,000 | 123,735.41 | 250,000 | 883,824.38 | 1,500,000 | 5,302,946.26 |
| 5,000 | 17,676.49 | 40,000 | 141,411.90 | 300,000 | 1,060,589.26 | 2,161,000 ⁽¹⁾ | 7,639,777.90 |
| 6,000 | 21,211.79 | 45,000 | 159,088.39 | 350,000 | 1,237,354.13 | | |
| 7,000 | 24,747.08 | 50,000 | 176,764.88 | 400,000 | 1,414,119.00 | | |
| 8,000 | 28,282.38 | 60,000 | 212,117.86 | 450,000 | 1,590,883.88 | | |
| 9,000 | 31,817.68 | 70,000 | 247,470.83 | 500,000 | 1,767,648.76 | | |
| 10,000 | 35,352.98 | 80,000 | 282,823.80 | 600,000 | 2,121,178.50 | | |
| 15,000 | 53,029.47 | 90,000 | 318,176.78 | 700,000 | 2,474,708.26 | | |

Notes:

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on the websites of the Stock Exchange at www.hkexnews.hk, and the Company at www.logory.com, respectively.

Hong Kong Public Offering commences9:00 a.m. on Monday,
February 27, 2023

Latest time for completing electronic applications under
the **HK eIPO White Form** service through (a) the **IPO App**,
which can be downloaded by searching “**IPO App**”
in App Store or Google Play or download at
www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp,
or (b) the designated website www.hkeipo.hk⁽²⁾11:30 a.m. on Thursday,
March 2, 2023

Application Lists open⁽³⁾11:45 a.m. on Thursday,
March 2, 2023

Latest time for (a) completing payment of **HK eIPO White Form**
applications by effecting internet banking transfer(s) or
PPS payment transfer(s) and (b) giving **electronic application**
instructions to HKSCC⁽⁴⁾12:00 noon on Thursday,
March 2, 2023

If you are instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.

Application Lists close⁽³⁾12:00 noon on Thursday,
March 2, 2023

Expected Price Determination Date⁽⁵⁾12:00 noon on Thursday,
March 2, 2023

(1) Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published in the website of the Stock Exchange at www.hkexnews.hk and our Company’s website at www.logory.com on or before⁽¹⁰⁾ Wednesday,
March 8, 2023

EXPECTED TIMETABLE⁽¹⁾

(2) Announcement of the results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.logory.com⁽⁶⁾ (see "How to Apply for Hong Kong Offer Shares—11. Publication of Results" in this prospectus) from⁽¹⁰⁾ Wednesday, March 8, 2023

Results of allocations in the Hong Kong Public Offering will be available at "IPO Results" function in the **IPO App** or at www.tricor.com.hk/ipo/result and www.hkeipo.hk/IPOResult with a "search by ID" function from⁽¹⁰⁾ 8:00 a.m. on Wednesday, March 8, 2023 to 12:00 midnight on Tuesday, March 14, 2023

H Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before⁽⁷⁾⁽⁹⁾⁽¹⁰⁾ Wednesday, March 8, 2023

HK eIPO White Form e-Auto Refund payment instructions/refund cheques in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to be dispatched on or before⁽⁸⁾⁽⁹⁾⁽¹⁰⁾ Wednesday, March 8, 2023

Dealings in the H Shares on the Stock Exchange expected to commence at⁽¹⁰⁾ 9:00 am on Thursday, March 9, 2023

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- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (2) You will not be permitted to submit your application under the **HK eIPO White Form** service through the **IPO App** or the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for lodging applications. **If you have already submitted your application and obtained an application reference number from the IPO App or the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day of lodging applications, when the Application Lists close.**
- (3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force and/or Extreme Conditions in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, March 2, 2023, the Application Lists will not open or close on that day. See "How to Apply for Hong Kong Offer Shares—10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists" in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares—6. Applying Through the CCASS EIPO Service" in this prospectus.
- (5) The Price Determination Date is expected to be on or around Thursday, March 2, 2023 and, in any event, not later than Friday, March 3, 2023. If, for any reason, the Offer Price is not agreed between the Overall Coordinator (for itself and on behalf of the Underwriters) and us by Friday, March 3, 2023, the Global Offering will not proceed and will lapse.

EXPECTED TIMETABLE⁽¹⁾

- (6) None of the website or any of the information contained on the website forms part of this prospectus.
- (7) H Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so at their own risk.
- (8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s identification document number, or, if the application is made by joint applicants, part of the identification document number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s identification document number before encashment of the refund cheque. Inaccurate completion of an applicant’s identification document number may invalidate or delay encashment of the refund cheque.
- (9) Applicants who have applied on the **HK eIPO White Form** service for 1,000,000 or more Hong Kong Offer Shares may collect any refund cheques and/or Share certificates in person from the Company’s H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong between 9:00 a.m. and 1:00 p.m. on Wednesday, March 8, 2023 or such other date as notified by the Company in the newspapers as the date of dispatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. Applicants being corporations who are eligible for personal collection must attend through their authorized representatives bearing letters of authorization from their corporation stamped with the corporation’s chop. Both individuals and authorized representatives of corporations must produce evidence of identity acceptable to our H Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Offer Shares through the **CCASS EIPO** service should refer to the section headed “How to Apply for Hong Kong Offer Shares—14. Despatch/Collection of H Share Certificates/e-Auto Refund Payment Instructions/Refund Cheque(s)—Personal Collection—(ii) If you apply through **CCASS EIPO** service” in this prospectus for details.

Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheques in favour of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at their own risk.

H Share certificates and/or refund cheques (if applicable) for applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected H Share certificates and/or refund cheques will be dispatched by ordinary post, at the applicants’ risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed “How to Apply for Hong Kong Offer Shares—13. Refund of Application Monies” and “How to Apply for Hong Kong Offer Shares—14. Despatch/Collection of H Share Certificates/e-Auto Refund Payment Instructions/Refund Cheque(s)—Personal Collection—(ii) If you apply through **CCASS EIPO** service” in this prospectus.

- (10) In case a typhoon warning signal no. 8 or above, a black rainstorm warning signal and/or Extreme Conditions is/are in force in any days between Monday, February 27, 2023 to Thursday, March 9, 2023, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering; (ii) dispatch of H Share certificates and refund cheques/**HK eIPO White Form** e-Auto Refund payment instructions; and (iii) dealings in the Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

The above expected timetable is a summary only. You should refer to the sections headed “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, the Company will make an announcement as soon as practicable thereafter.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, Overall Coordinator, Sole Global Coordinator, Joint Bookrunners and Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, any of our or their respective directors or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by and should be read in conjunction with, the full prospectus. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed “Risk Factors” of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We have built a digitalized ecosystem for road freight transportation in China. We operate one of the largest digital freight platforms in China in terms of Online GTV during the Track Record Period, according to CIC. Our platform provides digital freight services and solutions to shippers, such as logistics companies and cargo owners, as well as truckers in both inter-city and intra-city road freight transportation. To cater to different needs of shippers, we provide two types of services through our digital freight business, namely freight transportation services and freight platform services. We had served over 11,600 shippers and 2.7 million truckers who had completed an aggregate of over 36.2 million shipping orders on our platform from the inception of our digital freight business to September 30, 2022. The aggregate amount of shipping fees (including VAT) settled on our platform from transactions fulfilled through us as a statutory carrier under PRC law, which we refer to as our Online GTV, amounted to RMB27.3 billion in the nine months ended September 30, 2022.

In addition to our digital freight platform, we also operate Trucker Community, an “online + offline” community for truckers. According to CIC, it is the largest community for truckers in China and the largest community in the logistics industry in China, in terms of the number of registered users as of December 31, 2021. We have accumulated a large and loyal user base of truckers over the past decade, which enabled us to launch a comprehensive portfolio of truck sales and aftermarket solutions, Truck Plus, to empower truckers in China by addressing their needs in the full life-cycle of their businesses. Our Trucker Community and Truck Plus business provide strategic value complement to our digital freight business, and such three business lines generate strong synergies. In the foreseeable future, we expect to continue to generate the majority of our revenue from our digital freight business, while we expect to continue exploring business opportunities in Trucker Community and Truck Plus business to increase monetization.

According to CIC, China possesses the world’s largest freight transportation market, yet the freight transportation market in China also faces long-standing problems, such as low operational efficiency and lack of trust between shippers and truckers for road transportation. Since the establishment, we have been committed to using internet-based technology and digital approaches to improve the operational efficiency of the road freight transportation industry in China, to enhance the working conditions for truckers, and to lead the digital

SUMMARY

transformation of the industry based on our insights into the trend of technology development. Since 2005, we have successively launched our self-developed SaaS products, which provide digital solutions to address the specific needs of different participants in the road freight transportation ecosystem and signify the first development phase of our digital freight business. We launched *Guanchebao* in 2005, the first SaaS product in logistics industry in China, according to CIC; subsequently, we launched mobile applications such as *Haoyunbao* and *Kuailubao* in light of the proliferation of mobile internet. In 2013, we took the lead in launching one of the first digital freight platforms in China according to CIC, signifying a new development stage for us as we transformed from a provider of SaaS products to a provider of comprehensive platform-based solutions. In 2014, we launched Trucker Community, the first online community for truckers in China according to CIC, reflecting our strategic transformation to another new development stage, as we strive to create ecosystem-based solutions that empower all ecosystem participants.

We seek to benefit and empower the participants in the ecosystem of road freight transportation industry, including shippers such as logistics companies and cargo owners, truckers, freight brokers, and other related service providers. We promote the collaboration between such ecosystem participants, enhance transparency and synergy in such collaboration through our digitalized services, and help such participants establish more balanced and reciprocal relationships through repeated transactions.



SUMMARY

Our revenue is primarily derived from our digital freight business. Based on the needs of the customers in the road freight transportation process, we provide two forms of services through our digital freight business, namely freight transportation services and freight platform services. The table below sets out a comparison of key characteristics of our freight transportation services and freight platform services:

| | <u>Freight Transportation Services</u> | <u>Freight Platform Services</u> |
|--|---|---|
| <i>Selection of transportation resources</i> | We select transportation resources (including truckers and their trucks) for shippers. | Shippers select transportation resources (including truckers and their trucks) by themselves through our platform. |
| <i>Pricing</i> | <p>We set the pricing for shipping fees paid by shippers to us based on negotiation between shippers and us.</p> <p>We set the pricing for transportation cost we pay to truckers based on negotiation between truckers and us.</p> | Shippers directly negotiate with truckers for transportation fees paid to truckers, and we charge shippers a variable margin based on negotiation between shippers and us. |
| <i>Typical customers</i> | Shippers for bulk cargo, such as coal or steel. As the shipping process for bulk cargo is highly standardized, such shippers generally do not have special requirements and prefer to have us select transportation resources for them. | Shippers for consumer commodities such as major home appliances. As the shipping process for consumer commodities is relatively complicated, such shippers generally have customized requirements and prefer to select transportation resources themselves. |
| <i>Role of our Group</i> | Principal, as we select transportation resources for shippers and have full control over the shipping process. | Agent, as shippers select transportation resources themselves and we do not have full control over the shipping process. |
| <i>Revenue recognition basis</i> | Gross basis | Net basis |

SUMMARY

| | <u>Freight Transportation Services</u> | <u>Freight Platform Services</u> |
|-----------------------------------|---|---|
| <i>Revenue recognition policy</i> | The shipping fees paid by shippers to us are recognized as revenue for freight transportation services, and the transportation cost we pay to truckers is recognized as cost of revenue. Revenue is recognized over time using an output method of progress as shippers receive the benefit of our services as the freight is shipped from the origin to the destination. | The margin we charge to shippers is recognized as revenue for freight platform services, which represents the difference between the total shipping fees paid by shippers to us and the transportation fees paid to truckers. Revenue is recognized once the shipping order is completed. |

Under both freight transportation services and freight platform services, as a statutory carrier, we are required by applicable PRC laws and regulations to enter an agreement with shippers who place shipping orders on our platform, and an agreement with truckers who fulfill such shipping orders. Since shippers and truckers do not directly enter into agreements with each other, we collect the full amount of shipping fee from shippers and pay the transportation fee to truckers under both business models.

Our financial performance showed a trend of growth during the Track Record Period. Our revenue grew from RMB3.6 billion in 2019 to RMB6.3 billion in 2021, representing a CAGR of 33.0%; and grew from RMB4,676.7 million in the nine months ended September 30, 2021 to RMB4,710.6 million in the nine months ended September 30, 2022. We recorded a net loss of RMB3.3 million in 2019, and net profits of RMB26.1 million, RMB50.7 million and RMB3.7 million in 2020, 2021 and the nine months ended September 30, 2022, respectively.

OUR BUSINESS MODEL AND SERVICE OFFERINGS

Our business primarily consists of three components: digital freight business, Trucker Community and Truck Plus solutions.

Digital Freight Business

We fulfill shippers' demand for road freight transportation through our digital freight business. The chart below sets forth the service we provide and the flow of fund at each stage during the shipment process of our digital freight business.

SUMMARY

Funds Flow and Transaction Flow — Freight Transportation Services



Note: We assign one designated account to each shipper on our platform for its payment of shipping fees.

Funds Flow and Transaction Flow — Freight Platform Services



Note: We assign one designated account to each shipper on our platform for its payment of shipping fees.

Our digital freight business primarily consists of two different service models, namely freight transportation services and freight platform services.

- *Freight Transportation Services:* We provide digital freight transportation services as a carrier, as we address the shipping demand from the shippers with appropriate road freight transportation resources, based on our analysis of the shippers' business. Our freight transportation services are usually provided to customers in the industries with a high degree of standardization in logistics transportation such as bulk cargo. Under our freight transportation services, we recognize contract amount

SUMMARY

charged to shippers for freight transportation service as our revenue. In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, Online GTV of our freight transportation services amounted to RMB3.6 billion, RMB4.8 billion, RMB6.5 billion, RMB4.8 billion and RMB4.9 billion, respectively, and the revenue of our freight transportation services amounted to RMB3.3 billion, RMB4.4 billion, RMB5.9 billion, RMB4.4 billion and RMB4.5 billion, respectively. In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, the number of shipping orders under our freight transportation services amounted to 1.1 million, 1.5 million, 1.8 million, 1.4 million and 1.2 million, respectively.

- *Freight Platform Services:* When we provide freight platform services, our focus is on connecting and facilitating the coordination between shippers and truckers. Under our freight platform services, we recognize platform service revenue based on the difference between the contract amount to be received from the shipper and the contract amount to be paid to the trucker. In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, Online GTV of our freight platform services amounted to RMB19.8 billion, RMB23.1 billion, RMB31.5 billion, RMB23.5 billion and RMB22.5 billion, respectively, and the revenue of our freight platform services amounted to RMB275.3 million, RMB261.7 million, RMB349.2 million, RMB253.6 million and RMB231.3 million, respectively. In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, the number of shipping orders under our freight platform services amounted to 4.8 million, 5.7 million, 8.6 million, 6.4 million and 6.2 million, respectively.

During the Track Record Period, we recorded higher Online GTV under freight platform services than under freight transportation services, and in line with such difference, we recorded higher gross profit under freight platform services than under freight transportation services. However, we recorded higher revenue under freight transportation services than under freight platform services, since we recognized revenue on a gross basis for freight transportation services and on a net basis for freight platform services.

Our responsibilities and liabilities under both freight transportation services and freight platform services are similar. For both freight transportation services and freight platform services, we serve as a carrier under PRC law, and bear the risks of loss or damage of goods in transit, up to the amount of transportation fee, in accordance with the agreements we entered into with shippers. We are obligated to ensure timely transportation and delivery of freight in good condition, are also required to observe safety requirements during the transportation process. As such, under both business models, shippers pay the full amount of shipping fee to us, and we pay the transportation fee to truckers.

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We have an adequate reserve of truckers to meet customers' demand for road freight transportation. Truckers on our digital freight platform are individual truck drivers who provide shipping services through trucks in the process of road freight transportation. Such truckers include those who have fulfilled shipping orders on our platform, as well as those who are ready to fulfill shipping order after the completion of registration on our platform. In 2019, 2020, 2021 and the nine months ended September 30, 2022, the number of truckers who had completed shipping orders on our platform amounted to 760.1 thousand, 1,018.9 thousand, 1,344.2 thousand and 1,170.4 thousand, respectively. Truckers on our Trucker Community platform serve as supplemental road freight transportation resources for our digital freight platform, while the majority of shipping orders are fulfilled by other truckers on our digital freight platform who have not joined Trucker Community. Under freight transportation services, 41.4%, 38.4%, 20.1% and 12.8% of the shipping orders were fulfilled by truckers on our Trucker Community platform in 2019, 2020, 2021 and the nine months ended September 30, 2022, respectively; under freight platform services, 33.9%, 39.6%, 19.8% and 18.7%, of the shipping orders were fulfilled by truckers on our Trucker Community platform in 2019, 2020, 2021 and the nine months ended September 30, 2022, respectively. To further improve the efficiency in trucker assignment, we closely track and evaluate the performance of truckers. We keep record of every transaction completed by truckers, including transaction time, customer feedback, and nature of the transaction. In some cases, we screen and select truckers that are familiar with certain routes, nature of freight, or work procedures, in order to provide services to particular customers with improved efficiency.

Trucker Community

We operate Trucker Community, the largest community in the logistics industry in China and the largest community for truckers in China, in terms of the number of registered users as of December 31, 2021, according to CIC. We are committed to creating a community for communication and mutual support among truckers in the road freight transportation industry.

Users can gain access to Trucker Community through a wide variety of online portals, including the mobile application we developed for Trucker Community, our official accounts on social media platforms such as WeChat and Douyin, our WeChat group, or the offline activities organized by the local branches of Trucker Community.

Trucker Community primarily offers the following features: (i) content-based networking; (ii) mutual support-based networking; (iii) offline social networking; and (iv) access to insurance. Trucker Community helps us strengthen our brand image and establishes strong connections with truckers on our platform.

During the Track Record Period, we did not generate any income directly from Trucker Community.

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Truck Plus Solutions

Through Truck Plus solutions, we seek to enhance the operational efficiency of truckers with an integrated portfolio of truck sales and aftermarket services covering the entire life-cycle of a trucker's business. Our Truck Plus solutions play a supplemental role to support our digital freight business and to provide us with diversified sources of revenue. We provide our Truck Plus solutions through the network of authorized stores run by our business partners.

Our Truck Plus membership system provides truckers with services and protection of member rights and interests. The membership services we provided to truckers include rescue, sales discounts, offline services, among others, to increase the members' loyalty. As of September 30, 2022, more than 121,700 truckers had registered for Truck Plus membership. See “—Our Business Model and Service Offerings—Truck Plus Solutions.” In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, revenue generated from our Truck Plus business was RMB17.8 million, RMB14.1 million, RMB9.7 million, RMB7.0 million and RMB7.4 million, respectively, accounting for 0.5%, 0.3%, 0.2%, 0.1% and 0.2% of our total revenue during the corresponding periods, respectively.

OUR CUSTOMERS AND SUPPLIERS

Our customers primarily include third-party logistics companies, and to a lesser extent, cargo owners with needs for road freight transportation services. In particular, our customers are primarily engaged in the FTL shipping business. The FTL market accounted for approximately 60% of the overall market size of the road freight transportation market in China in 2021, and the digital freight platform had a penetration rate of 10.7% in the FTL market in 2021, according to CIC. During the Track Record Period, we did not have any substantial reliance on any single customer. In 2019, 2020, 2021 and the nine months ended September 30, 2022, revenue generated from our top five customers, accounted for 25.5%, 18.2%, 19.4% and 26.2% of our total revenue in the same period, respectively. Our customers operate in a broad range of industry sectors, and during the Track Record Period, shipping orders from each of the industry sectors where our customers operate generally accounted for less than 20% of our total Online GTV during the same period. As such, we believe that the concentration risk of our customers in terms of industry sectors is low. As of the Latest Practicable Date, none of our Directors, their close associates or any shareholders which, to the best knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, had any interest in any of our top five customers. See “Business—Our Customers.”

Our suppliers primarily include truckers and petroleum suppliers. During the Track Record Period, we procured from such petroleum suppliers petroleum credits, in bulk at a discount, and provided such petroleum credits to certain truckers in addition to cash settlement so that they can use such petroleum credits to purchase petroleum during their transportation process. Truckers on our digital freight platform are individual truck drivers who provide shipping services through trucks in the process of road freight transportation. During the Track Record Period, we did not have any substantial reliance on any single suppliers. In 2019, 2020, 2021 and the nine months ended September 30, 2022, our purchase amount from our five

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largest suppliers, accounted for 15.3%, 7.1%, 1.8% and 0.9% of our total cost of revenue in the same period, respectively. As of the Latest Practicable Date, none of our Directors, their close associates or any shareholders which, to the best knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, had any interest in any of our top five suppliers. See “Business—Our Suppliers.”

GOVERNMENT GRANTS

During the Track Record Period, we received a substantial amount of government grants, a majority of which were government grants related to digital freight business, which were provided by local financial bureaus pursuant to our agreements with them, based on our contribution to the local economy. Traditionally, logistics companies face practicable difficulties in claiming their entitled VAT deduction based on the transportation fee they pay to truckers due to truckers’ inability or reluctance to issue VAT invoices. Digital freight platforms help logistics companies claim their entitled VAT deduction, enhance their tax compliance status, and increase the amount of tax revenue collected by the local governments. However, by dealing with truckers directly in place of the logistics companies, digital freight platforms themselves also face the practical difficulties in claiming their entitled VAT deduction based on the transportation fee they pay to truckers, which results in unreasonably high VAT obligations for digital freight platforms. To address this issue and in light of the contribution of digital freight platforms to the local economy, local governments generally have strong incentives to provide government grants to digital freight platforms. According to our Industry Consultant, CIC, it has become an industry norm for companies in the digital freight industry to receive significant amounts of government grants related to their digital freight business. In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, the total amount of government grants related to digital freight business we recognized amounted to RMB916.0 million, RMB1,192.5 million, RMB1,771.8 million, RMB1,312.4 million and RMB1,285.7 million, respectively.

Under freight transportation services, our revenue is recognized on a gross basis, and government grants related to digital freight business are recognized as a reduction of freight cost under cost of revenue. As such, an increase in government grants under freight transportation services does not affect our revenue, but reduces our cost of revenue and increases our gross profit. Under freight platform services, our revenue is recognized on a net basis, and mainly represents the difference between the contract amount to be received from the shipper and the net freight cost. The net freight cost represents the contract amount to be paid to the trucker net of relevant government grants. Therefore, government grants under freight platform services are recognized as a reduction of net freight cost, which is reflected as an increase in net revenue. As such, an increase in government grants under freight platform services increases our revenue as well as our gross profit.

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The profitability of our digital freight business currently depends significantly on the level of government grants we receive. During the Track Record Period, if we had not received government grants, and assuming we did not increase our shipping fees charged to shippers notwithstanding the absence of such government grants and our continued difficulties in claiming VAT deductions, we would have incurred gross loss. The table below sets forth a comparison between our gross profit and the amount of government grants we received during the Track Record Period:

| | For the year ended December 31, | | | | | | | | | For the nine months ended September 30, | | | | | |
|---------------------------------|---------------------------------|--------------------------------|-----------------------------------|---------------------------|--------------------------------|-----------------------------------|---------------------------|--------------------------------|-----------------------------------|---|--------------------------------|-----------------------------------|---------------------------|--------------------------------|-----------------------------------|
| | 2019 | | | 2020 | | | 2021 | | | 2021 | | | 2022 | | |
| | Gross Profit (RMB'000) | Government Grants (RMB'000) | Percentage of Gross Profit (%) | Gross Profit (RMB'000) | Government Grants (RMB'000) | Percentage of Gross Profit (%) | Gross Profit (RMB'000) | Government Grants (RMB'000) | Percentage of Gross Profit (%) | Gross Profit (RMB'000) | Government Grants (RMB'000) | Percentage of Gross Profit (%) | Gross Profit (RMB'000) | Government Grants (RMB'000) | Percentage of Gross Profit (%) |
| Freight transportation services | 35,073 | 112,341 | 320 | 53,512 | 168,717 | 315 | 69,520 | 236,446 | 340 | 52,076 | 173,497 | 333 | 46,423 | 183,572 | 395 |
| Freight platform services | 168,878 | 631,627 | 374 | 235,321 | 812,481 | 345 | 318,990 | 1,180,357 | 370 | 235,213 | 876,921 | 373 | 205,435 | 845,879 | 412 |
| Total ⁽¹⁾⁽²⁾ | 211,826 | 743,968 | 351 | 300,958 | 981,198 | 326 | 399,861 | 1,416,803 | 354 | 294,208 | 1,050,418 | 357 | 259,083 | 1,029,451 | 397 |

Notes:

- (1) Total gross profit includes gross profit for all types of goods and services we provide, including: (i) freight transportation services; (ii) freight platform services; (iii) sale of goods; and (iv) others.
- (2) Total government grants related to digital freight business include (i) government grants related to freight transportation services, which are recognized as a reduction of freight cost for freight transportation services; and (ii) government grants related to freight platform services, which are recognized as a reduction of net freight cost for freight platform services and recorded in the line of revenue. Government grants related to digital freight business (for both freight transportation services and freight platform services) that are recorded as a deduction of taxes and surcharges are not included in this table as they do not affect our gross profit.

The local financial bureaus with which we enter into government grant agreements do not need to reside in the same region where our digital freight business is conducted. As such, when we expand our business into a new region, we do not need to establish a new subsidiary or enter into a new government grant agreement in such region; instead, we usually use existing subsidiaries with government grant agreements to enter into business contracts with customers in such region. We may also establish new subsidiaries in regions where local financial bureaus are willing to make favorable government grant arrangements. Considering that relevant taxation laws and regulations in the PRC require a corporate entity to pay VAT to tax authorities of its place of registration, rather than to tax authorities of the place where the actual business is carried out or where its customers are located, our Tax Consultant is of the view that such practice is in compliance with relevant tax laws and regulations in China. Our Industry Consultant, CIC, is of the view that such practice is in line with industry norms.

However, we cannot assure you that we will be able to receive government grants from any particular province in the PRC on similar terms or at all in the future. See “Risk Factors—Risks Relating to Our Business and Industry—The profitability of our business has

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been and is expected to continue to be reliant upon, among others, government grants provided by local financial bureaus relating to digital freight business. If we cannot continue to receive such grants, our financial performance may be materially and adversely affected”. Based on interviews with industry experts and considering (i) the contribution of digital freight platforms to local economy and local tax revenue, (ii) the practical difficulties for digital freight platforms to claim VAT deductions in the foreseeable future, (iii) the competition among local financial bureaus across China to attract digital freight platforms, and (iv) the consistent implementation of the Notice of the Ministry of Transport and the State Taxation Administration on Issuing Interim Measures for the Operation and Administration of Road Freight Transport Based on Internet Platforms by various local governments with respect to such government grants, our Industry Consultant, CIC, is of the view that the government grants related to digital freight platforms are expected to be continued at similar levels in the foreseeable future.

The shipping fees we currently charge shippers have reflected the difficulties for digital freight platforms like us to claim VAT deductions for cash payment of transportation fees to truckers as well as the government grants we expected to receive from local governments related to our digital freight business. In the unlikely event of termination of government grants, given the substantial market demand for digital freight services, we and other digital freight industry players would be able increase shipping fees charged to shippers in order to avoid gross loss and maintain business operation. Such an industry-wide increase in shipping fees due to a reduction or cessation of government grants should be acceptable by shippers because it will be both reasonable and necessary for the continued operation of the digital freight industry. See “Financial Information—Government Grants.”

DATA PRIVACY AND PERSONAL INFORMATION PROTECTION

Temporary App Takedown

In November and December 2020, we received certain notifications from the China Academy of Information and Communications Technology, a subordinate to the MIIT, claiming our potential violation of relevant rules and regulations governing privacy, as our Trucker Community App, and several third-party software development kits that are linked to our Trucker Community App, were found to be involved in improper collection and handling of user information, such as collecting MAC address of user’s device upon first time running the App before obtaining user’s authorization. In December 2020, our Trucker Community App was temporarily suspended from download by the MIIT in certain major App platforms. In response to such suspension, we have taken detailed measures to enhance our compliance in privacy protection. See “Business—Data Privacy and Personal Information Protection—Measures Implemented to Ensure Data Privacy and Personal Information Protection Compliance.” After fully rectifying such issue, the suspension against our Trucker Community App was lifted in January 2021. Taking into account (i) the fact that the suspension against our Trucker Community App was lifted in January 2021, (ii) the fact that no penalty has been imposed by MIIT with respect to temporary takedown of Trucker Community App, and (iii) the enhanced internal control measures that the Group has implemented to ensure the ongoing compliance,

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our PRC Legal Advisers are of the view that the risk that we will be subject to further administrative penalties for such temporary App takedown is low. Considering the aforementioned factors and the view of our PRC Legal Advisers, our Directors are of the view that such temporary App takedown is neither material nor systemic.

Measures Implemented to Ensure Data Privacy and Personal Information Protection Compliance

We attach the greatest importance to data security and protection. We have adopted our standard protective measures such as confidentiality management, access control, and data encryption to prevent unauthorized access, leakage, improper use or modification of, damage to or loss of data and personal information. Our cyber security and data protection department oversees our data security and personal information protection efforts. We have built up a comprehensive personal information management system, formulated a series of technical standards and specifications, and implemented a number of internal rules and policies to ensure data and personal information security throughout their life-cycle. See “Business—Data Privacy and Personal Information Protection.”

OUR STRENGTHS

We have achieved our success due to the following competitive strengths:

- (i) We operate one of the largest digital freight platforms in China.
- (ii) We have created the largest community for truckers in China.
- (iii) We have been continuously providing industry-leading digital solutions to our customers.
- (iv) We have propelled the industry development with continuous research and development.
- (v) We have cultivated a healthy, reciprocal and sustainable ecosystem.
- (vi) We have a management team with rich experience in digital logistics and a strong strategic shareholder base.

OUR BUSINESS STRATEGIES

We plan to pursue the following strategies to achieve our objectives:

- (i) Continue to scale up digital freight services and provide more in-depth services to customers

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- (ii) Continue to strengthen the community and membership system for truckers, so as to reinforce our road freight transportation resources
- (iii) Strengthen our efforts in Truck Plus solutions and further diversify our revenue streams
- (iv) Increase investment in research and development and continuously explore the adoption of new technologies
- (v) Continue to improve the mechanism for recruiting, cultivating and motivating talents

COMPETITION

The road freight transportation industry in China is competitive. We compete with other major digital freight platforms, communities for truckers and platforms for truck sales and aftermarket services. The areas in which we compete with our current or future competitors primarily include technological capabilities, industry know-hows and operational experiences.

Some of the companies against which we are competing or against which we may compete in the future may have greater financial resources. Mergers and acquisitions in the road freight transportation industry may result in even more resources being concentrated among a smaller number of our competitors. There can be no assurance that we will be able to compete successfully against our current or future competitors or that competition will not have a material adverse effect on our business, results of operations and financial condition.

RISK FACTORS

Our business and the Global Offering involve certain risks, some of which are set out in the section headed “Risk Factors.” You should read that section in its entirety carefully before you decide to invest in the Offer Shares. Some of the major risks we face include:

- (i) Our historical growth may not be indicative of our future growth, and if we are unable to manage our growth or execute our strategies effectively, our business and prospects may be materially and adversely affected.
- (ii) The profitability of our business has been and is expected to continue to be reliant upon, among others, government grants provided by local financial bureaus relating to digital freight business. If we cannot continue to receive such grants, our financial performance may be materially and adversely affected.
- (iii) Our business and growth are affected by various macroeconomic factors, including the continued growth of demand for digital freight services in the road freight transportation industry in China.

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- (iv) We operate in a competitive industry, and if we fail to compete effectively, our business and prospect could suffer.
- (v) Our business, financial condition and results of operations may be materially and adversely affected if we are unable to provide high-quality services to our customers.
- (vi) If we are unable to continue to meet changing market demands, adapt to evolving market trends and continue to innovate, our ability to sustain and grow our business may suffer. We may face challenges associated with expanding or diversifying our solution and service offerings and exploring new business.
- (vii) We may fail to cost-effectively attract and retain a large number of shippers or increase their utilization of our services.
- (viii) We may fail to efficiently attract and retain a large number of truckers in order to maintain and improve our transportation capabilities.
- (ix) We have established long-term relationships with a number of major customers, and deterioration in our relationships with them may adversely affect our business, financial condition and results of operation.
- (x) We work with third-party business partners in certain aspects of our business and if any of such business partners fails to deliver quality products or services in a timely manner, or if our relationship with any of them deteriorates, our business operations may be adversely affected.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

Summary Consolidated Statements of Profit or Loss

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|-----------------------------------|---------------------------------|---------------------|----------------|---------------------|----------------|---------------------|---|---------------------|----------------|---------------------|
| | 2019 | | 2020 | | 2021 | | 2021 | | 2022 | |
| | <i>RMB'000</i> | <i>% of Revenue</i> | <i>RMB'000</i> | <i>% of Revenue</i> | <i>RMB'000</i> | <i>% of Revenue</i> | <i>RMB'000</i> | <i>% of Revenue</i> | <i>RMB'000</i> | <i>% of Revenue</i> |
| Revenue | 3,560,542 | 100.0 | 4,664,587 | 100.0 | 6,297,250 | 100.0 | 4,676,704 | 100.0 | 4,710,591 | 100.0 |
| Cost of revenue | (3,348,716) | (94.1) | (4,363,629) | (93.5) | (5,897,389) | (93.7) | (4,382,496) | (93.7) | (4,451,508) | (94.5) |
| Gross profit | 211,826 | 5.9 | 300,958 | 6.5 | 399,861 | 6.3 | 294,208 | 6.3 | 259,083 | 5.5 |
| (Loss)/profit before tax | (3,209) | (0.1) | 35,047 | 0.8 | 57,918 | 0.9 | 69,569 | 1.5 | 5,213 | 0.1 |
| (Loss)/profit for the year/period | (3,298) | (0.1) | 26,070 | 0.6 | 50,744 | 0.8 | 56,720 | 1.2 | 3,699 | 0.1 |

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| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|---------------------------|---------------------------------|----------------|----------------|----------------|----------------|----------------|---|----------------|----------------|----------------|
| | 2019 | | 2020 | | 2021 | | 2021 | | 2022 | |
| | <i>% of</i> | <i>% of</i> | <i>% of</i> | <i>% of</i> | <i>% of</i> | <i>% of</i> | <i>% of</i> | <i>% of</i> | <i>% of</i> | |
| | <i>RMB'000</i> | <i>Revenue</i> | <i>RMB'000</i> | <i>Revenue</i> | <i>RMB'000</i> | <i>Revenue</i> | <i>RMB'000</i> | <i>Revenue</i> | <i>RMB'000</i> | <i>Revenue</i> |
| Attributable to: | | | | | | | | | | |
| Owners of the parent | (3,516) | (0.1) | 26,070 | 0.6 | 50,744 | 0.8 | 56,720 | 1.2 | 3,699 | 0.1 |
| Non-controlling interests | 218 | 0.0 | — | — | — | — | — | — | — | — |

Non-IFRS Measure

To supplement our consolidated financial statements which are presented in accordance with the IFRS, we also use adjusted profit or loss (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with the IFRS. We believe that adjusted profit or loss (non-IFRS measure) provides 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 the adjusted profit or loss (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of adjusted profit or loss (non-IFRS measure) is presented herein as an analytical tool for illustrative purposes only, and should not be considered in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under the IFRS.

The following table reconciles our adjusted profit/(loss) (non-IFRS measure) for the periods indicated:

| | For the year ended December 31, | | | For the nine months ended September 30, | |
|--|------------------------------------|----------------|----------------|--|----------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Net income/(loss) | (3,298) | 26,070 | 50,744 | 56,720 | 3,699 |
| Add | | | | | |
| Share-based payments⁽¹⁾ | 1,503 | 15,303 | 22,347 | 15,060 | 13,667 |
| Listing expenses related to the Global Offering | — | — | 14,218 | 4,931 | 16,185 |
| Adjusted profit/(loss) (non-IFRS measure) | <u>(1,795)</u> | <u>41,373</u> | <u>87,309</u> | <u>76,711</u> | <u>33,551</u> |

Notes:

- (1) We operate share award schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of our operations. Such share-based payments are non-cash in nature.

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We incurred net loss and adjusted loss (non-IFRS measure) in 2019, as we were in the early stage of developing our digital freight business, and were not able to fully leverage on the economy of scale to generate enough revenue to cover the costs and expenses incurred. Our adjusted net profit (non-IFRS measure) in the nine months ended September 30, 2022 decreased in comparison with the nine months ended September 30, 2021, for reasons similar to those for the decrease of our net profit in the nine months ended September 30, 2022 in comparison to our net profit in the nine months ended September 30, 2021, including, in particular, the resurgence of the COVID-19 pandemic in certain regions in China in 2022 which had an adverse impact on the business activities and the demand for digital freight services of some of the shippers. See “Financial Information—Period-to-Period Comparison of Results of Operation—Nine Months Ended September 30, 2022 Compared to Nine Months ended September 30, 2021.” The emergency measures taken by the Chinese government in response to such resurgence of the COVID-19 pandemic in the nine months ended September 30, 2022 were more restrictive than those in the nine months ended September 30, 2021, which adversely affected the macroeconomic conditions and the road freight transportation industry in China, the number of truckers available to fulfill shipping orders, and the shippers’ demand for digital freight services. According to CIC, the monthly average Composite Purchasing Managers’ Index (“**Composite PMI**”) in China from January 2022 to September 2022 dropped to 50.1 from the monthly average of 52.6 from January 2021 to September 2021 and freight volume for the road freight transportation industry experienced a year-over-year decrease of 4.4% across China during the nine months ended September 30, 2022. As we grew in size and became more mature in our digital freight business, we were able to more effectively leverage on economy of scale to improve profitability by providing wider and more in-depth services to customers, and keeping costs and expenses under control. We have also adopted robust measures to improve our profitability going forward. See “Business—Business Sustainability.”

During the Track Record Period, our net profit/(loss) improved from 2019 to 2021 as we continued to improve our gross profit margin through revenue expansion and economy of scale, and continued to improve our operating leverage by more efficiently managing our sales and marketing activities and administrative processes. See “Financial Information—Period-to-Period Comparison of Results of Operation—Nine Months Ended September 30, 2022 Compared to Nine Months ended September 30, 2021.”

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Selected Key Operating Metrics

The table below sets forth some of our key operating metrics during the Track Record Period.

| | For the year ended December 31, | | | For the nine months ended September 30, | |
|---|---------------------------------|---------|---------|---|---------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| <i>Digital Freight Business</i> | | | | | |
| Shippers that had completed shipping orders on our digital freight platform | 3,340 | 4,327 | 5,934 | 5,318 | 5,932 |
| Truckers who had completed shipping orders on our platform (thousand) | 760.1 | 1,018.9 | 1,344.2 | 1,101.2 | 1,170.4 |
| Active truckers ⁽¹⁾ (thousand) | 229.8 | 296.2 | 411.6 | 313.4 | 325.1 |
| Shipping orders (million) | 5.9 | 7.2 | 10.5 | 7.8 | 7.5 |
| Online GTV (RMB billion) | 23.4 | 27.9 | 38.0 | 28.3 | 27.3 |

Note:

- (1) active truckers are those truckers who completed at least four orders on our digital freight platform in a given year.

Selected Consolidated Statements of Profit or Loss Items

During the Track Record Period, we generated revenue predominantly from our digital freight business, by providing freight transportation services and freight platform services. The following table sets forth a breakdown of our revenue by types of goods or services for the periods indicated:

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|----------------------------------|---------------------------------|--------------|------------------|--------------|------------------|--------------|---|--------------|------------------|--------------|
| | 2019 | | 2020 | | 2021 | | 2021 | | 2022 | |
| | <i>RMB'000</i> | % | <i>RMB'000</i> | % | <i>RMB'000</i> | % | <i>RMB'000</i> | % | <i>RMB'000</i> | % |
| <i>(unaudited)</i> | | | | | | | | | | |
| <i>Type of goods or services</i> | | | | | | | | | | |
| Freight transportation services | 3,259,740 | 91.6 | 4,377,922 | 93.9 | 5,928,657 | 94.1 | 4,410,042 | 94.3 | 4,464,966 | 94.8 |
| Freight platform services | 275,284 | 7.7 | 261,666 | 5.6 | 349,201 | 5.5 | 253,605 | 5.4 | 231,327 | 4.9 |
| Sale of goods | 17,625 | 0.5 | 13,179 | 0.3 | 9,530 | 0.2 | 6,858 | 0.2 | 7,345 | 0.2 |
| Others ⁽¹⁾ | 7,893 | 0.2 | 11,820 | 0.2 | 9,862 | 0.2 | 6,199 | 0.1 | 6,953 | 0.1 |
| Total | 3,560,542 | 100.0 | 4,664,587 | 100.0 | 6,297,250 | 100.0 | 4,676,704 | 100.0 | 4,710,591 | 100.0 |

Note:

- (1) Others primarily include referral services for the sale of second-hand trucks, advertisement services, rental income and other value-added services.

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In terms of revenue breakdown by business lines, our digital freight business generally derives revenue from our freight transportation services and freight platform services. Specifically, we recognized certain revenue from our upgraded services under our freight platform services, and we plan to further optimize and promote our upgraded services with the proceeds from the Global Offering. See “Future Plans and Use of Proceeds.” Although during the Track Record Period, Online GTV contributed by our freight platform services was significantly higher than Online GTV contributed by our freight transportation services, we recorded higher revenue under freight transportation services than under freight platform services as we recognized revenue on a gross basis for freight transportation services and on a net basis for freight platform services. Our Truck Plus business primarily derives revenue from sales of goods such as truck parts, and to a lesser extent, from referral services for the sale of second-hand trucks, the revenue from which was recorded in the line of “Others.” Our Trucker Community did not generate revenue during the Track Record Period.

The following table sets forth the Online GTV and number of shipping orders on our digital freight platform, breakdown by business models, during the Track Record Period:

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|----------------------------------|---------------------------------|----------------------|------------------|----------------------|------------------|----------------------|---|----------------------|------------------|-----|
| | 2019 | | 2020 | | 2021 | | 2021 | | 2022 | |
| | <i>Shipping</i> | | <i>Shipping</i> | | <i>Shipping</i> | | <i>Shipping</i> | | <i>Shipping</i> | |
| <i>Online GTV</i> | <i>Orders</i> | <i>Online GTV</i> | <i>Orders</i> | <i>Online GTV</i> | <i>Orders</i> | <i>Online GTV</i> | <i>Orders</i> | <i>Online GTV</i> | <i>Orders</i> | |
| <i>(RMB billion)</i> | <i>(million)</i> | <i>(RMB billion)</i> | <i>(million)</i> | <i>(RMB billion)</i> | <i>(million)</i> | <i>(RMB billion)</i> | <i>(million)</i> | <i>(RMB billion)</i> | <i>(million)</i> | |
| Freight Transportation Services | 3.6 | 1.1 | 4.8 | 1.5 | 6.5 | 1.8 | 4.8 | 1.4 | 4.9 | 1.2 |
| Freight Platform Services | 19.8 | 4.8 | 23.1 | 5.7 | 31.5 | 8.6 | 23.5 | 6.4 | 22.5 | 6.2 |
| Total — Digital Freight Business | 23.4 | 5.9 | 27.9 | 7.2 | 38.0 | 10.5 | 28.3 | 7.8 | 27.3 | 7.5 |

The following table sets forth a breakdown of our gross profit and gross profit margin by types of goods and services for the periods indicated:

| <i>Type of goods or services</i> | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|----------------------------------|---------------------------------|---------------|---------------------|---------------|---------------------|---------------|---|---------------|---------------------|---------------|
| | 2019 | | 2020 | | 2021 | | 2021 | | 2022 | |
| | <i>Gross Profit</i> | <i>Margin</i> | <i>Gross Profit</i> | <i>Margin</i> | <i>Gross Profit</i> | <i>Margin</i> | <i>Gross Profit</i> | <i>Margin</i> | <i>Gross Profit</i> | <i>Margin</i> |
| | <i>(RMB'000)</i> | <i>(%)</i> | <i>(RMB'000)</i> | <i>(%)</i> | <i>(RMB'000)</i> | <i>(%)</i> | <i>(RMB'000)</i> | <i>(%)</i> | <i>(RMB'000)</i> | <i>(%)</i> |
| Freight transportation services | 35,073 | 1.1 | 53,512 | 1.2 | 69,520 | 1.2 | 52,076 | 1.2 | 46,423 | 1.0 |
| Freight platform services | 168,878 | 61.3 | 235,321 | 89.9 | 318,990 | 91.3 | 235,213 | 92.7 | 205,435 | 88.8 |
| Sale of goods | (18) | (0.1) | 305 | 2.3 | 1,489 | 15.6 | 720 | 10.5 | 272 | 3.7 |
| Others ⁽¹⁾ | 7,893 | 100 | 11,820 | 100 | 9,862 | 100.0 | 6,199 | 100.0 | 6,953 | 100.0 |
| Total | 211,826 | 5.9 | 300,958 | 6.5 | 399,861 | 6.3 | 294,208 | 6.3 | 259,083 | 5.5 |

Note:

- (1) Others primarily include referral services for the sale of second-hand trucks, advertisement services, rental income and other value-added services.

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The gross profits of our freight transportation services and freight platform services decreased in the nine months ended September 30, 2022 in comparison to those in the nine months ended September 30, 2021. See “Financial Information—Period-to-Period Comparison of Results of Operations—Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021—Gross Profit and Gross Profit Margin.” According to CIC, the gross profit margins in terms of Online GTV of major companies involved in digital freight business ranged from 0.5% to 2.5% in 2021. According to CIC, it is common for digital freight platforms to record this level of gross profit margin as they generally seek to generate profits from massive transaction volume rather than higher margins. While certain companies involved in digital freight business reported higher gross profit margins than we did within such range, the scope of services included in their digital freight business was broader than ours and included certain value-added services that we did not provide, which may have contributed to their higher gross profit margins, according to CIC. According to CIC, certain examples of the services provided by other digital freight platforms, which we do not yet provide, include, among others, (1) a freemium model, where shippers can post a certain number of shipping orders on the platform free of charge, but are required to pay membership fees in order to post additional shipping orders; and (2) a transaction commission model, where commissions calculated based on the transportation fees paid to truckers are charged from truckers when they take shipping orders from certain cities. According to CIC, such differences in business model have contributed to differences in profit margin of digital freight platforms.

The gross profit of our Truck Plus business comprised of gross profit from sales of goods, such as truck parts, and to a lesser extent, gross profit from referral services for the sale of second-hand trucks, which was recorded in the line of “Others.” Our Truck Plus business contributed to a very small portion of our revenue and gross profit during the Track Record Period and experienced certain fluctuations, as we were still in the process of growing such business at scale and were experimenting various initiatives to explore the optimal business model. The gross profit margin of our Truck Plus business was relatively low in 2019 as we were still in the early stage of exploring business model for our Truck Plus business.

The gross profit margin for “Others” remained at 100.0% during the Track Record Period, as we generated revenue from the businesses under “Others,” which primarily consisted of income from advertisement services, rental income and income from other value-added services, without incurring corresponding costs of revenue, which were generally covered by the costs incurred for our digital freight business.

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Summary Consolidated Statements of Financial Position

| | As of December 31, | | | As of September 30, |
|-------------------------------|--------------------|------------------|------------------|------------------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Total non-current assets | 115,882 | 106,063 | 103,995 | 106,305 |
| Total current assets | 1,705,006 | 2,200,748 | 2,559,107 | 1,901,110 |
| Total assets | 1,820,888 | 2,306,811 | 2,663,102 | 2,007,415 |
| | | | | |
| Total non-current liabilities | 1,698 | 1,355 | 717 | 739 |
| Total current liabilities | 1,631,661 | 2,002,202 | 2,126,950 | 1,453,875 |
| Total liabilities | 1,633,359 | 2,003,557 | 2,127,667 | 1,454,614 |
| | | | | |
| Net current assets | 73,345 | 198,546 | 432,157 | 447,235 |
| | | | | |
| Total equity | 187,529 | 303,254 | 535,435 | 552,801 |

The increase in our net assets from December 31, 2019 to December 31, 2020 was primarily attributable to the issuance of shares in relation to Series C pre-IPO investment in 2020 and the net profit recognized by us in 2020. The increase in our net assets from December 31, 2020 to December 31, 2021 was primarily attributable to the issuance of shares in relation to Series C pre-IPO investment in 2021 and the net profit recognized by us in 2021. The slight increase in our net assets from December 31, 2021 to September 30, 2022 was primarily attributable to the equity-settled share-based payments which led to an increase in share-based payments reserve, and the net profit recognized by us in the nine months ended September 30, 2022.

The increase in our net current assets from December 31, 2019 to December 31, 2020 was primarily attributable to increases in our prepayments, other receivables and other assets, cash and cash equivalents, and trade and notes receivables, and a decrease in interest-bearing bank and other borrowings, partially offset by an increase in other payables and accruals. The increase in our net current assets from December 31, 2020 to December 31, 2021 was primarily attributable to an increase in cash and cash equivalent. The increase in our net current assets from December 31, 2021 to September 30, 2022 was primarily attributable to an increase in

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financial assets at fair value through profit or loss, and decreases in other payables and accruals and interest-bearing bank and other borrowings, partially offset by decreases in cash and cash equivalents, prepayments, other receivables and other assets, and trade and notes receivables.

We had accumulated losses before and during the Track Record Period primarily because we incurred a high level of expenses as a percentage of revenue before the Track Record Period to gain more market share. In the three years prior to the Track Record Period, while we were not yet able to fully leverage our economy of scale, we incurred a significantly higher level of selling and marketing expenses, administrative expenses and research and development expenses as a percentage of our revenue, in comparison to the corresponding levels of such expenses during the Track Record Period, along with the significant expansion of the market size of digital freight business, to maintain and grow our market share during such period. We recorded net profit in 2020, 2021 and the nine months ended September 30, 2021 and 2022, and our accumulated losses decreased during this period. We expect our net profit in 2022, even after excluding the impact of the incurrence of listing expenses related to this Global Offering, to be significantly lower than that in 2021, primarily due to (i) an expected decrease in revenue resulted from a decrease in our Online GTV from RMB38.0 billion in 2021 to RMB36.6 billion in 2022, as a result of the adverse impact of the COVID-19 resurgence in 2022, which adversely affected the macroeconomic conditions and the road freight transportation industry in China, the number of truckers available to fulfill shipping orders and the shippers' demand for digital freight services, and continued to affect our business since the end of the Track Record Period and up to the Latest Practicable Date; (ii) an expected decrease in our gross profit margin resulted from (1) a decrease in the proportion of petroleum credits we paid to truckers in comparison to cash which led to reduced value-added tax deduction claimed by us based on the value of petroleum credits provided to truckers; (2) an expected increase in other cost of digital freight business as we improved our platform to enhance user experience; and (3) an expected increase in cost of assistance from logistics cooperation partners attributable to a few major customers, such as Customer K; and (iii) an expected increase in our other expense resulted from an expected increase in taxes and surcharges in certain regions where we operated our digital freight business. Due to the significant level of accumulated losses before 2020, we have not yet made up for such accumulated losses with the profit we generated since 2020.

SUMMARY

Summary Consolidated Statements of Cash Flows

| | For the year ended December 31, | | | For the nine months ended September 30, | |
|--|------------------------------------|----------------|----------------|--|----------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | | | | <i>(unaudited)</i> | |
| Net cash generated from/(used in) operating activities | 60,949 | 55,207 | 130,404 | 110,797 | (21,722) |
| Net cash used in investing activities | (22,519) | (11,303) | (7,910) | (147,866) | (113,808) |
| Net cash generated from/(used in) financing activities | 146,440 | 27,365 | 184,690 | 132,313 | (84,572) |
| Net increase/(decrease) in cash and cash equivalents | 184,870 | 71,269 | 307,184 | 95,244 | (220,102) |
| Cash and cash equivalents at beginning of year/period | 165,515 | 350,385 | 421,654 | 421,654 | 728,838 |
| Cash and cash equivalents at end of year/period | 350,385 | 421,654 | 728,838 | 516,898 | 508,736 |

We had net operating cash outflow for the nine months ended September 30, 2022, primarily due to a decrease in our net profit for such period as a result of the COVID-19 resurgence in China, and the change in working capital as we settled certain tax payables during this period.

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SUMMARY OF KEY FINANCIAL RATIOS

The following table sets forth a summary of our key financial ratios as of the dates or for the periods indicated. For further details of our key financial ratios, see “Financial Information—Key Financial Ratios.”

| | As at / For the year ended | | | As at / For the | |
|---|----------------------------|------|------|--------------------|--------------------|
| | December 31, | | | nine months ended | |
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | | | | <i>(unaudited)</i> | |
| Return on average assets ⁽¹⁾ (%) | N/M ⁽⁷⁾ | 1.3 | 2.0 | N/M ⁽⁸⁾ | N/M ⁽⁸⁾ |
| Return on average equity ⁽²⁾ (%) | N/M ⁽⁷⁾ | 10.6 | 12.1 | N/M ⁽⁸⁾ | N/M ⁽⁸⁾ |
| Gross profit margin ⁽³⁾ (%) | 5.9 | 6.5 | 6.3 | 6.3 | 5.5 |
| Net profit margin ⁽⁴⁾ (%) | N/M ⁽⁷⁾ | 0.6 | 0.8 | 1.2 | 0.1 |
| Current ratio ⁽⁵⁾ | 1.0 | 1.1 | 1.2 | 1.2 | 1.3 |
| Gearing ratio ⁽⁶⁾ (%) | 52.9 | 20.2 | 17.9 | 7.1 | 2.8 |

- (1) Return on average assets equals profit for the year attributable to the equity holders of the Company divided by average balance of total assets at the beginning and the end of that year and multiplied by 100%.
- (2) Return on average equity equals profit for the year attributable to the equity holders of the Company divided by average balance of total equity attributable to the equity holders of the Company at the beginning and the end of that year and multiplied by 100%.
- (3) Gross profit margin equals gross profit for the year/period divided by revenue for the year/period.
- (4) Net profit margin equals net profit for the year/period divided by revenue for the year/period.
- (5) Current ratio equals to total current assets divided by total current liabilities as of the end of the year/period.
- (6) Gearing ratio equals to net debts (including borrowings, lease liabilities) divided by the total equity as at the end of the year/period.
- (7) Not meaningful as net loss figures.
- (8) The figures for the nine months ended September 30, 2021 and 2022 are not meaningful as they are not comparable to the annual figures.

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BUSINESS SUSTAINABILITY

We gradually expanded our business operations and increased our revenue during the Track Record Period. Our revenue grew from RMB3.6 billion in 2019 to RMB4.7 billion in 2020 and further to RMB6.3 billion in 2021, representing a CAGR of 33.0% from 2019 to 2021; and grew from RMB4,676.7 million in the nine months ended September 30, 2021 to RMB4,710.6 million in the nine months ended September 30, 2022. We were able to achieve break-even or become profitable only after our revenue has reached a level that can cover our costs and expenses. Due to our contribution to the local economy and mutually-beneficial relationship with the local governments, we received a significant amount of government grants during the Track Record Period. The amount of government grants we recognized was based on our contribution to the local economy. During the Track Record Period, government grants related to digital freight business we recognized had approximately been half of our total financial contribution to the local governments, and such percentage had been decreasing slightly over the years during the Track Record Period. See “Financial Information—Government Grants.” We have significantly improved our profitability during the Track Record Period, and recorded net profit in 2020, 2021 and the nine months ended September 30, 2022. We believe the improvement in our profitability during the Track Record Period was attributable to (1) the increase in the amount of government grants we received during the Track Record Period, and (2) our ability in effectively leveraging on economy of scale, enhancing profitability through enriched portfolio of service offerings, and improving our operational efficiency, as we grew in size and became more mature in our digital freight business. While we expect to continue to receive government grants related to digital freight business at a similar level in the future, we plan to continue to improve our profitability and maintain our business sustainability mainly through (i) continued revenue growth; (ii) improving our operational leverage; and (iii) increasing monetization. See “Business—Business Sustainability.”

THIRD-PARTY PAYMENT ARRANGEMENTS

During the Track Record Period, certain of our customers (the “**Relevant Customer(s)**”) settled their payments with us through third-party payers (such payer(s), the “**Third-Party Payer(s)**”), and such arrangement(s), the “**Third-Party Payment Arrangement(s)**”). In 2019, 2020, 2021 and the nine months ended September 30, 2022, the aggregate amount of third-party payments (the “**Third-Party Payments**”) we received from Third-Party Payers was approximately RMB132.3 million, RMB59.6 million, RMB63.8 million and RMB0.6 million, which accounted for approximately 3.7%, 1.3%, 1.0% and 0.01% of our Group’s total revenue during the corresponding periods, respectively. The revenue related to Third-Party Payments generated from the Relevant Customers was approximately RMB25.6 million, RMB17.0 million, RMB13.1 million and RMB0.3 million, which accounted for approximately 0.7%, 0.4%, 0.2% and 0.01% of our Group’s total revenue during the corresponding periods, respectively. No individual Relevant Customer had made material contribution to our revenue

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during the Track Record Period. We adopted multiple internal control measures to safeguard our interest against risks associated with Third-Party Payment Arrangements. See “Business—Third-Party Payment Arrangements.” We have ceased all Third-Party Payment Arrangements by June 27, 2022.

PRE-IPO INVESTMENTS

Our Company underwent various pre-IPO investments by way of capital increases or equity transfers, as a result of which we have a diverse base of Pre-IPO Investors who are experienced individual investors or strategic institutional investors. For further details of the pre-IPO investments and identities and background of the Pre-IPO Investors, please see the section headed “Our History and Development—Pre-IPO Investments.”

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Share Subdivision and the Global Offering (assuming that the Over-Allotment Option is not exercised), (i) Mr. Feng will directly hold approximately 19.62% of the enlarged registered share capital of our Company; (ii) Mr. Du will directly hold approximately 19.62% of the enlarged registered share capital of our Company; and (iii) Shanghai Chuyan will directly hold approximately 0.93% of the enlarged registered share capital of our Company. Shanghai Chuyan is the shareholding platform established by Mr. Feng and Mr. Du, and is owned as to 52% by Mr. Feng (as the general partner) and 48% by Mr. Du (as the sole limited partner). Mr. Feng and Mr. Du therefore have full control over Shanghai Chuyan. By virtue of the Concert Party Agreement, Mr. Feng, Mr. Du and Shanghai Chuyan will be considered as a group of Controlling Shareholders under the Listing Rules. For more details, please see the section headed “Relationship with our Controlling Shareholders” in this prospectus.

RECENT DEVELOPMENT

Impact of the COVID-19 Outbreak

Our business operations and financial performance were negatively affected by a resurgence of the COVID-19 pandemic in certain regions in China in 2022. Due to quarantine requirements and travel restrictions that were relatively longer in duration, broader in geographic coverage and more stringent in nature in comparison to those in 2020 and 2021, the number of truckers available to fulfill shipping orders declined. The business activities of some of the shippers were also adversely affected, and consequently, their demand for digital freight services decreased. As a result, the road freight transportation industry had been more severely adversely affected by the COVID-19 outbreak in 2022 in comparison to 2021. According to CIC, freight volume for the road freight transportation industry experienced a year-over-year decrease of 4.4% across China during the nine months ended September 30, 2022. In the nine months ended September 30, 2022, our Online GTV declined by 3.5% to RMB27.3 billion from RMB28.3 billion for the nine months ended September 30, 2021 and the number of shipping orders fulfilled on our platform decreased to 7.5 million from 7.8 million for the nine months

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ended September 30, 2021. We recorded a net profit of RMB3.7 million in the nine months ended September 30, 2022, representing a 93.5% decrease from net profit of RMB56.7 million for the nine months ended September 30, 2021. The adverse impact of such COVID-19 resurgence was most severe in certain provinces and municipalities in Eastern China. For example, according to CIC, freight volume for the road freight transportation industry experienced a year-over-year decrease of 17.7% and 16.3% in Shanghai and Jiangsu Province during the nine months ended September 30, 2022, respectively. Our operations in Eastern China were most severely affected by the COVID-19 resurgence during the nine months ended September 30, 2022, compared with our operations in other regions in China, with a decrease in Online GTV for shipping orders originated from such areas.

Since the end of the Track Record Period and up to the Latest Practicable Date, our business continued to be affected by the lingering effects of the COVID-19 resurgence. The macroeconomic conditions in China suffered more severe systemic distress in the three months ended December 31, 2022 in comparison to most periods in 2020 and 2021, primarily due to a sharp reduction in economic activities as a result of (i) lockdown of several cities and regions during the period from October 2022 to early December 2022 as a means to contain the spread of COVID-19 and (ii) a surge in COVID-19 cases in December 2022 following the relaxation of restrictive measures to combat COVID-19. According to CIC, the monthly average Composite PMI in China was 49.0, 47.1 and 42.6 in October, November and December 2022, respectively, representing the lowest quarterly average Composite PMI since the second quarter of 2020. According to CIC, freight volume for the road freight transportation industry experienced a year-over-year decrease of 9.0% across China during the two months ended November 30, 2022. The downward trend in macroeconomic conditions and road freight transportation industry during the three months ended December 31, 2022 adversely affected our business and results of operations during such period. In particular, from late October 2022 to early December 2022, the operations and business development activities at our headquarter in Hefei were adversely affected due to the restrictive measures implemented by the government in response to a temporary regional resurgence of COVID-19. In the three months ended December 31, 2022, our Online GTV amounted to RMB9.3 billion, representing a 3.9% decrease from the three months ended December 31, 2021, primarily due to a decrease in our business volume as a result of the regional lockdown from October 2022 to early December 2022 and a significant increase in COVID-19 cases in December 2022. As a result of the impact of COVID-19, for the twelve months ended December 31, 2022, our Online GTV decreased to RMB36.6 billion from RMB38.0 billion in 2021, the number of active truckers on our platform decreased to 406.4 thousand from 411.6 thousand in 2021, and the shipping orders fulfilled on our platform decreased to 9.3 million from 10.5 million in 2021. Nevertheless, we achieved growth in the number of shippers that had completed shipping orders on our platform, which increased from 5,934 in 2021 to 6,236 in 2022, as well as the number of truckers who had completed shipping orders on our platform, which increased from 1,344.2 thousand in 2021 to 1,364.4 thousand in 2022.

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Since December 2022, the PRC government has started to relax some of its restrictive measures nationwide, including digital health code, mass testing and lockdown. Many regions are currently facing a surge in COVID-19 cases following such relaxation. CIC is of the view, and our Directors concur that, the relaxation of restrictive measures by the PRC government since December 2022 adversely affected the road freight transportation industry in China in the short run since the surge in COVID-19 cases led to increased infection by truckers and employees of shippers, but is expected to benefit the road freight transportation industry in the long run considering that (i) the revival in the macroeconomic conditions and in the production and operating activities of private enterprises in China are expected to boost the demand for road freight transportation; and (ii) the relaxation of restrictive measures is also expected to increase the number of truckers available to fulfill shipping orders because their activities will no longer be affected by lockdown and quarantine requirements, which will benefit our operations. We continued to take measures to protect our business operations from the adverse impact of the COVID-19 outbreak. For more details on the impact of COVID-19 on our business and results of operations during the Track Record Period, see “Financial Information—Impact of the COVID-19 Outbreak.”

Despite the net profit we incurred in 2020, 2021 and the nine months ended September 30, 2021 and 2022, we expect our net profit in 2022, even after excluding the impact of the incurrence of listing expenses related to this Global Offering, to be significantly lower than that in 2021, primarily due to (i) an expected decrease in revenue resulted from a decrease in our Online GTV from RMB38.0 billion in 2021 to RMB36.6 billion in 2022, as a result of the adverse impact of the COVID-19 resurgence in 2022, which adversely affected the macroeconomic conditions and the road freight transportation industry in China, the number of truckers available to fulfill shipping orders and the shippers’ demand for digital freight services, and continued to affect our business since the end of the Track Record Period and up to the Latest Practicable Date; (ii) an expected decrease in our gross profit margin resulted from (1) a decrease in the proportion of petroleum credits we paid to truckers in comparison to cash which led to reduced value-added tax deduction claimed by us based on the value of petroleum credits provided to truckers; (2) an expected increase in other cost of digital freight business as we improved our platform to enhance user experience; and (3) an expected increase in cost of assistance from logistics cooperation partners attributable to a few major customers, such as Customer K; and (iii) an expected increase in our other expense resulted from an expected increase in taxes and surcharges in certain regions where we operated our digital freight business.

Our Directors confirm that, up to the date of this prospectus, save as disclosed in this prospectus under “Financial Information—Recent Development” and “Financial Information—Impact of the COVID-19 Outbreak”, there has been no material adverse change in our financial or trading position or prospects since September 30, 2022, being the end date of the periods reported on in the Accountants’ Report in Appendix I to this prospectus, and there is no event since September 30, 2022 that would materially affect the information as set out in the Accountants’ Report in Appendix I to this prospectus.

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Recent Regulatory Developments Related to Cybersecurity and Data Protection

The Cybersecurity Review Measures

On December 28, 2021, the CAC promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the “**Cybersecurity Review Measures**”), which came into effect on February 15, 2022. According to the Cybersecurity Review Measures, data processors which possess personal information of over one million users and intend for a “foreign” listing must apply for a cybersecurity review. In the meantime, competent PRC government authority has the discretion to initiate a cybersecurity review on any data processing activity if it deems such a data processing activity affects or may affect national security. See “Regulatory Overview.”

Based on (i) relevant due diligence work conducted by our PRC Legal Advisers, in accordance with the relevant provisions of the Cybersecurity Review Measures, (ii) the response from the phone consultation with the CCRC, an institution authorized by CAC to conduct cybersecurity review, by our PRC Legal Advisers on January 11, 2022, and (iii) the fact that we had not received any notice or determination from competent PRC government authorities identifying us as a critical information infrastructure operator, nor as a situation of foreign listing, our PRC Legal Advisers are of the view that we are not required to apply to the regulatory authorities for cybersecurity review. Based on the facts that (i) the types of data processed by us are mainly freight data and user data, which have not been recognized as “essential data” or “national core data” by the competent PRC government authorities, (ii) the purpose of our data processing activities is to carry out digital freight and other commercial services, and (iii) the relevant business data provided by us in preparation of the Listing do not cover data with personal information of our users, our PRC Legal Advisers are of the view that our data processing activities have not been found to affect national security and, consequently, the probability that competent PRC government authorities initiate cybersecurity reviews on us at the present stage is low. In light of the above and the fact that the Group has not been involved in any investigation on cybersecurity review made by the PRC government authorities or received any inquiry, warning or sanctions from the PRC government authorities on such basis, our PRC Legal Advisers are of the view that we had complied with the relevant requirements of the Cybersecurity Review Measures.

The Draft Regulations

On November 14, 2021, the CAC published the Regulations on the Administration of Network Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “**Draft Regulations**”), which cover a wide range of cyber data security issues and apply to the use of networks to carry out data processing activities, as well as the supervision and management of data security in the PRC. Besides cybersecurity review, it sets out general guidelines, protection of personal information, security of important data, security management of cross-border data transfer, obligations of network platform operators, supervision and management, and legal liabilities. Most of the regulatory details under the Draft Regulations have already been embodied in the now-effective texts of the Cybersecurity Law of the People’s Republic of China (《中華人民共和國網絡安全法》) (the “**Cybersecurity**

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Law”), the Data Security Law of the People’s Republic of China (《中華人民共和國數據安全法》) (the “**Data Security Law**”) and the Personal Information Protection Law of the People’s Republic of China (《中華人民共和國個人信息保護法》) (the “**PIPL**”). See “Regulatory Overview” and “Business—Recent Regulatory Development.”

As advised by our PRC Legal Advisers, we will be able to comply with the Draft Regulations, if implemented in their current form, in all material aspects on the basis that: (i) we are in compliance with the superordinate laws of the Draft Regulations in all material respects, including the Cybersecurity Law, the Data Security Law, and the PIPL; (ii) we have implemented and maintained commercially reasonable controls, policies, procedures, and safeguards to maintain and protect important data and users’ personal information as well as the integrity, continuous operation and security of all IT systems in connection with our businesses; and (iii) there have been no major breaches, violations, outages or unauthorized uses of or accesses to our IT systems. Based on the view of our PRC Legal Advisers and our cybersecurity and data compliance status, our Directors are of the view that that there is no material impediment for the Group to comply with the relevant requirements of the Draft Regulations, if implemented in their current form. Having taken into account the views of our PRC Legal Advisers and our Directors and the respective bases set out above, the Sole Sponsor concurs with our Directors’ view that there is no material impediment for the Group to comply with the relevant requirements of the Draft Regulations, if implemented in their current form.

Impact on Our Business

On the basis of the facts and analysis mentioned above, our PRC Legal Advisers are of the view that, during the Track Record Period and up to the Latest Practicable Date, we had complied with the relevant requirements of the Cybersecurity Review Measures and the Draft Regulations in their current form in all material respects. Therefore, our PRC Legal Advisers are of the view that the Cybersecurity Review Measures and the Draft Regulations are not expected to have any material adverse impact on our business, results of operations or financial conditions, or on the proposed Listing.

We are of the view that, as of the date of this prospectus, the Cybersecurity Review Measures and the Draft Regulations, if implemented in their current form, have not had, and are not expected to have, any material adverse effect on our business, results of operations or financial conditions, or on the proposed Listing, on the basis that (i) we have implemented comprehensive measures, including internal policies and system settings, to ensure secured collection, processing, storage, use, transmission and elimination of data, to prevent any unauthorized access or use of data, and to enhance our compliance with the Cybersecurity Review Measures and the Draft Regulations and other relevant laws and regulations; (ii) as of the date of this prospectus, there had been no material leakage of data or personal information or violation of data protection and privacy laws and regulations by us which will have a material adverse impact on our business operations, (iii) as of the date of this prospectus, we had not been subject to material fines or administrative penalties imposed by any government authorities in relation to infringement of data security laws and regulations, (iv) we obtained relevant written confirmations from the Cybersecurity Administrative Office of Hefei, the

SUMMARY

competent local government authority regulating cybersecurity-related issues, which confirmed that the Company had not been penalized for violating the relevant laws and regulations in relation to data security; and (v) we will closely monitor the legislative and regulatory developments in connection with cybersecurity and data protection, including the Draft Regulations and the interpretation or implementation rules of laws and regulations, and adjust and enhance our data protection measures as appropriate.

Based on the due diligence work performed by the Sole Sponsor, including (i) the review of the legal opinion of the PRC Legal Advisers and discussions with the PRC Legal Advisers regarding the recent regulatory developments in light of the Cybersecurity Review Measures and the Draft Regulations and the basis of their view as set out above; (ii) the Company's confirmation that the Group has not been involved in any investigation on cybersecurity review made by the PRC government authorities or received any inquiry, warning or sanctions from the PRC government authorities as at the Latest Practicable Date; (iii) discussions with the Company regarding its historical compliance with regulations and measures of the CAC and internal control measures adopted by the Company in relation to cybersecurity; and (iv) the review of the Group's internal control policies with regards to cybersecurity and the confirmation from the PRC Legal Advisers that relevant policies have been adopted, nothing has come to the attention of the Sole Sponsor that would cause them to question the Directors' view as set out above that the Cybersecurity Review Measures and the Draft Regulations have not had a material adverse effect on the Company's business, results of operations or financial conditions, or on the Company's compliance status with relevant laws and regulation.

Recent Regulatory Developments Related to Overseas Listing

On February 17, 2023, CSRC formally released the Trial Measures for the Administration of Overseas Issuance and Listing of Securities by Domestic Companies (the “**Overseas Issuance and Listing Measures**”, 《境內企業境外發行證券和上市管理試行辦法》), which are expected to take effect on March 31, 2023. As advised by our PRC legal advisers, we are not subject to any of the situations that prohibit the overseas issuance and listing of our securities stipulated in the Overseas Issuance and Listing Measures.

Furthermore, upon the effectiveness of the Overseas Issuance and Listing Measures, PRC companies that directly or indirectly offer or list their securities in overseas markets will be required to make filings with the CSRC within three business days after submitting their listing application documents to the relevant regulators in the places of intended listing. According to the Notice on the Administration Arrangement for the Overseas Issuance and Listing of Securities Record-filings (《關於境內企業境外發行上市備案管理安排的通知》), PRC companies that have received the approval from CSRC on their overseas issuance and listing before the Overseas Issuance and Listing Measures become effective can continue their overseas issuance and listing of securities within the validity period of the approval, and are not subject to the record-filing procedures stipulated in the Overseas Issuance and Listing Measures. We obtained the approval from CSRC for the Global Offering and the Listing on April 13, 2022, and such approval is valid until April 13, 2023. Based on the above, our PRC legal advisers are of the opinion that we do not need to perform the record-filing procedures

SUMMARY

for the Global Offering and the Listing based on the expected timetable for the Global Offering and the Listing, and the Global Offering and the Listing are not expected to be affected by the Overseas Issuance and Listing Measures. See “Regulatory Overview—Regulations Relating to Overseas Listing.”

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the granting of the listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering and to be converted from Domestic Shares upon the completion of the Global Offering on the basis that, among other things, we satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to (i) our revenue of RMB6.3 billion (equivalent to approximately HK\$7.2 billion) for the year ended December 31, 2021 exceeds HK\$500 million, and (ii) our expected market capitalization at the time of Listing, which, based on the low-end of the indicative Offer Price range, exceeds HK\$4 billion.

PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2022

We have prepared the following profit estimate for the year ended December 31, 2022:

Estimated consolidated profit attributable to
equity shareholders of the Company for the
year ended December 31, 2022⁽¹⁾ No less than RMB1.0 million

- (1) The basis on which the above estimate has been prepared is set out in Appendix III in this prospectus. Our Directors have prepared the estimated consolidated profit attributable to equity shareholders of the Company for the year ended December 31, 2022 based on (i) the audited consolidated results of our Group for the nine months ended September 30, 2022 and (ii) the unaudited consolidated results based on the management accounts of our Group for the three months ended December 31, 2022.

LISTING EXPENSES

Based on the mid-point Offer Price of HK\$3.2, the total estimated listing expenses in relation to the Global Offering (assuming that the Over-Allotment Option is not exercised and all discretionary incentive fees in the Global Offering are paid in full) is approximately HK\$62.3 million, including (i) underwriting-related expenses (including but not limited to commissions for Hong Kong Offer Shares and International Offer Shares and fees) of approximately HK\$4.4 million, and (ii) non-underwriting-related expenses of approximately HK\$57.9 million, which consist of fees and expenses of legal advisers and accountants of approximately HK\$44.6 million and other fees and expenses of approximately HK\$13.3 million. Listing expenses of approximately HK\$34.8 million were incurred and charged to our consolidated statements of profit or loss during the Track Record Period. We estimate that listing expenses of HK\$20.0 million will be further incurred and charged to our consolidated statements of profit or loss subsequent to the end of Track Record Period. The balance of approximately HK\$7.6 million, which mainly includes underwriting commission, is expected to be accounted for as a deduction from equity upon the completion of the Global Offering. Our

SUMMARY

listing expenses as a percentage of gross proceeds is 45.1%, assuming an Offer Price of HK\$3.2 per Offer Share, being the mid-point of the indicative price range of HK\$2.9 to HK\$3.5, and that the Over-allotment Option is not exercised.

OFFERING STATISTICS

The statistics below are based on the assumption that 43,211,000 Offer Shares are issued under the Global Offering:

| | Based on the low end of the indicative Offer Price range of HK\$2.9 per Offer Share | Based on the high end of the indicative Offer Price range of HK\$3.5 per Offer Share |
|---|--|---|
| Market capitalization of the H Shares ⁽¹⁾ | HK\$1,529.55 million | HK\$1,846.01 million |
| Capitalization of our Shares ⁽²⁾ | HK\$4,042.24 million | HK\$4,878.57 million |
| Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽³⁾ | HK\$0.53 | HK\$0.54 |

Notes:

- (1) The calculation of market capitalization is based on the assumption that 527,431,924 H Shares will be in issue immediately following the completion of the Share Subdivision and the Global Offering, assuming the Over-allotment Option is not exercised.
- (2) The calculation of capitalization is based on the assumption that 1,393,876,104 Shares will be in issue immediately after completion of the Share Subdivision and the Global Offering, assuming the Over-allotment Option is not exercised.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated after the adjustments referred to in the section headed “Financial Information—Unaudited Pro Forma Statement of Adjusted Net Tangible Assets” and on the basis of 1,393,876,104 Shares to be in issue, comprising of 866,444,180 Domestic Shares and 527,431,924 H Shares, immediately following the completion of the Share Subdivision and the Global Offering, assuming the Over-allotment is not exercised. The shares have been adjusted retrospectively to reflect the approval of the subdivision of shares on a one-for-sixteen basis in October 2021.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$75.9 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering, assuming an Offer Price of HK\$3.2 per H Share, being the mid-point of the indicative Offer Price range stated in this prospectus, and assuming no exercise of the Over-allotment Option.

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We currently intend to apply these net proceeds for the following purposes:

- approximately 45.0%, or HK\$34.2 million, will be used to further upgrade and enhance our digital freight business, with a goal to address more in-depth demands from our customers under more diversified business scenarios and to relentlessly improve the user experience for our digital freight business. In particular, approximately 15.0% will be used for acquiring additional customers for our freight transportation services and freight platform services, approximately 15.0% will be used for expanding the penetration of our upgraded services among our existing customers, and approximately 15.0% will be used for promoting our involvement of other participants in our ecosystem such as freight brokers.
- approximately 15.0%, or HK\$11.4 million, will be used to further expand our Trucker Community and Truck Plus solutions. In particular, approximately 7.5% will be used for exploring and improving the commercialization of Trucker Community, approximately 5.0% will be used for fostering and maintaining the nationwide service network of authorized stores for Truck Plus solutions, and approximately 2.5% will be used for strengthening the supply chain system that supports our Truck Plus solutions.
- approximately 20.0%, or HK\$15.2 million, will be used to enhance our research and development efforts and to strengthen our technological capabilities. In particular, approximately 15.0% will be used for reinforcing our technological strengths in big data, and approximately 5.0% will be used for improving our existing research and development capacities in the high-tech fields.
- approximately 10.0%, or HK\$7.6 million, will be used for recruiting additional sales, marketing and operational personnel so that our reserve of talents is commensurate with the growth of our business.
- approximately 10.0%, or HK\$7.6 million, will be used for working capital and other general corporate purposes.

The above allocation of the net proceeds from the Global Offering will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the indicative Offer Price range stated in this prospectus.

If the Over-allotment Option is exercised in full, the net proceeds that we will receive will be approximately HK\$96.0 million, assuming an Offer Price of HK\$3.2 per H Share (being the mid-point of the indicative Offer Price range). In the event that the Over-allotment Option is exercised, we intend to apply the additional net proceeds to the above purposes in the proportions stated above.

See “Future Plans and Use of Proceeds” for further details.

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DIVIDENDS

During the Track Record Period and up to the Latest Practicable Date, no dividend had been paid by us.

Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board. There is no assurance that dividends of any amount will be declared or be distributed in any year. Although currently we do not have a formal dividend policy or a fixed dividend distribution ratio, our Board may declare dividends in the future after taking into account various factors including our future earnings and cash inflows, future plan for use of funds, long-term development of our business and other legal and regulatory restrictions.

We are a holding company incorporated under the laws of the PRC. The payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year determined according to PRC accounting principles. PRC laws also require foreign invested enterprises to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves until the aggregate amount of such reserves reach 50% of its registered capital, which are not available for distribution as cash dividends.

According to the PRC Company Law, a company with accumulated losses can distribute its after-tax profits of the current year only after it has made up the accumulated losses and drawn statutory and discretionary reserves. Based on the above, and considering that we incurred accumulated losses as of September 30, 2022, our PRC Legal Advisers are of the view that we are not able to pay any dividend before we have made up for such accumulated losses.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

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| “Anhui Haoyunbao” | Anhui Haoyunbao Network Technology Service Co., Ltd.* (安徽好運寶網絡技術服務有限公司), a limited liability company established under the laws of the PRC on September 11, 2019 and a wholly-owned subsidiary of our Company |
| “Anhui Log” | Anhui Log Transportation Co., Ltd.* (安徽路歌運輸有限公司), a limited liability company established under the laws of the PRC on March 2, 2020 and a wholly-owned subsidiary of our Company |
| “Anhui Jinwang Express” | Anhui Jinwang Express Logistics Technology Co., Ltd.* (安徽金網運通物流科技有限公司), a limited liability company established under the laws of the PRC on August 12, 2016 and a wholly-owned subsidiary of our Company |
| “Anhui Qiantong” | Anhui Qiantong Logistics Technology Co., Ltd.* (安徽乾通物流科技有限公司), a limited liability company established under the laws of the PRC on April 13, 2018 and a wholly-owned subsidiary of our Company |
| “Ant Group” | Ant Group Co., Ltd. (螞蟻科技集團股份有限公司), a joint stock limited liability company established under the laws of the PRC on October 19, 2000 |
| “Articles” or “Articles of Association” | the articles of association of our Company adopted on October 28, 2021 which will become effective upon the Listing Date, as amended from time to time, a summary of which is set out in Appendix VI |
| “Board” or “Board of Directors” | the board of directors of our Company |
| “Business Day” or “business day” | any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business |
| “CAC” | the Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室) |

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| “Capital Market Intermediary(ies)” or “capital market intermediary(ies)” or “CMI(s)” | the capital market intermediary(ies) as named in the section headed “Directors, Supervisors and Parties Involved in the Global Offering” of this prospectus |
| “CCASS” | the Central Clearing and Settlement System established and operated by HKSCC |
| “CCASS Clearing Participant” | a person admitted to participate in CCASS as a direct participant or a general clearing participant |
| “CCASS Custodian Participant” | a person admitted to participate in CCASS as a custodian participant |
| “CCASS EIPO” | the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving electronic application instructions through the CCASS Internet System (https://ip.ccass.com) or through the CCASS Phone System (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC’s Customer Service Center by completing an input request |
| “CCASS Investor Participant” | a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation |
| “CCASS Participant” | a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant |

DEFINITIONS

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| “CCRC” | China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心), an institution authorized by CAC to conduct cybersecurity review |
| “China” or “PRC” or the “People’s Republic of China” | the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan |
| “CIC” | China Insights Industry Consultancy Limited, a market research and consulting company, which is an independent third party |
| “CIC Report” | the independent industry report issued by CIC |
| “Companies Ordinance” | the 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” | the 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 |
| “Company”, “our Company”, “we” or “us” | Logory Logistics Technology Co., Ltd. (合肥維天運通信科技股份有限公司), a joint stock company with limited liability incorporated in the PRC on June 23, 2010, and, except where the context otherwise requires (as the case may be), includes its predecessor, Beijing Yihe Jiaxun Information Technology Co., Ltd.* (北京怡和佳訊信息技術有限責任公司), a company with limited liability incorporated in the PRC on September 26, 2002 and was deregistered on March 9, 2018, further details of which are set out in the section headed “Our History and Development—Corporate Development of Our Company—A. About Beijing Yihe Jiaxun” |
| “Concert Party Agreement” | the concert party agreement entered into by and between Mr. Feng and Mr. Du on July 30, 2021, further details of which are set out in the sections headed “Our History and Development—Concert Party Agreement” |

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| “Controlling Shareholder(s)” | has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of our Company, namely Mr. Feng, Mr. Du and Shanghai Chuyan |
| “Conversion of Domestic Shares into H Shares” | the conversion of an aggregate of 484,220,924 Domestic Shares (representing approximately 35.85% of the Domestic Shares in issue after the completion of the Share Subdivision and immediately prior to the completion of the Global Offering) into H Shares on a one-for-one basis upon the completion of the Global Offering |
| “CSDC” | China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司) |
| “CSRC” | China Securities Regulatory Commission (中國證券監督管理委員會) |
| “Cybersecurity Review Measures” | Measures for Cybersecurity Review (《網絡安全審查辦法》), promulgated by the CAC on December 28, 2021 |
| “Dalian Log” | Log Logistics (Dalian) Co., Ltd.* (路歌物流(大連)有限公司), a limited liability company established under the laws of the PRC on April 23, 2020 and a wholly-owned subsidiary of our Company |
| “Deed of Indemnity” | the deed of indemnity dated February 10, 2023 and entered into by Mr. Feng and Mr. Du, in favor of our Company (for itself and as trustee for its subsidiaries), further information of which is set out in the paragraph headed “D. Other Information—2. Other indemnities” in Appendix VII to this prospectus |
| “Director(s)” | the director(s) of our Company |
| “Domestic Shares” | ordinary shares in the registered share capital of our Company, with a nominal value of RMB0.0625 each, which are subscribed for or credited as paid in Renminbi by domestic investors |
| “Draft Regulations” | Administration of Network Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), published by the CAC on November 14, 2021 |

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| “EIT Law” | the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) enacted by the 5th meeting of the 10th NPC on March 16, 2007, as amended, supplemented or otherwise modified from time to time |
| “ERP System” | Enterprise Resources Planning system, a collection of integrated computer applications that share a central database, allowing real-time data sharing within an organization and is used to manage and support the daily operations (such as marketing, production, purchasing, accounting operations) and decision support functions of an organization |
| “Extreme Conditions” | extreme conditions caused by a super typhoon as announced by the government of Hong Kong |
| “founder(s)” | the founder(s) of our Group, namely Mr. Feng and Mr. Du |
| “Fujian Huilian” | Fujian Huilian Logistics Technology Co., Ltd.* (福建慧連物流科技有限公司), a limited liability company established under the laws of the PRC on May 25, 2018 and a wholly-owned subsidiary of our Company |
| “Fujian Jinwang Express” | Fujian Jinwang Express Logistics Technology Co., Ltd.* (福建金網運通物流科技有限公司), a limited liability company established under the laws of the PRC on August 10, 2018 and a wholly-owned subsidiary of our Company |
| “Full-circulation Guidelines” | Guidelines on Application for Full-circulation of Domestic Unlisted Shares of H-share Listed Companies (《H股公司境內未上市股份申請“全流通”業務指引》) issued by the CSRC on November 14, 2019, as amended, supplemented or otherwise modified from time to time |
| “Global Offering” | the Hong Kong Public Offering and the International Offering |
| “Government Authority” | any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational |

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| “GREEN Application Form(s)” | the application form(s) to be completed by the HK eIPO White Form Service Provider designated by our Company |
| “Group”, “our Group”, “we”, “our” or “us” | our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be) |
| “H Share(s)” | overseas listed shares in the share capital of our Company with a nominal value of RMB0.0625 each, to be subscribed for and traded in Hong Kong dollars and to be listed on the Stock Exchange |
| “H Share Registrar” | Tricor Investor Services Limited |
| “Hangzhou Junao” | Hangzhou Junao Equity Investment Partnership (Limited Partnership) (杭州君澳股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC |
| “Hangzhou Junhan” | Hangzhou Junhan Equity Investment Partnership (Limited Partnership) (杭州君瀚股權投資合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC |
| “Hangzhou Yunbo” | Hangzhou Yunbo Investment Consultancy Co., Ltd. (杭州雲鉞投資諮詢有限公司), a limited liability company established under the laws of the PRC, the executive partner and general partner of Hangzhou Junhan and Hangzhou Junao |
| “Hefei” | Hefei City, being the capital of Anhui Province, the PRC |
| “Hefei Huika” | Hefei Huika Automobile Service Co., Ltd.* (合肥惠卡汽車服務有限公司), a limited liability company established under the laws of the PRC on April 23, 2018 and a wholly-owned subsidiary of our Company |
| “HK\$” or “Hong Kong dollars” or “HK dollars” or “cents” | Hong Kong dollars and cents respectively, the lawful currency of Hong Kong |

DEFINITIONS

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| “ HK eIPO White Form ” | the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the IPO App or on designated website at www.hkeipo.hk |
| “ HK eIPO White Form Service Provider ” | the HK eIPO White Form service provider designated by our Company as specified in the IPO App and on the designated website at www.hkeipo.hk |
| “ HKSCC ” | Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited |
| “ HKSCC Nominees ” | HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC |
| “ Hong Kong ” or “ HK ” | the Hong Kong Special Administrative Region of the PRC |
| “ Hong Kong Offer Shares ” | the 4,322,000 H Shares being initially offered by our Company for subscription in the Hong Kong Public Offering (subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus) |
| “ Hong Kong Public Offering ” | the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and conditions described in this prospectus and the GREEN Application Form |
| “ Hong Kong Underwriters ” | the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting—Hong Kong Underwriters” in this prospectus |
| “ Hong Kong Underwriting Agreement ” | the underwriting agreement dated February 23, 2023, relating to the Hong Kong Public Offering and entered into by, among others, our Company, the Overall Coordinator and the Hong Kong Underwriters as further described in the section headed “Underwriting—Underwriting Arrangements and Expenses” in this prospectus |

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| “Huainan Log” | Huainan Log Logistics Co., Ltd.* (淮南路歌物流運輸有限公司), a limited liability company established under the laws of the PRC on March 2, 2022 and a wholly-owned subsidiary of our Company |
| “Hubei Log” | Hubei Log Logistics Co., Ltd.* (湖北路歌物流有限公司), a limited liability company established under the laws of the PRC on November 3, 2014 and a wholly-owned subsidiary of our Company |
| “IFRS” | International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board |
| “independent third party(ies)” | person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are third party(ies) independent of our Company and our connected persons as defined under the Listing Rules |
| “International Offer Shares” | the 38,889,000 H Shares being initially offered in the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option, subject to adjustments as described in the section headed “Structure of the Global Offering” in this prospectus |
| “International Offering” | the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in accordance with Regulation S, as further described in “Structure of the Global Offering” in this prospectus |
| “International Underwriters” | the group of underwriters, led by the Sole Global Coordinator, that are expected to enter into the International Underwriting Agreement to underwrite the International Offering |

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| “International Underwriting Agreement” | the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, the Sole Global Coordinator, the International Underwriters and our Company on or about the Price Determination Date, as further described in the section headed “Underwriting—International Offering” in this prospectus |
| “IPO App” | the mobile application for the HK eIPO White Form service which can be downloaded by searching “ IPO App ” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp |
| “Joint Bookrunners” | Haitong International Securities Company Limited and CLSA Limited |
| “Joint Lead Managers” | Haitong International Securities Company Limited, CLSA Limited, Valuable Capital Limited, SDHG International Securities Limited and Sinomax Securities Limited |
| “Kayou Zone Logistics” | Kayou Zone Logistics Technology Co., Ltd.* (卡友地帶物流科技有限公司) (formerly known as Hefei Tongsheng Logistics Management Co., Ltd.* (合肥通升物流管理有限公司)), a limited liability company established under the laws of the PRC on July 3, 2017 and a wholly-owned subsidiary of our Company |
| “Latest Practicable Date” | February 19, 2023, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus |
| “Lianjiang Data” | Lianjiang Data Communication Information Service Co., Ltd.* (連江數通信息服務有限公司), a limited liability company established under the laws of the PRC on March 21, 2019 and a wholly-owned subsidiary of our Company |
| “Listing” | the listing of the H Shares on the Main Board of the Stock Exchange |
| “Listing Committee” | the Listing Committee of the Stock Exchange |

DEFINITIONS

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| “Listing Date” | the date, expected to be on or about Thursday, March 9, 2023, on which the H Shares are listed on the Stock Exchange and from which dealings in the H Shares are permitted to commence on the Stock Exchange |
| “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 |
| “Log Energy” | Log Energy Technology (Tianjin) Co., Ltd.* (路歌能源科技(天津)有限公司), a limited liability company established under the laws of the PRC on April 25, 2021 and a wholly-owned subsidiary of our Company |
| “Log Information” | Log Information Technology Co., Ltd.* (路歌信息科技有限公司), a limited liability company established under the laws of the PRC on April 23, 2020 and a wholly-owned subsidiary of our Company |
| “Log Logistics” | Log Logistics Co., Ltd.* (路歌物流有限公司), a limited liability company established under the laws of the PRC on April 7, 2020 and a wholly-owned subsidiary of our Company |
| “Ma’anshan Cloud Net” | Ma’anshan Cloud Net Logistics Technology Co., Ltd.* (馬鞍山雲網物流科技有限公司), a limited liability company established under the laws of the PRC on January 11, 2019 and a wholly-owned subsidiary of our Company |
| “Macau” | the Macau Special Administrative Region of the PRC |
| “Main Board” | the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange |

DEFINITIONS

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| “Mandatory Provisions” | the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款), for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas, promulgated by the former State Council Securities Committee (國務院證券委員會) and the former State Commission for Restructuring the Economic Systems (國家經濟體制改革委員會) on August 27, 1994, as amended, supplemented or otherwise modified from time to time |
| “member of the Group” | the Company and/or any subsidiary of the Company |
| “MIIT” | Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) |
| “MOF” | Ministry of Finance of the PRC (中華人民共和國財政部) |
| “MOFCOM” | Ministry of Commerce of the PRC (中華人民共和國商務部) |
| “Mr. Chen” | Mr. Chen Letian (陳樂天), a promoter of our Company |
| “Mr. Du” | Mr. Du Bing (杜兵), an executive Director, the chief executive officer, the general manager and a Controlling Shareholder. He is also a co-founder and a promoter of our Company |
| “Mr. Feng” | Mr. Feng Lei (馮雷), an executive Director, the chairman of the Board and a Controlling Shareholder. He is also a co-founder and a promoter of our Company |
| “Mr. Wang” | Mr. Wang Tiejun (王鐵軍), a promoter and an existing Shareholder of our Company |
| “NASDAQ” | the NASDAQ Stock Market in the United States |

DEFINITIONS

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| “Offer Price” | the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and Accounting and Financial Reporting Council transaction levy of 0.00015%) of not more than HK\$3.5 and expected to be not less than HK\$2.9, at which Hong Kong Offer Shares are to be subscribed for, and to be determined in the manner further described in the section headed “Structure of the Global Offering—Pricing of the Global Offering” in this prospectus |
| “Offer Share(s)” | the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option |
| “Overall Coordinator” | Haitong International Securities Company Limited |
| “Over-allotment Option” | the option expected to be granted by our Company to the International Underwriters, exercisable by the Overall Coordinator (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 6,481,000 additional H Shares at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, further details of which are described in the section headed “Structure of the Global Offering” in this prospectus |
| “PBOC” | People’s Bank of China (中國人民銀行) |
| “People’s Congress” | the PRC’s legislative apparatus, including the National People’s Congress and all the local people’s congress (including provincial, municipal and other regional or local people’s congresses) as the context requires, or any of them |

DEFINITIONS

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| “PRC Company Law” | the Company Law of the PRC (《中華人民共和國公司法》), as amended and adopted by the Standing Committee of the Tenth National People’s Congress on October 27, 2005 and effective on January 1, 2006 as amended, supplemented or otherwise modified from time to time, which was last amended and took effect on October 26, 2018 |
| “PRC Government” or “State” | the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them |
| “PRC Legal Advisers” | Jingtian & Gongcheng, the legal advisers to our Company as to the laws of the PRC |
| “Pre-IPO Investor(s)” | the investor(s) set out in the section headed “Our History and Development—Pre-IPO Investments” in this prospectus |
| “Price Determination Agreement” | the agreement to be entered into by the Overall Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price |
| “Price Determination Date” | the date, expected to be on or about Thursday, March 2, 2023, on which the Offer Price will be determined, or such later time as the Overall Coordinator (for itself and on behalf of the Underwriters) and our Company may agree, but in any event, not later than Friday, March 3, 2023 |
| “Promoters” | the promoters of the Company, whose names are set out in “Statutory and General Information—D. Other Information—8. Promoters” in Appendix VII to this prospectus |
| “prospectus” | this prospectus being issued in connection with the Hong Kong Public Offering |
| “Regulation S” | Regulation S under the U.S. Securities Act |

DEFINITIONS

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| “Revised Draft” | Measures for Cybersecurity Review (Revised Draft for Comments) (《網絡安全審查辦法(修訂草案徵求意見稿)》), published by the CAC on July 10, 2021. On December 28, 2021, the CAC promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the “ Cybersecurity Review Measures ”), which came into effect on February 15, 2022 |
| “RMB” or “Renminbi” | Renminbi, the lawful currency of the PRC |
| “SAFE” | State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable |
| “SAIC” | State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which was merged into the State Administration for Market Regulation (國家市場監督管理總局) |
| “SAMR” | the State Administration for Market Regulation (國家市場監督管理總局) |
| “SAT” | State Taxation Administration of the People’s Republic of China (中華人民共和國國家稅務總局) |
| “Securities Law” | the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time |
| “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 |
| “Shanghai Chuyan” | Shanghai Chuyan Enterprise Management Partnership (Limited Partnership)* (上海褚岩企業管理合夥企業(有限合夥)), a limited partnership formed under the laws of the PRC on December 16, 2020 and is a Controlling Shareholder. As of the Latest Practicable Date, Shanghai Chuyan was owned as to 52% by Mr. Feng and 48% by Mr. Du |

DEFINITIONS

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| “Shanghai Qingge” | Shanghai Qingge Enterprise Management Partnership (Limited Partnership)* (上海青歌企業管理合夥企業(有限合夥)), a limited partnership formed under the laws of the PRC on December 15, 2020, and an employee shareholding platform of our Company |
| “Shanghai Yunxin” | Shanghai Yunxin Venture Capital Company Limited* (上海雲鑫創業投資有限公司), a limited liability company established under the laws of the PRC on February 11, 2014 and is one of the Pre-IPO Investors. As of the Latest Practicable Date, Shanghai Yunxin was directly wholly owned by Ant Group Co., Ltd. (螞蟻科技集團股份有限公司) |
| “Shareholder(s)” | holder(s) of Shares |
| “Shares” | ordinary shares of our Company with a nominal value of RMB0.0625 each including our Domestic Shares and H Shares |
| “Share Subdivision” | the subdivision of each share in the Company’s share capital with a nominal value of RMB1.00 each into 16 shares with a nominal value of RMB0.0625 each to be conducted before the Listing, details of which are set out in the section headed “Our History and Development—Corporate Development of Our Company—D. Recent Shareholding Changes of Our Company—(b) Share Subdivision” in this prospectus |
| “Sichuan Quanwang Express” | Sichuan Quanwang Express Logistics Technology Co., Ltd.* (四川全網運通物流科技有限公司), a limited liability company established under the laws of the PRC on July 12, 2018, and a wholly-owned subsidiary of our Company |
| “Sole Global Coordinator” | Haitong International Securities Company Limited |
| “Sole Sponsor” | Haitong International Capital Limited |
| “Special Regulations” | the Special Regulations of the State Council on Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》), promulgated by the State Council on August 4, 1994 |

DEFINITIONS

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| “Stabilizing Manager” | Haitong International Securities Company Limited |
| “State Council” | the PRC State Council (中華人民共和國國務院) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiary(ies)” | has the meaning ascribed thereto in section 15 of the Companies Ordinance |
| “substantial shareholder(s)” | has the meaning ascribed thereto in the Listing Rules |
| “Tianjin Mingtong” | Tianjin Mingtong Enterprise Management Partnership (Limited Partnership)* (天津明通企業管理合夥企業(有限合夥)), a limited partnership formed under the laws of the PRC on November 6, 2020, and an employee shareholding platform of our Company |
| “Tianjin Mingwei” | Tianjin Mingwei Enterprise Management Partnership (Limited Partnership)* (天津明維企業管理合夥企業(有限合夥)), a limited partnership formed under the laws of the PRC on October 30, 2020, and an employee shareholding platform of our Company |
| “Tianjin Mingyin” | Tianjin Mingyin Enterprise Management Partnership (Limited Partnership)* (天津明印企業管理合夥企業(有限合夥)), a limited partnership formed under the laws of the PRC on December 13, 2018, and an employee shareholding platform of our Company |
| “Tianjin Mingyun” | Tianjin Mingyun Enterprise Management Partnership (Limited Partnership)* (天津明運企業管理合夥企業(有限合夥)), a limited partnership formed under the laws of the PRC on November 6, 2020, and an employee shareholding platform of our Company |
| “Track Record Period” | the three years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2022 |
| “Underwriters” | the Hong Kong Underwriters and the International Underwriters |
| “Underwriting Agreements” | the Hong Kong Underwriting Agreement and the International Underwriting Agreement |

DEFINITIONS

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| “U.S.” or “United States” | the United States of America |
| “US\$”, “USD” or “U.S. dollars” | United States dollars, the lawful currency for the time being of the United States |
| “U.S. Securities Act” | the 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; all amounts are exclusive of VAT in this prospectus except where indicated otherwise |
| “%” | per cent |

In this prospectus, the terms “associate(s)”, “close associate(s)”, “connected person(s)”, “connected transaction(s)”, “core connected person(s)”, “controlling shareholder(s)”, “subsidiary(ies)” and “substantial shareholder(s)” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires. The English translation of company names in Chinese or another language which are marked with “” and the Chinese translation of company names in English which are marked with “*” is for identification purpose only.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain technical terms used in this prospectus in connection with our Company and its business. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.

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| “active truckers” | truckers who completed at least four orders on our digital freight platform in a given year |
| “AI” | artificial intelligence |
| “App” | application software designed to run on smartphones and other mobile devices |
| “CAGR” | compound annual growth rate |
| “COVID-19” | coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2 |
| “ERP” | enterprise resource planning, a business process management software that allows an organization to use a system of integrated applications to manage the business and digitalize back-office functions relating to technology, services, and human resources |
| “freight broker” | traditionally serve as an intermediary between shippers and truckers, who select truckers for shippers and coordinate with both sides. In our case, the major function of freight brokers is to introduce truckers to our digital freight platform |
| “FTL” | full truckload shipping, a transportation service in which the delivery involves a dedicated shipment of a full truckload, typically shipped directly from the point of departure to the point of destination through line-haul with the freight weight over 3 tons |
| “GMV” | gross merchandise volume, which indicates the total monetary-value for merchandise transported in the transportation process |
| “GPS” | the Global Positioning System, a global navigation satellite system that provides location, velocity and time synchronization |

GLOSSARY OF TECHNICAL TERMS

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| “IoT” | Internet of things |
| “IT” | information technology |
| “KPI” | key performance indicators |
| “LTL” | less than truckload shipping, a transportation service in which the shipment is less or lighter than a full truckload, and typically placed together with other shipments into a full truckload with the freight weight between 30 kg to 3 tons |
| “MAC address” | media access control address, a unique identifier assigned to a network interface controller for use as a network address in communications within a network segment |
| “OKR” | objectives and key results, a goal setting framework used by individuals, teams, and organizations to define measurable goals and track their outcomes |
| “Online GTV” | online gross transaction volume, the aggregate amount of shipping fees (including VAT) settled on a digital freight platform for shipping transactions fulfilled through such platform as a statutory carrier under PRC law |
| “registered users” | users who have registered on our Trucker Community platform |
| “SaaS” | software as a service, a cloud-based software licencing and delivery model in which software and associated data are centrally hosted |
| “TMS” | transportation management system |

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to our Company 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 prospectus, the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and the negative of these words and other similar expressions, as they relate to the Group 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 other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to control costs and expenses;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends; and
- all other risks and uncertainties described in the section headed “Risk Factors.”

FORWARD-LOOKING STATEMENTS

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 prospectus, 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 prospectus 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 prospectus are qualified by reference to the cautionary statements in this section.

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

RISK FACTORS

An investment in our H Shares involves various risks. You should consider carefully all the information set out in this prospectus and, in particular, the risks described below before making an investment in our H Shares.

The occurrence of any of the following events could materially and adversely affect our business, financial position, results of operations or prospects. If any of these events occurs, the trading price of our H Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisors regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our historical growth may not be indicative of our future growth, and if we are unable to manage our growth or execute our strategies effectively, our business and prospects may be materially and adversely affected.

We have experienced fast growth in our business in recent years. Our total revenue increased from RMB3,560.5 million in 2019 to RMB4,664.6 million in 2020, and further increased to RMB6,297.3 million in 2021, representing a CAGR of 33.0% from 2019 to 2021. Our historical growth has placed, and will continue to place, significant demands on our management and our technology infrastructure, as well as our administrative, operational and financial systems. However, our historical growth may not be indicative of future growth and our planned growth initiatives may not be successful.

We intend to continue to implement our business strategies to achieve high growth and profitability. See “Business—Strategies.” However, there can be no assurance that we will be able to manage our growth effectively. Our ability to achieve profitability depends on our abilities in continuously generating revenue, as well as our abilities in effectively managing the costs and expenses associated with business operations and expansion. If we fail to manage our growth or sustain profitability effectively, our financial condition, results of operations and business prospects could be materially and adversely affected.

The profitability of our business has been and is expected to continue to be reliant upon, among others, government grants provided by local financial bureaus relating to digital freight business. If we cannot continue to receive such grants, our financial performance may be materially and adversely affected.

We receive government grants related to our digital freight business. In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, the total amount of government grants related to digital freight business we recognized amounted to RMB916.0 million, RMB1,192.5 million, RMB1,771.8 million, RMB1,312.4 million and RMB1,285.7 million, respectively, accounting for approximately 3.9%, 4.3%, 4.7%, 4.6% and 4.7% of our Online GTV in the corresponding years/periods, respectively. In 2019, 2020, 2021 and the nine months

RISK FACTORS

ended September 30, 2021 and 2022, government grants related to digital freight business under freight transportation services amounted to RMB112.3 million, RMB168.7 million, RMB236.4 million, RMB173.5 million and RMB183.6 million, respectively; government grants related to digital freight business under freight platform services amounted to RMB631.6 million, RMB812.5 million, RMB1,180.4 million, RMB876.9 million and RMB845.9 million, respectively; and government grants related to taxes and surcharges amounted to RMB172.1 million, RMB211.3 million, RMB355.0 million, RMB262.0 million and RMB256.2 million, respectively. The profitability of our digital freight business significantly depends upon the amount of government grants provided by local financial bureaus, which are based on our contribution to the local economy and are not guaranteed. During the Track Record Period, if we had not received government grants, and assuming we did not increase our shipping fees charged to shippers notwithstanding the absence of such government grants and our continued difficulties in claiming VAT deductions, we would have incurred gross loss. Whether we can obtain such government grants in a particular province in the PRC is subject to the policy of the local financial bureau and the negotiation between such local financial bureau and us. While we are currently entitled to government grants related to our digital freight business in certain regions where we have established subsidiaries to operate our digital freight business and paid VAT to local financial bureaus based on the revenue generated from such subsidiaries, we cannot assure you that we will be able to continue to receive such government grants on similar terms, or at all. We generally negotiate with local financial bureaus on renewal of government grant agreements one year before the expiry of such agreements, and the negotiation generally takes two to three months. The terms under negotiation generally cover reward percentage, taxable income thresholds, financial contribution thresholds, and other obligations that we need to fulfill in order to receive government grants, if any. If the negotiation for renewal is prolonged and we cannot timely renew our existing government grant agreements for any of our subsidiaries, we may discuss with local financial bureaus for temporary arrangements such as allowing us to continue receiving government grants pursuant to the expired agreement until the agreement is successfully renewed, or we may transfer our business under such subsidiary to another subsidiary of us and continue to receive government grants from the local financial bureau in the region where such other subsidiary is established. However, such arrangements may not always be successful, in which case our results of operations and financial condition may be adversely affected.

The government grants we received through a few subsidiaries constituted the majority of the government grants we received during the Track Record Period. In 2019, 2020, 2021 and the nine months ended September 30, 2022, the amount of government grants we received from the top three local financial bureaus, in terms of the amount of government grants provided to us, accounted for approximately 80.9%, 65.8%, 73.8% and 62.9% of the total amount of government grants we received during the corresponding year or period, respectively. If we can no longer receive government grants from such local financial bureaus, we may have to transfer our business to our subsidiaries that entered government grant agreements with other local financial bureaus or establish new subsidiaries in regions where local financial bureaus are willing to make favorable government grant arrangements, and such adjustments may be costly or may not be successful. In the event that the government grants are reduced or canceled, we

RISK FACTORS

may have to adjust the rate of our digital freight service fee, which could make the services under our digital freight business less attractive to shippers and truckers and our business could be materially and adversely affected. We cannot assure you that we will always be able to pass on any increased costs due to reduction or elimination of related government grants through adjustment of the rate of the fees we charge the shippers either, in which case, our results of operations and financial condition could be materially and adversely affected. See “Financial Information—Government Grants.”

Our business and growth are affected by various macroeconomic factors, including the continuous growth of demand for digital freight services in the road freight transportation industry in China.

Our future business opportunities depend on the sustained growth of China’s economy, the continuous development of China’s commerce landscape and the related demand for nationwide digital freight services in the road freight transportation industry in China. The future development and landscape of China’s economy are affected by a number of factors, many of which are beyond our control. These factors include the consumption power and disposable income of consumers, as well as changes in demographics and consumer preferences. Further, the emergence of alternative channels or business models that better suit the needs of consumers and the development of online-to-offline logistics integration by merchants can also affect the development of multiple business sectors in China and the overall macroeconomic landscape in China. Moreover, other factors, such as changes in government policies, laws and regulations can also influence the development of the economic conditions in China. If the macroeconomic landscape in China and the resulted demand for nationwide digital freight services in the road freight transportation industry in China fail to develop as we expect, our business and growth could be adversely affected.

Any deterioration in the economic environment may subject our business to various risks. The road freight transportation industry has historically experienced cyclical fluctuations in financial performance due to economic slowdowns, downturns in business cycles, volatility in energy price, pandemic and other factors beyond our control. During economic downturns, the reduction in overall demands for transportation services may lead to reduced demand for our services and exert downward pressures on our prices and profitability. In periods of strong economic growth, demand for limited transportation resources may also result in increased network congestion and operating inefficiency. The abovementioned adverse changes may lead to disruption and discontinuity in the traffic and functions of major manufacturers, distributors, merchants and retailers in China, and as a result could severely limit our ability to continue growing our business.

RISK FACTORS

We operate in a competitive industry, and if we fail to compete effectively, our business and prospect could suffer.

The road freight transportation industry in China is large and competitive. According to CIC, there were approximately 1,950 digital freight platforms like us nationwide by the end of 2021. The top five players accounted for 36.0% of the entire market share in terms of Online GTV in 2021, the top ten players accounted for approximately 50% of the entire market share in terms of Online GTV in 2021, and most of the digital freight platforms are operated by small to medium-sized enterprises. We compete with existing market players and potential new entrants emerging in the market, including other major digital freight platforms, truckers' communities and platforms for truck purchase and aftermarket services, among others. Our competitors may have a broader service or network coverage, more advanced technology infrastructure, broader customer base, stronger brand recognition and greater capital resources than we do. Our competitors may also establish cooperative relationships or competing networks to increase their ability to address the needs of logistics companies, cargo owners and truckers, which could also negatively impact us. In addition, our competitors may compete with us by reducing their prices, especially during economic downturns. Such reductions may limit our ability to maintain or increase our prices or operating margins or achieve growth in our business. We may not be able to successfully compete against current or future competitors, and competitive pressures may have a material and adverse effect on our business, financial condition and results of operation.

Our business, financial condition and results of operations may be materially and adversely affected if we are unable to provide high-quality services to our customers.

The success of our business largely depends on our ability to provide high-quality services to address the needs of our customers, including logistics companies and cargo owners, and to further enhance the quality of our services to adapt to the constantly evolving demand from our customers. Such efforts are key for us to maintain our reputation and to sustain long-lasting, stable business relationship with logistics companies, cargo owners and other customers that we work with. If we are unable to provide high-quality services to our customers, or unable to provide our services to our customers in a timely, reliable, and secure manner, our reputation and customer loyalty could be negatively affected. In addition, if our customer service personnel fail to satisfy customers' needs and respond effectively to their complaints, we may lose potential or existing customers and experience a decrease in demand for our services, which could have a material adverse effect on our business, financial condition and results of operations.

RISK FACTORS

If we are unable to continue to meet changing market demands, adapt to evolving market trends and continue to innovate, our ability to sustain and grow our business may suffer. We may face challenges associated with expanding or diversifying our solution and service offerings and exploring new business.

The acute sense of seizing market demands is vital to the success of our business. Our success significantly depends on our ability to maintain and increase the scale of our network by keeping developing our technological-driven services and therefore attracting additional shippers and truckers to our platform. We intend to further diversify our service offerings and expand our customer base to increase our revenue sources in the future. If we are unable to recognize our customers' needs and adjust our business to adapt to the changing market demands, we might fall behind in the competition with other market players and our ability to sustain and grow our business may suffer.

Expansion into new types of services may involve risks and challenges we do not currently face, and may require us to devote significant financial and managerial resources. Such expansion may not perform as well as expected. We may not be able to successfully anticipate and address customer demand and preferences in the new types of services we provide, and our existing network and facilities may not be adaptable to the new services provided to customers. We may also be inexperienced with the operating models and cost structures associated with the new services we provide to consumers. In addition, we may not be able to ensure adequate quality of our new services, and therefore may receive complaints or incur costly liability claims, which would harm our overall reputation and financial performance.

We may fail to cost-effectively attract and retain a large number of shippers or increase their utilization of our services.

The success of our business substantially hinges on the growth of our digital freight services, which in turn depends on our ability to attract and retain, in a cost-effective manner, a large number of shippers and engage them to utilize the digital freight services we provide. As of September 30, 2022, we had served over 11,600 shippers on our platform. The attractiveness of our platform to shippers depends on a variety of factors, including our ability to punctually complete our services as requested, the quality and reliability of our services, our ability to offer competitive prices for our services, and the efficiency and transparency of the service process we provide. If our platform fails to provide attractive services comparable or superior to those of our competitors, or if our shippers are not satisfied with our services or are involved in disputes with us, we may not be able to continue to grow our customer base or further enhance the engagement of existing shippers.

In addition, we actively engage new shippers through online and offline customer acquisition channels, such as customer referral, online advertisement and targeted promotions. We are also deploying sales personnel with industry expertise and experience to acquire new

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shippers across various industries as we diversify and expand our customer base. These efforts on customer engagement may not yield the expected results or justify the relevant costs we incur and our results of operations and business prospects may be adversely affected.

We may fail to efficiently attract and retain a large number of truckers in order to maintain and improve our transportation capabilities.

We rely on truckers to complete the orders for our digital freight business we receive from our customers on our platform, and the number of truckers we are connected to through our platform significantly impacts our transportation capabilities. During the Track Record Period, the number of truckers who had completed shipping orders on our platform amounted to 2.5 million. An average of more than 210,700 truckers obtained orders through our platform every month during the Track Record Period. In 2019, 2020, 2021 and the nine months ended September 30, 2022, the number of active truckers on our platform, defined as those truckers who completed at least four orders on our digital freight platform in a given year, amounted to 229,800, 296,200, 411,600 and 325,100, respectively. The attractiveness of our platform to truckers is affected by various factors, including the requirements and authenticity of orders on our platform, the level of prices we are able to offer to truckers on our platform, the speed and easiness of payment settlement, and our ability to offer full-range services to assist truckers with road freight transportation. Although we believe the value proposition our platform provides to truckers significantly contributes to our ability to attract truckers to, and retain truckers on, our platform, any adverse change in such value propositions our platform offers to truckers could result in a decrease in our ability to attract and retain truckers, which would in turn adversely affect our transportation capabilities and business operations. See “Business—Our Ecosystem—Truckers.” In addition to the organic growth through word-of-mouth referral, we conduct online and offline engagement activities for truckers, such as organizing regular gatherings among truckers and providing incentives to existing truckers for successful referrals. Such activities require significant resources and may not achieve the results as we originally contemplated, and consequently, our efforts in effectively engaging truckers may not be as successful as expected.

We have established long-term relationships with a number of major customers, and deterioration in our relationships with them may adversely affect our business, financial condition and results of operation.

Our business has benefited from our long-term and stable business relationships with our major customers, which are primarily large-size logistics companies. Such long-term and stable business relationship with our major customers help us build up our reputation within the industry, attract new customers and grow our customer base. We typically enter into framework agreements with our major customers, but there is no guarantee that we will be able to renew the agreements at favorable terms to us, or at all, and it is also uncertain how many orders will be placed by these customers each year within the framework of cooperation. If these customers decide to grow their in-house logistics teams or they are able to find other providers for digital freight services, we may lose their business. Deterioration of our relationships with

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any major customer, a decrease in the number of orders any major customer places with us, or a material adverse change to the business of any major customer could materially harm the demand for our digital freight services.

We work with third-party business partners in certain aspects of our business and if any of such business partners fails to deliver quality products or services in a timely manner, or if our relationship with any of them deteriorates, our business operations may be adversely affected.

We work with third-party business partners in certain aspects of our business. For example, in our Truck Plus business, truckers are served by third-party truck sellers and dealers, with third-party service providers that provide comprehensive Truck Plus solutions encompassing new truck sales, maintenance, insurance, second-hand truck sale and other services for truckers. We select third-party business partners that we work with based on a number of criteria, including their demonstrated competence, market reputation and our prior relationship with them, if any. We cannot assure you that the services rendered by any of these third-party business partners will be satisfactory or meet our requirements for quality and safety, or that their services will be completed on time. If the performance of any third-party business partner proves unsatisfactory, or if any of them is in breach of its contractual obligations due to their financial difficulties or other reasons, or if any of them violates relevant laws and regulations, we may not be able to provide quality products and services to our customers, which may result in delays, customer complaints, or even legal proceedings. Furthermore, if our relationship with any of the third-party business partners deteriorates, a serious dispute with them may arise, which may in turn result in costly legal proceedings. The occurrence of any of the above events may have a material adverse effect on our business, financial condition, results of operations and reputation.

Our dependence on truckers to provide transportation services may impact the quality of our freight transportation services.

We do not employ any truckers, and we depend on external truckers to provide digital freight services on our platform. Our commitment to high-quality and secure transportation substantially depends on such external truckers whose actions are not fully controlled by us. Any shortcoming in services of external truckers, such as extended delays in transportation due to human errors, loss of goods because of negligence, willful misconduct, theft, or inappropriate attitude towards shippers or receivers, or any other failure to meet customer expectations or requirements, may be attributed to us, resulting in disputes and damage to our business and reputation.

Although we have established a comprehensive system of service protocols for truckers on our platform and entered into contracts with them, or agreed with them on terms for the freight transportation services they provide, we may not be able to exercise the same level of supervision over their conduct as we would if they were our employees. In the event of any

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unsatisfactory performance, lack of certain qualifications or licenses, misconduct, or illegal actions by truckers in completing orders on our platform, the disputes resulted from such actions may involve us and we may suffer reputational and incur liabilities.

We conduct thorough background checks for the truckers registered on our platform and implement strict truckers management. We review the background information of truckers together with their relevant licenses and permits before they could register with our platform. We also continuously monitor the status of the truckers. However, we cannot assure you that our background check process is able to verify the accuracy of all the information provided by truckers, or that our monitoring activities are able to prevent all misconduct by truckers in providing relevant services.

We are subject to risks associated with the road freight transportation industry, including product damage, personal injury, risks associated with the items handled and transported through the digital freight services we provide and other transportation-related incidents.

We handle a large volume of shipments and face risks inherent to the road freight transportation industry, which may result in commercial disputes, property damage, personal injury, labor disputes and fatal accidents. Shipments in transit may be stolen, damaged or lost for various reasons, and we may be found liable for such incidents. Our failure to detect or prevent dangerous goods from being transported may harm our reputation and business, as certain dangerous items may damage the trucks or other products and cause personal injury or fatal accidents. Transportation of goods also involves risks regarding transportation safety. From time to time, truckers on our platform may be involved in transportation accidents, and may also cause or suffer from personal injuries or fatal accidents, while the insurance they maintain may not fully cover the damages caused.

Any of the foregoing risks could disrupt our services, cause us to incur expenses and divert the time and attention of our management. We may face claims and incur liabilities if found liable or partially liable for any commercial disputes, property damage, personal injury, labor disputes and fatal accidents. Although for certain transactions under our digital freight business, we may purchase and maintain insurance policies for product damage when insurance was prescribed by shippers, claims against us may not be fully covered by insurance. Government authorities may also impose fines on us or require us to adopt costly preventive measures. Furthermore, if our customers consider our freight transportation service unsafe, the attractiveness of the services we provide will be compromised.

Our business depends on our reputation and brand image, and any damage to them could adversely impact our business.

The recognition and reputation of our brand and the successful maintenance and enhancement of our brand and corporate reputation have contributed, and will continue to contribute, significantly to our success and growth.

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Any negative perception and publicity, whether or not justified, such as accidents caused in our services, complaints in relation to quality of services we provide, disputes with shippers, truckers and other parties involved in our transportation, or illegal or inappropriate conduct of our employees or our business partners, could sabotage our reputation and reduce the value of our brand. Further, our competitors may fabricate complaints or negative publicity about us for the purpose of vicious competition. With the increased use of social media, adverse publicity can be disseminated quickly and broadly, making it increasingly difficult for us to respond and mitigate effectively.

We are also subject to negative publicity about the shippers and truckers we work with, whose activities are out of our control. Negative public perception that logistics companies or cargo owners on our platform do not place authentic orders or that truckers on our platform do not provide satisfactory freight transportation services, even if factually incorrect or based on isolated incidents, could undermine the trust and credibility we have established and have a negative impact on our ability to attract and retain customers and truckers.

If the logistics companies, cargo owners or truckers we work with engage in, or are subject to, criminal, violent, inappropriate, or dangerous activities, we may be subject to liabilities and our ability to attract and retain shippers and truckers may be harmed.

We are not able to control or predict the actions of the logistics companies, cargo owners or truckers we work with, and, as a result of certain actions by them, we may be unable to protect or provide a safe environment for our road freight transportation process. The logistics companies, cargo owners or truckers we work with may engage in, or are subject to, criminal, violent, inappropriate or dangerous activities. Such actions may result in injuries, property damage, business interruption, brand and reputational damage, or significant liabilities for us. If the logistics companies, cargo owners or truckers we work with engage in criminal, violent, inappropriate, or dangerous activities, transfer dangerous goods, or use our platform as a conduit for criminal activities, our customers may not consider our platform safe, and we may be subject to negative publicity as a result of our business relationship with such logistics companies, cargo owners or truckers we work with, which would adversely impact our brand, reputation and business.

Although we conduct background checks on truckers on our platform and due diligence on logistics companies and cargo owners we work with, these methods may not be effective in preventing such criminal, violent, inappropriate or dangerous activities.

During the Track Record Period, some of our customers (the “Relevant Customer(s)”) settled their outstanding payments (the “Third-Party Payment”) to us through third parties (the “Third-Party Payer(s)”) which may subject us to various legal risks.

In 2019, 2020, 2021 and the nine months ended September 30, 2022, the aggregate amount of Third-Party Payments was approximately RMB132.3 million, RMB59.6 million, RMB63.8 million and RMB0.6 million, which accounted for approximately 3.7%, 1.3%, 1.0% and 0.01% of our Group’s total revenue during the corresponding periods, respectively.

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Third-Party Payments may subject us to various legal risks. We are exposed to possible money laundering risks as we only possess limited background knowledge of the parties involved in the Third-Party Payment arrangement and the source of the Third-Party Payments. In addition, we may be subject to potential claims from Third-Party Payers or their liquidators to return the Third-Party Payments. If we were involved in legal proceedings on money laundering charges, we may need to spend significant time and financial and managerial resources in response to such proceedings. Even If we have good defences to the allegations and the court rules in our favour, our reputation as a trustworthy business may still be tarnished by our mere presence in the proceedings, which may in turn result in difficulties for us to maintain good business relationship with our existing customers or attract new customers. Moreover, if any Third-Party Payer or its liquidators brings any claim against us demanding the return of the relevant Third-Party Payment, we may be forced to comply with the court ruling and return the payment which was paid for the services that we provided. We cannot assure you that our business, financial condition, results of operations and prospects will not be materially and adversely affected by a claim or prosecution against us.

Employee misconduct may expose us to vicarious liabilities, reputational harm and/or economic damages.

Many of our employees play critical roles in ensuring the safety and reliability of our services or our compliance with relevant laws and regulations. Certain of our employees have access to user information, proprietary technologies and know-hows. While we have adopted codes of conduct for all of our employees and implemented detailed policies and procedures relating to data privacy, intellectual property, anti-corruption, proprietary information and trade secrets, we cannot assure you that our employees will abide by these codes, policies and procedures or that the precautions we take to detect and prevent employee misconduct will be effective. Misconduct by our employees may materially and adversely affect our business, results of operations and financial condition. If any of our employees engage in any misconduct, illegal or suspicious activities, including but not limited to, misappropriation or leakage of any sensitive user information or proprietary information, we and such employees could be subject to legal claims and liabilities and our reputation and business could be materially and adversely affected as a result. In addition, while we have screening procedures during the recruitment process, we cannot assure you that we will be able to uncover misconduct of job applicants that occurred before we offered them employment.

Our business operations and financial performance were and may in the future continue to be adversely affected by the COVID-19 outbreak, and may face risks related to natural disasters, extreme weather conditions, health epidemics and other unforeseeable catastrophic incidents, which could significantly disrupt our operations.

The outbreak of the COVID-19 epidemic in China and globally has resulted in significant disruptions and distortions in the global economy. In early 2020, the Chinese government took certain emergency measures to combat the spread of the virus, including implementation of travel bans, blockade of certain roads and closure of factories and businesses. The closure of business and the slow-down of overall economic activities as a result of the COVID-19

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outbreak resulted in a decline of freight volume in such period, as compared with the same period in 2019. Consequently, the COVID-19 pandemic has adversely affected our business, financial condition and results of operations for the six months ended June 30, 2020.

Since the beginning of 2022, there had been a resurgence of the COVID-19 pandemic in certain areas of China due to the Delta and Omicron variants. In response to such resurgence of the COVID-19 pandemic, the Chinese government took certain emergency measures, including travel restrictions, mandatory quarantines, limitations on public gatherings, and lockdowns of certain cities or regions, which were more stringent than those measures implemented in 2020 and 2021. As a result, the macroeconomic conditions in China and the entire road freight transportation industry in China had been adversely affected. According to CIC, the monthly average Composite PMI in China dropped to 49.2 in 2022, in comparison to 52.1 in 2020 and 52.4 in 2021, indicating an overall contraction in the production and operating activities of private enterprises in China in 2022. Due to quarantine requirements and travel restrictions, the number of truckers available to fulfill shipping orders declined. The business activities of some of the shippers were also adversely affected, and consequently, their demand for digital freight services decreased. Our business operations and financial performance were affected by the resurgence of the COVID-19 pandemic in 2022. In the nine months ended September 30, 2022, our Online GTV declined by 3.5% to RMB27.3 billion from RMB28.3 billion for the nine months ended September 30, 2021 and the number of shipping orders fulfilled on our platform decreased to 7.5 million from 7.8 million for the nine months ended September 30, 2021. We recorded a net profit of RMB3.7 million in the nine months ended September 30, 2022, representing a 93.5% decrease from net profit of RMB56.7 million for the nine months ended September 30, 2021.

Since the end of the Track Record Period and up to the Latest Practicable Date, our business continued to be affected by the lingering effects of the COVID-19 resurgence. The macroeconomic conditions in China suffered more severe systemic distress in the three months ended December 31, 2022 in comparison to most periods in 2020 and 2021, primarily due to a sharp reduction in economic activities as a result of (i) lockdown of several cities and regions during the period from October 2022 to early December 2022 as a means to contain the spread of COVID-19 and (ii) a surge in COVID-19 cases in December 2022 following the relaxation of restrictive measures to combat COVID-19. According to CIC, the monthly average Composite PMI in China was 49.0, 47.1 and 42.6 in October, November and December 2022, respectively, representing the lowest quarterly average Composite PMI since the second quarter of 2020. According to CIC, freight volume for the road freight transportation industry experienced a year-over-year decrease of 9.0% across China during the two months ended November 30, 2022. The downward trend in macroeconomic conditions and road freight transportation industry during the three months ended December 31, 2022 adversely affected our business and results of operations during such period. In particular, from late October 2022 to early December 2022, the operations and business development activities at our headquarter in Hefei were adversely affected due to the restrictive measures implemented by the government in response to a temporary regional resurgence of COVID-19. In the three months ended December 31, 2022, our Online GTV amounted to RMB9.3 billion, representing a 3.9% decrease from the three months ended December 31, 2021, primarily due to a decrease in our

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business volume as a result of the regional lockdown from October 2022 to early December 2022 and a significant increase in COVID-19 cases in December 2022. Since December 2022, the PRC government has started to relax some of its restrictive measures nationwide, including digital health code, mass testing and lockdown. Many regions are currently facing a surge in COVID-19 cases following such relaxation. CIC is of the view, and our Directors concur that, the relaxation of restrictive measures by the PRC government since December 2022 adversely affected the road freight transportation industry in China in the short run since the surge in COVID-19 cases led to increased infection by truckers and employees of shippers. We continued to take measures to protect our business operations from the adverse impact of the COVID-19 outbreak. See “Financial Information—Impact of the COVID-19 Outbreak” and “—Recent Development.”

In addition to the COVID-19 outbreak, the occurrence of other natural disasters or catastrophic events could materially disrupt our business and operations. Our business may be materially and adversely affected by the outbreak of other widespread health epidemic, such as swine flu, avian influenza, severe acute respiratory syndrome, or SARS, Ebola, and Zika, by harsh weather conditions or natural disasters, such as snowstorms, earthquakes, fires or floods, among others, or by other unanticipated catastrophic events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. Any of the aforementioned catastrophic events could significantly impact the industries we operate in and cause a temporary closure of the offices 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. 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 or Chinese economy in general. Our operations could also be severely disrupted if the logistics companies, cargo owners and truckers we work with, or other participants in our ecosystem were materially and adversely affected by health pandemics or epidemics, harsh weather conditions, natural disasters or other outbreaks.

We incurred net loss in 2019, and we may not be able to remain profitable in the future.

We incurred a net loss of RMB3.3 million in 2019 and we recorded net profits of RMB26.1 million, RMB50.7 million and RMB3.7 million in 2020, 2021 and the nine months ended September 30, 2022, respectively. Our ability to achieve and maintain profitability depends on our ability to continue to increase our market share, maintain competitive pricing, leverage technology to expand and enhance our service offerings, increase our operational efficiency, and successfully integrate our acquired businesses. These are affected by many factors which may be beyond our control, such as the overall demand for digital freight services nationwide and the general economic conditions. If we cannot successfully offset our increased total costs with a significant increase in revenues, our business, financial condition and results of operations may be materially and adversely affected. We may continue to incur net losses in the future due to changes in the macroeconomic and regulatory environment, competitive dynamics and our inability to respond to these changes in a timely and effective manner.

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We experienced net operating cash outflow for the nine months ended September 30, 2022.

We recorded net cash outflow from operating activities of approximately RMB21.7 million for the nine months ended September 30, 2022, primarily due to a decrease in our net profit for such period as a result of the COVID-19 resurgence in China, and the change in working capital as we settled certain tax payables during this period. Please refer to the section headed “Financial Information—Liquidity and Capital Resources” of this prospectus for further details. We may experience periods of net cash outflow from operating activities in the future, and as a result, our liquidity and financial condition may be materially and adversely affected. There is no assurance that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur additional financing costs, and we cannot guarantee that we will be able to obtain the required financing on terms acceptable to us, or at all.

Our failure to recover a significant portion of our trade and other receivables in a timely manner may have a material adverse effect on our business and financial results.

We face credit and liquidity risks attributable to our trade and other receivables. As at December 31, 2019, 2020 and 2021 and September 30, 2022, our trade and notes receivables were approximately RMB128.6 million, RMB189.4 million, RMB176.3 million and RMB93.0 million, respectively. In addition, during the Track Record Period, we also recorded certain amounts of other receivables, which primarily consisted of (i) other receivables from shippers for shipping fees, which represent the transportation fees uncollected from shippers on behalf of truckers upon fulfilment of the shipping orders under the freight platform services, as the majority of shippers generally paid such transportation fees to us shortly, but not immediately, after they confirmed the fulfillment of shipping orders during the Track Record Period; and (ii) government grants receivables, which represent the government grants from local government authorities to support the Group’s digital freight business. As at December 31, 2019, 2020 and 2021 and September 30, 2022, our prepayments, other receivables and other assets balances were approximately RMB1,215.1 million, RMB1,583.2 million, RMB1,641.5 million and RMB1,179.0 million, respectively.

Although the ageing of the majority of our trade receivables was less than one year during the Track Record Period, we cannot guarantee that we will always be able to recover these amounts in a timely manner in the future. A provision for doubtful debts is made for the amounts of trade receivables that represents the expected credit loss which we have assessed by considering historical default rates, existing market conditions and forward-looking information. If the receivables are determined to be irrecoverable, the provision for doubtful debts of such receivables will be written off. In the event that our trade or other receivables increase significantly and we fail to collect these receivables in a timely manner, our financial condition and business operations may be materially and adversely affected.

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We are uncertain about the recoverability of our deferred tax assets, which may affect our financial positions in the future.

As at December 31, 2019, 2020 and 2021 and September 30, 2022, our deferred tax assets amounted to RMB13.7 million, RMB9.0 million, RMB12.8 million and RMB16.3 million, respectively, which represent the allowance for impairment losses of certain accounts receivables and unused tax losses. For details of the movements of our deferred tax assets during the Track Record Period, please see Note 28 to the Accountants' Report in Appendix I to this prospectus. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered. In this context, we cannot guarantee the recoverability or predict the movement of our deferred tax assets, and to what extent they may affect our financial positions in the future.

If our preferential tax treatments become unavailable, our results of operation and financial condition may be adversely affected.

During the Track Record Period, we enjoyed preferential tax treatment under relevant preferential tax policies, as (i) our Company was qualified as a high-tech enterprise and was entitled to a preferential income tax rate of 15%; and (ii) certain of our subsidiaries were qualified as small and micro enterprises and were entitled to a preferential income tax rate of 20%. We cannot assure you that the PRC policies on preferential tax treatments will not change or that the current preferential tax treatments we enjoy or will be entitled to enjoy will not be canceled. Moreover, we cannot assure you that our Company or our subsidiaries will be able to renew the same preferential tax treatments upon expiration. If any such change, cancellation or discontinuation of preferential tax treatment occurs, the relevant entities will be subject to the PRC enterprise income tax at a rate of 25% on taxable income. As a result, the increase in our tax charge could materially and adversely affect our results of operations.

Failure to fulfil our obligations in respect of contract liabilities could materially and adversely affect our results of operation, liquidity and financial position.

Our contract liabilities represent our obligations to provide the contracted products and services to customers. Our contract liabilities mainly arise from the advance payments made by customers while the services are yet to be provided. As at December 31, 2019, 2020 and 2021 and September 30, 2022, we had contract liabilities of approximately RMB8.6 million, RMB11.1 million, RMB10.3 million and RMB12.4 million, respectively.

There is no assurance that we will be able to fulfil our obligations in respect of contract liabilities. If we were not able to fulfil our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognised as revenue, and we may have to return the advance payment made by our customers. As a result, our results of operations, liquidity

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and financial position may be materially and adversely affected. In addition, if we fail to fulfill our obligations under our contracts with customers, it may adversely affect our relationship with such customers, which may also affect our reputation, business and results of operations in the future.

Fluctuation in our financial assets at fair value through profit or loss may affect our results of operations and bring valuation uncertainty due to the use of unobservable inputs that require judgment and assumptions which are inherently uncertain.

Fluctuation in fair value change of our current financial assets at fair value through profit or loss, which primarily consist of the wealth management products issued by reputable commercial banks in China, may affect our results of operations. We made investments in wealth management products during the Track Record Period and recorded a fair value of RMB0.4 million, RMB0.4 million, RMB5.0 million and RMB110.0 million as of December 31, 2019, 2020 and 2021 and September 30, 2022, respectively. We are exposed to credit risk in relation to our investments in wealth management products, which may adversely affect the net changes in their fair value. We cannot assure you that market conditions and regulatory environment will create fair value gains on the wealth management products we invest in or that we will not incur any fair value losses on our investments in wealth management products in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected. See Note 22 to the Accountants' Report in Appendix I to this prospectus for more details.

We have established share incentive plans, which may materially impact our future results of operations.

We have established share incentive plans for the purpose of providing incentives and rewards to eligible participants who contribute to the success of our operations. Our employees (including our directors) receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (“**equity-settled transactions**”). The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. We therefore incurred expenses based on the fair value of share-based compensation measured at the date of grant under the share incentive plans, which were recorded in our consolidated financial statements for the relevant periods. In 2019, 2020 and 2021, and the nine months ended September 30, 2021 and 2022, we recognized share-based compensation expenses of RMB1.5 million, RMB15.3 million, RMB22.3 million, RMB15.1 million and RMB13.7 million, respectively. We may continue to incur such share-based compensation expenses in the future. Any significant share-based compensation expenses may result in a material and adverse impact on our results of operations. If new shares are allotted and issued by our Company for the share incentive plans, it may have a dilutive impact on investors' investment. See Note 30 to the Accountants' Report in Appendix I to this prospectus for more details.

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The success of associated companies depends on a number of factors which may be beyond our control, and as a result, we may not be able to realise the anticipated economic and other benefits.

We have entered into and established associated companies with third parties and may continue to do so in the future. The performance of such associated companies has affected, and will continue to affect, our results of operations and financial position. For the three years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2021 and 2022, our share of losses of associates was RMB0.6 million, RMB0.8 million, RMB0.8 million, RMB0.6 million and RMB1.2 million, respectively. The success of an associated company depends on a number of factors, some of which are beyond our control. As a result, we may not be able to realize the anticipated economic and other benefits from our joint ventures and associated companies.

In addition, our investment in associates are subject to liquidity risk. Our investments in associates are not as liquid as other investment products as there is no cash flow until dividends are received even if our associates report profits under the equity accounting. Furthermore, our ability to promptly sell one or more of our interests in the associates in response to changing economic, financial and investment conditions is limited. The market is affected by various factors, such as general economic conditions, availability of financing, interest rates and supply and demand, many of which are beyond our control. We cannot predict whether we will be able to sell any of our interests in the associates for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a purchaser and to complete the relevant transaction. Therefore, the illiquidity nature of our investment in associates may significantly limit our ability to respond to adverse changes in the performance of our associates and joint ventures. In addition, if there is no share of results or dividends from our associates, we will also be subject to liquidity risk and our financial condition or result of operations could be materially affected.

In addition, since we do not have full control over the business and operations of our associated companies, we cannot assure that they have been, or will be in strict compliance with all applicable PRC laws and regulations. We cannot assure you that we will not encounter problems with respect to our associated companies or our associated companies will not violate PRC laws and regulations, which may have an adverse effect on our business, results of operation and financial condition.

Our long-term growth and competitiveness are highly dependent on our ability to control costs and expenses. Increased costs of revenue could impact our results of operations and our profitability.

In order to maintain competitive pricing and enhance our profit margins, we must continually control our costs, expenses and prices. We may not be able to pass increased operating cost to our customers, which may materially and adversely affect our business, financial condition and results of operations.

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Effective cost-control and price-control measures have a direct impact on our financial condition and results of operations. We have adopted various measures, including enhancing our operational efficiency with advanced technologies, and will continue to adopt new ones as necessary and appropriate. In 2019, 2020 and 2021 and the nine months ended September 30, 2021 and 2022, our cost of revenue was RMB3,348.7 million, RMB4,363.6 million, RMB5,897.4 million, RMB4,382.5 million and RMB4,451.5 million, respectively. However, the measures we have adopted or will adopt in the future may not be as effective as expected in improving our financial condition and results of operations. If we are not able to effectively control our cost, our business, financial condition and results of operations may be materially and adversely affected.

Our financial results may vary significantly from period to period due to the seasonality of our business.

Our business has been, and is expected to continue to be, affected by seasonality experienced in the road freight transportation industries. We generally have fewer orders or a lower volume of business during the Chinese New Year holiday period in the first quarter of each year. Correspondingly, we generally observe a surge in business in the fourth quarter and early first quarter of each year, before the Chinese New Year holiday period. See “Business—Seasonality.” Such patterns of seasonality may impose challenges on our transportation capacity and resources, and on our business operations. Seasonality also makes it challenging to accurately and timely estimate customer demands and manage our service accordingly. For example, with a surge of demand during the peak seasons of road freight transportation, we may find it challenging to align truckers with sufficient capacity to meet the demand. Failure to meet demand associated with the seasonality in a timely manner may adversely affect our business.

If our customers decide to reduce their logistics and supply chain costs or increase utilization of their internal logistics operations to substitute the services we provide, our business, financial condition and results of operations may be materially and adversely affected.

A major driver for the logistics companies and cargo owners to use our digital freight services is the high cost and degree of difficulty associated with developing in-house logistics and supply chain solution. However, our customers may decide to develop their own in-house logistics capabilities, which may lead to their reduced needs for the services we provide. In this case, we may need to compete with the in-house solutions our customers develop that compete with, or with the potential to substitute, the services we provide, which may not only lead to decrease in demand for the services we provide but also impose challenges on the long-term and stable business relationship between us and our customers. As a result, our business, financial condition and results of operations may be materially and adversely affected.

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We may face liabilities for user misconduct, inappropriate or illegal content uploaded by users, and information displayed on, retrieved from or linked to our platform.

The PRC government has adopted regulations governing Internet access and the distribution of information over the Internet. Under the Internet security regulations, Internet content providers and Internet publishers are prohibited from posting or displaying over the Internet content that, among other things, compromises national security, harms the dignity or interests of the state, incites ethnic hatred or racial discrimination, undermines the PRC's religious policy, disturbs social order, disseminates obscenity or pornography, encourages gambling, violence, murder or fear, incites the commission of a crime, infringes upon the lawful rights and interests of a third party, or is otherwise prohibited by law or regulations. As advised by our PRC Legal Advisers, if PRC regulatory authorities determine that any content displayed on our platform does not adhere to applicable laws and regulations, they may require us to limit or eliminate the dissemination or availability of such content on our platform in the form of take-down orders or otherwise. Such regulatory authorities may also impose penalties on us, including fines, confiscation of income or, in circumstances involving more serious violations by us, the termination of relevant business license, any of which would materially and adversely affect our business and results of operations.

Subject to our content monitoring process, our registered users can share on our Trucker Community platform various types of content, such as updating user profiles, posting original articles, sharing videos linked to third-party platforms or answering questions. We require our users to confirm before registration that the content shared by them is in compliance with PRC laws and regulations and does not infringe other parties' legal rights. In addition, we have adopted and implemented strict internal procedures aiming to ensure that no prohibited or pirated content is displayed on our platform. We also have a content monitoring team which is responsible for monitoring and preventing the public release of inappropriate or illegal content on our Trucker Community platform. However, given the large user base we have, we may not be able to fully control the content from our users. As most of our users are individuals, they may not be able to fully indemnify us for all damages, including regulatory penalties or third-party claims, caused by the content they have displayed on our platform. Moreover, because the definition and interpretation of prohibited content are in many cases vague and subjective, it is not always possible to determine or predict what content might be prohibited under existing restrictions or restrictions that might be imposed in the future. Failure to identify and prevent illegal or inappropriate content from being displayed on our platform may subject us to severe sanctions and penalties such as fines, confiscation of income or, in circumstances involving more serious violations by us, the termination of relevant business license.

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We may be subject to liabilities for defective or unqualified products sold, or substandard services provided, by third-parties through our Truck Plus solutions, and our business and reputation could be materially and adversely affected.

Through our Truck Plus solutions, we connect truckers on our platform with third-party providers of truck aftermarket services, and we partner with third-party providers of truck aftermarket services to serve truckers on our platform. In addition, we connect truckers on our platform who intend to purchase second-hand trucks with truck sellers. However, the measures of safeguarding against defective or unqualified products by third parties or by us may not be adequate. We may not be able to detect and prevent all potential instances of misconduct or negligence committed by such third-party sellers, dealers or service providers in the process.

While we have not encountered any material issues with respect to the products sold, or services provided, through our Truck Plus solutions, we cannot ensure that our quality control mechanism is able to identify all defective or unqualified products or services, which may pose safety or other risks to truckers on our platform. If the products sold, or the services provided, through our Truck Plus solutions were to cause personal injury or injury to property, the injured party or parties could file a claim against us, and there can be no assurance that we will be able to recover all or any amounts from the third-party truck sellers, dealers, service providers or truck supplies providers that we work with. Any product liability claim, regardless of its merit or success, could have a negative impact on our reputation and business, and result in the expenditures and diversion of management's attention.

If we fail to effectively identify or consummate acquisitions, investments or alliances, our business, results of operations, financial condition and prospects could be materially and adversely affected. We may not realize all of the anticipated benefits of any acquisitions we make or those benefits may take longer to realize than expected.

We may, from time to time, evaluate and consider strategic investments, combinations, acquisitions or alliances to enhance our competitive position. These transactions could be material to our financial condition and results of operations if consummated. However, if we are able to identify an appropriate business opportunity, we may not be able to successfully consummate the transaction and, even if we do consummate such a transaction, we may be unable to realize all of the anticipated benefits of such investments, combinations, acquisitions or alliances, or those benefits may take longer to realize than expected. In addition, we may not be able to avoid the difficulties and risks associated with such transaction, which may result in investment losses.

Overall tightening of the labor market, increases in labor costs or any labor unrest, including strikes, may affect our business as we operate in a labor-intensive industry.

The road freight transportation industry is by nature labor-intensive, and our business requires a substantial amount of labor inputs provided by our employees as well as the truckers on our platform. As of September 30, 2022, we had a total of 1,019 employees. In 2019, 2020, 2021 and the nine months ended September 30, 2022, the number of active truckers on our

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platform, defined as those truckers who completed at least four orders on our digital freight platform in a given year, amounted to 229,800, 296,200, 411,600 and 325,100, respectively. If we fail to retain stable and dedicated labor provided by our employees and the truckers on our platform, the services we provide to our customers may experience disruptions, deterioration in quality, or delays.

We have observed an overall tightening labor market, which imposes significant challenges on the labor cost we incur. We have experienced, and expect to continue to experience, increases in labor costs due to increases in salaries, social benefits and employee headcounts and we may also face seasonal labor shortages.

We may be subject to disputes with our employees, and with the truckers on our platform, from time to time in the ordinary course of business. Any labor unrest or strikes among our employees, or among the truckers on our platform, could directly or indirectly prevent or hinder our normal operating activities, and if not resolved in a timely manner, could lead to delays in fulfilling our orders. We are not able to predictably control any labor unrest, especially those involving labor not directly employed by us. Further, labor unrest may affect general labor market conditions or result in changes to labor laws and regulations, which in turn could materially and adversely affect our business, financial condition and results of operations.

Our business generates and processes a large quantity of data, and improper handling of or unauthorized access to such data may adversely affect our business. Complying with evolving laws and regulations regarding cybersecurity, information security, privacy and data protection and other related laws and requirements may be expensive and force us to make adverse changes to our business.

Laws and regulations governing cybersecurity, information security, privacy and data protection, the use of the internet as a commercial medium, and data sovereignty requirements are rapidly evolving, extensive, complex, and include inconsistencies and uncertainties. Our business operations, and the services we provide to our customers, involves the collection and use of certain data collected from the logistics companies, cargo owners and truckers we work with. We face risks related to compliance with applicable laws, rules and regulations relating to the collection, use, disclosure and security of such data, as well as any requests from regulatory and government authorities relating to such data. Any system failure or security breach or lapse on our part, or on the part of our business partners, that results in the release of user data could harm our reputation and brand and, consequently, our business, in addition to exposing us to potential legal liability. In November and December 2020, we received certain notifications from the China Academy of Information and Communications Technology, a subordinate to the MIIT, claiming our potential violation of relevant rules and regulations governing privacy, as our Trucker Community App, and several third-party software development kits that are linked to our Trucker Community App, were found to be involved in improper collection and handling of user information, such as collecting MAC address of user's device upon first time running the App before obtaining user's authorization. In

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December 2020, our Trucker Community App was temporarily suspended from download by the MIIT in certain major App platforms. See “Business—Data Privacy and Personal Information Protection—Temporary App Takedown.”

On July 10, 2021, the Cyberspace Administration of China (國家互聯網信息辦公室) (the “CAC”) published the Measures for Cybersecurity Review (Revised Draft for Comments) (《網絡安全審查辦法(修訂草案徵求意見稿)》) (the “**Revised Draft**”), which stipulates that data processors which possess personal information of over one million users and intends for a “foreign” listing must apply for a cybersecurity review. On November 14, 2021, the CAC published the Regulations on the Administration of Network Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “**Draft Regulations**”), further expanding the scope of application of cyber security review, stipulating that data processing entities seeking a listing in Hong Kong that will influence or may influence national security must apply for a cybersecurity review. On December 28, 2021, the CAC promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the “**Cybersecurity Review Measures**”), which came into effect on February 15, 2022. See “Regulatory Overview.”

The Cybersecurity Review Measures further stipulate that if an operator possesses personal information of over one million users and intends for “foreign” listing (國外上市), it must be subject to the cybersecurity review. However, the Cybersecurity Review Measures provide no further explanation or interpretation for “foreign” listing (國外上市).

The Draft Regulations also reiterate the circumstances under which data processors shall apply for cybersecurity review, including, among others, (i) the data processors who process personal information of at least one million users apply for “foreign” listing (國外上市); and (ii) the data processors’ listing in Hong Kong affects or may possibly affect national security. However, it provides no further explanation or interpretation as to how to determine what constitutes “affecting national security”, and there remain uncertainties whether we would be subject to the cybersecurity review for the Global Offering pursuant to such Cybersecurity Review Measures. In addition, the operative provisions may be subject to change with substantial uncertainty. We cannot predict the impact of these Cybersecurity Review Measures, if any, at this stage, and we will closely monitor and assess any development in the rule-making process. Therefore, it remains uncertain whether the proposed measures will be applicable to our business, the Global Offering, or whether the future regulatory changes would impose additional restrictions on companies like us. In light of the above uncertainties, as of the date of the prospectus, we had not applied for such cybersecurity review. If the Cybersecurity Review Measures mandate clearance of cybersecurity review and other specific actions to be completed by companies like us for the Global Offering or our future capital raising activities, we may face uncertainties as to whether such clearance can be timely obtained, or at all. Failure to comply with the cybersecurity and data privacy requirements in a timely manner, or at all, may prevent us from using certain network products and services and subject us to government enforcement actions and investigations, fines, penalties, suspension of our non-compliant operations, and revoking relevant business permits or business licenses, among other sanctions. See “Regulatory Overview—Regulations Related to Cyber Security and Privacy Protection.”

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Furthermore, recently, certain PRC regulatory authorities issued Opinions on Strictly Cracking Down on Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》), which were available to the public on July 6, 2021 and further emphasized to strengthen the cross-board regulatory collaboration, to improve relevant laws and regulations on data security, cross-border data transmission, and confidential information management, and provided that efforts will be made to revise the regulations on strengthening the confidentiality and file management relating to the offering and listing of securities overseas, to implement the responsibility on information security of overseas listed companies, and to strengthen the standardized management of cross-border information provision mechanisms.

As a result of such greater attention and scrutiny, our compliance costs with respect to data securities compliance may increase, and we may be subject to heightened requirements and challenges associated with data security and protection. If we are unable to manage these requirements, our reputation and results of operations could be materially and adversely affected. See “Regulatory Overview—Regulations Related to Cyber Security and Privacy Protection.”

We rely on certain key operating metrics to evaluate the performance of our business, and inaccuracies in such metrics may harm our reputation and negatively affect our business.

We rely on certain key operating metrics, such as Online GTV, which are used by us and may be used by our investors 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 our competitors due to differences in methodology and assumptions. We calculate these operating metrics using internal company data that has not been independently verified. While these numbers are based on what we believe to be reasonable, there are inherent challenges in measuring our operating metrics. If we discover material inaccuracies in the operating metrics we use, or if they are perceived to be inaccurate, our reputation may be harmed and our evaluation methods and results may be impaired, which could negatively affect our business. If investors make investment decisions based on operating metrics we disclose that are inaccurate, we may also face potential lawsuits or disputes.

Our success depends to a substantial degree upon our senior management and other key personnel, and our business operations would be negatively affected if we fail to attract and retain them.

We depend to a significant degree on the continued service of our experienced senior management and other key personnel. In particular, the industry experience, management expertise and contributions of the members of our senior management and other key personnel are crucial to our success. We have entered into employment agreements with our senior management and other key personnel. However, these agreements do not ensure the continued service of these senior management and key personnel, and we may not be able to enforce these agreements. If members of our senior management team or other key personnel resign, join a

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competitor or form a competing company, the cost and uncertainty associated with our search and integration of a replacement could have an adverse effect on our business, financial condition and results of operations.

In addition, we do not maintain key man life insurance for any of the senior members of our management team or other key personnel. If any of our senior management members or other key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them promptly or at all, which may severely disrupt our business and affect our results of operations.

We may not be able to attract and retain the qualified and skilled employees needed to support our business.

We believe our success depends on the efforts, effectiveness and talent of our employees. Our future success depends on our continued ability to attract, develop, motivate and retain qualified and skilled personnel, particularly personnel with expertise in the road freight transportation industry, the technology industry and other industries related to our operations. Competition for highly skilled 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 personnel have greater resources than we have 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 our customers could diminish, resulting in a material adverse effect to our business and prospect.

The operations of our business depend on our technology infrastructure, and a significant system disruption could adversely affect our operations and the services we provide to our customers, which could severely impact our business, financial condition and results of operations.

We rely on our technology infrastructure to process, transmit and store digital information in our provision of services to our customers, and to manage or support a variety of business processes and activities. Our technology infrastructures may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components thereof, power outages, hardware failures, computer viruses, malicious insiders, telecommunication failures, user errors or other catastrophic events. Hackers, acting individually or in coordinated groups, may also launch distributed denial of service attacks or other coordinated attacks on our technology infrastructure that may cause service outages or other interruptions in our business. Such interruptions or delays in our service may also lead to the loss of data that are crucial to our business operations, and we may not have sufficient capacity to recover all data and services lost in a timely manner in the event

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of an outage. These factors could prevent us from engaging in other business operations, damage our brands and reputation, divert our employees' attention, reduce our revenue, subject us to liability and cause the logistics companies, cargo owners, truckers we work with to reduce the use of or abandon our solutions and services, any of which could adversely affect our business, financial condition and results of operations.

Any deficiencies in China's telecommunication and Internet infrastructure could impair the functioning of our technology system and the operation of our business.

Our business depends on the performance and reliability of the telecommunication and Internet infrastructure in China. The availability and reliability of our website, mobile application, customer service hotline and technology system depends on telecommunications carriers and other third-party providers for communications and storage capacity, including bandwidth and server storage, among other things. If we are unable to enter into and renew agreements with these providers on acceptable terms, or if any of our existing agreements with such providers are terminated as a result of our breach or otherwise, our ability to provide our services to our customers could be adversely affected. Although we have not experienced any material service interruptions in the Track Record Period, frequent service interruptions could frustrate the logistics companies, cargo owners and truckers we work with and discourage them from using our platform, which could cause us to lose business and harm our operating results.

If we fail to keep up with the technological developments and implementation of advanced technologies, our business, results of operations and prospects may be materially and adversely affected.

We apply technologies to serve our customers more efficiently and bring them better user experience. Our success will in part depend on our ability to keep up with the changes in technologies and the continued successful implementation of advanced technology, including AI, big data and blockchain. If we fail to adapt our services to changes in technological developments in an effective and timely manner, our business operations may suffer. Changes in technologies may require substantial expenditures in research and development as well as in modification of our services, which may be disruptive to our business and can be time-consuming and expensive, and may increase management responsibilities and divert management attention. Hurdles in implementing technological advances may result in our services becoming less attractive to our customers, which, in turn, may materially and adversely affect our business, results of operations and prospects.

We may not be able to protect our intellectual property rights, including our brand and our technology infrastructure, and third parties may infringe upon or misappropriate our intellectual property.

We rely on a combination of copyright, trademark, patent and other intellectual property protections, confidentiality agreements with our key personnel and other relevant persons and other measures to protect our intellectual property, including our brand and our proprietary technology infrastructure. Nevertheless, it may be possible for third parties to obtain and use

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our intellectual property without authorization. There may be instances of unauthorized use of intellectual property in China from time to time, and enforcement of intellectual property rights by the relevant regulatory authorities maybe inconsistent. As a result, litigation may be necessary to enforce our intellectual property rights. Litigation could result in substantial costs, divert our management's attention and resources, disrupt our business, and have a material adverse effect on our financial condition and results of operations. Given the relative unpredictability of the PRC's legal system with respect to intellectual property rights, and the potential difficulties in enforcing a court judgement, there is no guarantee that we would be able to halt any unauthorized use of our intellectual property in China through litigation.

We may be accused of infringing the intellectual property rights of others.

Our business operations, and the services we provide to our customers, may infringe upon or otherwise violate trademarks, copyrights, know-how, proprietary technologies or other intellectual property rights held by other parties. Such infringement or violation may happen without our awareness, as we may not always be aware of intellectual property registrations or applications relating to trademarks, source codes, software products or other intellectual property of third parties whether in the PRC, Hong Kong or other jurisdictions. Holders of such intellectual property rights may seek to enforce such intellectual property rights against us in the PRC, Hong Kong or other jurisdictions. As a result, we may be from time to time in the future subject to legal proceedings and claims relating to the intellectual property rights of others.

Assertions of infringement of intellectual property or misappropriation of confidential information against us could have a material adverse effect on our business, financial condition and results of operations. Protracted litigation could divert our management's attention and our resources and also result in existing or potential customers deferring or limiting their procurement or use of our services until resolution of such litigation. Even if such assertions against us are unsuccessful, they may cause us to lose existing and future business and incur reputational harm and substantial legal fees.

We may need additional capital to pursue business objectives and respond to business opportunities, challenges or unforeseen circumstances, and financing may not be available on terms acceptable to us, or at all.

Growing and operating our business will require significant cash investments, capital expenditures and commitments to respond to business challenges, including developing or enhancing new or existing services and technologies and expanding our infrastructure. If cash on hand, cash generated from operations, and the net proceeds from the Global Offering are not sufficient to meet our cash and liquidity needs, we may need to seek additional capital, potentially through debt or equity financings. We may not be able to raise required capital on terms acceptable to us, or at all. Volatility in the credit markets may have an adverse effect on our ability to obtain debt financing. Issuances of equity or convertible debt securities may be on terms that are dilutive or potentially dilutive to our Shareholders, and the prices at which new investors would be willing to purchase our securities may be lower than the public offering

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price of this offering. The holders of new securities may also have rights, preferences, or privileges that are senior to those of existing stockholders. If new financing sources are required, but are insufficient or unavailable, we may need to modify our growth and operating plans and business strategies based on available funding, if any, which would harm our ability to grow our business.

Defects related to certain of our properties may adversely affect our ability to use these properties.

As of the Latest Practicable Date, the lease agreements with respect to 24 out of 26 properties we leased from independent third parties were not registered with the appropriate government authorities in the PRC. See “Business—Properties.” As advised by our PRC Legal Advisers, if we and the landlords fail to register such lease agreements as required by the relevant competent authorities, we may be subject to a fine of RMB1,000 to RMB10,000 for each of the unregistered lease agreements. There can be no assurance that the relevant government authorities would not impose administrative penalties on us as a result of the non-registration of these lease agreements. If we are liable for fines because of the non-registration of lease agreements, our business operation could be adversely affected.

Failure to pay the social insurance and housing provident funds contributions for and on behalf of our employees in accordance with applicable PRC laws and regulations may have an adverse impact on our financial condition and results of operations.

During the Track Record Period, we had not made full contributions to the social insurance plan and housing provident fund based on the actual salary level of some of our employees as prescribed by relevant laws and regulations. During the Track Record Period, the total shortfall amount for our social insurance contribution for our employees was approximately RMB2.2 million, and the total shortfall amount for our housing provident fund contribution for our employees was approximately RMB2.0 million. See “Business—Employees—Social Insurance and Housing Provident Funds.”

Pursuant to relevant PRC laws and regulations, the under-contribution of social insurance within a prescribed period may subject us to a daily overdue charge of 0.05% of the delayed payment amount. If such payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times of the overdue amount. Pursuant to relevant PRC laws and regulations, if there is a failure to pay the full amount of housing provident fund as required, the housing provident fund management center may require payment of the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement. We cannot assure you that the relevant government authorities will not require us to pay the outstanding amount within a prescribed time and impose late charges or fines on us, which may materially and adversely affect our business, financial condition and results of operations.

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In addition, during the Track Record Period, a few of our PRC operating entities engaged third-party human resources agencies to pay social insurance and housing provident funds contributions for some of their employees. This is because such employees worked outside of the cities where the operating entities are registered and third-party human resources agencies were engaged to pay social insurance and housing provident funds for such employees in cities where they worked. If the relevant competent government authority is of the view that this third-party agency arrangement does not satisfy the requirements under the relevant PRC laws and regulations, in respect of housing provident fund, we may be ordered to pay the outstanding balance to the relevant local authority within a prescribed period of time, failing which the government authority can apply to the People's Court for compulsory enforcement, but no penalties are provided under the relevant PRC laws and regulations; and in respect of social insurance, we might be ordered to pay the outstanding balance within a certain period of time and a late fee that equals to 0.05% of the total outstanding balance per day from the date of the failure to make sufficient payment, failing which we may be subject to a fine ranging from one to three times of the total outstanding balance. See "Business—Employees—Social Insurance and Housing Provident Funds."

Under the agreements between the third-party human resources agencies and our relevant operating entities, the third-party human resources agencies have the obligations to pay social insurance and housing provident funds contributions for our relevant employees. However, if the human resource agencies fail to pay the social insurance or housing provident fund contributions for and on 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. As of the Latest Practicable Date, none of the third-party human resources agencies that we cooperate with had failed to pay, or delayed in paying, any social insurance or housing provident fund contributions for our employees.

Failure by us to obtain, maintain or update necessary licenses, approvals or permits may have material adverse effect on our business, financial condition and results of operations.

We are required to obtain and maintain numerous approvals, licenses, assurances, accreditations, permits, registrations and certificates from relevant authorities to operate our business. See "Business—Legal Proceeding and Compliance—Licenses and Permits." Any failure by us to obtain approvals, registrations, licenses, assurances, accreditations, permits and certificates necessary for our operations or to comply with the terms, conditions, and requirements thereunder, may result in enforcement actions against us, including suspension or termination of licenses, approvals, assurances, accreditations, permits, registrations, and certificates, orders issued by the relevant regulatory authorities causing operations to cease, fines and other penalties, and may include corrective measures requiring capital expenditure or remedial actions. In the event that such enforcement action is taken, our business operations could be materially and adversely disrupted.

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As required by applicable PRC laws and regulations, an entity that engages in digital freight business is generally required to obtain an operating license from local county-level authorities that are responsible for the supervision and administration of road transportation. See “Regulatory Overview—Regulations Related to Road Transportations.” During the Track Record Period, we had not obtained such license for the operation of digital freight business for one of our subsidiaries, Sichuan Quanwang Express. See “Business—Legal Proceeding and Compliance—Licenses and Permits” for more details. Furthermore, we need to renew the operating licenses for digital freight businesses, and other relevant licenses and permits, for our subsidiaries once they expire, and if we cannot complete the renewal in a timely manner, the corresponding subsidiaries may be subject to business suspension and other penalties.

Due to uncertainties of the interpretation and implementation of laws and regulations, and the promulgation of new laws and regulations in China from time to time, we may be required by regulatory authorities to obtain additional licenses for our business, failure of which may have a material adverse effect on our business, financial condition and results of operations. If the PRC government promulgates new laws and regulations that require additional approvals or licenses, it has the authority, among other things, to levy fines, confiscate incomes, revoke business licenses, or require us to discontinue relevant business or impose restrictions on the affected portion of business. Any of these actions by the PRC government may have a material and adverse effect on our results of operations.

Our business is subject to a broad range of PRC laws and regulations. If we are deemed to be not in compliance with any of these laws and regulations, our business, reputation, financial condition and results of operations may be materially and adversely impacted.

Our business is subject to governmental supervision and regulation by the relevant PRC governmental authorities, including but not limited to the SAMR, Ministry of Transportation and the MIIT. Together, these governmental authorities promulgate and enforce regulations that cover many aspects of our day-to-day operations. If we are deemed to be not in compliance with these requirements, we may be subject to fines and other administrative penalties from the relevant PRC government authorities. In case of our failure to rectify our noncompliance within required period by the relevant PRC government authorities, we may be forced to suspend our operation.

Existing and new laws and regulations may be enforced from time to time and substantial uncertainties exist regarding the interpretation and implementation of current and any future PRC laws and regulations applicable to us and/or the logistics companies, cargo owners and truckers that we work with. If the PRC government promulgates new laws and regulations that impose additional restrictions on the operations of us and/or the logistics companies, cargo owners and truckers that we work with, or tightens enforcements of existing or new laws or regulations, it has the authority, among other things, to levy fines, confiscate income, revoke 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 may have a material and adverse effect on our results of operations. In addition, potential new regulations

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or policy in relation to climate changes might affect our customer's preference or demands in using our services, which might require us to incur additional compliance costs or incur costs for implementing new marketing strategies to attract our customers.

We cannot assure that all of the logistics companies, cargo owners and truckers that we work with will be in full compliance with the laws and regulations. If any of them fails to comply with the laws and regulations and are subject to penalties or administrative orders, they may not be able to continue to work with us. As a result, our business, reputation, financial condition and results of operations may be materially and adversely affected.

Regulatory uncertainties relating to, or failure to comply with, anti-monopoly and anti-unfair competition laws could adversely affect our business, financial condition, or operating results. In November 2020, the Anti-monopoly Bureau of SAMR released the draft Guidelines on Anti-monopoly Issues in Platform Economy, or the Platform Economy Anti-monopoly Guidelines, for public comment and in February 2021, adopted the Platform Economy Anti-monopoly Guidelines. As we continue to develop our business, there can be no assurance that regulators will not initiate anti-monopoly enquiry or investigation into, or take enforcement actions against any of our future investments, mergers and acquisitions or alliances. If any of our future investments, mergers and acquisitions, alliances are deemed to constitute concentration of undertaking under the PRC Anti-monopoly Law, we may be ordered to terminate the contemplated concentration, to dispose of our equity or asset within a prescribed period, or to transfer our business within a prescribed time or to take any other necessary measures to return to the pre-concentration status, and a fine of no more than RMB500,000 may be imposed.

The operation of our business may be subject to certain environmental laws and regulations. For example, truckers are required to use trucks that meet relevant emission standards to fulfill shipping orders on our platform. In addition, from time to time, the PRC government issues new regulations, which may require additional actions on our part to comply, including substantial investments in improving our health, workplace safety and environmental protection measures. As we continue to expand our business, including involving additional new energy vehicles for the fulfillment of shipping orders on our digital freight platform and expanding the product mix under our Truck Plus solutions, we may be further required to comply with, among other things, the applicable laws and regulations in relation to health, workplace safety and environmental protection, and are subject to examinations or verifications by relevant authorities and may be valid only for a fixed period of time, subject to renewal and accreditation. Complying with government regulations in health, workplace safety and environment protection may require substantial expenses, and any non-compliance may expose us to liability.

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If new laws or regulations are enacted in China to impose mandatory requirements on truckers to issue invoices to logistics companies that engage them directly, the demand for our services from certain logistics companies that prefer to engage truckers directly may decrease.

Historically, before the emergence of digital freight platforms, logistics companies that engage truckers to serve freight owners face problems in the significant amount of value-added tax they incur, as they are required to pay value-added tax based on the total GTV of each order, but cannot effectively claim the value-added tax deduction they deserve based on the transportation cost they pay to truckers, as such truckers are generally sole practitioners who are usually unable or reluctant to issue proper value-added tax invoices for such transportation cost. Digital freight platforms overcome this problem for logistics companies as they digitalize the road freight transportation process and make the recording of revenue and cost in road freight transportation process more convenient, so that logistics companies can claim their entitled VAT deduction and enhance their tax compliance status. See “Financial Information—Government Grants.” If new laws or regulations are enacted in China to impose mandatory requirements on truckers to issue invoices to logistics companies that engage them directly, logistics companies can claim their entitled value-added tax deduction based on such invoices issued by truckers, without engaging digital freight platforms. As a result, the demand for our services from certain logistics companies that prefer to engage truckers directly may decrease, and our business, results of operations and financial condition may be adversely affected.

The enforcement of the PRC Labor Contract Law, and other labor-related regulations in the PRC may increase our labor costs and limit our flexibility to use labor. Our failure to comply with PRC labor-related laws may expose us to penalties.

According to the PRC Labor Contract Law, employers must enter into written employment contracts with employees. If a factual labor relationship is considered to exist between an employee and an employer, the employer may be ordered by the labor authority to rectify the non-compliance by entering into written employment contracts with the employees and pay twice the salary per month. An employer is obliged to sign an unfixed-term labor contract with any employee who has worked for the employer for 10 consecutive years. Further, if an employee requests or agrees to renew a fixed-term labor contract that has already been entered into twice consecutively, the resulting contract must have an unfixed term, with certain exceptions. The employer must pay economic compensation to an employee where a labor contract is terminated or expires in accordance with the PRC Labor Contract Law, except for certain situations which are specifically regulated. As a result, our ability to terminate employees is significantly restricted. In addition, the government has issued various labor-related regulations to further protect the rights of employees. In the event that we decide to change our employment or labor practices, the PRC Labor Contract Law and its implementation rules may also limit our ability to effect those changes in a manner that we believe to be cost-effective. As the interpretation and implementation of these regulations are

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still evolving, our employment practices may not be at all times deemed in compliance with the new regulations. If we are subject to severe penalties or incur significant liabilities in connection with labor disputes or investigations, our business and financial conditions may be adversely affected.

We may subject to various claims and lawsuits in the ordinary course of business, and increases in the amount or severity of these claims and lawsuits could adversely affect us.

We may be subject to claims and lawsuits, including various claims and litigation related to commercial disputes, personal injury, property damage, labor disputes and other matters in the ordinary course of our business. Actions brought against us may result in settlements, injunctions, fines, penalties or other results adverse to us that could harm our business, financial condition, results of operations and reputation. Even if we are successful in defending ourselves against these actions, the costs of such defense may be significant to us. A significant judgment or regulatory action against us or a material disruption in our business arising from adverse adjudications in proceedings against our Directors, officers or employees would have a material adverse effect on our liquidity, business, financial condition, results of operations, reputation and prospects.

We may not have sufficient insurance coverage.

We purchase and maintain insurance policies that we believe are in line with the industry practice and as required under the relevant laws and regulations. See “Business—Insurance.” However, we cannot assure you that our insurance policies will provide adequate coverage for all the risks in connection with our business operations. Consistent with customary industry practice in China, we do not maintain business interruption insurance or key-man life insurance. In addition, we cannot assure you that we will be able to successfully claim for losses under our current insurance policies on a timely basis, or at all. If we incur losses that are not covered by our insurance policies, or if the amount reimbursed is significantly less than our actual losses, we may be required to bear our losses to the extent that our insurance coverage is insufficient, and consequently, our business, financial condition and results of operations could be materially and adversely affected.

Pressure on our pricing could adversely affect our profitability. If we fail to effectively optimize our pricing models, our business, financial condition and results of operations could be adversely affected.

Our pricing system enables us to propose fee quotes balancing the needs and benefits among our customers and our truckers, while also optimizing the spread we are able to capture. However, many factors, including the availability of customers and truckers on certain routes, our know-hows on pricing and routes, tax, operating costs and expenses, legal and regulatory requirements, and our current and future competitors’ pricing strategies, could significantly affect our pricing models and resulted fee quotes. For example, certain competitors may use marketing strategies that enable them to attract or retain customers and truckers with attractive prices. We may be forced, through competition, regulation or otherwise, to reduce the price we

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charge our customers for the services we provide, or increase the incentives we provide to truckers on our platform. Furthermore, the price sensitivity of our customers and truckers may vary by geographic location, and as we expand, our pricing methodologies may not enable us to compete effectively in these geographic areas. As the overall profit margin in the road freight transportation industry remains generally thin, if we were forced to significantly and consistently lower the fee quotes to customers and increase the incentive we provide to truckers, we may not be able to maintain our profitability.

We may fail to effectively prevent invalid orders.

We face risks with respect to invalid orders, which are not uncommon in the road freight transportation industry. For example, information about orders may be inaccurate, duplicated or stale, causing difficulty or inefficiency for truckers in completing the order. Invalid orders may significantly obstruct the efficient coordination between shippers and truckers as well as negatively impact transparency in the road freight transportation industry. Generating an invalid order between shippers and truckers also wastes our resources and efforts and could generate invalid data.

We believe that the authentic and accurate orders placed on our platform are critical for us to gain trust from our truckers, improve the efficiency of our road freight transportation and maintain our competitive advantages. Although we have taken measures to secure authentic and accurate orders, we cannot guarantee that these measures could fully prevent inauthentic or inaccurate orders from being placed on our platform. Any inauthentic or inaccurate order could severely damage our brand and reputation, discourage shippers and truckers from using our platform, cast doubt on our ability to provide high-quality services and adversely affect our business.

The wide variety of payment methods that we accept subjects us to third-party payment processing-related risks.

We accept a wide variety of payment methods, including bank transfers and online payments through various third-party online payment platforms such as Alipay, WeChat Pay and UnionPay, in order to ensure smooth user experience. For certain payment methods, we pay varying service fees, which may increase over time and raise our operating costs and lower our profit margins. We may also be subject to fraud, money laundering and other illegal activities in connection with the various payment methods we accept.

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RISKS RELATING TO DOING BUSINESS IN CHINA

Adverse changes in China’s economic, political and social conditions, as well as the political and economic policies of the PRC government, may materially and adversely affect our business, our prospects, and the sustainability of our growth and expansion strategies.

During the Track Record Period, all of our revenue was generated from customers located in the PRC. Accordingly, our financial condition, results of operations and prospects are, to a material extent, subject to economic, political, and legal developments in the PRC.

The PRC economy differs from the economies of developed countries in many respects, including, among other things, the degree of government involvement, level of economic development, growth rate, control of foreign investment, control of foreign exchange and allocation of resources. The PRC government exercises significant control over China’s economic growth through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While the PRC economy has experienced significant growth over the past decades, that growth has been uneven across different regions and between economic sectors and may not continue. The growth rate of the Chinese economy has gradually slowed down since 2010, and was adversely impacted by the COVID-19 in 2020. Any prolonged slowdown in the Chinese economy may reduce the demand for our products and services and materially and adversely affect our business and results of operations.

Furthermore, any adverse changes in the policies of the PRC government or in the laws and regulations in China could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our business and results of operations, lead to reduction in demand for our products and services and adversely affect our competitive position.

Uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations could adversely affect us.

The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past decades has significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, the interpretation and enforcement of these laws and

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regulations involve uncertainties. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection available to you and us.

Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of any of these policies and rules until sometime after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China could materially and adversely affect our business and impede our ability to continue our operations.

Our business operations are extensively impacted by the policies and regulations of the PRC government. Any policy or regulatory change may cause us to incur significant compliance costs.

We are subject to extensive national, provincial and local governmental regulations, policies and controls. Central governmental authorities and provincial and local authorities and agencies regulate many aspects of Chinese industries, including, among others and in addition to specific industry-related regulations, the following aspects: (i) traffic and transport-related services; (ii) provision of internet content; (iii) environmental laws and regulations; (iv) security laws and regulations; and (v) taxes, duties and fees.

The liabilities, costs, obligations and requirements associated with these laws and regulations may cause interruptions to our operations or impact our financial position and results of operations. Failure to comply with the relevant laws and regulations in our operations may result in various penalties, including, among others the suspension of our operations and thus adversely and materially affect our business, prospects, financial condition and results of operations. Additionally, there can be no assurance that the relevant government agencies will not change such laws or regulations or impose additional or more stringent laws or regulations. Compliance with such changes in laws or regulations may cause us to incur higher compliance cost or material capital expenditures or other obligations or liabilities.

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 judgements obtained from foreign courts.

We are incorporated under the laws of the PRC and all of our business and operations are located in the PRC. In addition, most of our Directors, supervisors and officers reside in the PRC and most of their assets are located in the PRC. It may be difficult for investors to effect service of process upon those persons residing in the PRC or to enforce against us or them in the PRC any judgments obtained from non-PRC courts. The PRC does not have treaties

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providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. As a result, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions may be difficult or even impossible.

On July 14, 2006, the Supreme People's Court of the PRC and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (《最高人民法院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》) (the "Arrangement"). Under the Arrangement, a party with an enforceable final court judgment rendered by any designated people's court of the PRC or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant people's court of the PRC or Hong Kong court. A written choice of court agreement 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. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in the dispute did 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 certain of our assets or Directors in the PRC in order to seek recognition and enforcement of foreign judgments in the PRC. Although the Arrangement became effective on 1 August 2008, the outcome and effectiveness of any action brought under the Arrangement remains uncertain.

On January 18, 2019, the Supreme People's Court of the PRC and Department of Justice of Hong Kong entered into an agreement regarding the scope of judgments which may be enforced between the PRC and Hong Kong (《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》) (the "New Arrangement"). The New Arrangement will broaden the scope of judgments that may be enforced between the PRC and Hong Kong under the Arrangement. Whereas a choice of jurisdiction need to be agreed in writing in the form of an agreement between the parties for the selected jurisdiction to have exclusive jurisdiction over a matter under the Arrangement, the New Arrangement provides that the court where the judgment was sought could apply jurisdiction in accordance with the certain rules without the parties' agreement. The New Arrangement will replace the Arrangement when the former becomes effective. However, as at the Latest Practicable Date, the New Arrangement has not become effective and no specific date has been determined as its effective date. We cannot assure you that any action brought in the PRC by holders of our H Shares to enforce a Hong Kong arbitration award or judgment made in favor of holders of our H Shares would succeed.

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The PRC government policy on foreign investment in the PRC may adversely affect our business and results of operations.

The investment activities of foreign investors in the PRC are subject to certain regulations regarding the industry participated and imposed of additional verification procedures by certain authorities. The Special Management 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”) issued by the NDRC and MOFCOM, which set out in a unified manner the restrictive measures for the access of foreign investments such as the requirements for equity and senior management, and the industries that are prohibited for foreign investment. The Negative List covers 12 industries, and any field not covered by the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

As of the Latest Practicable Date, our digital freight business, which shall obtain an Value-added Telecommunications Business Operation License in advance, and Trucker Community is affected by regulations related to the Negative List. With respect to any foreign investor that fails to comply with such Negative List, the competent authorities are entitled to ban its investment activities, require such investor to take measures to correct its non-compliance and impose other penalties. The possible restriction implemented on such investors might hamper their capabilities and willingness in investment, which may also exert influence in our business and financial conditions.

Apart from our digital freight business and Trucker Community, our other business in China does not fall within the Negative List. However, as the Negative List could be updated in the future, there can be no assurance that the PRC government will not change its policies in a manner that would render part of our business in China within the Negative List. If we cannot obtain or maintain approval from relevant approval authorities to engage in a business in China which becomes prohibited or restricted for foreign investors, we may be forced to sell or restructure our business which has become restricted or prohibited for foreign investment. If we are forced to adjust our corporate structure or business line as a result of changes in government policy on foreign investment, our business, financial condition and results of operations may be adversely affected.

Our operations are subject to and may be affected by changes in PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. We cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or action that could adversely affect our business, financial condition and results of operations, as well as our reputation. Furthermore, the PRC government from time to time adjusts or changes its tax laws and regulations. For example, under the Individual Income Tax Law of the PRC (the “PRC IIT Law”) (《中華人民共和國個人所得稅法》), which was amended on June 30, 2011 and came into effect on September 1, 2011, foreign nationals who have domiciles in the PRC, or have no domicile in China but have resided in the PRC for one year or more, would be subject to PRC

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individual income tax at progressive rates on their income gained within or outside the PRC. Recently, the Standing Committee of National People's Congress have approved the amendment of the PRC IIT Law, which became effective on January 1, 2019. Under the amended PRC IIT law, foreign nationals have no domicile in China but have resided in the PRC for a total of 183 days or more in a tax year, would be subject to PRC individual income tax on their income gained within or outside the PRC. Should such rule be strictly enforced, our ability to attract and retain foreign talents to work in China may be materially affected, which may in turn have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects. Further adjustments or changes to PRC tax laws and regulations, together with any uncertainty resulting therefrom, could also have an adverse effect on our business, financial condition and results of operations.

Holders of our H Shares may be subject to PRC taxation.

Non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares in accordance with applicable PRC tax laws, rules and regulations.

Pursuant to the PRC IIT Law, non-PRC resident individuals are subject to a 20% PRC individual income tax on their dividend income derived from the PRC and we are required to withhold such tax from our dividend payments. If there is an applicable tax treaty to avoid double taxation and taxation evasion between China and the jurisdiction where the foreign individual resides, the applicable tax rate shall be determined in accordance with such tax treaty. Considering that the applicable tax rate on dividends is usually 10% according to tax treaties or tax agreements and that the number of stockholders is large for a listed company, to simplify the tax administration, generally a domestic non-foreign-investment enterprise with shares listed in Hong Kong can withhold dividend income tax at a rate of 10%. There remains uncertainty as to whether gains realized by non-PRC resident individuals on disposition of H Shares are subject to PRC individual income tax.

Pursuant to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) and other applicable PRC tax rules and regulations, non-PRC resident enterprises that do not have establishments or premises in the PRC, or have establishments or premises in the PRC but their income is not related to such establishments or premises are subject to a 10% PRC enterprise income tax rate on dividend income received from a PRC company and gains realized upon the sale or other dispositions of equity interest in a PRC company. The 10% tax rate is subject to reduction under any special arrangements or applicable treaties between China and the jurisdiction where the non-resident enterprise domiciles.

There remains substantial uncertainty as to the interpretation and implementation of the applicable PRC tax laws, rules and regulations by the PRC tax authorities, including whether and how non-PRC resident holders of H shares are subject to enterprise income tax rate on gains realized upon the sale or other dispositions of their H shares. In addition, if there is any

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unfavorable changes in the applicable tax laws, regulations or tax rates stipulated by the PRC tax authorities, the value of your investment in our H Shares may be materially and adversely affected. See “Appendix IV—Taxation and Foreign Exchange.”

Failure to comply with PRC regulations and laws in relation to employee share scheme may subject the PRC plan participants or us to fines and other legal or administration sanctions.

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Share Scheme 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 the Stock Option Rules, which replaced the earlier rules promulgated by the SAFE in March 2007. Under the Stock Option Rules, PRC residents who participate in stock incentive plans in an overseas publicly listed company are required, through a PRC agent or PRC subsidiary of such overseas publicly listed company, to register with the SAFE and complete certain other procedures. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the share scheme if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes.

We and our PRC resident employees who have been granted restricted shares will be subject to the Stock Option Rules upon completion of this offering. Failure of the PRC resident holders of our restricted shares to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limited our PRC subsidiaries’ ability to distribute dividends to us, or otherwise materially adversely affect our business.

Our payment of dividends may be subject to restrictions under the PRC laws.

Under the PRC laws, dividends may be paid only out of distributable profit. Distributable profit is our profit as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including in years in which we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years.

In addition, we are required to comply with the dividend distribution rules prescribed by the PRC regulatory authorities when determining our dividend payout ratios. The PRC regulatory authorities may further amend the dividend distribution rules for listed companies in the future, which could significantly affect the amount of capital available to support the development and growth of our business.

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Moreover, as the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects, our subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our subsidiaries to pay dividends to us could have a negative impact on our cash flows and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

The PRC government's control over foreign currency conversion restrictions on currency exchange may limit our foreign exchange transactions.

Currently, the Renminbi cannot be freely converted into any foreign currency, and the conversion rate and remittance of foreign currencies are subject to PRC foreign exchange regulations. We cannot assure you that we will have sufficient foreign exchange to meet our foreign exchange requirements.

Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the requisite licenses to conduct foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by SAFE.

Under the existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, we cannot assure you that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to Shareholders or to satisfy other foreign exchange requirements. If we fail to obtain approval from SAFE to convert the Renminbi into any foreign currency for business purposes, our capital expenditure plans and our business, operating results and financial position may be materially and adversely affected.

Fluctuations in exchange rates could result in foreign currency exchange losses, and have a material and adverse effect on our results of operations.

The exchange rates of the Renminbi against the Hong Kong dollar and other currencies is subject to changes resulting from the PRC government's policies, and depends, to a large extent, on domestic and international economic and political developments, as well as supply and demand of currencies in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate of the Renminbi against the Hong Kong dollar and other currencies in the future. In addition, the People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in the Renminbi's exchange

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rates, and to achieve policy goals. We are subject to the risk of volatility in future exchange rates and to the PRC government's controls on currency conversion. We cannot assure you that we will not incur material net foreign exchange losses in the future. If we recorded net foreign exchange losses, our results of operations and financial condition may be adversely affected.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the Hong Kong dollar may result in a decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in a foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Further, we are also currently required to obtain approval from SAFE, before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our business, financial condition, and results of operations and prospects, and could reduce the value of, and dividends payable on, the Shares in foreign currency terms.

RISKS RELATING TO THE GLOBAL OFFERING

No public market currently exists for our H Shares; an active trading market for our H Shares may not develop, the market price for our H Shares may decline and the liquidity of our H Shares may be limited.

Prior to the Global Offering, there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of Global Offering. In addition, the Offer Price of our H Shares is expected to be fixed by agreement between the Overall Coordinator and us, and may not be an indication of the market price of our H Shares following the completion of the Global Offering. If an active public market for our H Shares does not develop following the completion of Global Offering, the market price and liquidity of our H Shares could be materially and adversely affected.

Furthermore, all our existing Shareholders are subject to a 12-month lock-up period commencing from the Listing Date and H Shares to be issued to our cornerstone investors will be subject to a 6-month lock-up period from the Listing Date, during which they will not, inter alia, directly or indirectly dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any Shares of our Company. Accordingly, assuming an aggregate of 21,299,000 Offer Shares will be allotted to our cornerstone investors based on the Offer Price of HK\$3.2 per H Share (being the mid-point of the indicative Offer Price range), only 21,912,000 H Shares, representing approximately 1.57% of our total share capital, will be free to trade immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised). As a result, a listing on the Hong Kong Stock Exchange does not guarantee that an active and liquid trading market

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for our H Shares will develop, especially during the period when a significant portion of our H Shares are subject to lock-up undertakings, or if it does develop, that it will be sustained following the Global Offering, or that the market price of the H Shares will rise following the Global Offering.

The price and trading volume of our H Shares may be volatile, which could lead to substantial losses to investors.

The price and trading volume of our H Shares may be highly volatile. Several factors, some of which are beyond our control, such as variations in our results of operations, changes in our pricing policy, the emergence of new technologies, strategic alliances or acquisitions, the addition or departure of key personnel, changes in profit forecast or recommendations by financial analysts, changes in ratings by credit rating agencies, litigation or the removal of the restrictions on share transactions, could cause large and sudden changes to the volume and price at which our H Shares will trade. Furthermore, the business, results of operations, financial conditions and the market price of shares of other companies engaging in similar business may affect the price and trading volume of our shares. In addition, Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and volume volatility that is not related to the operating performance of any particular company, so it is also possible that our H Shares may be subject to changes in price not directly related to our performance.

There will be a time gap of several business days between pricing and trading of our H Shares offered in the Global Offering. Holders of our H Shares are subject to the risk that trading prices of our H Shares could fall during the period before trading of our H Shares begins.

The Offer Price of our H Shares is expected to be determined on the Price Determination Date. However, our H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be five business days after the expected Price Determination Date. As a result, investors may not be able to sell or deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of unfavorable market conditions, or other adverse developments, that could occur between the time of sale and the time trading begins.

Substantial future sales or the expectation of substantial sale of our H Shares in the public market following the Global Offering could materially and adversely affect the price of our H Shares.

Prior to the Global Offering, there has not been a public market for our H Shares. Future sales or perceived sales by our Shareholders of our H Shares after the Global Offering could result in a significant decrease in the prevailing market price of our H Shares. Only a limited number of the H Shares currently outstanding will be available for sale or issuance immediately after the Global Offering due to contractual and regulatory restrictions on disposal and new issuance. Nevertheless, after these restrictions lapse or if they are waived, future sales of

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significant amounts of our H Shares in the public market or the perception that these sales may occur could significantly decrease the prevailing market price of our H Shares and our ability to raise equity capital in the future.

As the Offer Price of our H Shares is higher than our consolidated net tangible book value per Share, purchasers of our H Shares in the Global Offering may experience immediate dilution upon such purchases.

As the Offer Price of our H Shares is higher than the consolidated net tangible assets per Share immediately prior to the Global Offering, purchasers of our H Shares in the Global Offering may experience an immediate dilution and substantial dilution in pro forma net tangible asset value of approximately HK\$0.53 per Share (assuming an Offer Price of HK\$3.2 per H Share, being the mid-point of our indicative Offer Price range between HK\$2.9 and HK\$3.5 per H Share). Our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per Share of their Shares. See “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus. In addition, holders of our H Shares may experience further dilution of their interest if the Overall Coordinator (on behalf of the underwriters) exercises the Over-allotment Option or we issue additional H Shares in the future to raise additional capital at a price lower than our net tangible asset value per Share at the time of issuance.

We may need additional capital, and the sale or issue of additional H Shares or other equity securities could result in additional dilution to our Shareholders.

Notwithstanding our current cash and cash equivalents and the net proceeds from the Global Offering, we may require additional cash resources to finance our continued growth or other future developments. We cannot assure you that financing will be available in the amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to sell additional equity securities, which could result in additional dilution to our Shareholders.

We cannot assure you whether and when we will declare and pay dividends in the future.

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distribution of dividends shall be decided by our Board of Directors at their discretion and will be subject to the approval of the general meeting. A decision to declare or to pay dividends and the amount thereof depend on various factors, including but not limited to our results of operations, availability of cash flows and financial position, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or IFRS (whichever is lower), our Articles of Association and other constitutional documents, the PRC Company Law and any other applicable PRC laws and regulations, market conditions, our strategy and projection for our business, contractual restrictions and obligations, taxation, regulatory restrictions and any other factors from time to time deemed by our Board of Directors as relevant to the declaration or suspension of dividends. As a result, there can be no

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assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See “Financial Information—Dividend.”

Facts, forecasts and statistics in this prospectus relating to our industry may not be fully reliable.

Facts, forecasts and statistics in this prospectus relating to our industry are obtained from various sources, including publicly available government and official sources. Certain information and statistics set forth in this prospectus relating to our industry have been extracted from a market research report by CIC, an Independent Third Party which we commissioned. The information from official government sources has not been independently verified by us, the Sole Sponsor, the Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, supervisors, officers, employees, advisors, agents or representatives or any other party involved in the Global Offering and no representation is given as to its accuracy. 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.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains certain statements and information that are forward-looking and uses forward-looking terminology such as “believe,” “expect,” “estimate,” “predict,” “aim,” “intend,” “will,” “may,” “plan,” “consider,” “anticipate,” “seek,” “should,” “could,” “would,” “continue,” and other similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

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

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the Global Offering. Prior to the publication of this prospectus, there has been press and media coverage regarding us and the Global Offering. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and you should not rely on such information.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 and Rule 19A.15 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 may be waived by the Stock Exchange in its discretion.

Since all of our Company's business operations and management are located in the PRC, there is no business need to appoint executive Directors based in Hong Kong. As all of our executive Directors currently reside in the PRC, we do not and, for the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 and Rule 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we have put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and us:

- (a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives are Ms. Wang Yao (王瑤), an executive Director and the chief financial officer of our Company and Mr. Long Ke (龍科) (“**Mr. Long**”), vice president of our Company, the secretary of our Board and one of our joint company secretaries. Both of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and: (i) are, and will be, readily contactable by telephone, facsimile and/or email to deal promptly with any enquiries which may be made by the Stock Exchange; (ii) have the means to contact all the Directors (including the independent non-executive Directors) promptly at all times, as and when the Stock Exchange wishes to contact the Directors on any matters; and (iii) are to act at all times as the principal channel of communication between the Stock Exchange and us;

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- (b) each of the authorized representatives has means to contact all Directors (including the non-executive Directors and the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. We have implemented a policy whereby:
 - (i) each Director has provided his mobile phone number, office phone number, email address and facsimile number (where available) to the authorized representatives;
 - (ii) each Director will provide his phone numbers or means of communication to the authorized representatives when he is travelling; and
 - (iii) each Director has provided his mobile phone number, office phone number, email address and facsimile number (where available) to the Stock Exchange;
- (c) in compliance with Rule 3A.19 of the Listing Rules, we have appointed Guotai Junan Capital Limited as our compliance adviser who will act as an additional channel of communication between the Stock Exchange and our Company for the period commencing on the Listing Date and ending on the date that our Company publishes our financial results for the first full financial year after the Listing Date pursuant to Rule 13.46 of the Listing Rules;
- (d) any meeting between the Stock Exchange and our Directors may be arranged through the authorized representatives within a reasonable time frame;
- (e) our Company will inform the Stock Exchange promptly in respect of any change in our Company's authorized representatives;
- (f) our Directors who are not ordinarily resident in Hong Kong possess or will apply for valid travel documents to visit Hong Kong for business purposes and would be able to come to Hong Kong and meet with the Stock Exchange upon reasonable notice; and
- (g) we will retain a Hong Kong legal adviser to advise us on the application of the Listing Rules and other applicable Hong Kong laws and regulations after our Listing.

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WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rule 3.28 and Rule 8.17 of the Listing Rules, our company secretary must be an individual who by virtue of his or her academic or professional qualifications or relevant experience is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of the Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or
- (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing “relevant experience”, the Stock Exchange will consider the individual’s:

- (i) length of employment with the issuer and other issuers and the roles they played;
- (ii) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;
- (iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (iv) professional qualifications in other jurisdictions.

We have appointed Mr. Long as one of the joint company secretaries. Mr. Long is familiar with our business operations, corporate culture and matters concerning our corporate governance, which are all based in the PRC and will be carried out in the PRC. However, Mr. Long does not possess the specified qualifications strictly required by Rule 3.28 of the Listing Rules. As a result, we have appointed Ms. Yuen Wing Yan, Winnie (袁穎欣) (“**Ms. Yuen**”) who is a fellow of both The Hong Kong Chartered Governance Institute (formerly known as “The Hong Kong Institute of Chartered Secretaries”) and The Chartered Governance Institute (formerly known as “The Institute of Chartered Secretaries and Administrators”), and meets the requirements under Rule 3.28 of the Listing Rules, to act as the other joint company secretary and to provide assistance to Mr. Long for an initial period of three years from the Listing Date so as to fully comply with the requirements set forth under Rule 3.28 and Rule 8.17 of the Listing Rules.

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Ms. Yuen will work closely with Mr. Long to jointly discharge the duties and responsibilities as company secretary and assist Mr. Long to acquire relevant experience as required under Rule 3.28 of the Listing Rules. In addition, Mr. Long will attend relevant trainings to enhance and improve his knowledge of and familiarity with the Listing Rules and other relevant laws, rules and regulations. As such, our Directors believe that Mr. Long, by virtue of his familiarity with our business operations, corporate culture and matters concerning corporate governance, together with assistance from Ms. Yuen and the trainings provided to him, is capable of discharging his functions as a joint company secretary. Our Directors therefore consider Mr. Long a suitable individual to act as our joint company secretary and believe that his appointment would benefit our Company and our Shareholders as a whole.

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Listing Rules. Pursuant to the Stock Exchange's Guidance Letter HKEX-GL108-20, the waiver is valid for an initial period of three years from the Listing Date, on the conditions that (i) Mr. Long will be assisted by Ms. Yuen who possesses the qualifications as required under Rule 3.28 of the Listing Rules throughout such period; and (ii) the waiver will be revoked immediately if and when Ms. Yuen ceases to provide such assistance to Mr. Long or if there are any material breaches of the Listing Rules by our Company. Before expiry of the three-year period, we will conduct a further evaluation of the qualification and experience of Mr. Long to determine whether the requirements under Rule 3.28 and Rule 8.17 of the Listing Rules can be satisfied. We and Mr. Long would then endeavor to demonstrate to the Stock Exchange's satisfaction that Mr. Long, having had the benefit of Ms. Yuen's assistance, would have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules and there is no need to further apply for a waiver.

**WAIVER FROM STRICT COMPLIANCE WITH RULE 4.04(1) OF THE LISTING
RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH PARAGRAPH 27 OF
PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE
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Rule 4.04(1) of the Listing Rules requires us to include in the prospectus an accountants' report covering the combined results of the Group in respect of each of the three financial years immediately preceding the issue of the prospectus or such shorter period as may be acceptable to the Stock Exchange (the "**Rule 4.04(1) Requirement**").

Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to include an accountants' report which contains the matters specified in the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance (the "**Third Schedule**").

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Paragraph 27 of Part I of the Third Schedule (the “**Paragraph 27**”) requires us to include in the prospectus a statement as to our gross trading income or sales turnover (as may be appropriate) during each of the three financial years immediately preceding the issue of the prospectus (the “**Paragraph 27 Requirement**”).

Paragraph 31 of Part II of the Third Schedule (the “**Paragraph 31**”) requires us to include in this prospectus a report by auditors of our Company with respect to the financial results of our Group for each of the three years immediately preceding the issue of the prospectus (the “**Paragraph 31 Requirement**”, together with the Paragraph 27 Requirement, the “**Third Schedule Requirements**”).

Pursuant to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

The financial year of our Company ends on December 31, and based on the current proposed timetable, this prospectus is expected to be issued on or before February 27, 2023 and our Company will be listed on the Stock Exchange on or before March 31, 2023 (i.e. within three months after the end of our Company’s latest financial year immediately preceding the issue of this prospectus). The auditor and reporting accountants of the Company have prepared the accountants’ report of the Group for the three financial years ended December 31, 2021 and the nine months ended September 30, 2022 and is set out in Appendix I to this prospectus. As this prospectus is expected to be issued no later than February 27, 2023 (i.e. within three months after the latest financial year end), the latest financial period to be reported on by the auditor and reporting accountants of our Company for inclusion in this prospectus will not have ended more than six months before the date of this prospectus and will be in compliance with the requirement of Rule 8.06 of the Listing Rules.

Accordingly, the Accountants’ Report as set out in Appendix I to this prospectus does not include the financial results of our Company in respect of the full financial year immediately preceding the proposed date of issue of this prospectus, being the full year ending on December 31, 2022 as required under Rule 4.04(1) of the Listing Rules, Paragraph 27 and Paragraph 31. We consider that a strict compliance with the Rule 4.04(1) Requirement, and the Third Schedule Requirements would be unduly burdensome and the waiver and exemption from strict compliance of these requirements would not prejudice the interests of the investing public for the following reasons:

- (a) our Directors and the Sole Sponsor have confirmed that, after performing sufficient due diligence on our Group, up to the date of this prospectus, there had been no material adverse change in our Group’s financial and trading positions or prospects

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since September 30, 2022 and there is no event since September 30, 2022 which would materially affect the information shown in the Accountants' Report as set out in Appendix I to this prospectus. Our Company is of the view that the information contained in the Accountants' Report of our Group as set out in Appendix I to this prospectus, the unaudited pro forma financial information as set out in Appendix II to the Prospectus and the profit estimate for the financial year ended December 31, 2022 as set out in Appendix III to this prospectus already provided potential investors with all information that is reasonably necessary for them to make an informed assessment of the activities or financial and trading position or prospects of our Group, and an exemption from compliance with the relevant requirements would not prejudice the interests of the investing public;

- (b) the auditor and reporting accountants of our Company would not have sufficient time to complete and finalise the audit of the combined financial statements of our Group for the financial year ended December 31, 2022 for inclusion in the prospectus to be issued on or before February 27, 2023;
- (c) the additional audit work to be done by the auditor and reporting accountants of our Company would not only involve additional costs and expenses but also require substantial volume of work to be carried out within a short period of time for audit purpose;
- (d) our Directors consider that the benefits of such additional work to be done by the auditor and reporting accountants of our Company to the existing and prospective Shareholders may not justify the additional work, costs and expenses that would be involved and the significant delay of the Listing timetable, given that there had been no significant change in the financial and trading position or prospects of our Group since September 30, 2022, and our Company includes in this prospectus the profit estimate for the latest financial year (i.e. the year ended December 31, 2022) which shall comply with Rules 11.17 to 11.19 of the Listing Rules (the “**Profit Estimate**”); and
- (e) our Company will issue its (i) annual results for the financial year ended December 31, 2022 by the end of March 2023 in accordance with Rule 13.49 of the Listing Rules, which will include the preliminary financial results of our Group for the year ended December 31, 2022, and (ii) annual report for the financial year ended December 31, 2022 by the end of April 2023 in accordance with Rule 13.46 of the Listing Rules, which will include the audited financial information of our Group for the year ended December 31, 2022.

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Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with the requirements under Rule 4.04(1) of the Listing Rules, subject to the conditions that:

- (a) our Company includes in this prospectus the Profit Estimate;
- (b) this prospectus will be issued on or before February 27, 2023 and the commencement of the listing of the H shares of the Company on the Main board of the Stock Exchange will be on or before March 31, 2023, which is prior to the expiry of three months after the latest financial year end;
- (c) our Company obtains a certificate of exemption from the SFC on strict compliance with the Third Schedule Requirements; and
- (d) our Company includes in this prospectus a Directors' statement that, after performing all due diligence work which they consider appropriate, there is no material adverse change to its financial and trading positions or prospect with specific reference to the trading results from October 1, 2022 to December 31, 2022.

We have also applied to the SFC for, and the SFC has granted to us, a certificate of exemption under section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with the Third Schedule Requirements on the ground that strict compliance with the Third Schedule Requirements would be unduly burdensome for our Company, and given that all information that is reasonably necessary for potential investing public to make an informed assessment of the activities or financial position of our Group has already been included in this prospectus, such exemption would not prejudice the interests of the investing public, subject to the conditions that:

- (a) the disclosure of particulars of the exemption in this prospectus;
- (b) the issuance of the Prospectus on or before February 27, 2023; and
- (c) our Company shall be listed on the Stock Exchange on or before March 31, 2023.

Our Directors further confirmed that:

- (a) Up to the date of this prospectus, there had been no material adverse change in our Group's financial and trading positions or prospects of the prospectus since September 30, 2022 and there is no event since September 30, 2022 which would materially affect the information shown in the Accountants' Report as set out in Appendix I to this prospectus;

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- (b) the investing public will possess reasonably sufficient information based on the information in this prospectus to make an informed assessment of the Company in the absence of an accountants' report that complies with Rule 4.04(1) of the Listing Rules;
- (c) the investing public will not be prejudiced by the granting of (i) a waiver from strict compliance with the Rule 4.04(1) Requirement and (ii) a certificate of exemption from strict compliance with the Third Schedule Requirements; and
- (d) our Company will issue its (i) annual results for the financial year ended December 31, 2022 on or before March 31, 2023, which is prior to the expiry of the three months after the latest financial year, and (ii) annual report for the financial year ended December 31, 2022 on or before April 30, 2023, which is prior to the expiry of the four months after the latest financial year end.

WAIVER IN RELATION TO THE SUBSCRIPTION FOR H SHARES BY A CLOSE ASSOCIATE OF AN EXISTING SHAREHOLDER AS A CORNERSTONE INVESTOR

Rule 10.04 of the Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the conditions in Rules 10.03(1) and (2) of the Listing Rules are fulfilled.

The conditions in Rules 10.03(1) and (2) of the Listing Rules are that (i) no securities are offered to the existing shareholders on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and (ii) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved.

Paragraph 5(2) of Appendix 6 to the Listing Rules provides that, without the prior written consent of the Stock Exchange, no allocations will be permitted to directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless the conditions set out in Rules 10.03 and 10.04 of the Listing Rules are fulfilled.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 10.04 of the Listing Rules and a written consent under paragraph 5(2) of Appendix 6 to the Listing Rules for the subscription of H Shares by Hefei Gaoxin, the controlling shareholder of and a close associate of Hefei New-Econ Co., an existing Shareholder, as a cornerstone investor, on the following grounds which are consistent with the conditions as set out in the Stock Exchange's Guidance Letter HKEX-GL85-16:

- (a) **Less than 5%:** Hefei New-Econ Co. is interested in less than 5% of the Company's voting rights prior to the completion of the Global Offering.

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- (b) **Not core connected persons:** Hefei New-Econ Co. and its close associate are not, and will not be, core connected persons (as defined under the Listing Rules) of the Company or any close associate (as defined under the Listing Rules) of any such core connected person immediately prior to or following the Global Offering.
- (c) **No right to appoint Directors:** Hefei New-Econ Co. has no power to appoint Directors of the Company and do not have other special rights.
- (d) **No impact on public float:** As Hefei New-Econ Co. is not a connected person to the Company, the Offer Shares to be held by Hefei New-Econ Co. and/or its close associates would be part of the public float. Thus, allocation to the Hefei New-Econ Co. and/or its close associates for which this submission is sought will not affect the Company's ability to satisfy the public float requirement under Rule 8.08 of the Listing Rules.
- (e) **Disclosure:** The relevant information in respect of the allocation to Hefei New-Econ Co. and/or its close associates will be disclosed in this prospectus and the allotment results announcement.
- (f) the Company and the Sole Sponsor provide a written confirmation in accordance with the requirements set out in HKEX-GL85-16 as following:
 - (i) the Sole Sponsor confirms that, based on (i) their discussions with the Company and the Overall Coordinator; and (ii) the confirmations provided to the Stock Exchange by the Company (confirmation (ii) mentioned below), and to the best of their knowledge and belief, they have no reason to believe that Hefei New-Econ Co. or its close associates received any preferential treatment in the allocation as a cornerstone investor by virtue of its relationship with the Company other than the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in HKEX-GL51-13, and details of the allocation will be disclosed in the Prospectus and the allotment results announcement;
 - (ii) the Company confirms that in the case of participation as cornerstone investors, no preferential treatment has been, nor will be, given to the Hefei New-Econ Co. or its close associates by virtue of its relationship with the Company other than the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in HKEX-GL51-13, that Hefei Gaoxin's cornerstone investment agreement does not contain any material terms which are more favorable to the Hefei Gaoxin's than those in other cornerstone investment agreements.

For further information about the cornerstone investment of Hefei Gaoxin, please refer to the section headed "Our Cornerstone Investors" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY STATEMENT

This prospectus, for which the Directors (including any proposed director who is named as such in this prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

CSRC APPROVAL

The CSRC issued an approval letter on April 13, 2022 for the submission of the application to list our H Shares (including H Shares to be converted from Domestic Shares) on the Stock Exchange. In granting such approval, the CSRC accepts no responsibility for our financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this prospectus or in the **GREEN** Application Form.

As advised by our PRC Legal Advisers, our Company has obtained all necessary approvals and authorizations in the PRC in relation to the Share Subdivision, the Global Offering and the Listing.

UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applications under the Hong Kong Public Offering, this prospectus and the **GREEN** Application Form set out the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 4,322,000 Offer Shares and the International Offering of initially 38,889,000 Offer Shares (subject, in each case, to reallocation on the basis as set out in the section headed "Structure of the Global Offering").

The H Shares are offered solely on the basis of the information contained and representations made in this prospectus and the **GREEN** Application Form and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the CMIs, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

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The listing of our H Shares on the Stock Exchange is sponsored by the Sole Sponsor and the Global Offering is managed by the Overall Coordinator. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to us and the Overall Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price. The International Offering is managed by the Overall Coordinator and is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or around the Price Determination Date.

If, for any reason, the Offer Price is not agreed among us and the Overall Coordinator (for itself and on behalf of the Underwriters) on or before Friday, March 3, 2023, or such later date or time as may be agreed between us and the Overall Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, please see the section headed “Underwriting” in this prospectus.

Neither the delivery of this prospectus nor any offering, sale or delivery made under it shall, under any circumstances, constitute a representation or create any implication that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering”, and the procedures for applying for our H Shares are set out in the section headed “How to Apply for Hong Kong Offer Shares” and in the **GREEN** Application Form.

DETERMINATION OF THE OFFER PRICE

The H Shares are being offered at the Offer Price which will be determined by the Overall Coordinator (for itself and on behalf of the Underwriters) and us on or around Thursday, March 2, 2023, and in any event no later than Friday, March 3, 2023.

If the Overall Coordinator (for itself and on behalf of the Underwriters) and us are unable to reach an agreement on the Offer Price on or before Friday, March 3, 2023 or such later date or time as may be agreed between the Overall Coordinator (for itself and on behalf of the Underwriters) and us, the Global Offering will not become unconditional and will lapse.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set forth in the section headed “Structure of the Global Offering” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

RESTRICTIONS ON OFFERS AND SALES OF SHARES

Each person acquiring the H Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of the H Shares to, confirm that he is aware of the restrictions on offers and sales of the H Shares described in this prospectus.

No action has been taken to permit a public offering of the H Shares or the general distribution of this prospectus and/or the **GREEN** Application Form in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the H Shares was not under public offering or sale, directly or indirectly, in China or the U.S.

APPLICATION FOR LISTING OF THE H SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the H Shares to be converted from Domestic Shares. Our Domestic Shares may be converted to H Shares after obtaining the approval of the CSRC or the authorized approval authorities of the State Council, details of which are set out in the section headed “Share Capital.”

Dealings in the H Shares on the Stock Exchange are expected to commence on Thursday, March 9, 2023. Except that we have applied for the Listing to the Stock Exchange, no part of our equity or debt securities is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future. The H Shares will be traded in board lots of 1,000 H Shares each and all Offer Shares will be registered on the H Share Registrar in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed the H Share Registrar, and the H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless the holder delivers a signed form to the H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

- (i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Special Regulations and our Articles of Association;
- (ii) agrees with us, each of our Shareholders, Directors, supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, supervisors, managers and officers agree with each Shareholder, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;
- (iii) agrees with us and each of our Shareholders that our H Shares are freely transferable by the H Shares holders thereof; and
- (iv) authorizes us to enter into a contract on his or her behalf with each of our Directors, supervisors, managers and officers whereby such Directors, supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the H Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the H Shares or exercising any rights attaching to the H Shares. We emphasize that none of our Company, the Sole Sponsor, the Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the CMI, the Underwriters, any of our or their respective directors, officers, employees, agents or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposing of, or dealing in, the H Shares or exercising any rights attaching to the H Shares.

H SHARE REGISTER OF MEMBERS AND STAMP DUTY

All the H Shares to be issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Company's H Share register of members maintained in Hong Kong. We will maintain the Company's principal register of members at our current registered office in China. Dealings in the H Shares registered on the H Share register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.13% of the consideration for, or (if greater) the value of, the H Shares transferred. In other words, a total of 0.26% is currently payable on a typical sale and purchase transaction of the H Shares. In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required).

Unless determined otherwise by the Company, dividends payable in Hong Kong dollars in respect of our H Shares will be paid to the Shareholders listed on the H Share register of our Company in Hong Kong by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder of our Company.

DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

Unless determined otherwise by the Company, dividends payable in Hong Kong dollars in respect of our H Shares will be paid to the Shareholders as recorded on the H Share register of the Company in Hong Kong and sent by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder. According to the Guide to the Program for "Full Circulation" of H shares promulgated by CSDC on February 7, 2020, cash dividends to domestic investors of H-share "full circulation" shall be distributed through CSDC. An H-share

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

listed company shall transfer RMB cash dividends to the designated bank account of the Shenzhen subsidiary of CSDC, who shall complete the clearing of cash dividends by distributing the cash dividends to investors through domestic securities companies.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the amounts denominated in one currency were or could have been or could be converted into the amounts denominated in another currency at the rates indicated at all.

Unless otherwise indicated, (i) the translations between Renminbi and HK dollars were made at the rate of RMB0.87474 to HK\$1.00, and (ii) the translations between Renminbi and U.S. dollars were made at the rate of RMB6.8659 to US\$1.00, being the middle exchange rates set by PBOC on February 17, 2023. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail. However, the English names of the PRC nationals, entities or enterprises established in the PRC, departments, facilities, certificates, titles, laws, regulations and the like mentioned in this prospectus are translations of their Chinese translations and are included in the prospectus for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.

ROUNDING

Certain amounts and percentage figures included in this prospectus 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.

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

| <u>Name</u> | <u>Residential Address</u> | <u>Nationality</u> |
|--------------------------------|--|--------------------|
| <i>Executive Directors</i> | | |
| Mr. Feng Lei (馮雷) | No. 404, 5/F, Huaqing Jiayuan Haidian District Beijing China | Chinese |
| Mr. Du Bing (杜兵) | No. 402, Door 1, Building 57, Qinghe Kongyan Dayuan Haidian District Beijing China | Chinese |
| Mr. Ye Sheng (葉聖) | No. 9, Ban Cang Street Xuanwu District Nanjing, Jiangsu Province China | Chinese |
| Ms. Wang Yao (王瑤) | 2101, Block B Lihu Flower Garden Hongli Road Futian District Shenzhen, Guangdong Province China | Chinese |
| <i>Non-Executive Directors</i> | | |
| Mr. Liu Junjie (劉俊傑) | 215, Block 1 No. 8 Lifu Street Baixia District Nanjing, Jiangsu Province China | Chinese |
| Mr. Chen Zhijie (陳志傑) | No. 1, Block 15 5 Jiangtai Road Chaoyang District Beijing China | Chinese |

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

| Name | Residential Address | Nationality |
|-------------|----------------------------|--------------------|
|-------------|----------------------------|--------------------|

Independent Non-Executive Directors

| | | |
|------------------------|---|---------|
| Mr. Dai Dingyi (戴定一) | 1910, Building 11 Zhichun Dongli Shuang Yu Shu Haidian District Beijing China | Chinese |
| Mr. Li Dong (李東) | Flat B, 12/F, Tower 3 Harbour Green 8 Sham Mong Road Tai Kok Tsui Kowloon Hong Kong | Chinese |
| Mr. Liu Xiaofeng (劉曉峰) | Flat E, 30/F, Pine Mansion Harbour View Gardens 26 Taikoo Wan Road Taikoo Shing Hong Kong | Chinese |

SUPERVISORS

| Name | Residential Address | Nationality |
|-------------|----------------------------|--------------------|
|-------------|----------------------------|--------------------|

| | | |
|-------------------------|---|---------|
| Ms. Liang Xiaojia (梁曉佳) | No. 2605, Unit 1, Block 17 Wanke Jinyu Huafu 297 Changjiang West Road Shushan District Hefei, Anhui Province China | Chinese |
| Mr. Fan Hua (樊驊) | No. 101, Door 3, Block 7 No. 22, Weiyuan Dachengli Fengtai District Beijing China | Chinese |
| Mr. Wang Yang (汪洋) | No. 136 Ningguo Road Baohe District Hefei, Anhui Province China | Chinese |

Further information about the Directors, supervisors and other senior management members are set out in the section headed “Directors, Supervisors and Senior Management” in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

Haitong International Capital Limited
Suites 3001-3006 and 3015-3016
One International Finance Centre
No. 1 Harbour View Street
Central
Hong Kong

Sole Sponsor-Overall Coordinator

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Overall Coordinator

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Sole Global Coordinator

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Joint Bookrunners

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Lead Managers

**Haitong International
Securities Company Limited**
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

Valuable Capital Limited
3601, 36/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

SDHG International Securities Limited
Rm. 701, 7/F
Southland Building
48 Connaught Road Central
Hong Kong

Sinomax Securities Limited
Room 2705-06, 27/F
Tower One
Lippo Centre
89 Queensway
Hong Kong

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Capital Market Intermediaries

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

CLSA Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

Valuable Capital Limited
3601, 36/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

SDHG International Securities Limited
Rm. 701, 7/F
Southland Building
48 Connaught Road Central
Hong Kong

Sinomax Securities Limited
Room 2705-06, 27/F
Tower One
Lippo Centre
89 Queensway
Hong Kong

Legal Advisers to Our Company

As to Hong Kong laws:

Simpson Thacher & Bartlett
35/F, ICBC Tower
3 Garden Road
Central
Hong Kong

As to PRC laws (including PRC data privacy and protection matters):

Jingtian & Gongcheng
34/F, Tower 3, China Central Place
77 Jianguo Road
Chaoyang District
Beijing
PRC

DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Legal Advisers to the Sole Sponsor and
the Underwriters**

As to Hong Kong laws:

Norton Rose Fulbright Hong Kong
38/F, Jardine House
1 Connaught Place
Central
Hong Kong

As to PRC law:

Tian Yuan Law Firm
Suite 509, Tower A
Corporate Square
35 Financial Street
Xicheng District
Beijing 100033
China

Auditor and Reporting Accountants

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

Industry Consultant

**China Insights Industry Consultancy
Limited**
10F, Block B, Jing'an International Center
88 Puji Road, Jing'an District
Shanghai 200070
China

Tax Consultant

M&T Lawyers
Zispace C-3
Chaoyang District
Beijing
China

Receiving Bank

CMB Wing Lung Bank Limited
45 Des Voeux Road Central
Hong Kong

CORPORATE INFORMATION

| | |
|---|--|
| Registered Office | No. 2700 Chuangxin Avenue High-tech District Hefei, Anhui Province China |
| Head Office in the PRC | No. 2700 Chuangxin Avenue High-tech District Hefei, Anhui Province China |
| Principal Place of Business in Hong Kong | 5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong |
| Company's Website | <u>www.logory.com</u> <i>(The information on the website does not form part of this prospectus)</i> |
| Joint Company Secretaries | Mr. Long Ke (龍科) Equipment Company No. 10 Chedaogou Haidian District Beijing China Ms. Yuen Wing Yan, Winnie (袁穎欣) <i>(FCG, HKFCG)</i> 5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong |
| Authorized Representatives | Ms. Wang Yao (王瑤) 2101, Block B Lihu Flower Garden Hongli Road Futian District Shenzhen, Guangdong Province China Mr. Long Ke (龍科) Equipment Company No. 10 Chedaogou Haidian District Beijing China |

CORPORATE INFORMATION

Audit Committee

Mr. Li Dong (李東) (*Chairman*)

Mr. Liu Xiaofeng (劉曉峰)

Mr. Dai Dingyi (戴定一)

Remuneration Committee

Mr. Liu Xiaofeng (劉曉峰) (*Chairman*)

Mr. Li Dong (李東)

Mr. Du Bing (杜兵)

Nomination Committee

Mr. Dai Dingyi (戴定一) (*Chairman*)

Mr. Liu Xiaofeng (劉曉峰)

Mr. Feng Lei (馮雷)

H Share Registrar

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

Compliance Adviser

Guotai Junan Capital Limited

27/F, Low Block

Grand Millennium Plaza

181 Queen's Road Central

Hong Kong

Principal Bank

Bank of Communications Co., Ltd.

Hefei Branch, Hi-tech Zone Sub-branch

868 Changjiang West Road

Shushan District

Hefei, Anhui Province

China

INDUSTRY OVERVIEW

The information that appears in this Industry Overview contains information and statistics on the industry in which we operate. The information and statistics contained in this section have been derived partly from publicly available government and official sources. Certain information and statistics set forth in this section have been extracted from a market research report by China Insights Industry Consultancy Limited (“CIC”), an Independent Third Party which we commissioned. The information from official government sources set out in this Industry Overview has not been independently verified by us, the Sole Sponsor, the Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the CMIs, any of the Underwriters, any of our or their respective directors, supervisors, officers, employees, advisors, agents or representatives or any other party involved in the Global Offering and no representation is given as to its accuracy.

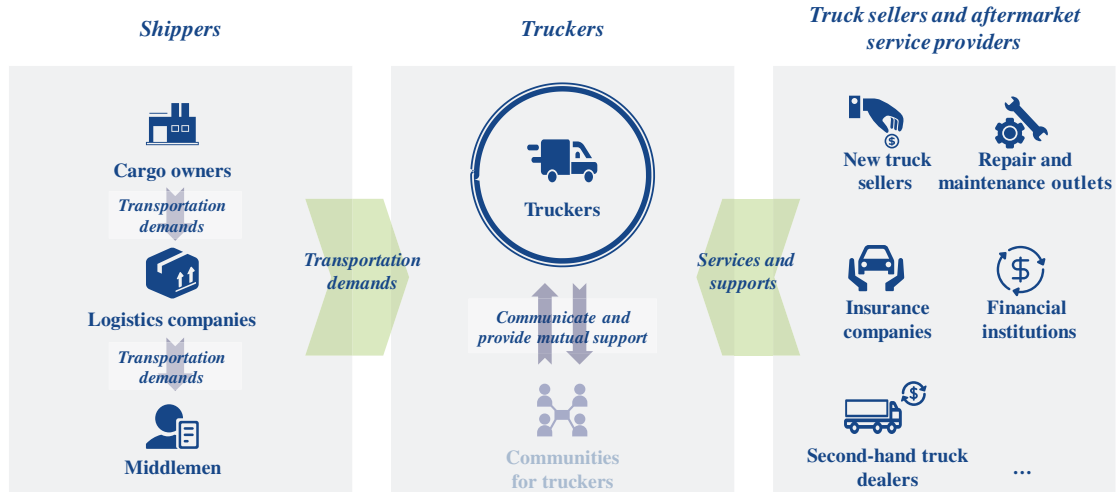
OVERVIEW OF CHINA’S ROAD FREIGHT TRANSPORTATION ECOSYSTEM

China possesses the largest freight transportation market in the world in terms of shipping fees, with an overall market size of RMB9.0 trillion in 2021, according to CIC. The freight transportation industry can be further divided into road, railway, waterway, civil aviation and pipeline by mode of transportation.

Road freight transportation refers to the transportation of raw materials, semi-finished products and finished products by means of trucks on roads. In 2021, road freight transportation accounted for approximately 78% of the total freight transportation market in China in terms of freight volume, according to CIC. The main participants in road freight transportation comprise shippers, truckers, freight brokers and other ecosystem service partners such as truck sellers and truck aftermarket service providers, among others. Closely connected by the demands for, and the provision of, related services throughout the road freight transportation process, such participants together constitute a vibrant road freight transportation ecosystem.

INDUSTRY OVERVIEW

Overview of China's road freight transportation ecosystem



Source: CIC

Compared to other modes of transportation, road freight transportation is more flexible in the choice of routes and the planning of schedules, which allows for high efficiency in delivery and an extensive geographic coverage. Such advantages have made road freight transportation the most preferred and most commonly used mode of transportation in China according to CIC. Driven by enormous demands for road freight transportation, the road freight transportation ecosystem in China has become the world's largest, in terms of market size. According to CIC, the aggregate market size of the road freight transportation ecosystem in China increased from RMB8.4 trillion in 2017 to RMB10.5 trillion in 2021, in terms of GMV, representing a CAGR of 5.6% from 2017 to 2021. Such market is expected to further expand at a CAGR of 5.8% from 2021 onwards to reach a total of RMB13.9 trillion by 2026.

The aggregate market for road freight transportation ecosystem primarily consists of the market for road freight transportation and the market for truck sales and aftermarket services, which contributed 64% and 36% of the aggregate market for road freight transportation ecosystem in China in 2021, respectively. The market for road freight transportation and the market for truck sales and aftermarket services are expected to reach RMB8.7 trillion and RMB5.3 trillion by 2026, respectively, representing a CAGR of 5.1% and 7.0% from 2021 to 2026, respectively. In addition to such two major components, the communities for truckers play an integral role in the road freight transportation ecosystem, as it serves as a robust supply of transportation capacity for the market for road freight transportation, and generates considerable demands for the market for truck sales and aftermarket services.

INDUSTRY OVERVIEW

OVERVIEW OF CHINA'S DIGITAL FREIGHT MARKET

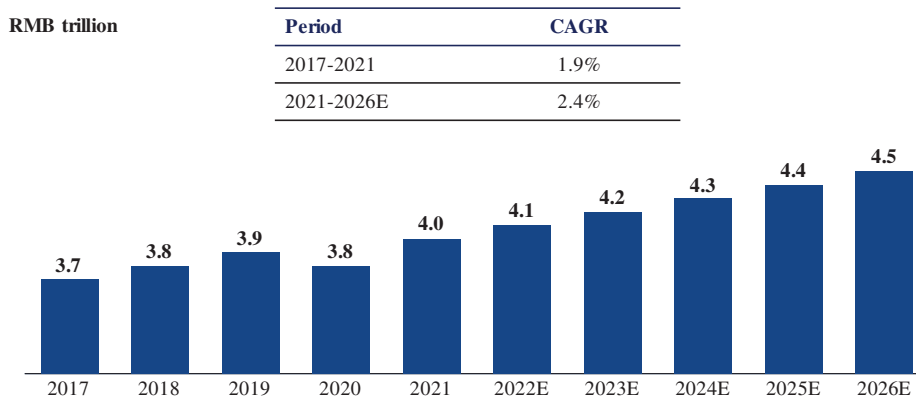
Overview of China's FTL market

Road freight transportation can be further divided into the following three major segments, based on the weight of the goods transported:

- **Express:** Express shipping refers to the timely transportation services in which the shipment typically comprises a single piece and includes goods of a smaller volume and lower value.
- **Less-Than-Truckload (“LTL”):** LTL shipping refers to those transportation services in which the shipment is less or lighter than a full truckload, and typically involves combining a few shipments into one full truckload.
- **Full Truckload (“FTL”):** FTL shipping refers to those transportation services in which a dedicated shipment is able to fill up the entire truck. In FTL shipping, the shipments are typically shipped directly from the point of initial departure to the point of final destination.

In 2021, FTL shipping comprised of approximately 60% of the road freight transportation market in China, in terms of shipping fees. According to CIC, the size of FTL market in China reached RMB4.0 trillion in 2021, and is expected to reach RMB4.5 trillion in 2026, representing a CAGR of 2.4% from 2021 to 2026.

Market size of FTL transportation market in China, 2017-2026E

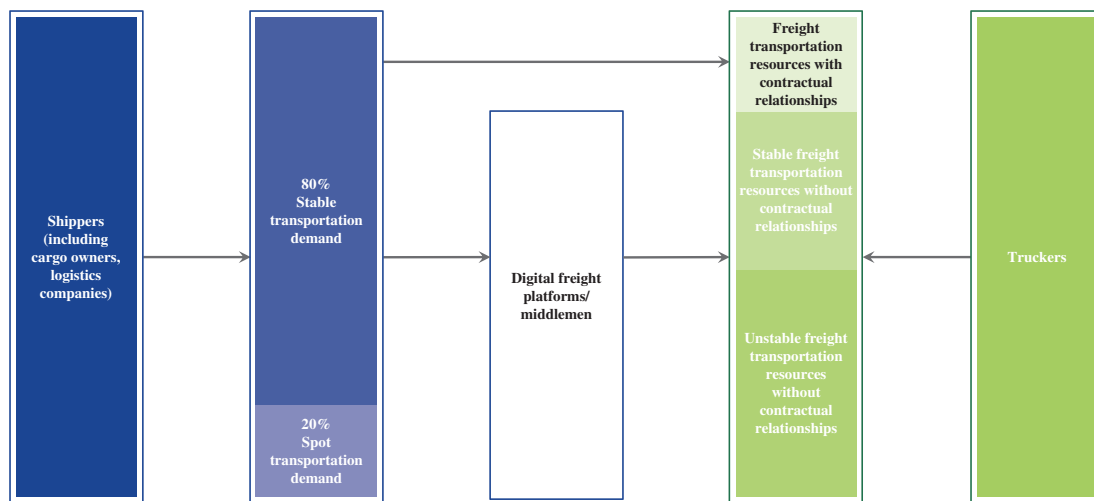


Source: CIC

INDUSTRY OVERVIEW

The demands of shippers may be divided into stable and spot transportation demands. Large-scale enterprises generally have developed well-established product lines and customer base, and therefore, often have relatively stable, long-term and pre-scheduled demands for the transportation of raw materials, semi-finished products and finished products, usually in multiple batches and large volumes. According to CIC, such demands account for approximately 80% of a shipper's FTL demands on average. Our digital freight business covers shippers with both stable and spot transportation demands, although shippers with stable transportation demands accounted for the majority of shippers we served during the Track Record Period.

Flow chart of FTL demands and supplies in China



Source: CIC

Despite its large scale, the traditional FTL market in China remains highly fragmented and is characterized by low efficiency and a low level of digitalization along the value chain. The traditional FTL market in China has encountered the following challenges:

- **Lengthy and opaque transaction process:** Traditionally, the demands for transportation resources usually go through multiple layers of subcontracting before they are assigned by middlemen to individual truckers. The existence of middlemen increases the cost for shippers and decreases the income for truckers, thus hindering sustainable cooperation and diminishing balance and reciprocity between parties involved in the transaction. Such lengthy arrangements also make the transaction process more opaque, so that shippers may find it hard to keep track of shipping information in real-time. Furthermore, the traditional transaction process relies heavily on the personal trust between individual participants in the transactions rather than a credit-based system, which makes the transaction process more fragile

INDUSTRY OVERVIEW

and inefficient. Such weaknesses have compromised shippers' control over the transaction process, making it harder for shippers to monitor the quality of the transportation services provided.

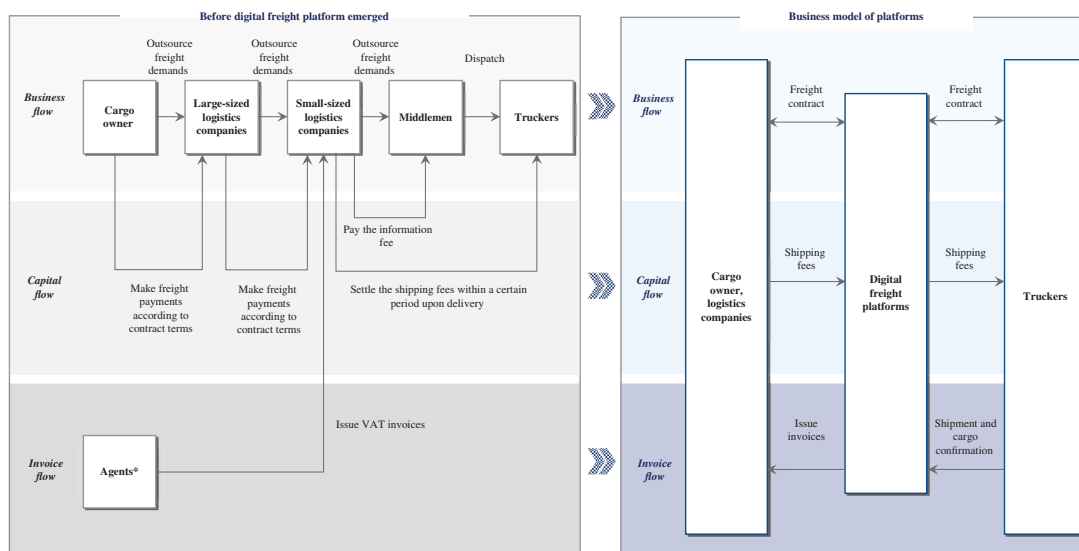
- ***Unmet needs in both stable supply, and stable demands in transportation resources:*** In pursuit of a smooth freight transportation process and safe delivery of goods, shippers are inclined to find stable freight transportation resources. On the supply side, truckers are more willing to cooperate with shippers who have stable transportation demands so that they can earn steady income. However, a large portion of the shipments are arranged on an ad hoc and on-demand basis.
- ***Lack of control over the transportation resources provided by external truckers:*** Traditionally, shippers rely on internal dispatchers and external middlemen to manage the transportation resources provided by external truckers. The services provided by such internal dispatchers and external middlemen generally lack uniformity and consistency, which made it more challenging for shippers to have direct supervision and management of the actual truckers who are responsible for the shipments.
- ***Lack of protection for truckers:*** According to CIC, in 2021, approximately 80% of truckers in the road freight transportation industry in China were self-employed, who often lack bargaining power when negotiating transportation fees and payment terms. In addition, due to the oversupply of truckers and the intensive competition in China's FTL market, truckers are often plagued by unstable workload and undesirable income level.

Transformation of China's FTL market with the emergence of digital freight platforms

With the increasingly wide-spread accessibilities to mobile phones among market players, favorable government policies that encourage the digitalization of the FTL market, and the rise of GPS, IoT, and other emerging technologies, a new business model for China's FTL market, in the form of digital freight platforms, gradually emerged in the 2010s. The following diagram illustrates changes to China's FTL market with the emergence of digital freight platforms.

INDUSTRY OVERVIEW

The paradigm shift of the value chain of China's FTL market before and after the emergence of digital freight platforms



Note: *Agents refer to the parties who are not directly engaged in the transportation process and often take the role of issuing VAT invoices to third-party logistics companies

Source: CIC

Under such new business model, digital freight platforms play an indispensable role in connecting shippers with truckers. Such platforms usually enter into transportation contracts with the shippers as carriers and then engage truckers to carry out the actual transportation. Shippers may select truckers to fulfill their shipping orders on digital freight platforms; alternatively, digital freight platforms may select truckers for the shipping orders. Our Industry Consultant, CIC, is of the view that both practices for the selection of truckers are common in the digital freight industry. After completion of delivery, truckers receive transportation fee payment while the platforms take on responsibilities for issuing valid VAT invoices to the shippers, facilitating the consistency between the flow of transactions, funds and the tax invoicing process. The following characteristics have been helping digital freight platforms to effectively address the aforementioned challenges:

- More efficient and transparent value chain:** Digital freight platforms effectively shorten the value chain, eliminate costs generated from middlemen and minimize potential negotiation cost, thus improving the overall efficiency of the transportation process. By leveraging technologies such as mobile internet and GPS, digital freight platforms enable shippers to better monitor the transportation process and to track the entire shipment in real-time.

INDUSTRY OVERVIEW

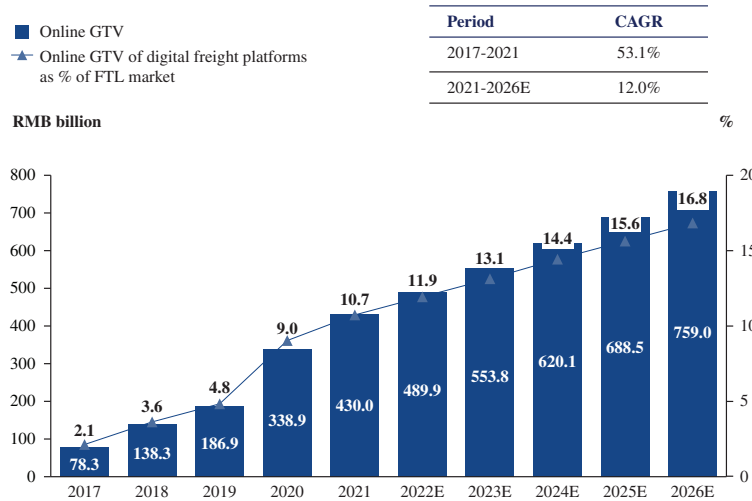
- ***Refined management of external truckers:*** Before the start of shipping services, a complete set of data on shippers, truckers and cargos are uploaded onto the digital freight platforms, enabling shippers to obtain key information on truckers and gain in-depth knowledge of the entire transportation process. Such process further enables shippers to accumulate, integrate and analyze information on truckers from their past transportation activities, so that shippers can more efficiently coordinate truckers with suitable shipping assignments, and consequently realize more refined management of their freight transportation resources.
- ***Better protection for the interests of truckers:*** Digital freight platforms realize the exchange of freight and trucking information between shippers and truckers, which empower truckers by providing them with a steady supply of freight tasks to generate a relatively stable stream of income. In addition, digital freight platforms enable the digitalization of the payment and order confirmation process, which provide truckers with better protection on receiving timely payments for their transportation services.
- ***Assistance to enhance tax supervision:*** Digital freight platforms provide accurate tracking of the flow of services and payments in the transportation process so as to create more transparency during the transportation process and therefore serve as an assistance to the supervision on tax compliance of the transportation process by relevant authorities.

Digital freight platforms help logistics companies claim their entitled VAT deduction, enhance their tax compliance status, and increase the amount of tax revenue collected by the local governments. However, by dealing with truckers directly in place of the logistics companies, digital freight platforms themselves also face the practical difficulties in claiming their entitled VAT deduction based on the transportation fee they pay to truckers, which results in unreasonably high VAT obligations for digital freight platforms. To address this issue and in light of the contribution of digital freight platforms to the local economy, local governments generally have strong incentives to provide government grants to digital freight platforms. According to CIC, it has become an industry norm for companies in the digital freight industry to receive significant amounts of government grants related to their digital freight business. In 2021, the proportion of government grants as to total Online GTV of the ten largest digital freight platforms in terms of Online GTV in 2021 was around 4-5%. See “Financial Information—Government Grants.”

INDUSTRY OVERVIEW

The market size of digital freight platforms in China, in terms of Online GTV, was RMB430.0 billion in 2021, representing a penetration rate of 10.7% in the FTL market. With its abovementioned advantages, digital freight platforms are expected to gain greater popularity among shippers. The market size of digital freight platforms is expected to continue expanding to RMB759.0 billion in 2026, representing a CAGR of 12.0% from 2021 and a penetration rate of 16.8% in the FTL market.

Market size of digital freight platforms, in terms of Online GTV, 2017-2026E



Source: CIC

In 2018, 2019, 2020 and 2021, the total market size of digital freight market in terms of Online GTV was RMB138.3 billion, RMB186.9 billion, RMB338.9 billion and RMB430.0 billion, respectively, representing a CAGR of approximately 46% from 2018 to 2021, according to CIC. As a result of the rapid expansion of the digital freight market, we were able to take advantage of our brand power within the industry and our strength in technology to seize substantial business opportunities and significantly grow our business scale. In 2018, 2019, 2020 and 2021, we recorded Online GTV of RMB17.7 billion, RMB23.4 billion, RMB27.9 billion and RMB38.0 billion, respectively, representing a CAGR of approximately 29% from 2018 to 2021; during the same period, we recorded revenue of RMB2.0 billion, RMB3.6 billion, RMB4.7 billion and RMB6.3 billion, respectively, representing a CAGR of approximately 46.7% from 2018 to 2021. Our growth rate in terms of Online GTV from 2018 to 2021 was lower than that of the overall digital freight market during the same period, mainly because a large number of new entrants entered the digital freight market during such period due to favorable market conditions and government policies such as the Interim Measures of Digital Freight Transportation, and such new entrants generally experienced rapid growth when they initially entered the market.

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The shipping orders for digital freight services cover a broad range of industry sectors. During the Track Record Period, the top industry sectors of our shipping orders, in terms of Online GTV, were (i) equipment and accessories; (ii) coal; (iii) chemical products; and (iv) grain, each of which accounted for approximately 10% to 20% of our total Online GTV during the Track Record Period. According to CIC, such industry sectors are generally necessities for households or manufacturers, and even in a downturn of the economy, the demand for such goods are not expected to decrease as much as that for consumer discretionary products. As a result, the demand for transportation of goods in such sectors are expected to stay relatively stable, and the risks associated with the top industry sectors of our shipping orders are low.

Drivers of China's digital freight market

The digital freight market in China is expected to be driven by the following factors in the near future:

- ***Steady economic growth:*** According to National Bureau of Statistics of China, China's economy has shown a greater trend of recovery from the COVID-19 outbreak in comparison to other major economies, with a year-on-year GDP growth rate of 2.3% in 2020. Such resilience in economy has generated a strong demand of transportation of raw materials, semi-finished products and finished products, which, together with the ever-growing purchasing power and consumption upgrade of Chinese consumers, further boost the growth of the FTL market and digital freight market in China.
- ***Continued investment in infrastructure and extension of the road network:*** By the end of 2021, China had 5.2 million kilometers of roads and 170.0 thousand kilometers of highways nationwide. With increased investments into infrastructure, the overall lengths of road and highway networks are expected to be further extended to 5.5 million kilometers and 215.3 thousand kilometers by 2026, respectively. Furthermore, the construction of roads and improvement of road transportation conditions continued to develop in rural areas in China, with the support of relevant government policies. Such developments are expected to facilitate the delivery of shipments across China, contributing to further development of the road freight transportation and digital freight markets in China.

INDUSTRY OVERVIEW

- ***Favorable policies continue to support the development of digital freight platforms:*** Given that digital freight platforms are able to strengthen the compliance of the road freight transportation, since 2015, the PRC government has promulgated the following regulations to promote the development of digital freight platforms.

| Time | Regulation | Influence/Impact |
|-------------------|---|--|
| January 2020 | <i>Notice of the Ministry of Transport and the State Taxation Administration on issuing interim measures for the operation and administration of road freight transport based on Internet platforms</i> | Pursuant to such <i>Notice</i> , the NVOCCs (Non-Vessel-Operating Common Carriers) were to be officially transformed into digital freight platforms. Such <i>Notice</i> includes provisions that further strengthen the supervision of the digital freight industry and standardize the operations of digital freight platforms. Meanwhile, such <i>Notice</i> also institutes requirements for telecommunications businesses to acquire relevant operating license and meet the requirements of information protections from the national security perspective. |
| May 2016 | <i>Notice of the Ministry of Finance and the State Administration of Taxation on implementing the pilot program for replacing the business tax with a value-added tax in an all-round manner</i> | Such <i>Notice</i> stipulated that NVOCC is subject to VAT in accordance with transportation services, which permits NVOCC to engage in freight transport services as well as the issuance of invoices at a 11% rate. |
| September 2015 | <i>Opinions on promoting and accelerating the innovation, development, transformation and upgrading of commercial circulation both online and offline</i> | Such <i>Opinions</i> explicitly proposed for the transformation of the development model of the logistics industry, especially encouraging the development of a light-asset model and NVOCC on the basis of Internet platforms. |

INDUSTRY OVERVIEW

- ***Increasing digitalized transformation on shippers' side:*** In 2021, China's IT spending accounted for 3.3% of its GDP, lower than the global average of 5.0%. However, such percentage is expected to grow to approximately 4.0% by 2026, indicating a continuing trend towards digitalization of the China's economy, and the rapidly growing technological capabilities of Chinese enterprises. With such enhanced technological capabilities, shippers in China are expected to have a growing demand for enhanced comprehensive shipping solutions with premium value-added services, to address their needs for higher operational efficiency of their transportation process and more refined management for transportation resources.

Future trends in China's digital freight market

We believe that the future development of China's digital freight market will be characterized by the following trends, according to CIC:

- ***Steady increase in the adoption of mobile internet among truckers:*** China has entered the era of the Internet economy, as its user base for mobile phones is expected to grow from 1,022.9 million in 2021 to 1,183.8 million in 2026. The widespread adoption of mobile internet has also been extended to truckers since 2014. The use of mobile internet allows truckers to take freight orders more efficiently. In the future, mobile internet is expected to provide a more diversified portfolio of functions, such as online access to aftermarket services, to empower truckers.
- ***Increasing demand for transportation resources management:*** Given the increasingly intense competition in the FTL market, logistics companies are urgently seeking to improve their transportation service quality to further attract and retain clients. Therefore, logistics companies are increasingly demanding for platforms that facilitate them to conduct refined management of their in-house or external transportation resources. Digital freight platforms will continue playing an important role in integrating and accumulating transportation resources, thus empowering shippers, including logistics companies, to better manage their high-quality transportation resources of external truckers.
- ***Paired stable supply and stable demands in transportation resources:*** Digital freight platforms allow shippers to have better access to stable and abundant freight transportation resources, and facilitate the coordination with trucks and cargos. In the meanwhile, digital freight platforms allow truckers to directly contact upstream shippers who have stable transportation demands, and thus laying the foundation for establishing long-term partnerships.
- ***Greater Matthew Effect:*** With the evolvement of relevant regulatory policies, the digital freight platforms are expected to improve their data governance and compliance accordingly. As such trends evolve, more shippers are likely to opt for the larger-scale digital freight platforms with better compliance, digitalization capabilities and transportation resources, thereby driving out non-compliant platforms and further improving market concentration.

INDUSTRY OVERVIEW

Competitive landscape of the digital freight market

In 2021, the top five platforms within the digital freight market in China accounted for a total of 36.0% market share, in terms of total Online GTV. We were the second largest digital freight platform in China in terms of our Online GTV in 2021, according to CIC. The table below set forth the top five platforms within the digital freight market in China, in terms of Online GTV in 2021.

| <u>Company</u> | <u>Listing status</u> | <u>Description</u> | <u>Online GTV in 2021</u> <i>RMB billion</i> | <u>Market share</u> % |
|-----------------|-----------------------|--|---|--------------------------|
| Company B | Yes | A road freight truck and information matching platform, focusing on providing freight information matching, truck after-sales value-added services and other services. Company B was established in 2014 and headquartered in Nanjing. It was listed on the New York Stock Exchange in 2021. | 42.0 | 9.8 |
| Our Group | No | See “Business” for more details. | 38.0 | 8.8 |
| Company A | No | An IoT (Internet of Things) technology company in China’s road freight transportation market focusing on providing services such as digital freight, on-board GPS services, and digital cargo compartments. Company A was established in 2010 and headquartered in Beijing. | 30.0 | 7.0 |
| Company D | No | An integrated logistics service provider in China, focusing on providing digital freight, multimodal transportation and other services for bulk freight transportation industries. Company D was established in 2018 and headquartered in Shanghai. | 23.0 | 5.3 |
| Company C | No | A China’s integrated logistics service provider focusing on providing services such as digital freight transportation, multimodal transportation and international logistics services. Company C was established in 2014 and headquartered in Nanjing. | 22.0 | 5.1 |
| Subtotal | | | <u>155.0</u> | <u>36.0</u> |

Source: CIC

INDUSTRY OVERVIEW

Key success factors in the digital freight market

According to CIC, digital freight platforms in China will need to obtain the following capabilities in order to remain competitive in the market:

- ***Advanced technological capabilities:*** Access to advanced technologies is critical for digital freight platforms. In order to meet the requirements specified in *the Guidelines for Road Freight Transport Services Based on Internet Platforms* (《網絡平台道路貨物運輸經營服務指南》) enacted by the Ministry of Transport, digital freight platforms need to harness advanced technological capabilities to realize, maintain and optimize the required functions. Meanwhile, digital freight services are to be conducted online throughout the entire process, from contract signing to payment of shipping fee, which will in turn accumulate and integrate a large amount of freight data onto the platform, making it crucial for digital freight platforms to possess strong risk control capabilities in order to ensure data security.
- ***Extensive industry know-how and operational experience:*** An experienced management and employees team is critical for the development of a digital freight platform. Experienced and professional management with deep understanding of the industry can spearhead the digital freight platform to provide top notch products and services, that increase customer stickiness. The customized services, innovative products, support and guidance provided by offline sales and operation personnel regarding the deployment and operation of the system are especially important when the demands of shippers vary based on their own business needs. When using the platform, shippers often encounter different problems that need to be solved timely. Platforms with experienced research and development staff are capable to leverage their experience to deliver values to customers. A well-trained service team and timely responses will naturally earn users' loyalty.
- ***First-mover advantages and brand effects:*** To ensure compliances, shippers tend to choose platforms with a good reputation and abundant resources in the industry. The cooperation developed between the platform and the shippers, and the digital asset accumulated during the process of such collaboration, may further lead to customer loyalty, since the shippers would face additional transition costs to switch to another platform. Furthermore, such loyalty can be further enhanced by platforms with resources, in particular transportation resources. Therefore, first-mover advantages, brand effects and abundant resources can create a competitive advantage for digital freight platforms and assist them in further maintaining their competitiveness in the industry.
- ***Abundant freight transportation resources:*** In order to fulfill shippers' transportation demands, the digital freight platform that is able to retain and accumulate a large number of high-quality freight transportation resources could gain critical competitive advantages in the industry.

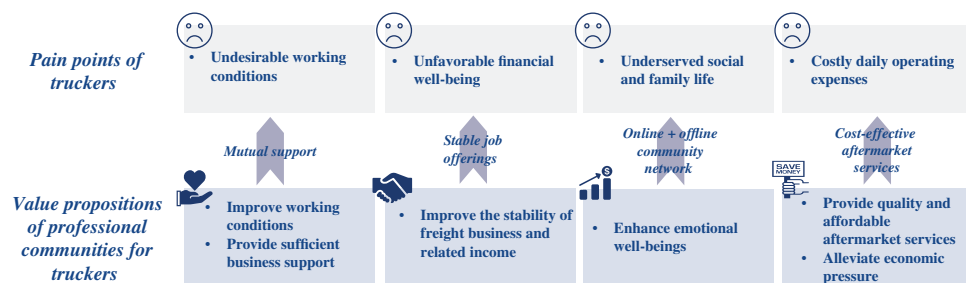
INDUSTRY OVERVIEW

OVERVIEW OF THE MARKET FOR COMMUNITIES FOR TRUCKERS

Truckers are one of the most important participants in the road freight transportation ecosystem. According to CIC, around 37.9 million truckers are engaged in the provision of road freight transportation services in China as of December 31, 2021. Truckers are predominantly male rural residents with relatively limited educational background, who generally face the following challenges in their work and daily lives:

- **Undesirable working conditions:** Compared with other occupational groups, truckers generally face high risks of occupational diseases and accidents, due to their long working hours and the intensive nature of their work assignments; however, such high risks are often not sufficiently covered by social insurance and commercial insurance. Moreover, the inherent risks in the road freight transportation industry, such as truck breakdowns and road accidents, expose truckers to greater challenges, which usually cannot be sufficiently addressed due to the lack of high-quality aftermarket services, such as maintenance services, at reasonable prices.
- **Unfavorable financial well-being:** According to CIC, most truckers are self-employed workers who support multi-child families with their income. However, low-income level, unstable job opportunities, and high operating expenses in areas such as truck maintenance, often impose great financial pressures on truckers.
- **Underserved social and family life:** According to CIC, the daily work for truckers normally involves travelling for more than 8 hours alone on the road, which leave truckers with limited time with families and friends. Such lack of social connectedness make truckers prone to an overwhelming sense of loneliness.

To address such challenges, communities for truckers have been established, in the form of online and offline community network centered on truckers, to improve the working conditions, alleviate the economic pressures and enhance the mental well-being for truckers. These communities for truckers provide a platform for truckers to communicate and foster friendships among each other, through online services such as online forums and experience sharing, which help truckers meet more fellow practitioners in the road freight transportation industry, build new social bonds, and relieve their sense of loneliness. At the same time, the establishment of online platforms also facilitates mutual support among truckers, as based on the relationships created online, truckers can spontaneously establish small communities for offline mutual support to provide timely emergency assistance to fellow truckers who get in unexpected accidents. Furthermore, the communities for truckers provide truckers with better access to aftermarket services, where truckers can purchase related services at a concessionary rate.



Source: CIC

INDUSTRY OVERVIEW

Competitive landscape of the market of communities for truckers

Trucker Community, the community for truckers established by us, is the first and largest community in the logistics industry in China, and the largest community for truckers in China according to CIC. The table below set forth the top communities in terms of registered users in the logistics industry in China as of December 31, 2020 and 2021, respectively.

| Company | Listing status | Description | Time of establishment of the relevant community <i>year</i> | Number of registered users as of December 31, 2021 <i>million</i> | Market share <i>%</i> | Number of registered users as of December 31, 2020 <i>million</i> | Market share <i>%</i> |
|-------------|----------------|--|--|--|--------------------------|--|--------------------------|
| Our Company | No | See “Business” for more details. | 2014 | 2.7 | 7.1 | >2.2 | >6.3 |
| Company E | No | A comprehensive (Internet of Vehicles) solution provider in China, focusing on truckers’ community services on a digital freight platform. Company E was established in 2015 and headquartered in Beijing. | 2015 | <2.3 | <6.1 | <1.8 | <5.1 |
| Company F | No | A truck service platform provider in China that offers a truck navigation system and aftermarket services. Company F was established in 2020 and headquartered in Shenzhen. | 2020 | <1.2 | <3.2 | <0.9 | <2.6 |
| Company G | No | A charity foundation funded private company in China focusing on fields including chemicals, logistics, and truckers’ community services. Company G was established in 2017 and headquartered in Hangzhou. | 2017 | <0.2 | <0.5 | <0.1 | <0.3 |

Note: The market share is calculated by dividing the number of registered users by the total number of truckers in the road freight transportation industry in China. To collect information needed for ranking, CIC obtained the market players’ background information from their official websites, financial reports, and expert interviews. As there is no publicly available data on the ranking or financial/ operating data of China’s communities for truckers market, CIC’s research methodology for the top four market players, and their financial/operating data, were based on the collection of market intelligence from private channels instead of public sources. Its research methodology on the top market players is as follows: (i) examining the proprietary expert network and selecting the expert candidates based on the working experience and expertise of the experts; (ii) compiling and sending questionnaire to the expert candidates as preliminary communication so as to ascertain whether the expert candidates would provide the requested market information; (iii) conducting interviews with experts who are capable of providing the useful market information.

Source: CIC

INDUSTRY OVERVIEW

Future trends for the communities for truckers

We believe that the future development of communities for truckers will be characterized by the following trends, according to CIC:

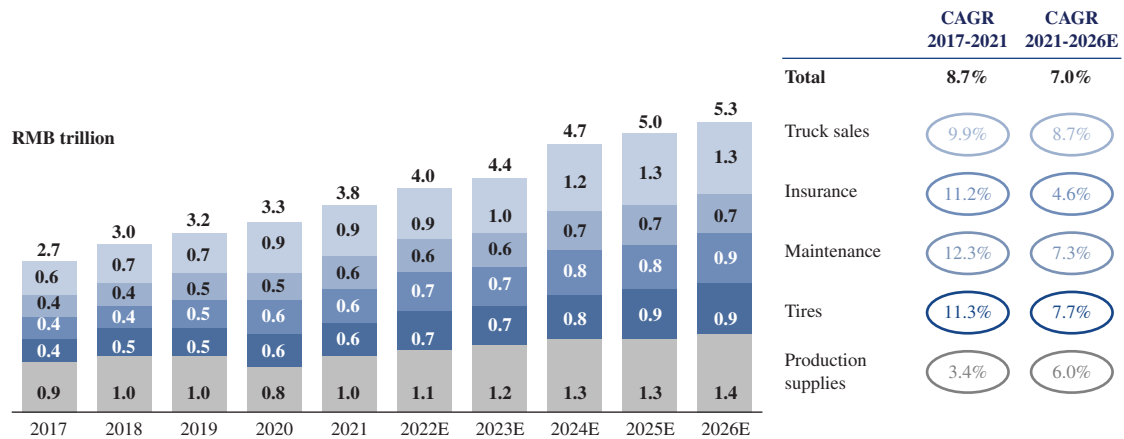
- ***Leveraging on Economies of Scale***: The successful operation of a community for truckers primarily hinges on acquiring a sufficiently large base of truckers, which enables such community to offer its functions and services smoothly and effectively due to economy of scale. Moreover, as communities with a large-scale and loyal base of truckers are likely to be more active in terms of online communication activities and more efficient in offline mutual support, such success in operations in turn serves to effectively attract additional truckers. The communities with a considerable amount of transportation resources are expected to expand their lead which result in “Matthew Effect”. The successful community with a considerable amount of truckers strengthens the cooperative network between truckers, shippers and other participants in the transportation ecosystem, which can deliver values such as providing transportation resources to digital freight platforms.
- ***Extensive network for offline mutual support***: Truckers engaged in long-distance transportation assignments often encounter unexpected events in unfamiliar areas. Such truckers often face substantial difficulties in locating local supporting facilities and maintenance resources in a timely manner, which might further deteriorate due to truckers’ economic concerns. Such challenges could be resolved by organizing effective offline mutual support network facilitated by communities for truckers, which may in return enhance the loyalty of truckers, expand the network for offline mutual support, and further enhance the effectiveness of offline mutual support functions.
- ***Monetization through truck sales and aftermarket services***: The commercial potential of community for truckers is expected to be realized through the market for truck sales and aftermarket services, as the large number of truckers on such communities are potential buyers of new and second-handed trucks and truck supply products, and such communities can realize monetization through selling trucks and truck supply products to such truckers. As a community for truckers attracts and accumulates more and more truckers, a larger number of truck sellers and aftermarket service providers are expected to join the community, providing truckers with affordable trucks and aftermarket services.

INDUSTRY OVERVIEW

OVERVIEW OF THE MARKET FOR TRUCK SALES AND AFTERMARKET SERVICES IN CHINA

The market for truck sales and aftermarket services covers the broad portfolio of services spanning across the entire life-cycle of trucks, ranging from the trading of new and second-hand trucks to the provision of insurance and maintenance services, among others. The overall size of the market for truck sales and aftermarket services in China increased from RMB2.7 trillion in 2017 to RMB3.8 trillion in 2021, and is expected to reach RMB5.3 trillion in 2026. In particular, the size of truck sales market in China increased from RMB604.0 billion in 2017 (including RMB535.6 billion for new trucks and RMB68.4 billion for second-handed trucks) to RMB881.6 billion in 2021 (including RMB762.4 billion for new trucks and RMB119.1 billion for second-handed trucks), and is expected to reach RMB1,340.7 billion in 2026 (including RMB1,118.7 billion for new trucks and RMB222.0 billion for second-handed trucks). The demand for new and second-handed trucks depends on the demand for road freight transportation, which further hinges on the production, selling and operating activities of enterprises that deliver their products through road freight transportation, and generally increases along with the growth of economy.

Market size of truck sales and aftermarket services, in terms of GTV, 2017-2026E



Note: The GTV of production supplies include the GTV of fuel consumption, toll fees and urea consumption.

Source: CIC

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The truck sales market is highly fragmented, covered by approximately 30,000 to 40,000 regional distributors of new and second-handed trucks as of December 31, 2022, which further sell trucks to truckers or sub-distributors in local regions. The total market share of the five largest truck distributors in China accounted for less than 5% of the total truck sales market in 2022, in terms of revenue in 2022. The size of truck distributors are often limited by the large amount of funding required to procure trucks from suppliers. The truck maintenance market is also highly fragmented, with approximately 900,000 truck maintenance service providers in China as of June 30, 2022. The size of truck maintenance service providers are often limited by truckers' low level of loyalty to the services provided by such truck maintenance service providers. The competition among truck distributors and the competition among truck maintenance service providers both hinge on a few factors, including the geographic coverage of their sales network, their business relationship with suppliers which affects their procurement price, and their relationship with truckers, especially leaders of truck fleets, which affects their sales of trucks or services. Our Truck Plus solutions are able to capture growth potential of the market, primarily attributable to our brand name among truckers and suppliers, as well as the large number of truckers accumulated on our Trucker Community platform.

In spite of its large market size, the market for truck sales and aftermarket services still faces significant challenges, mostly characterized by the lack of requisite levels of standardization and quality assurance. Traditional truck sellers and aftermarket service providers generally operate at a relatively small scale, and thus are unable to provide products and services of premium quality at reasonable price. In addition, truckers are obligated to meet relevant requirements on truck emissions imposed by relevant environmental laws and regulations in China, so they have to ensure that the truck or truck supply products they purchase meet relevant environmental requirements. Consequently, truckers usually find it difficult to access reliable truck sellers and aftermarket service providers, especially when traveling in relatively remote areas.

Over the past decade, platform-based truck sales and aftermarket solutions gradually emerged, which reshaped the market by better connecting truckers with truck sellers and aftermarket services providers. With the economy of scale of such platforms, truckers are able to gain easier access to high-quality truck sales and aftermarket services at a reasonable price. According to CIC, the market for platform-based truck sales and aftermarket solutions is expected to continue expanding, transforming towards a more concentrated competitive landscape in the near future as the major players continue improving their operational efficiencies.

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SOURCE OF INFORMATION

We commissioned CIC, an independent market research and consulting firm, to conduct a detailed research and analysis of China's road freight transportation market. CIC, founded in Hong Kong, provides professional services including, among others, industry consulting, commercial due diligence and strategic consulting. We have agreed to pay a fee of US\$100,000 to CIC in connection with the preparation of the CIC Report. We are of the view that the payment of such fee does not impair the fairness of the conclusions drawn in the CIC Report. We have extracted certain information from the CIC Report in this section, as well as in the sections headed "Summary", "Risk Factors", "Business", "Financial Information" and elsewhere in this prospectus to provide our potential investors with a more comprehensive presentation of the industry in which we operate.

During the preparation of the CIC Report, CIC performed both primary and secondary research, and obtained knowledge, statistics, information on and industry insights into China's integrated supply chain logistics services market. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources. The CIC Report was compiled based on the following assumptions: (1) the overall social, economic, and political environment in China is expected to remain stable during the forecast period; (2) relevant key drivers are likely to drive the continued growth of China's road freight transportation market throughout the forecast period; and (3) there is no extreme force majeure or unforeseen industry regulations in which the industry may be affected in either a dramatic or fundamental way. All forecasts in relation to market size are based on the general economic conditions as of the Latest Practicable Date, which would be adjusted if the COVID-19 outbreak persists or escalates and has an unpredicted negative impact on the general economy.

REGULATORY OVERVIEW

REGULATIONS RELATED TO ROAD TRANSPORTATIONS

According to the Regulations on Road Transportation of the PRC (《中華人民共和國道路運輸條例》) promulgated by the State Council on April 30, 2004 and most recently amended on March 29, 2022, and the Provisions on Administration of Road Freight Transportation and Stations/sites (《道路貨物運輸及站場管理規定》) issued by the Ministry of Transport of the PRC (the “MOT”) on June 16, 2005 and last amended on September 26, 2022, enterprise that engaged in freight transportation business shall obtain the Road Transportation Operation Permit and conduct freight transportation business within the scope of the Road Transportation Operation Permit. Enterprise engaged in freight transportation business in the absence of such permits shall be ordered to stop operation by competent road transportation authorities and be subject to administrative penalty.

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》), among which the pilot program in non-vehicle operating carriers for road freight transportation is first time raised and non-vehicle operating carriers within the scope of the pilot program is allowed to provide transportation 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 transportation departments shall formulate and implement pilot implementation plans from October 2016 to November 2017.

Since November 2017, the MOT promulgated a series of regulations in relation to the operation of non-vehicle operating carriers, 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. Sichuan Provincial Department of Transportation also issued a Notice on Promoting the Pilot Work for Non-vehicle Operating Carriers’ Common Road Freight (《關於開展道路普通貨物運輸無車承運人試點工作的通知》) on May 6, 2019. Later, on the basis of systematically summarizing the pilot work of non-vehicle operating carriers, on September 6, 2019, the MOT and the SAT, jointly issued the Interim Measures for Administration of Road Freight Transportation Operation on Online Platform (《網絡平台道路貨物運輸經營管理暫行辦法》), the “**Interim Measure of Digital Freight Transportation**”), which took effect on January 1, 2020 with a validity period for two years, and, pursuant to which, “digital freight transportation” operation refers to the road freight transportation operation activities in which an operator integrates and allocates transportation 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 Digital Freight Transportation, besides the Road Transportation Permit with the business scope of digital

REGULATORY OVERVIEW

freight transportation, the operators of digital freight transportation business shall also meet the requirements on commercial internet information service pursuant to the Internet Measures. In addition, the operators of digital freight transportation business shall record the 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 E-Commerce Law of the PRC (《中華人民共和國電子商務法》), the Law on the Administration of Tax Collection of the PRC (《中華人民共和國稅收徵收管理法》) and its implementing rules. 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 digital freight transportation to qualified digital freight transportation operators. On December 31, 2021, the MOT together with the SAT issued the Announcement on extending the validity period of the Interim Measures for Administration of Road Freight Transportation Operation on Online Platform which extends the validity period of the Interim Measure of Digital Freight Transportation to December 31, 2023.

On September 24, 2019, the MOT promulgated three guidelines on digital freight transportation, including the Service Guidelines on the Road Freight Transportation Operation on Online Platform (《網絡平台道路貨物運輸經營服務指南》), the Guidelines on the Construction of Provincial Digital Freight Information Monitoring System (《省級網絡貨運信息監測系統建設指南》) and the Access Guidelines on the Ministerial Digital Freight Information Interaction System (《部網絡貨運信息交互系統接入指南》), all of which came into effect at the same date. Among those, the Service Guidelines on the Road Freight Transportation Operation on Online Platform sets forth that digital freight transportation operators shall meet the requirements include: (i) obtaining the value-added telecommunication business operation licenses, (ii) complying with state's requirements for graded protection of information system security, (iii) connecting to the provincial digital freight transportation information monitoring system, and (iv) equipped with features including information release, online transaction, full-process monitoring, online financial payment, consultation and complaint, query statistics and data retrieval.

Regulations have also been promulgated on provincial level to further encouraging and indicating the implement of Interim Measure of Digital Freight Transportation and the three guidelines. For example, Fujian Provincial Department of Transportation issued Implementation Opinions on Promoting the Development of Digital Freight Transportation (《關於加快推進網絡貨運發展的實施意見》) on November 12, 2019. On December 23, 2019, Hubei Provincial Department of Transportation also issued a Notice on Implementing the Interim Measure of Digital Freight Transport (《關於貫徹落實〈網絡平台道路貨物運輸經營管理暫行辦法〉的通知》).

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REGULATIONS RELATED TO VALUE-ADDED TELECOMMUNICATIONS SERVICES

Regulations on Value-added Telecommunications Services

Pursuant to the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》), the “**Telecommunications Regulations**”) promulgated by the State Council on September 25, 2000, amended on July 29, 2014 and February 6, 2016, which provide a regulatory framework for telecommunications services providers in the PRC, telecommunications services are categorized into basic telecommunications services and value-added telecommunications services and the telecommunications services providers are required to obtain operating licenses prior to the commencement of their operations. Pursuant to the Classification Catalog of Telecommunications Business (2015 version) (《電信業務分類目錄(2015年版)》), which was amended on June 6, 2019, internet information services we provide are classified as value-added telecommunications services.

The Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》), the “**Internet Measures**”) which were promulgated by the State Council on September 25, 2000 and amended on January 8, 2011, set out the guidelines on the provisions of Internet information services. The Internet Measures classified Internet information services into commercial Internet information services and non-commercial Internet information services, and a commercial Internet information services provider must obtain a value-added telecommunications business operation license (《增值電信業務經營許可證》), the “**ICP License**”) from the appropriate telecommunications authorities. The content of the Internet information is highly regulated in the PRC and pursuant to the Internet Measures, the Internet information services operators are required to monitor their websites. The PRC government may order the holder of ICP License that violates the content restrictions to correct those violations or revoke their ICP Licenses.

The MIIT released the 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》) on November 27, 2017, effective from January 1, 2018, which provides that the domain names used by the internet information service provider in providing internet information services shall be registered and owned by such internet information service provider, and if the internet information service provider is a legal entity, the domain name registrant shall be the legal entity (or any of its shareholders), or its principal or senior manager.

Regulations on Foreign Investment Restriction on Value-Added Telecommunications Services

Pursuant to the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (2022 Revision) (《外商投資電信企業管理規定(2022修訂)》), which were promulgated by the State Council on December 11, 2001 and last amended on March 29, 2022, the foreign investors may acquire up to 50% of the equity interests of value

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added telecommunications enterprises, unless otherwise stipulated by the government. Moreover, foreign invested enterprises must obtain approvals from the MIIT for their commencement of value-added telecommunications business in the PRC.

On July 13, 2006, the Ministry of Information Industry of the PRC (the “**MIIT**”, which is the predecessor of MIIT) promulgated the Circular on Strengthening the Administration of Foreign Investment and Operation of Value-added Telecommunications Business (《關於加強外商投資經營增值電信業務管理的通知》) (the “**MIIT Circular**”), pursuant to which, a domestic company that holds a value-added telecommunications business operation licenses is prohibited from leasing, transferring or selling the license to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors that conduct value-added telecommunications business illegally in China. In addition, under the MIIT Circular, the Internet domain names and registered trademarks used by a foreign-invested value-added telecommunications service operator shall be legally owned by that operator or its shareholders.

The Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020 version) (《外商投資准入特別管理措施(負面清單)》(2020年版), the “**Negative List 2020**”), were issued on 23 June 2020 and came into effect on 23 July 2020. On 27 December, 2021, the NDRC and MOFCOM jointly issued the Special Administrative Measure (Negative List) for the Access of Foreign Investment (2021 Version) (《外商投資准入特別管理措施(負面清單)》), the “**Negative List 2021**”), effective as of 1 January, 2022, replacing the Negative List 2020. According to the Negative List 2021, the equity ratio of foreign investment in the value-added telecommunications enterprises shall not exceed 50% except for the investment in e-commerce operation business, domestic multi-party communication business, information storage and re-transmission business or call center business.

REGULATIONS RELATED TO CYBER SECURITY AND PRIVACY PROTECTION

Regulations on Cyber Security

On December 28, 2000, the **SCNPC** promulgated the Decisions on Protection of Cyber Security (《關於維護互聯網安全的決定》), last amended and became effective on August 27, 2009, indicating several situations where one may be subject to administrative or criminal liabilities for harming the cyber security. On December 13, 2005, the Ministry of Public Security of the PRC (the “**MPS**”) enacted the Provisions on Technical Measures of the Cyber Security Protection (《互聯網安全保護技術措施規定》), the “**Technical Measures of Cyber Security Protection**”), effective as of March 1, 2006. The Technical Measures of Cyber Security Protection sets out several technical measures for the protection of cyber security, including (i) technical measures for preventing any matter or act that may harm the network security; (ii) measures for backing up any redundant disaster of key data base or major systematic equipment; (iii) Technical measures for recording and keeping the login and exit time of uses, advocate calls, accounts, internet web addresses or domain names and log files of system maintenance; and (iv) any other technical measures for the protection of internet

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security as prescribed by other laws, regulations or rules. According to the Technical Measures of Cyber Security Protection, the providers and entity users of internet services shall be responsible for carrying out effective technical measures for the protection of cyber security and shall guarantee the functioning of the technical measures for the protection of cyber security.

On November 7, 2016, the Standing Committee of National People's Congress (the "SCNPC") promulgated the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》, the "Cybersecurity Law"), effective as of June 1, 2017, which applies to the construction, operation, maintenance and use of networks as well as the supervision and administration of cybersecurity in the PRC. The Cybersecurity Law defines "network" as a system comprising computers or other information terminals and relevant facilities used for the purpose of collecting, storing, transmitting, exchanging and processing information in accordance with specific rules and procedures. "Network operators", who are broadly defined as owners and administrators of networks and network service providers, are subject to various security protection-related obligations, including: (i) complying with security protection obligations under graded system for cybersecurity protection requirements, which include formulating internal security management rules and operating instructions, appointing cybersecurity responsible personnel and their duties, adopting technical measures to prevent computer viruses, cyber-attack, cyber-intrusion and other activities endangering cybersecurity, adopting technical measures to monitor and record network operation status and cybersecurity events; (ii) formulating an emergency plan and promptly responding and handling security risks, initiating the emergency plans, taking appropriate remedial measures and reporting to regulatory authorities in the event comprising cybersecurity threats; and (iii) providing technical assistance and support to public security and national security authorities for protection of national security and criminal investigations in accordance with the law.

On July 30, 2021, the State Council promulgated the Regulations for Safe Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》, the "CII Regulations") which took effect on September 1, 2021. Pursuant to the CII Regulations, critical information infrastructure refers to important network infrastructure and information system in public telecommunications, information services, energy sources, transportation and other critical industries and domains, in which any destruction or data leakage will have severe impact on national security, the nation's welfare, the people's living and public interests. The CII Regulations provide specific requirements for the responsibilities and obligations of the operator: (i) the operator shall establish and improve the cybersecurity protection system and responsibility system, and ensure the input of manpower, financial and material resources; (ii) the operator shall set up a special security management department, and review the security background of the person in charge of the special security management department and the personnel in key positions; (iii) the operator shall guarantee the operation funds of the special security management department, allocate corresponding personnel, and have the personnel of the special security management department participate in the decision-making relating to cyber security and informatization; (iv) the operators shall give priority to the purchase of safe and reliable network products and services; network products and services procured that may affect the national security shall be subject to the security review in accordance with the

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national provisions on network security. The CII Regulations clarify the measures for dealing with the failure of key information infrastructure operators to perform their responsibilities for security protection, such as imposing fines.

After the release of the Cybersecurity Law, on May 2, 2017, the Cyberspace Administration of China (the “CAC”), issued the Measures for Security Reviews of Network Products and Services (Interim) (《網絡產品和服務安全審查辦法(試行)》), which was later replaced by the Measures for Cybersecurity Review (《網絡安全審查辦法》), the “**Cybersecurity Review Measures**”). The Cybersecurity Review Measures, effective as of June 1, 2020, was jointly issued by CAC and several other department on April 13, 2020 and later amended on December 28, 2021 and became effective on February 15, 2022. According to the Cybersecurity Review Measures as amended, (i) when the purchase of network products and services by a critical information infrastructures operator or the data processing activities conducted by a network platform operator affect or may affect national security, a cybersecurity review shall be conducted pursuant to the Review Measures. The aforesaid operators shall file for a cybersecurity review with Cybersecurity Review Office under the CAC if their behavior affects or may affect national security; (ii) an application for cybersecurity review shall be made by an issuer who is a network platform operator holding personal information of more than one million users before such issuer applies to list its securities on a foreign stock exchange; and (iii) the relevant PRC governmental authorities may initiate cybersecurity review if such governmental authorities determine that the issuer’s network products or services, or data processing activities affect or may affect national security. Cybersecurity reviews focus on assessing the following national security risks factors associated with relevant objects or circumstances: (i) the risk of illegal control, interference or destruction of critical information infrastructure, arising from the purchase and utilization of network products and services; (ii) the 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 the PRC laws, administrative regulations and ministry rules of the suppliers of network products and services; (v) the risk of core data, important data or a large amount of personal information being stolen, leaked, destroyed, and illegally used or illegally exited the country; (vi) the risk of critical information infrastructure, core data, important data or a large amount of personal information being affected, controlled, or maliciously used by foreign governments and the network information security risk in relation to listing abroad; and (vii) other factors that may harm critical information infrastructure, cyber security and/or data security.

Regulations on Data and Privacy Protection

On June 10, 2021, the Data Security Law of the PRC (《中華人民共和國數據安全法》), the “**Data Security law**”) was promulgated by the SCNPC and became effective on September 1, 2021. The Data Security Law mainly sets forth specific provisions regarding establishing basic systems for data security management, including hierarchical data classification

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management system, risk assessment system, monitoring and early warning system, and emergency disposal system. In addition, it clarifies the data security protection obligations of organizations and individuals carrying out data activities and implementing Data security protection responsibility.

On August 16, 2021, the CAC, joint with MIIT, MOT, the National Development and Reform Commission and the MPS, promulgated Several Provisions for the Administration of the Automobile Data Security (Interim) (《汽車數據安全管理若干規定(試行)》), the “**Automobile Data Security Provisions**”), effective as of October 1, 2021. Pursuant to the Automobile Data Security Provisions, automobile Data includes the personal information and essential data generated from the designing, producing, selling, using and repairing of automobiles. The “essential data” refers to the data that might harm the national security, public interest or the rightful interest of individuals and associations once revised, destroyed, leaked or illegally obtained or used. Automobile data operators must conduct automobile data operating activity according to the Automobile Data Security Provisions, including collecting, storing, using, processing, transferring, providing, publicizing automobile data. Furthermore, automobile data operators shall conduct risk assessment for its essential data operating activity, and report it to relevant government authorities. When an automobile data operator needs to make a cross-border transferring of essential data for business purpose, such operator need to pass the security assessment organized by CAC and other relevant government authorities, and shall not providing essential data beyond the security assessment range.

On December 8, 2022, the MIIT published the Data Security Administration Measures in Industry and Information Technology (Interim) (《工業和信息化領域數據安全管理辦法(試行)》), the “**Industry and Information Technology Measures**”), which took effect on January 1, 2023. The Industry and Information Technology Measures requires that industrial and telecom data processors shall manage the industrial and telecom data by three levels according to relevant regulations and shall apply certain administrative rules corresponding to its level during collecting, storing, using, processing, transferring, providing and publicizing such data.

Pursuant to the Decisions on Strengthening the Protection of Online information (《關於加強網絡信息保護的決定》), issued by the SCNPC in 2012 and the Protection Provisions for the Personal Information of Telecommunications and Internet Users (《電信和互聯網用戶個人信息保護規定》) promulgated by the MIIT in 2013, telecommunication business operators and internet service providers are required to set up their own rules for collecting and use of internet users’ information and are prohibited from collecting or use such information without consent from users. Moreover, telecommunication business operators and internet service providers shall strictly keep users’ personal information confidential and shall not divulge, tamper with, damage, sell or illegally provide others with such information.

On February 4, 2015, the CAC, promulgated the Provisions on the Administrative of Account Names of Internet Users (《互聯網用戶賬號名稱管理規定》), which became effective as of March 1, 2015, setting forth the authentication requirement for the real identity of internet users by requiring users to provide their real names during the registration process. In addition, these provisions specify that internet information service providers are required by

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these provisions to accept public supervision, and promptly remove illegal and malicious information in account names, photos, self-introductions and other registration-related information reported by the public in a timely manner.

Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of 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 on June 1, 2017, specified certain standards for the conviction and sentencing of the criminals in relation to personal information infringement. On May 28, 2020, the National Peoples Congress adopted the Civil Code (《中華人民共和國民法典》), which came into effect on January 1, 2021. Pursuant to the Civil Code, the personal information of a natural person shall be protected by the law. Any organization or individual shall legally obtain such personal information of others when necessary and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide or make public personal information of others.

On August 20, 2021, the SCNPC Promulgated the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), the “**PIPL**”) as effective on November 1, 2021, which further completes China's legal infrastructure in the field of privacy protection. The PIPL requires the person information processor need to obtain the prior consent of the personal provider before process the personal information except: (i) when it is necessary for entering into or performing a contract to which an individual is a party, or for implementing human resources management pursuant to employment policies legally established and collective contracts legally concluded; (ii) where it is necessary for fulfilling statutory duties or obligations; (iii) where it is necessary for responding to public health emergencies or protecting life, health and property safety of a natural person in case of emergency; (iv) where such acts as news reporting and public supervision are carried out for the public interest, and the processing of personal information is within a reasonable scope; (v) where the personal information has been made public either by the individual or by other lawful means and the processing of such information is limited to a reasonable scope in accordance with this Law; and (vi) other circumstances stipulated by laws and administrative regulations.

On July 7, 2022, the Measures for the Security Assessment of Cross-border Data Transmission (《數據出境安全評估辦法》), the “**Data Transmission Measures**”) was released by the CAC and became effective on September 1, 2022, which requires that any data processor providing important data collected and generated during operations within the PRC or personal information that should be subject to security assessment according to law to an overseas recipient shall conduct security assessment. The Data Transmission Measures provides five circumstances, under any of which data processors shall, through the local cyberspace administration at the provincial level, apply to the national cyberspace administration for security assessment of data cross-border transfer. These circumstances include: (i) where the data to be transferred to an overseas recipient are personal information or important data collected and generated by operators of critical information infrastructure; (ii) where the data to be transferred to an overseas recipient contain important data; (iii) where a personal

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information processor that has processed personal information of more than one million people provides personal information overseas; (iv) where the personal information of more than 100,000 people or sensitive personal information of more than 10,000 people are transferred overseas accumulatively; or (v) other circumstances under which security assessment of data cross-border transfer is required as prescribed by the national cyberspace administration.

On November 14, 2021, the CAC proposed the Regulations on the Administration of Network Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), the “**Draft Regulations**”) for public comments until December 13, 2021. The Draft Regulations reiterate that data processors which process the personal information of at least one million users must apply for a cybersecurity review if they plan listing of companies in foreign countries, and the draft measures further require the data processors that carry out the following activities to apply for cybersecurity review in accordance with the relevant laws and regulations: (i) the merger, reorganization or division of internet platform operators that have gathered a large number of data resources related to national security, economic development and public interests affects or may affect national security; (ii) the listing of the data processor in Hong Kong affects or may affect the national security; and (iii) other data processing activities that affect or may affect national security. In addition, the draft measures also regulate other specific requirements in respect of the data processing activities conducted by data processors in the view of personal data protection, important data safety, data cross-broader safety management and obligations of internet platform operators. Specifically, Under the following situations, data processors shall delete or anonymize personal information within fifteen business days: (i) the purpose of processing personal information has been achieved or the purpose of processing is no longer needed; (ii) the storage term agreed with the users or specified in the personal information processing rules has expired; (iii) the service has been terminated or the account has been cancelled by the individual; and (iv) unnecessary personal information or personal information without the consent of the individual, which was collected inevitably due to the use of automatic data collection technology. The processors of important data or data processors who are listed overseas shall carry out data security assessments by themselves or by entrusting data security service agencies every year, and submit the previous year’s data security assessment report to the cyberspace administration at the districted city level before January 31 of each year. When providing overseas data collected and generated within the PRC, if such data includes important data, or if the data processor is a critical information infrastructure operator or processes personal information of more than one million people, the data processors shall go through the security assessment of data cross-border transfer organized by the national cyberspace administration.

Regulations on Mobile Internet Application Information Services

On June 28, 2016, the CAC issued the Administrative Provisions on Mobile Internet Application Information Services (《移動互聯網應用程序信息服務管理規定》), which took effect on August 1, 2016 and last amended on August 1, 2022. Pursuant to which, internet information service providers who provide information services through mobile internet applications are required to authenticate the identity of the registered users, establish procedures for protection of user information, establish procedures for information content

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ensorship and management, 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. 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. On June 14, 2022, the CAC amended the Administrative Provisions on Mobile Internet Application Information Services, which took effect on August 1, 2022. The new amendment further clarifies the obligations of internet information service providers, such as the obligation to protect minors and the obligation to inform the users and report to the governmental authorities upon the risk of application security.

The Announcement of Conducting Special Supervision against the Illegal Collection and Use of Personal Information by Applications (《關於開展App違法違規收集使用個人信息專項治理的公告》) issued by three authorities including CAC, MIIT and SAMR on January 23, 2019, Pursuant to which, (i) application operators are prohibited from collecting any personal information irrelevant to the services provided by such operator; (ii) information collection and usage policy should be presented in a simple and clear way, and such policy should be consented by the users voluntarily; (iii) authorization from users should not be obtained by coercing users with default or bundling clauses or making consent a condition of a service. App operators violating such rules can be ordered by authorities to correct its non-compliance within a given period of time, be reported in public; or even suspend its operation for rectification or cancel its business license or operational permits.

On November 28, 2019, the CAC, MIIT, the MPS and SAMR jointly issued the Measures to Identify Illegal Collection and Usage of Personal Information by APPs (《App違法違規收集使用個人信息行為認定方法》), which lists six types of illegal collection and usage of personal information, including “not publishing rules on the collection and usage of personal information” and “not providing privacy rules.”

The MIIT issued the Notice on the Further Special Rectification of Apps Infringing upon Users’ Personal Rights and Interests (《關於開展縱深推進APP侵害用戶權益專項整治行動的通知》, the “**Further Rectification Notice**”), on July 22, 2020. The Further Rectification Notice requires that certain conducts of app service providers should be inspected, including, among others, (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 RELATING TO INTERNET CONTENT SECURITY

According to the Administrative Provisions on Internet Follow-up Comment Services (《互聯網跟帖評論服務管理規定》) and Provisions on Internet Forum Community Services(《互聯網論壇社區服務規定管理》), which were promulgated by the CAC on August 25, 2017, and became effective on October 1, 2017, an internet follow-up comment and forum community services provider shall strictly assume the primary responsibilities and the obligations, including but not limited to: (i) verify the real identity information of registered users; (ii) establish and improve a user information protection system; (iii) establish a system of reviewing at first and then publishing comments if they offer internet follow-up comment services to news information; (iv) furnish corresponding static information content on the same platform and page at the same time if they provide internet follow-up comment services by way of bullet chatting; (v) establish and improve an internet follow-up comment review and administration, real-time check, emergency response and other information security administration systems, timely identify and process illicit information and submit a report to the relevant competent authorities; (vi) develop internet follow-up comment information protection and administration technologies, innovate internet follow-up comment administration modes, research, develop and utilise an anti-spam administration system and improve the spam-handling capability; (vii) equip with content examination team corresponding with services; and (viii) coordinate with relevant supervising authorities for examination and provide necessary technology, information and data support. The CAC amended the Administrative Provisions on Internet Follow-up Comment Services in November 2022, which took effect on December 15, 2022. The new amendment further clarifies the obligations of an internet follow-up comment and forum community services provider to manage the content of the follow-up comments.

According to the Cybersecurity Law, a network operator shall strengthen the management of the information released by its users. If it finds any information that is prohibited by laws and administrative regulations from release or transmission, it shall immediately cease transmission of such information, and take measures such as deletion to prevent dissemination of such information. The operator shall also keep relevant record, and report the case to the competent authority. In the event that a network operator fails to take measures as ceasing transmission or removal of information prohibited by appropriate laws or administrative regulations, or keep record of relevant information, the competent authority shall warn such operator and order it to make rectifications, and shall confiscate its illegal earnings. A fine shall be imposed in case of refusal to make rectifications or severe violations, and further penalties such as suspension of related business, winding up for rectification, shutdown of website, and revocation of business licence may be concurrently imposed by the competent authority.

REGULATIONS RELATED TO ADVERTISING

On October 27, 1994, the SCNPC promulgated the Advertising Law of the PRC (《中華人民共和國廣告法》), the “**Advertising Law**”), as last amended on April 29, 2021. The Advertising Law regulates commercial advertising activities in the PRC, and sets out the obligations of advertisers, advertising operators, advertising publishers and advertisement

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endorsers, and prohibits any advertisement from containing any obscenity, pornography, gambling, superstition, terrorism or violence-related content. Any advertiser in violation of such requirements on advertisement content will be ordered to cease publishing such advertisements and imposed a fine, the business license of such advertiser may be revoked, and the relevant authorities may revoke the approval document for advertisement examination and refuse to accept applications submitted by such advertiser for one year. In addition, any advertising operator or advertising publisher in violation of such requirements will be imposed a fine, and the advertisement fee received will be confiscated; in severe circumstances, the business license of such advertising operator or advertising publisher may be revoked.

The Interim Measures for the Administration of Internet Advertising (《互聯網廣告管理暫行辦法》), the “**Internet Advertising Measures**”), regulating the internet-based advertising activities were adopted by the SAIC on July 4, 2016 and became effective on September 1, 2016. According to the Internet Advertising Measures, internet advertisers are responsible for the authenticity of the advertisements content and all online advertisements must be marked “Advertisement” so that viewers can easily identify them as such. Publishing and circulating advertisements through the internet shall not affect the normal use of the internet by users. It is not allowed to induce users to click on the content of advertisements by any fraudulent means, or to attach advertisements or advertising links in the emails without permission. In addition, the following internet advertising activities are prohibited: (i) providing or using any applications or hardware to intercept, filter, cover, fast forward or otherwise restrict any authorized advertisement of other persons, (ii) using network pathways, network equipment or applications to disrupt the normal data transmission of advertisements, alter or block authorized advertisements of other persons or load advertisements without authorization, or (iii) using fraudulent statistical data, transmission effect or matrices relating to online marketing performance to induce incorrect quotations, seek undue interests or harm the interests of others.

REGULATIONS RELATING TO CONSUMERS PROTECTION

According to the Consumers Rights and Interests Protection Law of the PRC (《中華人民共和國消費者權益保護法》), the “**Consumers Rights and Interests Protection Law**”), which became effective on January 1, 1994 and was amended by the SCNPC on October 25, 2013 most recently, business operators shall guarantee that the products and services they provide satisfy the requirements for personal or property safety, and provide consumers with authentic information about the quality, function, usage and term of validity of the products or services. The consumers whose interests have been damaged due to the products or services that they purchase or accept on the internet trading platforms may claim damages to sellers or service providers.

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REGULATIONS RELATED TO INTELLECTUAL PROPERTY

Trademarks

The Trademark Law of the PRC (《中華人民共和國商標法》, the “**Trademark Law**”) was promulgated by the SCNPC on August 23, 1982 and last amended on April 23, 2019 and became effective on November 1, 2019, respectively, and the Implementation Regulations on the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) was promulgated by the State Council on August 3, 2002 and last amended on April 29, 2014 and became effective on May 1, 2014.

These laws and regulations provide the basic legal framework for the regulations of trademarks. In China, registered trademarks include commodity trademarks, service trademarks, collective marks and certificate marks. The Trademark Office of China National Intellectual Property Administration is responsible for the registration and administration of trademarks throughout the country. Trademarks are granted on a term of ten years, counted from the day the registration is approved. Twelve months prior to the expiration of the ten-year term, an applicant can renew the application and reapply for trademark protection. Using a trademark that is identical with 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. The infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, and pay damages, etc.

Copyright

On September 7, 1990, the SCNPC promulgated the Copyright Law of the PRC (《中華人民共和國著作權法》, the “**Copyright Law**”), effective on June 1, 1991, the latest amendment of which took effect on June 1, 2021. The amended PRC Copyright Law extends copyright protection to internet activities, products disseminated over the internet and software products. In addition, there is a voluntary registration system administered by the Copyright Protection Centre of China. According to the Copyright Law, Chinese citizens, legal persons, or other organizations shall, whether published or not, own copyright in their copyrightable works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. An infringer of the copyrights shall be subject to various civil liabilities, which include ceasing infringement activities, apologizing to the copyright owners and compensating the loss of copyright owner. In addition, infringers of copyright may also subject to fines and/or administrative or criminal liabilities in severe situations.

In order to further implement the Regulations on Computer Software Protection (《計算機軟件保護條例》), promulgated by the State Council on December 20, 2001 and recently amended on January 30, 2013 and came into effect on March 1, 2013, the National Copyright

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Administration issued the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) on February 20, 2002, which specify detailed procedures and requirements with respect to the registration of software copyrights.

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》), the “**Patent Law**”), promulgated by the SCNPC on March 12, 1984 and most recently amended on October 17, 2020 and took effect on June 1, 2021, and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), the “**Implementation Rules of the Patent Law**”), the patent administrative department under the State Council is responsible for the administration of patent-related work nationwide and the patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within their respective administrative areas. The Patent Law and Implementation Rules of the Patent Law provide for three types of patents, namely “inventions”, “utility models” and “designs”. Invention patents are valid for twenty years, while utility model patents and design patents are valid for ten years and fifteen years, respectively, in each case from the date of application. An invention or a utility model must possess novelty, inventiveness and practical applicability to be patentable. Third Parties must obtain consent or a proper license from the patent owner to use the patent.

Domain Names

Internet domain name registration and related matters are primarily regulated by the Measures on Administration of Internet Domain Names (《互聯網域名管理辦法》), which replaced the Measures on Administration of Domain Names for the Chinese Internet published in November 2004, issued by MIIT and effective as of November 1, 2017. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

FULL CIRCULATION OF H SHARES

“Full circulation” represents listing and circulating on the Stock Exchange of the domestic unlisted shares of an H-share listed company, including unlisted Domestic Shares held by domestic shareholders prior to overseas listing, unlisted Domestic Shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders. On November 14, 2019, the CSRC, announced the Full-circulation Guidelines allows certain qualified H-share listed companies and H-share companies to be listed for the application of full circulation to CSRC.

According to the Guidelines for the “Full Circulation” Program for Domestic Unlisted Shares of H-share Listed Companies, shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration,

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foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file the said application for “full circulation”. To file an application for “full circulation”, an H-share listed company shall file the application with the CSRC according to the administrative licensing procedures necessary for the “examination and approval of public issuance and listing (including additional issuance) of shares overseas by a joint stock company”. After the application for “full circulation” being approved by the CSRC, the H-share listed company shall submit a report on the relevant situation to the CSRC within 15 days after the registration with the CSDC, of the shares related to the application has been completed.

On December 31, 2019, the CSDC and Shenzhen Stock Exchange jointly announced the Measures for Implementation of H-share “Full Circulation” Business. The businesses of cross-border share transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc. in relation to the H-share “full circulation business”, are subject to these Measures for Implementation.

In order to fully promote the reform of H-shares “full circulation” and clarify the business arrangement and procedures for the relevant shares’ registration, custody, settlement and delivery, the CSDC has issued the Circular on Issuing the Guidelines to the Program for “Full Circulation” of H-shares in February 2020, which specified the business preparation, account arrangement, cross-border share transfer registration and overseas centralized custody, etc. In February 2020, China Securities Depository and Clearing (Hong Kong) Co., Ltd., or the CSDC HK, promulgated the Guidelines to the Program for Full Circulation of H-shares of China Securities Depository and Clearing (Hong Kong) Co., Ltd. (《中國證券登記結算(香港)有限公司H股“全流通”業務指南》) to specify the relevant escrow, custody, agent service of CSDC HK, arrangement for settlement and delivery and other relevant matters.

REGULATIONS RELATED TO FOREIGN CURRENCIES AND FOREIGN INVESTMENT

Pursuant to the Regulations of the PRC for Foreign Exchange Control (《中華人民共和國外匯管理條例》) amended by the State Council and came into effect on August 5, 2008, foreign exchange payments under current account items shall be made using self-owned foreign currency or foreign currency purchased from financial institutions engaging in conversion and sale of foreign currencies by presenting valid documents. If onshore institutions or onshore individuals propose to make an offshore direct investment or offshore issuance or trading of negotiable securities or derivative products, they shall complete the registration as required by the foreign exchange administrative department under the State Council.

On November 19, 2012, the SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Improving and Adjusting Policies for the Foreign Exchange Administration Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》), the “Circular No. 59”). The Circular No. 59 came into effect on December

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17, 2012, revised on May 4, 2015 and October 10, 2018, and partially abolished on December 30, 2019. According to the Circular No. 59, the opening of various special purpose foreign exchange accounts (such as the account for preliminary expenses, foreign exchange capital account and margin account), the reinvestment of RMB funds in China by foreign investors and the foreign exchange profits and dividends remitted by foreign enterprises to foreign shareholders need not be approved or verified by the SAFE, and the same entity can open multiple capital accounts in the different provinces. In February 2015, the SAFE issued the Notice of the State Administration of Foreign Exchange 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》) (partially abolished in December 2019), which stipulates that banks shall directly audit and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment on behalf of the SAFE, the SAFE and its branches indirectly supervised the foreign exchange registration of direct investment through banks.

On May 11, 2013, the SAFE issued the Regulations on the Administration of Foreign Exchange for Direct Investment in China by Foreign Investors (《外國投資者境內直接投資外匯管理規定》), the “**Circular 21**”, which became effective on May 13, 2013, amended on October 10, 2018 and partially abolished on December 30, 2019. The Circular 21 stipulates that the SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration, and banks shall process the foreign exchange business relating to the direct investment in the PRC based on the registration information provided by the SAFE or its branches.

According to the Notice on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《關於境外上市外匯管理有關問題的通知》) promulgated by the SAFE on December 26, 2014 and implemented on the same day, a domestic company shall, within 15 business days of the date of the end of its overseas listing issuance, register the overseas listing with the Administration of Foreign Exchange at the place of its establishment. The proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the document and other disclosure documents.

Pursuant to the Notice of the State Administration of Foreign Exchange on Reform of the Management Method for the Settlement of Foreign Exchange 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》), the “**Circular 19**”, which was promulgated on March 30, 2015, came into effective on June 1, 2015 and was partially abolished on December 30, 2019, foreign-invested enterprises could settle their foreign exchange capital on a discretionary basis based on the actual needs of their business operations. Whilst, foreign-invested enterprises are prohibited to use the foreign exchange capital settled in RMB (a) for any expenditures beyond the business scope of the foreign-invested enterprises or forbidden by laws and regulations; (b) for direct or indirect

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securities investment; (c) to provide entrusted loans (unless permitted in the business scope), repay inter-company loans (including advances to third parties) or repay RMB bank loans that have been on lent to a third party; and (d) to purchase real estate not for self-use purposes (save for real estate enterprises).

On June 9, 2016, SAFE issued the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Accounts (《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》), the “**Circular 16**”), which came into effect on the same day. The Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted listed overseas proceeds, and the corresponding RMB capital converted from foreign exchange may be used to extend loans to related parties or repay inter-company loans (including advances by third parties). However, there remain substantial uncertainties with respect to SAFE Circular 16’s interpretation and implementation in practice.

On October 23, 2019, the SAFE promulgated the Notice on Further Facilitating Cross-Board Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》) which became effective on the same date (except for Article 8 Paragraph 2, which became effective on January 1, 2020). The notice cancels restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debt offering proceeds and remitted listed overseas proceeds for domestic payments without providing materials to the bank in advance for authenticity verification on an item by item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current administrative regulations for use of revenue from capital accounts.

REGULATIONS RELATED TO TAXATION

Enterprise Income Tax

According to the EIT Law, which was promulgated on March 16, 2007, became effective from January 1, 2008 and amended on February 24, 2017 and December 29, 2018, respectively, a domestic enterprise which is established within the PRC in accordance with the laws shall be regarded as a resident enterprise. A resident enterprise shall be subject to an EIT of 25% of any income generated within the PRC. A preferential EIT rate shall be applicable to any key industry or project which is supported or encouraged by the state.

Enterprises that are recognized as high and new technology enterprises in accordance with the Administrative Measures for the Determination of High and New Tech Enterprises (《高新技術企業認定管理辦法》) issued by the Ministry of Science and Technology of the PRC, the MOF and the SAT, are entitled to enjoy a preferential enterprise income tax rate of

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15%. Under these measures, the validity period of the recognition as a high and new technology enterprise shall be three years from the date of issuance of the certificate. An enterprise can re-apply for such recognition before or after the previous certificate expires.

Value-Added Tax

Pursuant to the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993 and amended on November 5, 2008, February 6, 2016 and November 19, 2017, respectively, and the Implementation Rules for the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the MOF and SAT on December 15, 2008 and became effective on January 1, 2009 and as amended on October 28, 2011, entities or individuals engaging in sale of goods, provision of processing services, repairs and replacement services or importation of goods within the territory of the PRC shall pay VAT.

Unless provided otherwise, the rate of VAT is 17% on sales and 6% on the services. On April 4, 2018, MOF and SAT jointly promulgated the Circular of the Ministry of Finance and the State Administration of Taxation on Adjustment of Value-Added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》, the “**Circular 32**”), according to which (i) for VAT taxable sales acts or import of goods originally subject to VAT 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 tax rate of 11%, such tax 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 tax 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 which are inconsistent with Circular 32.

Since November 16, 2011, the MOF and the SAT have implemented the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業稅改徵增值稅試點方案》), the “**VAT Pilot Plan**”), which imposes VAT in lieu of business tax for certain “modern service industries” in certain regions and eventually expanded to nation-wide application in 2013. According to the Implementation Rules for the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業稅改徵增值稅試點實施辦法》) released by the MOF and the SAT on the VAT Pilot Program, the “modern service industries” include research, development and technology services, information technology services, cultural innovation services, logistics support, lease of corporeal properties, attestation and consulting services. The Notice on comprehensively promoting the Pilot Plan of the Conversion of Business Tax to Value-Added Tax (《關於做好全面推開營改增試點工作的通知》), which was promulgated on April 29, 2016, sets out that VAT in lieu of business tax be collected in all regions and industries.

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On March 20, 2019, MOF, SAT and the General Administration of Customs jointly promulgated the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》), which became effective on April 1, 2019 and provides that (i) with respect to VAT taxable sales acts or import of goods originally subject to VAT rates of 16% and 10% respectively, such tax rates shall be adjusted to 13% and 9%, respectively; (ii) with respect to purchase of agricultural products originally subject to tax rate of 10%, such tax rate shall be adjusted to 9%; (iii) with respect to purchase of agricultural products for the purpose of production or consigned processing of goods subject to tax rate of 13%, such tax shall be calculated at the tax rate of 10%; (iv) with respect to export of goods and services 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) with respect to export of 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%.

REGULATIONS RELATED TO LABOR

Labor Law

According to the Labor Law of the PRC (《中華人民共和國勞動法》) issued by the SCNPC on 5 July 1994, most recently amended on 29 December 2018 and became effective on the same day, every employer must ensure workplace safety and sanitation in accordance with national regulations, provide relevant training to its employees, prevent accidents in the process of work, and lessen occupational hazards.

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) issued by the SCNPC on 29 June 2007, amended on 28 December 2012 and became effective on 1 July 2013, requires every employer to enter into a written contract of employment with each of its employees. No employer may force its employees to work beyond the time limit and each employer must pay overtime compensation to its employees. The wage of each employee is to be no less than the local standard on minimum wages.

Regulations on Social Insurance and Housing Provident Funds

In accordance with the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) issued by the SCNPC on 28 October 2010, last amended on 29 December 2018 and became effective on the same day, as well as other relevant provisions, an employee shall participate in five types of social insurance funds, including pension, medical, unemployment, maternity and occupational injury insurance. The premiums for maternity insurance and occupational injury insurance are paid by the employer, while the premiums for pension insurance, medical insurance and unemployment insurance are paid by both the employer and the employee. If the employer fails to fully contribute to social insurance funds on time, the collection agency for such social insurance may demand the employer to make full payment or to pay the shortfall within a set period and collect a late charge. If the employer fails to pay after the due date, the relevant government administrative body may impose a fine on the employer.

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In accordance with the Regulation on the Administration of Housing Provident Funds (《住房公積金管理條例》) issued by the State Council on 3 April 1999, last revised on 24 March 2019 and became effective on the same day, an employer must register with the competent managing center for housing funds and shall contribute to the Housing Provident Fund for any employee on its payroll. Where an employer fails to pay up housing provident funds within the prescribed time limit, the employer may be ordered to make payment within a certain period, where the payment has not been made after the expiration of the time limit, an application may be made to the court for compulsory enforcement.

REGULATIONS RELATED TO ANTI-MONOPOLY

The SCNPC promulgated the Anti-Monopoly Law of the PRC on August 30, 2007, which came into effect on August 1, 2008, last amended on June 24, 2022 and took effect on August 1, 2022. According to the Anti-Monopoly Law, the prohibited monopolistic acts include monopolistic agreements, abuse of a dominant market position and concentration of businesses that may have the effect to eliminate or restrict competition.

On February 7, 2021, the Anti-monopoly Bureau of SAMR published the Guidelines on Anti-monopoly Issues in Platform Economy (《關於平台經濟領域的反壟斷指南》, the “**Platform Economy Anti-monopoly Guidelines**”). The Platform Economy Anti-monopoly Guidelines set out detailed standards and rules in respect of definition of relevant markets, typical types of cartel activity and abusive behavior by the operators of internet platform with market dominance, as well as merger control review procedures involving variable interest entities, which provide further guidelines for enforcement of anti-monopoly laws regarding online platform operators. Moreover, the Platform Economy Anti-monopoly Guidelines further clarified the calculation of the thresholds for declaring concentration of online platform operators, as well as the evaluation of the effect of the concentration of online platform operators on competition.

REGULATIONS RELATED TO UNFAIR COMPETITION

According to the Law against Unfair Competition of the PRC (《中華人民共和國反不正當競爭法》), the “**Anti-Unfair Competition Law**”), promulgated by the SCNPC on September 2, 1993 and amended on November 4, 2017 and April 23, 2019, respectively, effective from April 23, 2019, operators shall not undermine their competitors by engaging in improper activities, including but not limited to, taking advantage of powers or influence to affect a transaction, market confusion, commercial bribery, misleading false publicity, infringement of trade secrets, price dumping, illegitimate premium sale and commercial libel. Any operator who violates the Anti-Unfair Competition Law by engaging in the foregoing unfair competition activities shall be ordered to cease such illegal activities, eliminate the influence of such activities or compensate for the damages caused to any party. The competent supervision and inspection authorities may also confiscate the illegal gains or impose fines on such operators.

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REGULATIONS RELATING TO OVERSEAS LISTING

On February 17, 2023, CSRC formally released the Trial Measures for the Administration of Overseas Issuance and Listing of Securities by Domestic Companies (the “**Overseas Issuance and Listing Measures**”, 《境內企業境外發行證券和上市管理試行辦法》), which are expected to take effect on March 31, 2023. The Overseas Issuance and Listing Measures prohibit the overseas issuance and listing of securities for (i) companies that are explicitly prohibited from listing by PRC laws and regulations; (ii) companies whose overseas issuance and listing may endanger national security, as determined by relevant departments of the State Council; (iii) companies that have committed, or companies whose controlling shareholders or actual controllers have committed, crimes of corruption, bribery, encroachment and embezzlement upon property, or disruption of the order of market economy in the past three years; (iv) companies that are under ongoing investigations for suspected crimes or material violations of PRC laws; and (v) companies whose controlling shareholders, or the shareholders whose actions are controlled by the controlling shareholders or actual controllers, are involved in major disputes over their equity ownership of the company. As advised by our PRC legal advisers, we are not subject to any of the abovementioned situations that prohibit the overseas issuance and listing of our securities.

Furthermore, upon the effectiveness of the Overseas Issuance and Listing Measures, PRC companies that directly or indirectly offer or list their securities in overseas markets, which include (i) any limited liability companies registered in the PRC, and (ii) any offshore companies that conduct their business operations primarily in the PRC and contemplate to offer or list their securities in overseas markets based on their onshore equities, assets or similar interests, will be required to making files with the CSRC within three business days after submitting their listing application documents to the relevant regulator in the place of intended listing. Failure to complete the record-filing procedures may subject a PRC company to a warning or a fine of RMB1 million to RMB10 million. According to the Notice on the Administration Arrangement for the Overseas Issuance and Listing of Securities Record-filings (《關於境內企業境外發行上市備案管理安排的通知》), PRC companies that have received the approval from CSRC on their overseas issuance and listing before the Overseas Issuance and Listing Measures become effective can continue their overseas issuance and listing of securities within the validity period of the approval, and are not subject to the record-filing procedures stipulated in the Overseas Issuance and Listing Measures. We obtained the approval from CSRC for the Global Offering and the Listing on April 13, 2022, and such approval is valid until April 13, 2023. Based on the above, our PRC legal advisers are of the opinion that we do not need to perform the record-filing procedures for the Global Offering and the Listing based on the expected timetable for the Global Offering and the Listing, and the Global Offering and the Listing are not expected to be affected by the Overseas Issuance and Listing Measures.

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Driven by the development of the internet, especially the mobile telecommunication network, in China in 2000s, and leveraging on their in-depth understanding of the mobile telecommunication network in China, accumulated expertise in information technology and experience in the provision of information technology value-added services, Mr. Feng and Mr. Du co-founded Beijing Yihe Jiaxun Information Technology Co., Ltd.* (北京怡和佳訊信息技術有限責任公司) (“**Beijing Yihe Jiaxun**”) in Beijing in 2002 to experiment various applications of information technology with an aim to reform and advance the application of information technology in the freight logistics industry. Since its establishment, Beijing Yihe Jiaxun was principally engaged in technology development, technology consulting and the provision of technology services as well as the provision of information services under category 2 value-added telecommunications businesses. In 2010, attracted by the rewards policy of investment, in particular the rewards to enterprises moved to or newly established in Hefei, issued by the Government of Hefei, Mr. Feng and Mr. Du established our Company in Hefei together with Mr. Chen and Mr. Wang. After the establishment of our Company, all businesses (including *Guanchebao* (管車寶) and all other intellectual properties and assets but excluding the non-transferable whole network SP permit (全網SP許可證)) of Beijing Yihe Jiaxun were contributed to our Company’s capital and became owned by our Company. As such, Beijing Yihe Jiaxun is considered as the predecessor of our Company.

Please see the paragraphs headed “Corporate Development of our Company—A. About Beijing Yihe Jiaxun” and “Corporate Development of Our Company—B. Establishment of Our Company” below for further details.

MILESTONES

The following events are the key business milestones of our Group since its establishment:

| <u>Year</u> | <u>Events</u> |
|-------------|--|
| 2002 | • Beijing Yihe Jiaxun was established in Beijing, China |
| 2005 | • Launched <i>Guanchebao</i> (管車寶), our self-developed SaaS solutions, signifying the first development phase of our digital freight business |
| 2010 | • Our Company was established in Anhui, China |
| 2013 | • Established our digital freight platform |
| 2014 | • Launched <i>Trucker Community</i> (卡友地帶), the first “online + offline” community for truckers in China, reflecting our strategic transformation to another new development stage |
| 2017 | • Selected as one of the First Group of Pilot Enterprises for Digital Freight Businesses (首批無車承運試點企業) in China |

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| Year | Events |
|------|--|
| 2020 | <ul style="list-style-type: none">• Awarded 477th among the 2020 Top 500 Private Enterprises (2020年全國民營企業500強, 第477位) by All-China Federation of Industry and Commerce (全國工商聯) |
| 2021 | <ul style="list-style-type: none">• Awarded Best Exemplary Enterprise of Innovative Logistics and Supply Chain Management (物流與供應鏈管理創新最佳示範單位) by Smart Logistics Committee of China Communications and Transportation of Association (中國交通運輸協會智慧物流專業委員會)• Awarded Key “Little Giant” Enterprise (專精特新“小巨人”企業) by the MIIT• Awarded 432nd among the 2021 Top 500 Private Enterprises (2021年全國民營企業500強, 第432位) by All-China Federation of Industry and Commerce (全國工商聯) |
| 2022 | <ul style="list-style-type: none">• Awarded 340th among the 2022 Top 500 Private Enterprises (2022年全國民營企業500強, 第340位) by All-China Federation of Industry and Commerce (全國工商聯) |

CORPORATE DEVELOPMENT OF OUR COMPANY

A. About Beijing Yihe Jiaxun

Beijing Yihe Jiaxun was established in Beijing on September 26, 2002. At the time of its establishment, Beijing Yihe Jiaxun had an initial registered capital of RMB500,000 and was held as to approximately 33.34% by Mr. Feng, 33.32% by Mr. Wu Zhangxian (吳章先) and 33.34% by Ms. Dong Jie (董潔).

From June 2003 to June 2006, Beijing Yihe Jiaxun had a few share transfers and capital increases, as a result of which, the registered capital of Beijing Yihe Jiaxun was increased to RMB17,000,000 and was held as to approximately 41.53% by Mr. Feng, 41.53% by Mr. Du, 15% by Beijing Kingsoft Digital Entertainment Science and Technology Co.,Ltd.* (北京金山數字娛樂科技有限公司) (“**BK Entertainment**”), a wholly-owned subsidiary of Beijing Kingsoft Qijian Digital Science and Technology Co., Ltd.* (北京金山奇劍數碼科技有限公司) (“**Beijing Kingsoft**”), and 1.94% by Mr. Shen Zhengkun (沈正昆). At the time of the share transfer, Beijing Kingsoft was owned as to 80% by Ms. Qiu Weiqin (求偉芹) and 20% by Ms. Lei Peili (雷培莉), and to the best knowledge of our Directors, who are independent third parties.

From June 2006 to November 2009, Beijing Yihe Jiaxun had a few share transfers, and as a result of which, Beijing Yihe Jiaxun was held as to approximately 35% by Mr. Feng, 35% by Mr. Du, 15% by BK Entertainment and 15% by Mr. Wang Wenfu (汪文富).

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Mr. Wang Wenfu subsequently disposed all of his equity interests in Beijing Yihe Jiaxun to Mr. Feng. As of November 2010 and immediately prior to the Sale, Beijing Yihe Jiaxun was held as to 50% by Mr. Feng, 35% by Mr. Du and 15% by BK Entertainment.

To the best knowledge of our Directors, Mr. Wu Zhangxian, Ms. Dong Jie, Mr. Shen Zhengkun and Mr. Wang Wenfu are independent third parties.

After the establishment of our Company in 2010, Mr. Feng and Mr. Du decided to operate the digital freight business through our Company, and therefore they (i) arranged to effect all business and assets of Beijing Yihe Jiaxun (except for the non-transferable whole network SP permit (全網SP許可證)) (the “**Remaining IPs**”) to be contributed to our Company’s capital so that such Remaining IPs will become owned by our Company, and (ii) agreed to transfer to BK Entertainment or its designated entity an amount of shares to mirror BK Entertainment’s capital contribution in Beijing Yihe Jiaxun (the “**Sale Arrangement**”). Subsequently, as Mr. Feng and Mr. Du fully devoted themselves to the business operation of our Company and considered the fact that Beijing Yihe Jiaxun was merely a holding entity for the whole network SP permit (全網SP許可證) and did not have actual business operation, together with BK Entertainment, they sold Beijing Yihe Jiaxun on August 17, 2011 (the “**Sale**”) to Ms. Lv Yanfeng (呂艷豐) and Mr. Fang Gang (方剛), who are independent third parties, at a consideration of RMB9,600,000 based on arm’s length negotiation with reference to the value of the whole network SP permit (全網SP許可證) held by Beijing Yihe Jiaxun. Prior to the Sale, Beijing Yihe Jiaxun was not involved in any material non-compliances.

To the best knowledge of our Directors, Beijing Yihe Jiaxun was subsequently and voluntarily deregistered on March 9, 2018 as a result of business restructuring of its then owner(s).

B. Establishment of Our Company

Our Company was established as a joint stock company with limited liability in the PRC on June 23, 2010 with an initial registered share capital of RMB30,000,000 divided into 30,000,000 shares with a nominal value of RMB1.0 each, and was held by Mr. Feng, Mr. Du, Mr. Wang and Mr. Chen. Details of the shareholding structure of our Company at the time of its establishment were as follows:

| <u>Name of shareholder</u> | <u>Number of shares</u> | <u>Shareholding</u> |
|----------------------------|-------------------------|---------------------|
| 1. Mr. Feng | 11,250,000 | 37.50% |
| 2. Mr. Du | 11,250,000 | 37.50% |
| 3. Mr. Chen | 6,000,000 | 20.00% |
| 4. Mr. Wang | 1,500,000 | 5.00% |
| TOTAL | 30,000,000 | 100.00% |

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Mr. Feng and Mr. Du became acquainted with each other while they were studying in the same university. Mr. Feng and Mr. Chen were acquaintances. Mr. Chen introduced Mr. Wang to Mr. Feng. Mr. Wang was attracted by the development of a digitalized freight transportation platform and therefore decided to fund the establishment of our Company together with Mr. Feng, Mr. Du and Mr. Chen. Mr. Wang is currently the secretary of the Party Committee (黨委書記) of our Company and is principally responsible for coordinating communications with governmental authorities. As Mr. Wang is not involved in the day-to-day management of our Company, or any decision-making process of our Company's business development strategies, our Company does not consider Mr. Wang a senior management member of our Company.

To the best knowledge of our Company, Mr. Chen is an independent professional investor and is experienced in equities investment.

C. Earlier Shareholding Changes

(a) *Earlier Share Transfers*

The shareholding structure of our Company remained unchanged from its establishment until December 2011. From December 2011 to February 2015, the shareholding changes of our Company are set forth below:

- (i) on December 11, 2011, Mr. Chen disposed part of his equity interests (equivalent to unpaid registered share capital of RMB2,600,000) in our Company to Hefei Qizhang Project Investment Co., Ltd.* (合肥啟章項目投資有限責任公司) (“**Hefei Qizhang**”) at nil consideration. Hefei Qizhang is a PRC-based limited liability company and was deregistered on May 17, 2019. Since its establishment and up to its deregistration on May 17, 2019, Hefei Qizhang was owned as to 43% by Ms. Jiang Jueying (江菊英) and 57% by four other individuals, none of which held more than 20% equity interests in Hefei Qizhang. To the best knowledge of our Directors after due enquiry, all shareholders of Hefei Qizhang are independent third parties;
- (ii) on May 18, 2012, as Mr. Chen was not optimistic about our Company's development at that time, Mr. Chen disposed all of his remaining equity interest in our Company (equivalent to 3,400,000 shares) to Mr. Du at a consideration of RMB2,000,000 at cost after arm's length negotiation;
- (iii) on August 9, 2012, Mr. Feng transferred 900,000 shares of our Company to Ms. Yue Jingzhi (岳晶質) at a consideration of RMB900,000. As our Company was at its early development stage, such consideration was determined on a RMB1.00 per share basis with reference to Mr. Feng's corresponding capital contribution;

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- (iv) in April 2012, Mr. Feng and Mr. Zhu Xiaoman (朱小滿) entered into a loan agreement, pursuant to which, on August 9, 2012, Mr. Feng transferred 300,000 shares of our Company to Mr. Zhu Xiaoman as a security at a consideration of RMB300,000, determined on a RMB1.00 per share basis with reference to Mr. Feng’s corresponding capital contribution which is the same as the loan amount;
- (v) on August 9, 2012 and May 22, 2012, Mr. Feng and Mr. Du transferred 450,000 shares and 450,000 shares of our Company, respectively, to Beijing Kingsoft, each at nil consideration pursuant to the Sale Arrangement; and
- (vi) on February 12, 2015, due to immediate capital needs to ease its internal capital shortage, Hefei Qizhang disposed all of its equity interests in our Company (i.e. 2,600,000 shares) to Mr. Feng at a discounted consideration of RMB7,280,000 based on arm’s length negotiation with reference to the consideration of RMB2.80 per share as agreed between our Company and the Pre-IPO Investors in the Series A Investment.

As a result of the above share transfers and as of February 12, 2015, the shareholding structure of our Company was as follows:

| <u>Name of shareholder</u> | <u>Number of shares</u> | <u>Approximate shareholding</u> |
|----------------------------|-------------------------|---------------------------------|
| 1. Mr. Feng | 12,200,000 | 40.67% |
| 2. Mr. Du | 14,200,000 | 47.33% |
| 3. Mr. Wang | 1,500,000 | 5.00% |
| 4. Ms. Yue Jingzhi | 900,000 | 3.00% |
| 5. Beijing Kingsoft | 900,000 | 3.00% |
| 6. Mr. Zhu Xiaoman | 300,000 | 1.00% |
| TOTAL | 30,000,000 | 100.00% |

(b) Subsequent Share Transfers and Capital Increases

From February 2015 to April 2017, our Company underwent three rounds of capital increases, as a result of which the total registered share capital of our Company was increased to RMB40,937,500 (equivalent to 40,937,500 shares) with the additional registered share capital being subscribed by Nanjing Luge Investment, Jiangsu Gaotou Kedai Venture Investment Partnership (Limited Partnership)* (江蘇高投科貸創業投資企業(有限合夥)) (“**Jiangsu Gaotou Kedai**”), and certain Pre-IPO Investors, including Jiangsu Gaotou Innovation SME Development Investment Partnership (Limited Partnership)* (江蘇高投創新中小發展創業投資合夥企業(有限合夥)) (“**Jiangsu Gaotou Innovation**”), Tianjin Huacheng Intelligent Investment Partnership (Limited Partnership)* (天津華成智訊創業投資合夥企業(有

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限合夥)) (“**Tianjin Huacheng Intelligent**”) and Nanjing Kaiyuan Growth Investment Partnership (Limited Partnership)* (南京凱元成長創業投資合夥企業(有限合夥)) (“**Nanjing Kaiyuan**”), details of which are set out below:

| <u>Subscriber(s)</u> | <u>Date</u> | <u>Number of shares</u> | <u>Consideration</u> |
|--|--------------------------|-------------------------|----------------------|
| | <i>(Year.Month.Date)</i> | | <i>(RMB)</i> |
| 1. Jiangsu Gaotou Kedai ⁽¹⁾ | 2015.02.15 | 3,750,000 | 20,000,000 |
| 2. Jiangsu Gaotou Innovation ⁽¹⁾ | 2015.02.15 | 1,875,000 | 10,000,000 |
| 3. Tianjin Huacheng Intelligent ⁽²⁾ | 2015.02.15 | 1,875,000 | 10,000,000 |
| 4. Nanjing Kaiyuan ⁽²⁾ | 2015.10.19 | 937,500 | 5,000,000 |
| 5. Nanjing Luge Investment ⁽³⁾ | 2015.10.15 | 2,500,000 | 10,000,000 |
| | TOTAL | 10,937,500 | 55,000,000 |

Notes:

- (1) Jiangsu Gaotou Kedai subsequently disposed all its equity interests in our Company on April 6, 2017, details of which are set out in the paragraph below.

Both Jiangsu Gaotou Kedai and Jiangsu Gaotou Innovation are controlled by Nanjing Yida Equity Investment Management Partnership (Limited Partnership)* (南京毅達股權投資管理企業(有限合夥)) (“**Nanjing Yida**”) as general partner.

- (2) Further details of subscription made by Jiangsu Gaotou Innovation, Tianjin Huacheng Intelligent and Nanjing Kaiyuan are set out in the paragraph headed “Pre-IPO Investments” below.

- (3) Nanjing Luge Investment Management Center LLP* (南京路歌投資管理中心(有限合夥)) (“**Nanjing Luge Investment**”) is a PRC-based limited partnership established by Mr. Feng and Mr. Du, and previously an employee shareholding platform of our Company for (i) holding certain equity interests by Mr. Feng, Mr. Du, Mr. Wang and Mr. Pan Ruiibo (潘瑞波), an employee of our Company and an independent third party, and (ii) temporarily holding reserved shares of our Company for share rewards to our Company’s employees for their contribution to our Company’s growth from time to time. As of the Latest Practicable Date, Nanjing Luge Investment was owned as to 76.94% by Mr. Feng, 1.00% by Mr. Du (as general partner), 14.71% by Mr. Wang and 7.35% by Mr. Pan Ruiibo. The consideration was lower than that paid by Jiangsu Gaotou Kedai, Jiangsu Gaotou Innovation and Nanjing Kaiyuan, taking into account the fact that Nanjing Luge Investment was not granted any special rights.

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During the same period, certain of our then existing shareholders disposed part or all of their equity interests in our Company, details of which are set out below:

| <u>Transferor(s)</u> | <u>Transferee(s)</u> | <u>Date</u> <i>(Year.Month.Date)</i> | <u>Number of</u> <u>shares</u> | <u>Consideration</u> <i>(RMB)</i> |
|-------------------------|---|---|-----------------------------------|--------------------------------------|
| 1. Jiangsu Gaotou Kedai | Nanjing Luge Information ⁽¹⁾ | 2017.04.06 | 3,750,000 | 25,480,517 |
| 2. Mr. Wang | Mr. Feng | 2015.03.11 | 250,000 | 267,500 ⁽⁷⁾ |
| 3. Mr. Zhu Xiaoman | Mr. Feng | 2015.03.11 | 300,000 | 321,000 ⁽⁸⁾ |
| 4. Beijing Kingsoft | Nanjing Luge Investment | 2015.09.29 | 900,000 | 3,600,000 ⁽⁹⁾ |
| 5. Ms. Yue Jingzhi | Mr. Tan Yongquan (譚湧泉) ⁽²⁾ | 2015.02.01 | 900,000 | 963,000 |
| 6. Mr. Feng | Mr. Ye Sheng (葉聖) ("Mr. Ye") ⁽³⁾ | 2015.09.14 | 1,000,000 | 1,070,000 |
| | Ms. Shi Guifang (石桂芳) ⁽⁴⁾ | 2015.02.01 | 300,000 | 321,000 |
| | Haitong Unitrust Tianjin ⁽⁵⁾ | 2016.03.11 | 768,450 | 7,286,857 |
| 7. Mr. Du | Ms. Wang Shumei (王樹美) | 2015.10.20 | 1,608,000 ⁽⁶⁾ | 15,007,500 |
| | Shanghai Rongchuan ⁽⁵⁾ | 2015.10.20 | 535,000 | 4,993,200 |
| | Time Investment ⁽⁵⁾ | 2015.11.29 | 1,072,000 | 10,000,000 |
| | Haitong Unitrust Tianjin ⁽⁵⁾ | 2016.03.11 | 303,450 | 2,877,477 |
| 8. Ms. Wang Shumei | Mr. Chen Ming (陳明) | 2017.03.31 | 428,800 ⁽⁶⁾ | 4,000,000 |

Notes:

- (1) Nanjing Luge Information Technology Co., Ltd.* (南京路歌信息技術有限公司) ("**Nanjing Luge Information**") is a PRC-based limited liability company and wholly owned by Mr. Feng.
- (2) Mr. Tan Yongquan is the son of Ms. Yue Jingzhi. Given that Mr. Tan Yongquan considered investment in our Company at early times was risky and to help his mother maintain stable cash flow, Mr. Tan Yongquan purchased Ms. Yue Jingzhi's equity interests in our Company. Subsequently, in 2018, Mr. Tan Yongquan believed that our Company's business operation and development was stable and promising, and therefore decided to transfer such interests in our Company back to Ms. Yue Jingzhi, details of which are set out in the paragraph headed "Pre-IPO Investments—Other Investments" below.

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- (3) By virtue of a Shareholders' resolution passed on September 14, 2015, Mr. Feng transferred 1,000,000 shares of our Company to Mr. Ye (the chief technology officer of our Company), at a consideration of RMB1,070,000 based on consideration of RMB1.07 per share as agreed in the most recent share transfer at that time between Mr. Zhu Xiaoman and Mr. Feng on March 11, 2015, for the purpose of rewarding Mr. Ye's continuous dedication and contribution to our Company's development. As the shares transferred to Mr. Ye is part of our Company's employee rewards scheme, the consideration is significantly lower than that agreed with Haitong Unitrust Tianjin, a Pre-IPO Investor.
- (4) In addition, on February 1, 2015, as a result of debt-to-equity swap arrangement under the loan agreement entered into by and between Mr. Feng and Ms. Shi Guifang on April 15, 2014 ("**Loan Agreement**"), Mr. Feng transferred 300,000 shares to Ms. Shi Guifang at a consideration of RMB321,000 in accordance with the terms of the Loan Agreement.
- (5) Haitong Unitrust International Financial Leasing (Tianjin) Co., Ltd.* (海通恆信國際融資租賃(天津)有限公司) (formerly known as Haitong UniFortune International Leasing Co., Ltd.* (海通恆運國際租賃有限公司)) ("**Haitong Unitrust Tianjin**"), Shanghai Rongchuan Investment Management Center (Limited Partnership)* (上海融川投資管理中心(有限合夥)) ("**Shanghai Rongchuan**") and Beijing Time Investment Partnership (Limited Partnership)* (北京時間投資合夥企業(有限合夥)) ("**Time Investment**") are Pre-IPO Investors of our Company. Further details are set out in the paragraph headed "Pre-IPO Investments" below.
- (6) Ms. Wang Shumei is a Pre-IPO Investor of our Company. Among the 1,608,000 shares acquired by Ms. Wang Shumei, 428,800 shares were held by Ms. Wang Shumei on behalf of Mr. Chen Ming for the purpose of simplifying the shareholder structure of our Company and aligning their interests as shareholders of our Company. Ms. Wang Shumei and Mr. Chen Ming are acquaintances. Ms. Wang Shumei subsequently transferred 428,800 shares to Mr. Chen Ming. Mr. Chen Ming subsequently disposed all of his equity interests in our Company to Shanghai Qian'ao (as defined below), details of which are set out in the paragraph headed "Pre-IPO Investments" below.
- (7) The share transfer was made for the purpose of maintaining Mr. Feng's controlling interests in our Company. The consideration was determined based on parties' arm's length negotiation with reference to the consideration of RMB1.07 per share agreed for shares transferred by Mr. Feng to Mr. Zhu Xiaoman on the same date.
- (8) The consideration was determined with reference to the total borrowing amount of RMB300,000 plus a total interest amount of RMB21,000 for Mr. Zhu Xiaoman's lending to Mr. Feng for the period from April 2012 to March 2015. Mr. Zhu Xiaoman was not entitled to any shareholder's right in our Company. Further details are set out in the paragraph headed "(a) Earlier Share Transfers."
- (9) The consideration was determined based on arm's length negotiation, taking into account that Beijing Kingsoft's immediate capital needs, and with reference to RMB5.33 per share agreed in the Series A Investments.

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(c) Conversion of Capital Reserve into Paid-in Registered Share Capital

On June 19, 2017, our Company converted all of its then existing capital reserve of RMB24,562,500 into paid-in registered share capital at a ratio of 10:6 (“**Capital Conversion**”), following which the total registered share capital of our Company was increased to RMB65,500,000 while the shareholding structure of our Company remained unchanged. The table below sets out the shareholding and the number of shares held by our then shareholders immediately prior to and after the completion of the Capital Conversion. Our shareholding structure remained unchanged from the completion of the Capital Conversion and up to January 1, 2018.

| <u>Name of shareholder</u> | <u>Number of shares</u> | | <u>Approximate shareholding</u> |
|---------------------------------|--|---|---------------------------------|
| | <u>immediately prior to the Capital Conversion</u> | <u>immediately after the completion of the Capital Conversion</u> | |
| 1. Mr. Feng | 10,681,550 | 17,090,480 | 26.09% |
| 2. Mr. Du | 10,681,550 | 17,090,480 | 26.09% |
| 3. Nanjing Luge Information | 3,750,000 | 6,000,000 | 9.16% |
| 4. Nanjing Luge Investment | 3,400,000 | 5,440,000 | 8.31% |
| 5. Jiangsu Gaotou Innovation | 1,875,000 | 3,000,000 | 4.58% |
| 6. Tianjin Huacheng Intelligent | 1,875,000 | 3,000,000 | 4.58% |
| 7. Mr. Wang | 1,250,000 | 2,000,000 | 3.05% |
| 8. Ms. Wang Shumei | 1,179,200 | 1,886,720 | 2.88% |
| 9. Time Investment | 1,072,000 | 1,715,200 | 2.62% |
| 10. Haitong Unitrust Tianjin | 1,071,900 | 1,715,040 | 2.62% |
| 11. Mr. Ye | 1,000,000 | 1,600,000 | 2.44% |
| 12. Nanjing Kaiyuan | 937,500 | 1,500,000 | 2.29% |
| 13. Mr. Tan Yongquan | 900,000 | 1,440,000 | 2.20% |
| 14. Shanghai Rongchuan | 535,000 | 856,000 | 1.31% |
| 15. Mr. Chen Ming | 428,800 | 686,080 | 1.05% |
| 16. Ms. Shi Guifang | 300,000 | 480,000 | 0.73% |
| TOTAL | 40,937,500 | 65,500,000 | 100.00% |

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D. Recent Shareholding Changes of Our Company

(a) Recent Share Transfers and Capital Increases

Since 2018 and immediately prior to the Share Subdivision, the registered share capital contributed by Mr. Feng, Mr. Du, Mr. Wang, Mr. Ye and Ms. Wang Shumei remained unchanged and their respective shareholding was diluted as a result of subscription of additional registered share capital by a group of corporate strategic investors, including Shenzhen Anpeng Intelligent Investment Fund Enterprise (Limited Partnership)* (深圳安鵬智慧投資基金企業(有限合夥)) (“**Shenzhen Anpeng**”), Shanghai Yunxin, Anhui Province SME Development Fund Co., Ltd.* (安徽省中小企業發展基金有限公司) (“**Anhui SME Fund**”), CITIC Securities Investment Co., Ltd.* (中信證券投資有限公司) (“**CITICS Investment**”), Central Enterprise Rural Industry Investment Fund Co., Ltd.* (中央企業鄉村產業投資基金股份有限公司) (“**Central Fund**”), Anhui Guoyuan Seed II Investment Fund Co., Ltd.* (安徽國元種子二期創業投資基金有限公司) (“**Guoyuan Seed II**”), Nanjing Taihua Equity Investment Management Center (Limited Partnership)* (南京泰華股權投資管理中心(有限合夥)) (“**Nanjing Taihua**”), Hefei New Economy Industry Development Investment Co., Ltd.* (合肥新經濟產業發展投資有限公司) (“**Hefei New-Econ Co.**”), Anhui Hexin Investment Co., Ltd.* (安徽合信投資有限公司) (“**Anhui Hexin**”) and Wenzhou Fangdao Equity Investment Fund Management Partnership (Limited Partnership)* (溫州方道股權投資基金管理合夥企業(有限合夥)) (“**Wenzhou Fangdao**”), details of which are set out below:

| <u>Subscriber(s)</u> | <u>Date</u> <i>(Year.Month.Date)</i> | <u>Number of</u> <u>shares</u> | <u>Consideration</u> <i>(RMB)</i> |
|-----------------------|---|-----------------------------------|--------------------------------------|
| 1. Shenzhen Anpeng | 2018.06.30 | 1,455,600 | 30,000,000 |
| 2. Shanghai Yunxin | 2019.03.25 | 11,815,694 | 243,522,135 |
| 3. Anhui SME Fund | 2020.11.30 | 1,312,855 | 50,000,000 |
| 4. CITICS Investment | 2020.12.31 | 787,713 | 30,000,000 |
| 5. Central Fund | 2020.12.31 | 1,181,569 | 45,000,000 |
| 6. Guoyuan Seed II | 2020.12.31 | 525,142 | 20,000,000 |
| 7. Nanjing Taihua | 2020.12.31 | 393,856 | 15,000,000 |
| 8. Hefei New-Econ Co. | 2020.12.31 | 787,713 | 30,000,000 |
| 9. Anhui Hexin | 2020.12.31 | 393,856 | 15,000,000 |
| 10. Wenzhou Fangdao | 2020.12.31 | 262,571 | 10,000,000 |
| | TOTAL | <u>18,916,569</u> | <u>488,522,135</u> |

Further details of the above share capital subscription are set out in the paragraph headed “Pre-IPO Investments” below.

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In addition, certain of our then existing shareholders disposed part or all of their equity interests in our Company, details of which are set out below:

| Transferor(s) | Transferee(s) | Date | Number of shares | Approximate consideration |
|---------------------------------|--|---------------------------|---------------------|------------------------------|
| | | <i>(Year.Month.Date)</i> | | <i>(RMB)</i> |
| 1. Nanjing Luge Information | Ganzhou Jinxi ⁽¹⁾ | 2018.06.28 | 6,000,000 | 28,538,179 |
| 2. Ganzhou Jinxi ⁽¹⁾ | Shanghai Chuyan ⁽²⁾ | 2021.04.21 | 814,551 | 3,877,262.76 |
| | Certain Pre-IPO Investors ⁽³⁾ | 2018.08.11 ~2020.12.28 | 5,185,449 | 92,880,000 |
| 3. Nanjing Luge Investment | Tianjin Mingyin | 2020.02.17 | 5,440,000 | 13,600,000 |
| 4. Tianjin Mingyin | Tianjin Mingwei | 2021.01.25 | 339,142 | 847,855 ⁽⁴⁾ |
| | Tianjin Mingyun | 2021.01.25 | 401,106 | 1,002,765 ⁽⁴⁾ |
| | Tianjin Mingtong | 2021.01.25 | 412,513 | 1,031,282.5 ⁽⁴⁾ |
| | Shanghai Qingge | 2021.01.25 | 1,485,300 | 3,713,250 ⁽⁴⁾ |
| 5. Tianjin Mingyin | Shanghai Qingge | 2021.09.10 | 864,185 | 2,160,462.50 ⁽⁴⁾ |
| 6. Tianjin Mingtong | Shanghai Qingge | 2021.09.10 | 7,200 | 18,000 ⁽⁴⁾ |
| 7. Tianjin Mingwei | Shanghai Qingge | 2021.09.10 | 39,800 | 99,500 ⁽⁴⁾ |
| 8. Tianjin Mingyun | Shanghai Qingge | 2021.09.10 | 8,000 | 20,000 ⁽⁴⁾ |
| 9. Mr. Chen Ming | Shanghai Qian'ao ⁽⁵⁾ | 2021.04.21 | 686,080 | 3,999,846.40 |
| 10. Ms. Shi Guifang | Shanghai Qian'ao ⁽⁵⁾ | 2021.04.21 | 480,000 | 1,512,000 |
| 11. Jiangsu Gaotou Innovation | Hainan Yujun ⁽⁶⁾ | 2018.11.21 | 242,600 | 5,000,000 |
| | Huiwang Equity ⁽⁶⁾ | 2018.11.21 | 242,600 | 5,000,000 |
| 12. Mr. Tan Yongquan | Ms. Yue Jingzhi ⁽⁷⁾ | 2018.07.04 | 1,440,000 | 963,000 |

Notes:

- (1) Ganzhou Jinxi Investment Partnership (Limited Partnership)* (贛州金義投資合夥企業(有限合夥)) (“**Ganzhou Jinxi**”) was a PRC-based limited partnership which was deregistered due to cease of business operation on December 28, 2021. Immediately prior to its deregistration, Ganzhou Jinxi was owned as to 52% by Mr. Feng and 48% by Mr. Du.
- (2) Shanghai Chuyan is a limited partnership formed under the laws of the PRC by Mr. Feng and Mr. Du for the sole purpose of holding equity interests in our Company. As of the Latest Practicable Date, Shanghai Chuyan was owned as to 52% by Mr. Feng (an executive Director and the chairman of the Board) as its general partner and 48% by Mr. Du (an executive Director, the chief executive officer and the general manager of our Company) as its sole limited partner. Mr. Feng and Mr. Du decided to form Shanghai Chuyan in Shanghai due to Shanghai’s favorable taxation scheme for shareholding platform. As such, in 2021, Mr. Feng and Mr. Du decided to transfer all remaining equity interests held by Ganzhou Jinxi after share transfers to various Pre-IPO Investors to Shanghai Chuyan.

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- (3) Such Pre-IPO Investors include Zhejiang Yanzi Investment Management Co., Ltd.* (浙江顏子投資管理有限公司) (“**Zhejiang Yanzi**”), Hengqin Zanlu No. 1 Equity Investment Fund Partnership (Limited Partnership)* (橫琴贊路一號股權投資基金企業(有限合夥)) (“**Hengqin Zanlu No. 1**”), Tianjin Huacheng OLondon Investment Management Partnership (Limited Partnership)* (天津華成歐倫投資管理合夥企業(有限合夥)) (“**Tianjin Huacheng OLondon**”), Tianjin Huacheng Intelligent and Huangshan Fengying Equity Investment Fund (Limited Partnership)* (黃山峰盈股權投資基金(有限合夥)) (“**Huangshan Fengying**”), Hainan Yujun Investment Partnership (Limited Partnership)* (海南與君投資合夥企業(有限合夥)) (formerly known as Ningbo Yujun Equity Investment Partnership (Limited Partnership)* (寧波與君股權投資合夥企業(有限合夥)) (“**Hainan Yujun**”), Huiwang (Shanghai) Equity Investment Management Partnership (Limited Partnership)* (輝旺(上海)股權投資管理合夥企業(有限合夥)) (“**Huiwang Equity**”), Gongqingcheng Ruixin Luge Equity Investment Partnership (Limited Partnership)* (共青城瑞鑫路歌股權投資合夥企業(有限合夥)) (“**Gongqingcheng Ruixin**”), and Hainan Fanrong No. 2 Investment Center (Limited Partnership)* (海南樊榮二號投資中心(有限合夥)) (“**Fanrong No. 2**”). Details of share transfers to such Pre-IPO Investors are set out in the sub-paragraphs headed “Series B Investments” and “Series C Investments.”
- (4) Determined on a RMB2.5 per share basis.
- (5) Shanghai Qian’ao Enterprise Management Partnership (Limited Partnership)* (上海倩奧企業管理合夥企業(有限合夥)) (“**Shanghai Qian’ao**”) is a PRC-based limited partnership established by Mr. Chen Ming and Ms. Shi Guifang in proportion to their respective shareholding in our Company and a Pre-IPO Investor of our Company. Further details are set out in the paragraph headed “Pre-IPO Investments” below.
- (6) Further details are set out in the paragraph headed “Pre-IPO Investments” below.
- (7) Please see note (2) to the sub-paragraph headed “—C. Earlier Shareholding Changes—(b) Subsequent Share Transfers and Capital Increases” above.

(b) Share Subdivision

Subsequent to the above share transfers and capital increases, our Shareholders resolved on October 28, 2021 that each share with a nominal value of RMB1.0 in our share capital will be subdivided into 16 Shares with a nominal value of RMB0.0625 each, following which our total registered share capital will be RMB84,416,569 comprising 1,350,665,104 Shares with a nominal value of RMB0.0625 each.

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Our Shareholders and their respective shareholding percentage remained unchanged immediately prior to and following the completion of the Share Subdivision and up to immediately prior to the completion of the Global Offering, details of which are set out below:

| <u>Name of Shareholder</u> | <u>Number of shares immediately prior to the Share Subdivision</u> | Immediately following the completion of the Share Subdivision and up to immediately prior to the completion of the Global Offering | |
|--|--|---|-------------------------------------|
| | | <u>Number of Shares</u> | <u>Approximate shareholding</u> |
| 1. Mr. Feng | 17,090,480 | 273,447,680 | 20.25% |
| 2. Mr. Du | 17,090,480 | 273,447,680 | 20.25% |
| 3. Mr. Wang | 2,000,000 | 32,000,000 | 2.37% |
| 4. Mr. Ye | 1,600,000 | 25,600,000 | 1.90% |
| 5. Employee Shareholding Platforms ⁽¹⁾ | 5,440,000 | 87,040,000 | 6.44% |
| 6. Shanghai Chuyan | 814,551 | 13,032,816 | 0.96% |
| 7. Pre-IPO Investors ⁽²⁾ | 40,381,058 | 646,096,928 | 47.83% |
| TOTAL | 84,416,569 | 1,350,665,104 | 100.00% |

Notes:

- (1) Include approximately 2.30% held by Tianjin Mingyin, 0.35% held by Tianjin Mingwei, 0.48% held by Tianjin Mingtong, 0.47% held by Tianjin Mingyun and 2.85% held by Shanghai Qingge, details of which are set out in the paragraph headed “Employee Shareholding Platforms” below.
- (2) Details of the registered share capital contributed by each of the Pre-IPO Investors in our Company immediately prior to the Share Subdivision and the number of Shares held by each of them immediately follow the completion of the Share Subdivision are set out in the paragraph headed “Pre-IPO Investments” below.

As advised by our PRC Legal Advisers, the completion of the Share Subdivision is subject to the completion of the Listing and that all necessary consents, approvals, authorizations and permissions required to be obtained for the Share Subdivision have been obtained, in accordance with applicable PRC laws, regulations and rules.

OUR HISTORY AND DEVELOPMENT

EMPLOYEE SHAREHOLDING PLATFORMS

As of the Latest Practicable Date, we had established Tianjin Mingyin, Tianjin Mingwei, Tianjin Mingtong, Tianjin Mingyun and Shanghai Qingge as our Company's employee shareholding platforms (“**Employee Shareholding Platforms**”). We had previously established share incentive plans for our directors, senior management and other employees, which were subsequently restructured to provide such participants interests in the Employee Shareholding Platforms. No awards are outstanding under the previous share incentive plans. Details of the Employee Shareholding Platforms are as follows:

- **Tianjin Mingyin.** As of the Latest Practicable Date, Tianjin Mingyin was owned as to (i) approximately 0.04% by Mr. Ye as the general partner, and (ii) approximately 0.41% by Mr. Feng, approximately 99.55% by 47 other individuals, as the limited partners. All the 47 individuals are current employees of our Company and are independent third parties.
- **Tianjin Mingwei.** As of the Latest Practicable Date, Tianjin Mingwei was owned as to (i) approximately 0.11% by Mr. Ye as the general partner, and (ii) approximately 11.12% by Mr. Feng, 10.02% by Ms. Liang Xiaojia and 78.75% by 35 other individuals, as the limited partners. All the 35 individuals are current employees of our Company and are independent third parties.
- **Tianjin Mingtong.** As of the Latest Practicable Date, Tianjin Mingtong was owned as to (i) approximately 1.73% by Mr. Feng as the limited partner, (ii) approximately 0.10% by Mr. Ye as the general partner, and (iii) approximately 98.17% by 37 other individuals, as the limited partners. All the 37 individuals are current employees of our Company and are independent third parties.
- **Tianjin Mingyun.** As of the Latest Practicable Date, Tianjin Mingyun was owned as to (i) approximately 16.03% by Mr. Feng as the limited partner, (ii) approximately 0.10% by Mr. Ye as the general partner, and (iii) approximately 83.87% by 42 other individuals, as the limited partners. All the 42 individuals are current employees of our Company and are independent third parties.
- **Shanghai Qingge.** As of the Latest Practicable Date, Shanghai Qingge was owned as to (i) approximately 8.32% by Mr. Qi Hao (the head of the R&D department of our Company and an independent third party) as the general partner and (ii) approximately 13.05% by Mr. Feng, 8.32% by Mr. Ye, 16.38% by Ms. Wang Yao, 14.56% by Mr. Long Ke and 39.37% by 20 other individuals, as the limited partners. All the 20 individuals are current employees of our Company and are independent third parties.

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As of the Latest Practicable Date, all Tianjin Mingyin, Tianjin Mingwei, Tianjin Mingtong, Tianjin Mingyun and Shanghai Qingge are registered shareholders of our Company and there were no outstanding shares to be allocated under the previous share incentive plans.

Mr. Ye, an executive Director of our Company, is the general partner of and has full control over Tianjin Mingyin, Tianjin Mingwei, Tianjin Mingtong and Tianjin Mingyun, each, a close associate of Mr. Ye and hence a core connected person of our Company. As such, Shares held by each of Tianjin Mingyin, Tianjin Mingwei, Tianjin Mingtong and Tianjin Mingyun shall not be counted towards the public float. Please also see notes (1) and (5) to paragraph headed “Corporate Structure Immediately upon the Completion of the Share Subdivision and the Global Offering” below.

Pursuant to the partnership agreements entered into by respective partners of the Employee Shareholding Platform,

- (i) upon unanimous decision, partners of each of the Employee Shareholding Platforms could appoint one or more partner(s) (as the executive partner) to represent the partnership and execute the matters of the partnership; and the executive partner must be a partner of such partnership and shall have the required knowledge and competency to execute matters of such partnership, and be responsible for all partners of that partnership;
- (ii) unless otherwise stipulated in the partnership agreement or agreed by the partners, matters of the partnership shall (a) be passed at the partners meeting upon at least half of the vote(s) of general (executive) partner(s) and votes of limited partners contributing more than 50% of the capital of the partnership, or (b) be executed by the general partner authorized by and upon unanimous consent of all partners, as the case may be; and
- (iii) without any prejudice to paragraph (ii) above, certain matters of the partnership shall be passed at the partners meeting upon (a) all of the vote(s) of general (executive) partner(s) and votes of limited partners contributing more than two-thirds of the capital of the partnership or (b) unanimous consent of all partners, as the case may be, including changing the name, business scope or address of the main business place of the partnership, disposing of or transferring any tangible or intangible assets of the partnership, providing guarantee to others in the name of the partnership, and/or appointing a non-partner person as manager of the partnership (where applicable).

Accordingly, voting rights of limited partners are based on their capital contribution to the partnership. For capital contributed by Mr. Feng in the Employee Shareholding Platforms which may be transferred to employees of the Company for incentive purpose, such capital has been fully paid up by Mr. Feng and therefore, Mr. Feng is entitled to exercise his rights as a limited partner in accordance with relevant partnership agreement.

OUR HISTORY AND DEVELOPMENT

CONCERT PARTY AGREEMENT

Mr. Feng and Mr. Du entered into the Concert Party Agreement pursuant to which Mr. Feng and Mr. Du confirmed that during the period from the date they became shareholders of our Company and up to the date of the Concert Party Agreement, they were acting in concert in respect of matters and/or decisions that require to be passed by the shareholders' meeting or the Board meeting of our Company, and agreed that (i) they will continue to act in concert by aligning their votes at shareholders' meetings and Board meetings of our Company, unless otherwise agreed, (ii) if they cannot reach an unanimous consent on a relevant matter, Mr. Du shall act in accordance with the direction of Mr. Feng, and (iii) Mr. Du irrevocably agreed to delegate his voting rights at the shareholders' meetings to Mr. Feng.

The Concert Party Agreement is valid so long as our Company is existing and valid and could be terminated upon parties' mutual consent.

OUR SUBSIDIARIES

A. Our Principal Subsidiaries

As of the Latest Practicable Date, our business was principally operated through the following subsidiaries which were all established in the PRC. Except as otherwise disclosed in the notes below, none of our principal subsidiaries set out in the table below had any shareholding change during the Track Record Period and up to the Latest Practicable Date:

| <u>Name</u> | <u>Establishment Date</u> | <u>Owner(s)</u> | <u>Principal Business Activity</u> |
|---|-------------------------------|--|--|
| 1. Anhui Yuntongda Logistics Technology Co., Ltd.* (安徽運通達物流科技有限公司) ("Anhui Yuntongda") ⁽¹⁾ | September 7, 2017 | 100% by our Company | Digital freight businesses |
| 2. Shaanxi Zhongcheng Technology Logistics Co., Ltd.* (陝西眾誠科技物流有限公司) ("Shaanxi Zhongcheng") ⁽²⁾ | April 3, 2018 | 70% by our Company and 30% by Shaanxi Yunfutong Information Technology Co., Ltd.* (陝西運富通信信息科技有限公司) ("Shaanxi Yunfutong") ⁽²⁾ | Digital freight businesses |
| 3. Fujian Huilian ⁽³⁾ | May 25, 2018 | 100% by our Company | Digital freight businesses |

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| Name | Establishment Date | Owner(s) | Principal Business Activity |
|--|-----------------------|-------------------------------|-------------------------------------|
| 4. Anhui Log | March 2, 2020 | 100% by our Company | Digital freight businesses |
| 5. Anhui Qiantong ⁽⁴⁾ | April 13, 2018 | 100% by our Company | Digital freight businesses |
| 6. Fujian Jinwang Express | August 10, 2018 | 100% by Anhui Jinwang Express | Digital freight businesses |
| 7. Anhui Jinwang Express ⁽⁵⁾ | August 12, 2016 | 100% by our Company | Digital freight businesses |
| 8. Ma'anshan Cloud Net | January 11, 2019 | 100% by our Company | Digital freight businesses |
| 9. Anqing Jinwang Express Transportation Co., Ltd.* (安慶金網運通運輸有限公司) (“Anqing Jinwang Express”) ⁽⁶⁾ | December 25, 2018 | 100% by Anhui Yuntongda | Digital freight businesses |
| 10. Kayou Zone Logistics ⁽⁷⁾ | July 3, 2017 | 100% by our Company | Retail of automobile and auto parts |
| 11. Hefei Huika | April 23, 2018 | 100% by Kayou Zone Logistics | Sales of trucks and accessories |

Notes:

- (1) Anhui Yuntongda was established by our Company, Mr. Wang, Mr. Feng and Mr. Du with an initial registered capital of RMB10,000,000. At the time of its establishment, Anhui Yuntongda was owned as to 85% by our Company, 5% by Mr. Wang, 5% by Mr. Feng and 5% by Mr. Du. By virtue of a shareholders' resolution passed on May 10, 2018, and a share purchase agreement entered into by and between our Company and each of Mr. Wang, Mr. Feng and Mr. Du, Mr. Wang, Mr. Feng and Mr. Du transferred all of their respective equity interests (being unpaid registered capital) in Anhui Yuntongda to our Company, each at nil consideration. As a result, Anhui Yuntongda became a wholly-owned subsidiary of our Company. Subsequently, pursuant to a shareholder's resolution passed on September 20, 2018, the registered capital of Anhui Yuntongda was increased to RMB30,000,000. Further, on October 15, 2018, pursuant to a shareholder's resolution and a share purchase agreement entered into by and between our Company and Ms. He Fang (何芳), our Company transferred part of its equity interests in Anhui Yuntongda (equivalent to unpaid registered capital of RMB600,000) to Ms. He Fang at nil consideration with the registered capital of RMB600,000 to be paid up by Ms. He Fang by August 31, 2027. On May 20, 2021, the registered share capital of Anhui Yuntongda was increased to RMB50,000,000, out of which RMB49,000,000 was paid up by our Company by June 8, 2021 and the remaining RMB1,000,000 is still outstanding and to be paid up by Ms. He Fang by August 31, 2027. Further, on May 31, 2022, Ms. He Fang transferred the unpaid registered capital of RMB1,000,000 in Anhui Yuntongda to our Company at nil consideration. As a result, Anhui Yuntongda became a wholly-owned subsidiary of our Company. The unpaid registered capital of RMB1,000,000 was subsequently fully paid by our Company on June 1, 2022.

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- (2) Shaanxi Zhongcheng was established by Mr. Bai Jianpeng (白建鵬) and Mr. Bai Jiandong (白建棟) with an initial registered capital of RMB10,000,000, which was to be paid up by June 22, 2025. At the time of its establishment, Shaanxi Zhongcheng was owned as to 51% by Mr. Bai Jianpeng and 49% by Mr. Bai Jiandong. By a shareholders' resolution passed on May 2, 2018 and a share purchase agreement entered into by Mr. Bai Jianpeng, Mr. Bai Jiandong, our Company and Shaanxi Yunfutong, each of Mr. Bai Jianpeng and Mr. Bai Jiandong transferred all of their equity interests (being unpaid registered capital) to our Company and Shaanxi Yunfutong at nil consideration. As a result and as of the Latest Practicable Date, Shaanxi Zhongcheng was owned as to 70% by our Company and 30% by Shaanxi Yunfutong.

Shaanxi Yunfutong is a PRC-based limited company established on May 18, 2015 and is principally engaged in electronic product development and electronic design consultancy. As of the Latest Practicable Date, Shaanxi Yunfutong was owned as to 90% by Mr. Liu Junjun (劉軍軍) (the executive director and general manager of Shaanxi Yunfutong and a supervisor of Shaanxi Zhongcheng and Shaanxi Log Kajia) and 10% by Mr. Zhang Chunji (張春季) (a supervisor of Shaanxi Yunfutong).

- (3) Fujian Huilian was established by our Company on May 25, 2018 with an initial registered capital of RMB50,000,000. By virtue of a shareholder's resolution passed on July 4, 2018 and a share purchase agreement entered into by and between our Company and Hefei Zhuzhuo Trading Co., Ltd.* (合肥鑄卓貿易有限公司) (“**Hefei Zhuzhuo**”), our Company transferred 20% of its equity interests (equivalent to unpaid registered capital of RMB10,000,000) in Fujian Huilian to Hefei Zhuzhuo at nil consideration. Subsequently, by a shareholders' resolution passed on February 2, 2021 and a share purchase agreement entered into by and between Hefei Zhuzhuo and our Company, Hefei Zhuzhuo transferred all of its equity interests (equivalent to unpaid registered capital of RMB10,000,000) to our Company at a consideration of RMB6,000,000.
- (4) At the time of establishment, Anhui Qiantong had a registered capital of RMB10,000,000. By a shareholder's resolution passed on August 12, 2018, the registered capital of Anhui Qiantong was increased to RMB25,000,000 and by a subsequent shareholder's resolution passed on December 6, 2018, the registered capital of Anhui Qiantong was further increased to RMB50,000,000. The registered capital of Anhui Qiantong was fully paid up by our Company by May 20, 2019.
- (5) At the time of establishment, Anhui Jinwang Express had a registered capital of RMB5,000,000, which was fully paid up by our Company on February 6, 2017. On May 9, 2019, by a shareholder's resolution, the registered capital of Anhui Jinwang Express was increased to RMB50,000,000, which was fully paid up by our Company on April 29, 2019.
- (6) Anqing Jinwang Express was established by Anhui Jinwang Express on December 25, 2018 with an initial registered capital of RMB50,000,000 which was fully paid up on May 14, 2019. By virtue of a shareholder's resolution passed on February 20, 2020 and a share purchase agreement entered into by and between Anhui Yuntongda and Anhui Jinwang Express, Anhui Jinwang Express transferred all of its equity interests (equivalent to a total of registered capital of RMB50,000,000) to Anhui Yuntongda at nil consideration with reference to the registered capital of Anqing Jinwang Express.
- (7) At the time of establishment, Kayou Zone Logistics had a registered capital of RMB5,000,000. By a shareholder's resolution passed on March 10, 2020, the registered capital of Kayou Zone Logistics was increased to RMB100,000,000.

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B. Our Other Operating Subsidiaries

In addition to our principal subsidiaries set out above, with a view to further streamlining the operation of various business units of our Group, we also established or acquired other operating subsidiaries in the PRC (“**Other Operating Subsidiaries**”), details of which are set out below. Except as otherwise disclosed in the notes below, none of the Other Operating Subsidiaries had any shareholding change during the Track Record Period and up to the Latest Practicable Date.

| Name | Establishment Date | Owner(s) | Principal Business Activity |
|---|--------------------|--|---|
| 1. Beijing Weikai Yuntou Information Technology Co., Ltd.* (北京威凱運投信息科技有限公司) (“ Beijing Weikai ”) | October 22, 2018 | 59% by Anhui Jinwang Express and 41% by Mr. Liu Guangzhong (劉光忠), an independent third party | Technology development and technology consultancy |
| 2. Shaanxi Log Kajia Automobile Service Co., Ltd.* (陝西路歌卡加汽車服務有限公司) (“ Shaanxi Log Kajia ”) ⁽¹⁾ | August 28, 2020 | 100% by Shaanxi Zhongcheng | Car rental and car sales |
| 3. Hubei Log ⁽²⁾ | November 3, 2014 | 100% by our Company | Digital freight businesses |
| 4. Sichuan Quanwang Express | July 12, 2018 | 100% by our Company | Digital freight businesses |
| 5. Anhui Haoyunbao | September 11, 2019 | 100% by our Company | Technology development and technology consultancy |
| 6. Lianjiang Data | March 21, 2019 | 100% by our Company | Information technology consultancy service |
| 7. Log Logistics | April 7, 2020 | 100% by our Company | Software and information technology development, software and information technology services |

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| Name | Establishment Date | Owner(s) | Principal Business Activity |
|--|-----------------------|---------------------|---|
| 8. Log Information | April 23, 2020 | 100% by our Company | Information technology and software development |
| 9. Dalian Log | April 23, 2020 | 100% by our Company | Internet-based application and technology services |
| 10. Log Energy | April 25, 2021 | 100% by our Company | Retail of oil products |
| 11. Tianjin Log Logistics Technology Co., Ltd.* (天津路歌物流科技有限公司) (“ Tianjin Log Logistics ”) | August 3, 2021 | 100% by our Company | Technology services, technology development, and technology promotion |
| 12. Huainan Log | March 2, 2022 | 100% by our Company | Digital freight businesses |
| 13. Sichuan Jinwang Logistics Technology Co., Ltd* (四川金網物流科技有限公司) | April 2, 2022 | 100% by our Company | Digital freight businesses |
| 14. Huangshan Log Logistics Technology Co., Ltd* (黃山路歌物流科技有限公司) | June 24, 2022 | 100% by our Company | Digital freight business |
| 15. Kajia Technology Co., Ltd.* (卡加科技有限公司) | September 16, 2022 | 100% by our Company | Vehicle maintenance and repair, and auto parts sales |
| 16. Tianjin Log Network Technology Co., Ltd.* (天津路歌網絡科技有限公司) | September 19, 2022 | 100% by our Company | Technology services, technology development, and technology promotion |
| 17. Jiapei Energy (Zhejiang) Co., Ltd.* (佳配能源(浙江)有限公司) | January 20, 2023 | 100% by Log Energy | Retail of oil products |

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Notes:

- (1) Shaanxi Log Kajia was established by Mr. Du and Mr. Liu Junjun with an initial registered capital of RMB2,000,000. At the time of its establishment, Shaanxi Log Kajia was owned as to 95% by Mr. Du and 5% by Mr. Liu Junjun. Pursuant to a share purchase agreement entered into by and between Shaanxi Zhongcheng and Mr. Du and Mr. Liu Junjun, respectively, dated September 16, 2020, Mr. Du and Mr. Liu Junjun transferred all of their respective equity interests (being unpaid registered capital) to Shaanxi Zhongcheng, each at nil consideration.
- (2) Hubei Log was established by our Company and Mr. Huang Kunming (黄昆明), an independent third party on November 3, 2014. At the time of establishment, Hubei Log had a registered capital of RMB5,000,000 and was owned as to 80% by our Company and 20% by Mr. Huang Kunming. On May 9, 2017, the registered capital of Hubei Log was increased to RMB12,000,000 with the additional registered capital of RMB9,600,000 to be contributed by our Company and RMB2,400,000 to be contributed by Mr. Huang Kunming by December 31, 2022. On December 7, 2018, Mr. Huang Kunming transferred all his equity interests in Hubei Log (equivalent to paid up registered capital of RMB200,000 and unpaid registered capital of RMB2,200,000) to our Company at a consideration of RMB200,000 on a RMB1.00 per share capital basis and determined with reference to the actual amount of paid up registered capital contributed by Mr. Huang Kunming in Hubei Log and the fact that Hubei Log was not profitable at the time of such share transfer. As a result, Hubei Log became our wholly-owned subsidiary. The registered capital of Hubei Log was fully paid up by our Company by July 31, 2019.

Our Directors have confirmed that none of the applicable percentage ratios, on an aggregated basis, as defined under the Listing Rules in respect of our acquisition of Fujian Huilian, Anqing Jinwang Express and Shaanxi Log Kajia during the Track Record Period exceeds 25%. Accordingly, the relevant pre-acquisition financial information of Fujian Huilian, Anqing Jinwang Express and Shaanxi Log Kajia is not required to be disclosed pursuant to Rule 4.05A of the Listing Rules.

PRE-IPO INVESTMENTS

Our Company received a few rounds of investments from the Pre-IPO Investors by transfer of registered share capital or share transfers and/or subscription of additional registered share capital of our Company.

Series A Investments

On February 15, 2015, we entered into a subscription agreement with, among others, Jiangsu Gaotou Innovation and Tianjin Huacheng Intelligent, pursuant to which (i) Jiangsu Gaotou Innovation subscribed for additional registered share capital of RMB1,875,000 (equivalent to 1,875,000 shares) of our Company at a consideration of RMB10,000,000, and (ii) Tianjin Huacheng Intelligent subscribed for additional registered share capital of RMB1,875,000 (equivalent to 1,875,000 shares) of our Company at a consideration of RMB10,000,000. The consideration was determined based on arm's length negotiation with reference to the valuation of our Company (i.e. approximately RMB200,000,000) in accordance with our Company's price-to-sales ratio for the latest financial year 2014 and taking into account our Company's historical performance and growth potential at the time of such investment.

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In addition, pursuant to the loan agreement entered into by and between our Company and Nanjing Kaiyuan on December 31, 2014, (i) Nanjing Kaiyuan agreed to grant a loan to our Company in the principal amount of RMB5,000,000 (“**Loan**”) for a period of six months (i.e. by June 30, 2015) (“**Term**”); (ii) the Loan is convertible into our Company’s registered share capital (“**Conversion**”) in the sole discretion of Nanjing Kaiyuan upon the fulfillment of certain conditions set out therein, (iii) during the Term, if our Company has no further financing, the consideration for the Conversion will be determined based on the Company’s pre-money valuation of RMB200,000,000, and if our Company received further financing during the Term, the consideration for the Conversion will be the same as such financing, (iv) after the expiration of the Term, if our Company has no further financing, the consideration for the Conversion will be determined based on the Company’s pre-money valuation of RMB240,000,000, if our Company received further financing, the consideration for the Conversion will be equivalent to 85% of the pricing of such other financings, and (v) if Nanjing Kaiyuan does not convert the Loan into our Company’s registered share capital, our Company shall repay the Loan in full plus an agreed interest rate agreed therein within 60 days upon the receipt of Nanjing Kaiyuan’s notification of no conversion of the Loan. On October 19, 2015, our Company entered into a capital increase agreement with Nanjing Kaiyuan pursuant to which our Company agreed the Loan to be credited into the registered share capital of RMB937,500 (equivalent to 937,500 shares) of our Company at a consideration of RMB5,000,000 based on arm’s length negotiation with reference to the valuation of RMB200,000,000 as agreed between our Company and Jiangsu Gaotou Innovation and Tianjin Huacheng Intelligent.

Further information about the Loan

According to the General Lending Provisions (《貸款通則》) issued by the PBOC in 1996, lending transactions between non-financial institutions are prohibited. To the best knowledge of our Directors after due enquiry, Nanjing Kaiyuan is not a financial institution under applicable PRC Laws and regulations and therefore, in this regard, the Loan was not in compliance with the General Lending Provisions. However, pursuant to the Provisions of the Supreme People’s Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (“**Judicial Interpretations**”) which took effect in 2015 and was subsequently amended in January 2021, private lending agreements entered into between non-financial institutions shall be valid if such lending transactions are for the needs of production and business operation and shall not render such private lending agreements invalid unless otherwise provided under articles 144, 146, 153, 154 of the PRC Civil Code or article 13 of the Judicial Interpretations.

To the best knowledge of our Directors after due and careful enquiry, (i) Nanjing Kaiyuan is a private equity fund whose principal business is equity investment and is not engaged in any business of granting loans, (ii) the loan from Nanjing Kaiyuan was from its own legitimate income derived from its ordinary and usual course of business, and was made for the purpose of our Company’s capital needs in the ordinary and usual course of business, (iii) the terms of the Loan do not involve the circumstances as set forth in articles 144, 146, 153, 154 of the PRC

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Civil Code or article 13 of the Judicial Interpretations that would render such loan agreement invalid, and (iv) our Company and Nanjing Kaiyuan have not received any notice or been penalized for the loan arrangement or the borrowing related thereto.

On the basis of the above and the interview with the PBOC, our PRC Legal Advisers are of the view that (i) the loan agreement between Nanjing Kaiyuan and our Company is valid and binding, (ii) our Company (as a borrower) is not subject to any penalties in respect of the Loan, and (iii) under current applicable PRC laws and regulations, the possibility of Nanjing Kaiyuan being penalized for the Loan is low.

Series A+ Investments

From October to November 2015, Mr. Du entered into a share purchase agreement with Ms. Wang Shumei, Shanghai Rongchuan and Time Investment, respectively, pursuant to which each of Ms. Wang Shumei, Shanghai Rongchuan and Time Investment purchased certain equity interests of our Company, equivalent to 1,608,000 shares, 535,000 shares and 1,072,000 shares, from Mr. Du, at a consideration of RMB15,007,500, RMB4,993,200 and RMB10,000,000, respectively, based on arm's length negotiation taking into account our Company's historical performance and growth potential at the time of such investment.

Among the shares acquired by Ms. Wang Shumei, 428,800 shares were acquired and held by Ms. Wang Shumei on behalf of Mr. Chen Ming, further details are set out in note (5) to the paragraph headed "C. Earlier Shareholding Changes—(c) Conversion of Capital Reserve into Paid-in Registered Share Capital." Ms. Wang Shumei and Mr. Chen Ming are friends. Ms. Wang Shumei subsequently transferred these 428,800 shares of our Company to Mr. Chen Ming on March 31, 2017 at a consideration of RMB4,000,000 with reference to her original purchase price paid to Mr. Du. Further details of Mr. Chen Ming's investment in our Company are set out in the paragraph headed "Pre-IPO Investments—Other Investments" below.

In addition, on March 11, 2016, Mr. Du, Mr. Feng and Haitong Unitrust Tianjin entered into a share purchase agreement pursuant to which Haitong Unitrust Tianjin acquired 303,450 shares and 768,450 shares from Mr. Du and Mr. Feng at a consideration of approximately RMB2,877,476 and RMB7,286,857, respectively, at a consideration of approximately RMB9.48 per share, based on arm's length negotiation with reference to the consideration of approximately RMB9.33 per share as agreed between our Company and Ms. Wang Shumei, Shanghai Rongchuan and Time Investment.

Series B Investments

On June 30, 2018, our Company entered into a subscription agreement with Shenzhen Anpeng, pursuant to which Shenzhen Anpeng subscribed for additional registered share capital of RMB1,455,600 (equivalent to 1,455,600 shares) of our Company at a consideration of RMB30,000,000 based on arm's length negotiation with reference to our Company's valuation

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(being approximately RMB1,350,000,000) based on the total shareholders' equities of our Company as of December 31, 2017 appraised by an independent valuer and taking into account our Company's historical performance and growth potential.

In August 2018, Ganzhou Jinxi entered into a share purchase agreement with Zhejiang Yanzi, Hengqin Zanlu No.1, Tianjin Huacheng OLondon, Tianjin Huacheng Intelligent and Huangshan Fengying, pursuant to which, Zhejiang Yanzi, Hengqin Zanlu No.1, Tianjin Huacheng OLondon, Tianjin Huacheng Intelligent and Huangshan Fengying acquired 86,957 shares, 1,304,347 shares, 608,695 shares, 478,260 shares and 434,782 shares at a consideration of RMB1,000,000, RMB15,000,000, RMB7,000,000, RMB5,500,000 and RMB5,000,000, respectively, based on arm's length negotiation and having considered the fact that (i) such investors or their respective owners agreed to invest in our Company around the end of 2017 and they have only referred to the consideration (i.e. RMB9.3/RMB9.48 per share) agreed by our Company and investors in the Series A+ Investments and (ii) no special rights were granted to such investors.

In addition, from November to December 2018, (i) Ganzhou Jinxi entered into a share purchase agreement with Hainan Yujun and Huiwang Equity, pursuant to which each of Hainan Yujun and Huiwang Equity acquired 727,778 Shares of our Company from Ganzhou Jinxi, each at a consideration of approximately RMB15,000,000; and (ii) Jiangsu Gaotou Innovation entered into a share purchase agreement with Hainan Yujun and Huiwang Equity pursuant to which each of Hainan Yujun and Huiwang Equity acquired 242,600 shares of our Company from Jiangsu Gaotou Innovation, each at a consideration of RMB5,000,000. Such consideration was determined based on arm's length negotiation with reference to valuation of our Company in previous round of financing in June 2018 (being approximately RMB1,350,000,000).

Further, on March 25, 2019, our Company entered into a subscription agreement with, among others, Shanghai Yunxin, pursuant to which Shanghai Yunxin subscribed for additional registered share capital of RMB11,815,694 of our Company at a consideration of approximately RMB243,522,135 based on arm's length negotiation with reference to our Company's pre-investment valuation, being approximately RMB1,380,000,000, taking into account our Company's historical performance and growth potential.

Series C Investments

From November to December 2020, our Company entered into a subscription agreement with Anhui SME Fund, CITICS Investment, Central Fund, Guoyuan Seed II, Nanjing Taihua, Hefei New-Econ Co., Anhui Hexin and Wenzhou Fangdao, pursuant to which, Anhui SME Fund, CITICS Investment, Central Fund, Guoyuan Seed II, Nanjing Taihua, Hefei New-Econ Co., Anhui Hexin and Wenzhou Fangdao subscribed for additional registered share capital of RMB1,312,855, RMB787,713, RMB1,181,569, RMB525,142, RMB393,856, RMB787,713, RMB393,856 and RMB262,571, at a consideration of RMB50,000,000, RMB30,000,000, RMB45,000,000, RMB20,000,000, RMB15,000,000, RMB30,000,000, RMB15,000,000 and RMB10,000,000, respectively, based on arm's length negotiation with reference to our

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Company's valuation (being approximately RMB3,000,000,000) based on the total shareholders' equities of our Company as of June 30, 2020 as appraised by an independent valuer and taking into account our Company's historical performance and growth potential.

In addition, in December 2020, Ganzhou Jinxi entered into a share purchase agreement with Gongqingcheng Ruixin, Huiwang Equity and Fanrong No.2, respectively, pursuant to which Gongqingcheng Ruixin, Huiwang Equity and Fanrong No.2 acquired 457,544 shares, 276,391 shares and 82,917 shares at a consideration of RMB16,380,000, RMB10,000,000 and RMB3,000,000, respectively, based on arm's length negotiation with reference to our Company's valuation in previous round of financing from November to December 2020 (being approximately RMB3,000,000,000), and the fact that no special rights were granted to these investors.

Other Investments

On July 4, 2018, Mr. Tan Yongquan entered into a share purchase agreement with Ms. Yue Jingzhi pursuant to which Mr. Tan Yongquan transferred all of his equity interests in our Company, equivalent to 1,440,000 shares, to Ms. Yue Jingzhi at a consideration of RMB963,000, based on arm's length negotiation with reference to Mr. Tan Yongquan's original consideration paid for acquiring such equity interests in our Company.

In April 2021, for the purpose of simplifying our Company's shareholding structure and aligning their interests in our Company, Mr. Chen Ming and Ms. Shi Guifang agreed to transfer all of their equity interests in our Company, equivalent to 686,080 shares and 480,000 shares, respectively, to Shanghai Qian'ao, at a consideration of approximately RMB4,000,000 and RMB1,512,000, respectively, based on arm's length negotiation with reference to their respective original investment amount in our Company. Mr. Chen Ming and Ms. Shi Guifang are acquaintances.

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The table below summarizes the other principal terms of the Pre-IPO Investments:

| Pre-IPO Investor | Date of Agreement | Settlement Date | Approximate cost per Share with a nominal value of RMB0.0625 ⁽¹⁾ | Discount to the Offer Price ⁽²⁾ | Immediately following the completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised) ⁽¹⁾ | | |
|--|-------------------|-------------------|---|--|--|--------------------------|--|
| | | | | | Number of Shares ⁽³⁾ | Approximate shareholding | |
| | (Year.Month.Date) | (Year.Month.Date) | (RMB) | | | | |
| <u>Series A</u> | | | | | | | |
| 1. Jiangsu Gaotou Innovation | 2015.02.15 | 2015.02.17 | 0.33 | 88.21% | 40,236,800 | 2.89% | |
| 2. Tianjin Huacheng Intelligent ⁽⁴⁾ | 2015.02.15 | 2015.03.05 | 0.33 | 88.21% | 48,000,000 | 3.44% | |
| 3. Nanjing Kaiyuan | 2015.10.19 | 2015.10.19 | 0.33 | 88.21% | 24,000,000 | 1.72% | |
| | | | | <u>Sub-total</u> | 112,236,800 | 8.05% | |
| <u>Series A+</u> | | | | | | | |
| 1. Ms. Wang Shumei | 2015.10.20 | 2015.10.21 | 0.58 | 79.28% | 30,187,520 | 2.17% | |
| 2. Shanghai Rongchuan | 2015.10.20 | 2015.10.20 | 0.58 | 79.28% | 13,696,000 | 0.98% | |
| 3. Time Investment | 2015.11.29 | 2015.12.02 | 0.58 | 79.28% | 27,443,200 | 1.97% | |
| 4. Haitong Unitrust Tianjin | 2016.03.11 | 2016.03.11 | 0.59 | 78.92% | 27,440,640 | 1.97% | |
| | | | | <u>Sub-total</u> | 98,767,360 | 7.09% | |
| <u>Series B</u> | | | | | | | |
| 1. Shenzhen Anpeng | 2018.06.30 | 2018.07.26 | 1.29 | 53.91% | 23,289,600 | 1.67% | |
| 2. Zhejiang Yanzi | 2018.08.11 | 2018.08.11 | 0.72 | 74.28% | 1,391,312 | 0.10% | |
| 3. Hengqin Zanlu No.1 | 2018.08.11 | 2018.08.11 | 0.72 | 74.28% | 20,869,552 | 1.50% | |
| 4. Tianjin Huacheng OLondon | 2018.08.11 | 2018.08.11 | 0.72 | 74.28% | 9,739,120 | 0.70% | |
| 5. Tianjin Huacheng Intelligent ⁽⁴⁾ | 2018.08.11 | 2018.08.11 | 0.72 | 74.28% | 7,652,160 | 0.55% | |
| 6. Huangshan Fengying | 2018.08.11 | 2018.08.11 | 0.72 | 74.28% | 6,956,512 | 0.50% | |
| 7. Hainan Yujun | 2018.11.21 | 2018.12.13 | 1.29 | 53.91% | 3,881,600 | 0.28% | |
| | 2018.12.03 | 2018.12.05 | 1.29 | 53.91% | 11,644,448 | 0.84% | |
| 8. Huiwang Equity ⁽⁵⁾ | 2018.11.21 | 2018.12.13 | 1.29 | 53.91% | 3,881,600 | 0.28% | |
| | 2018.11.21 | 2018.12.05 | 1.29 | 53.91% | 11,644,448 | 0.84% | |
| 9. Shanghai Yunxin | 2019.03.25 | 2020.05.12 | 1.29 | 53.91% | 189,051,104 | 13.56% | |
| | | | | <u>Sub-total</u> | 290,001,456 | 20.81% | |
| <u>Series C</u> | | | | | | | |
| 1. Anhui SME Fund | 2020.11.30 | 2020.12.01 | 2.38 | 14.97% | 21,005,680 | 1.51% | |
| 2. CITICS Investment | 2020.12.31 | 2021.03.15 | 2.38 | 14.97% | 12,603,408 | 0.90% | |
| 3. Central Fund | 2020.12.31 | 2021.01.11 | 2.38 | 14.97% | 18,905,104 | 1.36% | |

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| Pre-IPO Investor | Date of Agreement <i>(Year.Month.Date)</i> | Settlement Date <i>(Year.Month.Date)</i> | Approximate cost per Share with a nominal value of RMB0.0625 ⁽¹⁾ <i>(RMB)</i> | Discount to the Offer Price ⁽²⁾ | Immediately following the completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised) ⁽¹⁾ | |
|-----------------------------------|---|---|---|--|--|--------------------------|
| | | | | | Number of Shares ⁽³⁾ | Approximate shareholding |
| 4. Guoyuan Seed II | 2020.12.31 | 2021.01.06 | 2.38 | 14.97% | 8,402,272 | 0.60% |
| 5. Nanjing Taihua | 2020.12.31 | 2021.01.13 | 2.38 | 14.97% | 6,301,696 | 0.45% |
| 6. Hefei New-Econ Co. | 2020.12.31 | 2021.03.24 | 2.38 | 14.97% | 12,603,408 | 0.90% |
| 7. Anhui Hexin | 2020.12.31 | 2021.01.25 | 2.38 | 14.97% | 6,301,696 | 0.45% |
| 8. Wenzhou Fangdao | 2020.12.31 | 2021.01.12 | 2.38 | 14.97% | 4,201,136 | 0.30% |
| 9. Gongqingcheng Ruixin | 2020.12.28 | 2020.12.28 | 2.24 | 19.98% | 7,320,704 | 0.53% |
| 10. Huiwang Equity ⁽⁵⁾ | 2020.12.16 | 2020.12.17 | 2.26 | 19.26% | 4,422,256 | 0.32% |
| 11. Fanrong No.2 | 2020.12.28 | 2020.12.28 | 2.26 | 19.26% | 1,326,672 | 0.10% |
| | | | | <i>Sub-total</i> | 103,394,032 | 7.42% |
| <i>Others</i> | | | | | | |
| 1. Shanghai Qian'ao | 2021.04.21 | 2021.04.21 | 0.36 | 87.14% | 10,977,280 | 0.79% |
| | 2021.04.21 | 2021.04.21 | 0.20 | 92.86% | 7,680,000 | 0.55% |
| 2. Ms. Yue Jingzhi | 2018.07.04 | 2018.07.05 | 0.04 | 98.57% | 23,040,000 | 1.65% |
| | | | | <i>Sub-total</i> | 41,697,280 | 2.99% |
| | | | | TOTAL | 646,096,928 | 46.35% |

Notes:

- (1) The calculation is based on (i) the total number of 1,393,876,104 Shares with a nominal value of RMB0.0625 each in issue immediately following the completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised), and (ii) the exchange rate as set out in the section headed “Information about this Prospectus and the Global Offering”.
- (2) The discount percentages are based on an Offer Price of HK\$3.2, being the mid-point of the indicative range of the Offer Price between HK\$2.9 and HK\$3.5.
- (3) This represents the number of Shares held by relevant Pre-IPO Investor immediately following the completion of the Share Subdivision which will remain unchanged immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised).
- (4) In total, an aggregate of 55,652,160 Shares, representing approximately 3.99% of the enlarged registered share capital of our Company, will be held by Tianjin Huacheng Intelligent, immediately following the completion of the Share Subdivision which will remain unchanged immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised).
- (5) In total, an aggregate of 19,948,304 Shares, representing approximately 1.43% of the enlarged registered share capital of our Company, will be held by Huiwang Equity, immediately following the completion of the Share Subdivision which will remain unchanged immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

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Special Rights

In connection with the pre-IPO investments, certain Pre-IPO Investors were entitled to certain special rights, such as nomination right, repurchase right, information right, pre-emptive right and co-sale right. Pursuant to the relevant Pre-IPO agreements and the amendments thereto from time to time, Shanghai Yunxin is entitled to nominate a director to the board of the directors of the Company. In addition, upon request from Haitong Unitrust Tianjin, and in consideration of our Company's then prevailing needs to enhance corporate governance and attract more investors, our Company also granted Haitong Unitrust Tianjin a right to nominate a director to the board of the directors of the Company. In particular, our Company considered the following:

- (i) during our early phase of raising fund from investors, an investor director on the Board could help enhance our corporate governance and protection of investors and further diversify the backgrounds of the Board, which in turn could allow our Company to attract further investment from investors; and
- (ii) the parent company of Haitong Unitrust Tianjin, namely, Haitong Unitrust International Financial Leasing Co., Ltd.* (海通恆信國際融資租賃股份有限公司) (“**Haitong Unitrust**”), was specialized in the financial leasing industry in China and had experience in the management and operation of financing and factoring business in China; as such, Haitong Unitrust and the nominated director would be able to share relevant experience and insights in relation to the financing and factoring business in China and/or provide professional advice and judgement to the Board. Specifically, such advice and judgement from Haitong Unitrust and the nominated director would allow our Company to further streamline and optimize our provision of factoring and settlement services to truckers for our digital freight business and Truck Plus solutions business.

Although Haitong Unitrust Tianjin is not the biggest investor among the series A and series A+ investors, Haitong Unitrust Tianjin was the first and only investor that requested a director nomination right during commercial discussion at that time and as a result, our Company started to consider to have an investor director on its board and the benefits associated with having such investor director, including corporate governance and investor protection enhancement.

On the basis above, our Directors are of the view that granting Haitong Unitrust Tianjin the right to nominate a director to the board of the directors of the Company is a reasonable and sound commercial decision at that time under then prevailing circumstances, in particular, considering our Company's business needs at the early phase of raising fund from investor(s).

Pursuant to relevant factoring services agreements entered into by our Group and Haitong Unitrust, (i) Haitong Unitrust provided factoring financing service to certain members of our Group, (ii) the provision of factoring financing services to such members of our Group shall be conditional on the transfer and completion of registration of the transfer of accounts

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receivables of such member of Group to Haitong Unitrust, (iii) relevant members of our Group shall pay to Haitong Unitrust services fees for the provision of factoring financing services and such services fees is equivalent to the days of financing multiplied by a rate of approximately 0.03%, (iv) Haitong Unitrust is entitled to manage and call for collection of the relevant accounts receivables, and upon receipt of payments from customers, relevant members of our Group shall immediately transfer the payments to our Company and upon receipt, our Company shall transfer such payments amount to the designated bank account(s) of Haitong Unitrust, and (v) the term of the factoring services agreement is one year unless otherwise renewed upon mutual consent among parties. To the best knowledge of our Directors, the terms of those factoring services agreements were normal commercial terms entered into between the parties thereto based on arm's length negotiation. The last factoring services agreement entered into by and between our Company and Haitong Unitrust was expired on March 30, 2021. For the three years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2022, the total amount of factoring financing provided by Haitong Unitrust to us was RMB710.32 million, RMB249.16 million, nil and nil, respectively; and the total amount of services fees paid by us to Haitong Unitrust was RMB6.63 million, RMB0.56 million, nil and nil, respectively.

By virtue of a shareholders' resolution passed on the second extraordinary general meeting on September 10, 2021 and a shareholders' resolution passed on April 15, 2016, respectively, Mr. Chen Zhijie (陳志傑) was nominated by Shanghai Yunxin and appointed as a Director of our Company, and Mr. Liu Junjie (劉俊傑) was nominated by Haitong Unitrust Tianjin and appointed as a non-executive Director of our Company.

Pursuant to a termination agreement entered into between our Company and the Pre-IPO Investors on September 15, 2021, all special rights granted to the Pre-IPO Investors (including the director nomination right of Shanghai Yunxin and Haitong Unitrust Tianjin) were automatically terminated upon the submission of listing application to the CSRC for the listing of the Company's H Shares on the Stock Exchange unless (i) the Company receives a written notification from relevant securities regulatory authority to reject, terminate the review of, not to register, accept or approve the listing application, (ii) the Company does not complete the Listing within the prescribed time period set out in the relevant securities regulatory authority's approval for the Listing of our H Shares; and (iii) the Company withdraws its listing application.

Lock-up

Pursuant to the applicable PRC laws, all of our existing Shareholders (including the Pre-IPO Investors) are subject to a lock-up period of 12 months following the Listing Date.

Use of Proceeds

The proceeds we obtained from the Pre-IPO Investors (where applicable) were used as our general working capital for the expansion and development of our business, in particular, the promotion of the quality of digital freight transportation related services, the build-up of

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“online + offline” community for truckers and development of cutting-edge technology related to our business. As of the Latest Practicable Date, we have utilized approximately 67.59% of all the proceeds our Company received from relevant Pre-IPO Investors.

Public Float

(i) 189,051,104 Shares, representing approximately 13.56% of the enlarged registered share capital of our Company, held by Shanghai Yunxin, and (ii) 1,326,672 Shares, representing approximately 0.10% of the enlarged registered share capital of our Company, held by Fanrong No.2 will not be considered as part of the public float of our Company as Shanghai Yunxin (a substantial shareholder of our Company) and Fanrong No.2 (a close associate of our supervisor, Mr. Fan Hua) are core connected persons (as defined under the Listing Rules) of our Company.

15,346,157, 21,225,515, 3,714,462, 9,153,506, 5,223,601, 10,466,729, 10,465,752, 8,882,562, 530,641, 7,959,565, 2,653,187, 5,921,574, 7,608,205, 21,005,680, 2,792,088, 4,806,891, 2,403,442, 2,403,442, 1,602,297, 7,210,333, 3,204,594, 4,806,891, 7,115,813, 11,513,401 and 8,787,366 Shares held by Jiangsu Gaotou Innovation, Tianjin Huacheng Intelligent, Tianjin Huacheng OLondon, Nanjing Kaiyuan, Shanghai Rongchuan, Time Investment, Haitong Unitrust Tianjin, Shenzhen Anpeng, Zhejiang Yanzi, Hengqin Zanlu No.1, Huangshan Fengying, Hainan Yujun, Huiwang Equity, Anhui SME Fund, Gongqingcheng Ruixin, CITICS Investment, Nanjing Taihua, Anhui Hexin, Wenzhou Fangdao, Central Fund, Guoyuan Seed II, Hefei New-Econ Co., Shanghai Qian’ao, Ms. Wang Shumei and Ms. Yue Jingzhi, (collectively, the “**Other Pre-IPO Investors**”), representing approximately 1.10%, 1.52%, 0.27%, 0.66%, 0.37%, 0.75%, 0.75%, 0.64%, 0.04%, 0.57%, 0.19%, 0.42%, 0.55%, 1.51%, 0.20%, 0.34%, 0.17%, 0.17%, 0.11%, 0.52%, 0.23%, 0.34%, 0.51%, 0.83% and 0.63% of the enlarged registered share capital of our Company, will not be considered as part of the public float of our Company as these are Domestic Shares and will not be converted into H Shares and be listed and traded on the Stock Exchange following the completion of the Listing.

Immediately following the completion of the Listing, an aggregate of 268,915,458 H Shares (to be converted from Domestic Shares upon Listing), representing approximately 19.29% of the enlarged registered share capital of our Company, held by such Other Pre-IPO Investors will be treated as part of the public float of our Company for the purpose of Rule 8.08 of the Listing Rules. Further details are set out in the section headed “Share Capital” in this prospectus.

Strategic benefits of the Pre-IPO Investors to our Company

Our Directors are of the view that our Group could benefit from the Pre-IPO Investors’ commitment to our Company as their investments demonstrate such investors’ confidence in the business operation of our Group and serves as an endorsement of our Company’s performance, strength and growth prospects. In addition, at the time of respective investment

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made by our Pre-IPO Investors, our Directors were of the view that our Group could benefit from the additional capital that would be contributed by these Pre-IPO Investors in our Company as well as their knowledge and/or experience.

Further, our Directors are of the view that the Pre-IPO Investors would be able to provide valuable advice and business insights relating to our operation and business strategies. Benefiting from the Pre-IPO Investors' extensive experience in investment in and/or the business operation of freight transportation services, digital freight transportation and logistics, blockchain and supply chain resources and technology for commercial vehicles, we would also be able to enhance our business development and have access to experience sharing of such leading development.

Background of Pre-IPO Investors

Shanghai Yunxin

Shanghai Yunxin is an investment holding company with limited liability established in the PRC and a direct wholly-owned subsidiary of Ant Group. Ant Group is a joint stock limited liability company established in the PRC and, together with its ecosystem partners, is engaged in businesses that provide inclusive, convenient digital life and digital financial services to consumers and SMEs, and introduce new technologies and products to support the digital transformation and industrial collaboration worldwide. To the best of the knowledge, information and belief of the Company having made all reasonable enquiries and based on internet searches conducted in Hong Kong and the PRC, as of the Latest Practicable Date, Ant Group was held as to:

- (i) 31.04% and 22.42% by Hangzhou Junhan and Hangzhou Junao, respectively. Hangzhou Yunbo is the executive partner and general partner of, and controls, Hangzhou Junhan and Hangzhou Junao. Mr. Jack Ma (馬雲) held a 34% equity interest in Hangzhou Yunbo and each of Mr. Eric Jing (井賢棟), Mr. Simon Hu (胡曉明) and Ms. Fang Jiang (蔣芳) held a 22% equity interest in Hangzhou Yunbo. Pursuant to a concert party agreement entered into among Mr. Jack Ma, Mr. Eric Jing, Mr. Simon Hu and Ms. Fang Jiang and the articles of association of Hangzhou Yunbo, Mr. Jack Ma had ultimate control over Ant Group;
- (ii) 32.65% by Hangzhou Alibaba Network Technology Co., Ltd.* (杭州阿里巴巴網絡科技有限公司), a PRC limited liability company and an indirect wholly-owned subsidiary of Alibaba Group Holding Limited (阿里巴巴集團控股有限公司), a company incorporated in the Cayman Islands with limited liability listed on the Stock Exchange (Stock Code: 9988) and the New York Stock Exchange (NYSE: BABA); and
- (iii) the remaining 13.89% by other minority shareholders each holding less than 3% of Ant Group's total issued shares.

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Pursuant to certain agreements entered into in January 2023, there will be changes to the voting structure of Ant Group's major shareholders which will take effect upon satisfaction of the conditions set out in such agreements (including the approval of or filing with relevant government authorities), and as a result, none of direct or indirect shareholders of Ant Group, alone or jointly with other parties, will have control over Ant Group. As of the Latest Practicable Date, the changes to the voting structure of Ant Group's major shareholders were not effective as conditions set out in such agreements have not been fully satisfied (including approval of or filing with relevant government authorities).

Jiangsu Gaotou Innovation

Jiangsu Gaotou Innovation is a PRC-based limited partnership and is principally engaged in venture investment in the logistics, bio-tech or industrial automation industries. As of the Latest Practicable Date, Jiangsu Gaotou Innovation was owned as to (i) approximately 0.62% by Nanjing Yida as the general partner, and (ii) approximately 99.38% by six limited partners consisting of five institutions and one individual and none of which contributed one third or more of the capital of Jiangsu Gaotou Innovation. Nanjing Yida is a PRC-based limited partnership and is principally engaged in private equity investment trust fund management and equity investment management. As of the Latest Practicable Date, Nanjing Yida was indirectly wholly-owned and controlled by Jiangsu Yida Equity Investment Fund Management Co., Ltd.* (江蘇毅達股權投資基金管理有限公司) (“**Jiangsu Yida**”), a PRC-based limited liability company which was in turn owned as to 46.35% by Nanjing Yida Capital Management Corporation (Limited Partnership)* (南京毅達資本管理企業(有限合夥)) (“**Yida Capital**”), 35% by Jiangsu High-Tech Investment Group Co., Ltd.* (江蘇高科技投資集團有限公司) (“**Jiangsu High-Tech Investment**”) and five other institutional shareholders none of which holds 30% or more of the equity interests of Jiangsu Yida. As of the Latest Practicable Date, (i) Yida Capital was ultimately owned and controlled by (x) Mr. Ying Wenlu (應文祿) and five individuals; and (y) Nanjing Yida Investment Management Co., Ltd.* (南京毅達投資管理有限公司), a PRC-based limited liability company directly wholly-owned and controlled by Mr. Ying Wenlu and five individuals; and (ii) Jiangsu High-Tech Investment was ultimately owned and controlled by Jiangsu Provincial People's Government. To the best knowledge of our Directors after due enquiry, the shareholders of Jiangsu Yida and the limited partners of Yida Capital are all independent third parties.

Tianjin Huacheng Intelligent

Tianjin Huacheng Intelligent is a PRC-based limited partnership and is principally engaged in venture investment with a focus on long-term equity investment. As of the Latest Practicable Date, Tianjin Huacheng Intelligent was owned as to (i) 5.86% by Tianjin Huacheng Intelligent Venture Investment Management Partnership (Limited Partnership)* (天津華成智訊創業投資管理合夥企業(有限合夥)) (“**Tianjin Huacheng Investment**”) as the general partner, and (ii) 94.14% by six individuals as the limited partners, all of which are independent third parties and none of which contributed one third or more of the capital of Tianjin Huacheng Intelligent. As of the Latest Practicable Date, Tianjin Huacheng Investment was owned as to (i) 0.5% by Tianjin Huacheng Intelligent Venture Investment Consultancy Co., Ltd.* (天津華

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成智訊創業投資諮詢有限公司) (“**Tianjin Huacheng Consultancy**”) as the general partner, and (ii) 39.8% by Ms. Pan Yue (潘越), 29.85% by Mr. Zhu Guanghui (朱光輝) and 29.85% by Mr. Zeng Xueming (曾學明) as the limited partners. Tianjin Huacheng Consultancy is a PRC-based limited liability company and is principally engaged in the provision of venture investment consultancy service. As of the Latest Practicable Date, Tianjin Huacheng Consultancy was owned as to 40% by Mr. Wang Wei (王偉), 30% by Mr. Zhu Guanghui and 30% by Mr. Zeng Xueming. Mr. Wang Wei, Ms. Pan Yue, Mr. Zhu Guanghui and Mr. Zeng Xueming are professional investors experienced in venture investment, and to the best knowledge of our Directors after due enquiry, are all independent third parties.

Tianjin Huacheng OLondon

Tianjin Huacheng OLondon is a PRC-based limited partnership and is principally engaged in investment management. As of the Latest Practicable Date, Tianjin Huacheng OLondon was owned as to (i) 1.29% by Tianjin Huacheng Investment as the general partner, and (ii) 98.71% by one institution and ten individuals as the limited partners, none of which owned more than 20% of the capital of Tianjin Huacheng OLondon. To the best knowledge of our Directors after due enquiry, all the limited partners of Tianjin Huacheng OLondon are independent third parties. Further details about Tianjin Huacheng Investment, please see sub-paragraph headed “Tianjin Huacheng Intelligent” above.

Nanjing Kaiyuan

Nanjing Kaiyuan is a PRC-based limited partnership and is principally engaged in venture investment with a focus on long-term equity investment. As of the Latest Practicable Date, Nanjing Kaiyuan was owned as to (i) 1.57% by Nanjing Kaiyuan Venture Investment Management Partnership (Limited Partnership)* (南京凱元創業投資管理合夥企業(有限合夥)) (“**Nanjing Kaiyuan Investment**”) as the general partner, and (ii) 98.43% by eight entities as the limited partners and none of which contributed one third or more of the capital of Nanjing Kaiyuan. Nanjing Kaiyuan Investment is a PRC-based limited partnership and is principally engaged in investment management and investment consulting. As of the Latest Practicable Date, Nanjing Kaiyuan Investment was owned as to (i) 42.65% by Huzhou Kaifeng Housheng Enterprise Management Partnership (General Partnership)* (湖州凱風厚生企業管理合夥企業(普通合夥)) (“**Huzhou Kaifeng**”) as the general partner which was in turn wholly owned and controlled by as to 75% by Mr. Zhao Guibin (趙貴賓) and as to 25% by Mr. Huang Xin (黃昕), and (ii) 50% by Nanjing Tianyuan Venture Investment Management Co., Ltd.* (南京天元創業投資管理有限公司) (“**Nanjing Tianyuan**”) and 7.35% by Mr. Chen Renhai (陳仁海) as the limited partners. Huzhou Kaifeng is a PRC-based limited partnership and is principally engaged in enterprise management, business consulting, finance consulting and marketing. Nanjing Tianyuan is a PRC-based limited liability company and is principally engaged in investment management, venture investment and related consulting services and other venture investment related services. As of the Latest Practicable Date, Nanjing Tianyuan was ultimately and collectively controlled by the Government of Jiangning District of Nanjing, the State-owned Assets Supervision and Administration Commission of Nanjing and the

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Government of Dongshan Town of Nanjing. To the best knowledge of our Directors after due enquiry, Mr. Zhao Guibin, Mr. Huang Xin, Mr. Chen Renhai and the limited partners of Nanjing Kaiyuan are all independent third parties.

Shanghai Rongchuan

Shanghai Rongchuan is a PRC-based limited partnership and is principally engaged in equity investment in the logistics, education and technology industries. As of the Latest Practicable Date, Shanghai Rongchuan was owned as to (i) approximately 0.5% by Mr. Cao Guanghui (曹光輝) as the general partner, and (ii) 49.5% by Mr. Xie Ping (謝平), 49.5% by Mr. Deng Zhenguo (鄧振國) and 0.5% by Ms. Pan Yue (潘悅) as the limited partners. Mr. Xie Ping is an individual professional investor with about 20 years of investment experience in business service, software and information technology services, technology promotion and application services industries. Mr. Deng Zhenguo is an individual professional investor with about 20 years of investment experience in business services and architecture and engineering industries. Mr. Cao Guanghui is an individual professional investor with more than 11 years of investment experience in investment management, investment consulting and business consulting and other related industries. Ms. Pan Yue is a professional investor with around 16 years of investment experience in assets pledge business, micro electronic products, integrated circuit chip, equipment hardware and software services. To the best knowledge of our Directors after due enquiry, Mr. Xie Ping, Mr. Deng Zhenguo, Ms. Pan Yue and Mr. Cao Guanghui are all independent third parties.

Time Investment

Time Investment is a PRC-based limited partnership and is principally engaged in investment management and asset management. As of the Latest Practicable Date, Time Investment was owned as to (i) approximately 38.46% by Beijing Time Capital Management Co., Ltd.* (北京時間投資管理股份公司) (“**Beijing Time Capital**”) as the general partner, and (ii) approximately 61.54% by four limited partners consisting of three institutions and one individual and none of which contributed one third or more of the capital of Time Investment. Beijing Time Capital is a PRC-based joint stock company and is principally engaged in investment management and asset management. As of the Latest Practicable Date, Beijing Time Capital was owned as to (i) approximately 40.1% by Mr. Wei Junxian (魏君賢), (ii) 38.8% by Ms. He Junjian (何俊堅), (iii) 19.3% by Mr. Liu Tao (劉韜), (iv) 1.2% by Mr. Li Haoxin (李昊昕) and 0.6% by Ms. Cao Juan (曹娟) who are professional investors experienced in capital investment and to the best knowledge of our Directors after due enquiry, are all independent third parties.

Haitong Unitrust Tianjin

Haitong Unitrust Tianjin is a PRC-based limited liability company and is principally engaged in leasing business. As of the Latest Practicable Date, Haitong Unitrust Tianjin was wholly owned and controlled by Haitong Unitrust, a PRC-based joint stock company with

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limited liability listed on the Stock Exchange (stock code: 1905) and the main business scope of which is to provide customers with financial services, consulting services and other services through financial leasing arrangements and operating leasing arrangements.

Shenzhen Anpeng

Shenzhen Anpeng is a PRC-based limited partnership and is principally engaged in equity investment trust fund management, enterprise management consulting and private equity investment. As of the Latest Practicable Date, Shenzhen Anpeng was owned as to (i) 0.02% by Shenzhen Anpeng Equity Investment Fund Management Co., Ltd.* (深圳市安鵬股權投資基金管理有限公司) (“**Shenzhen Anpeng Equity**”) as the general partner, and (ii) 71.43% by Gongqingcheng Xingda Investment Management Partnership (Limited Partnership)* (共青城行達投資管理合夥企業(有限合夥)) (“**Gongqingcheng Xingda**”), 23.79% by Baic Group Industrial Investment Co., Ltd.* (北京汽車集團產業投資有限公司) (“**Baic**”) and 4.76% by two other institutions, as the limited partners. As of the Latest Practicable Date, (i) Shenzhen Anpeng Equity was wholly owned by Baic and was principally engaged in investment in auto, new energy and transportation related industries; (ii) Gongqingcheng Xingda was owned as to (x) 0.33% by Shenzhen Anpeng Equity as the general partner, and (y) 33.33% by Zhuhai Baic Huajin Industrial Equity Investment Fund (Limited Partnership)* (珠海北汽華金產業股權投資基金(有限合夥)) (“**Zhuhai Baic**”), 20.33% by Jingjiang Baic Huada Vehicle Industrial M&A Fund (Limited Partnership)* (靖江北汽華達汽車產業併購基金(有限合夥)) (“**Jingjiang Baic**”), 11% by Baic and 35% by three other institutions none of which contributed one third of more capital of Gongqingcheng Xingda. As of the Latest Practicable Date, Zhuhai Baic was owned as to (i) 0.67% by Shenzhen Anpeng Equity as the general partner, and (ii) 66.44% by Zhuhai Huajin Alpha Fund II Partnership (Limited Partnership)* (珠海華金阿爾法二號基金合夥企業(有限合夥)) (“**Zhuhai Huajin Alpha Fund II**”), 32.67% by Baic and 0.22% by Zhuhai Huajin Zhixing Investment Management Co., Ltd.* (珠海華金智行投資管理有限公司) (“**Zhuhai Huajin Zhixing**”) as the limited partners. Both Zhuhai Huajin Alpha Fund II and Zhuhai Huajin Zhixing are ultimately controlled by State-owned Assets Supervision of Zhuhai City of Guangdong Province, the PRC. As of the Latest Practicable Date, Jingjiang Baic was owned as to (i) 2.50% by Shenzhen Anpeng Equity as the general partner and (ii) 55% by Shanghai Jingjiang Technology Development Co., Ltd.* (上海競江科技發展有限公司) (“**Shanghai Jingjiang**”) and 42.5% by Baic as the limited partners. Shanghai Jingjiang is a PRC-based limited liability company and is principally engaged in development of new energy technology, energy saving technology and information technology. As of the Latest Practicable Date, Shanghai Jingjiang was ultimately controlled by Huada Automotive Tech Co., Ltd. (華達汽車科技股份有限公司) (“**Huada**”), a PRC-based joint stock company listed on the Shanghai Stock Exchange (stock code: 603358). Huada is principally engaged in the development of new energy technology, energy saving technology and information technology. As of the Latest Practicable Date, Baic was ultimately controlled by State-owned Assets Supervision of Beijing, the PRC. Baic is principally engaged in investment in auto, new energy and transportation related industries. To the best knowledge of our Directors after due enquiry, all the general partner and limited partners of Shenzhen Anpeng and their major shareholders are independent third parties.

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Zhejiang Yanzi

Zhejiang Yanzi is a PRC-based limited liability company and is principally engaged in investment management, enterprise management consulting, investment and the provision of related services. As of the Latest Practicable Date, Zhejiang Yanzi was owned as to 50% by Mr. Yan Bin (顏濱) and 50% by five other individuals with each holding no more than 25% equity interests in Zhengjiang Yanzi. Mr. Yan Bin is a professional investor with more than 21 years of experience in logistics and business services industries. To the best knowledge of our Directors after due enquiry, all the shareholders of Zhejiang Yanzi are independent third parties.

Hengqin Zanlu No.1

Hengqin Zanlu No.1 is a PRC-based limited partnership and is principally engaged in equity investment. As of the Latest Practicable Date, Hengqin Zanlu No.1 was owned as to (i) 1% by Shenzhen Zanlu Equity Investment Management Co., Ltd.* (深圳市贊路股權投資管理有限公司) (“**Zanlu Equity**”) as the general partner, and (ii) 42% by Mr. Xia Chunyang (夏春陽), and 57% by five other individuals, as the limited partners. Except for Mr. Xia Chunyang, none of the individual limited partners contributed one third or more of the capital of Hengqin Zanlu No.1. To the best knowledge of our Directors after due enquiry, the general partner and the limited partners of Hengqin Zanlu No. 1 are all independent third parties. Zanlu Equity is a PRC-based limited liability company and is principally engaged in investment management. As of the Latest Practicable Date, Zanlu Equity was owned as to 95% by Mr. Zhang Jingyao (張景耀) and 5% by Mr. Xia Chunyang. Mr. Xia Chunyang and Mr. Zhang Jingyao are professional investors experienced in investing in business services and/or mechanical equipment industries, and to the best knowledge of our Directors after due enquiry, are both independent third parties.

Huangshan Fengying

Huangshan Fengying is a PRC-based limited partnership and is principally engaged in equity investment and the provision of investment management services. As of the Latest Practicable Date, Huangshan Fengying was owned as to (i) approximately 4.76% by Beijing Yuandao Capital Management Co., Ltd.* (北京元道資本管理有限公司) (“**Beijing Yuandao**”) as the general partner, and (ii) approximately 52.38% by Mr. Hong Changli (洪昌立) and approximately 42.86% by five individuals, as the limited partners. Except for Mr. Hong Changli, none of the other limited partners contributed more than 25% of the capital of Huangshan Fengying. To the best knowledge of our Directors after due enquiry, the general partner and the limited partners of Huangshan Fengying are all independent third parties. Beijing Yuandao is a PRC-based limited liability company and is principally engaged in investment management, asset management and project investment. As of the Latest Practicable Date, Beijing Yuandao was owned as to 40% by Zanlu Equity, 33% by Huangshan Zhenbang Fund Management Co., Ltd.* (黃山振邦基金管理有限公司) (“**Huangshan Zhenbang**”) and 27% by Mr. Hong Changli. Huangshan Zhenbang is a PRC-based limited liability company and is principally engaged in investing in business services and monetary

OUR HISTORY AND DEVELOPMENT

finance services. As of the Latest Practicable Date, Huangshan Zhenbang was owned as to 65% by Mr. Hong Changli and 35% by three individuals, to the best knowledge of our Directors after due enquiry, who are all independent third parties and none of which held more than 20% equity interests in Huangshan Zhenbang. Mr. Hong Changli is a professional investor with more than 10 years of experience in investment in business service and mechanical equipment industries, and is an independent third party.

Hainan Yujun

Hainan Yujun is a PRC-based limited partnership and is principally engaged in equity investment in logistics, technology and electronics industries. As of the Latest Practicable Date, Hainan Yujun was owned as to (i) 6% by Mr. Lou Yufeng (婁與峰) as the general partner, and (ii) 94% by Ms. Li Xiaoyan (李小妍) as the limited partner. Mr. Lou Yufeng is a professional investor with more than 8 years of experience in a variety of industries, including investment management and logistics, new electronic components, integrated circuits and applications, computer parts manufacturing and computer numerical control. Ms. Li Xiaoyan is a professional investor with more than 10 years of experience in a variety of industries, including investment management, high-tech electronics, computer numerical control and electronic components. To the best knowledge of our Directors after due enquiry, both Mr. Lou Yufeng and Ms. Li Xiaoyan are independent third parties.

Huiwang Equity

Huiwang Equity is a PRC-based limited partnership and is principally engaged in (equity) investment management, asset management and investment consulting. As of the Latest Practicable Date, Huiwang Equity was owned as to (i) 5% by Beijing Zhongrong Yingtong Investment Management Co., Ltd.* (北京中融盈通投資管理有限公司) (“**Beijing Zhongrong Yingtong**”) as the general partner, and (ii) 95% by Mr. Fan Hong (樊洪) as the limited partner. Beijing Zhongrong Yingtong is a PRC-based limited liability company and is principally engaged in investment in business services and real estate industries. As of the Latest Practicable Date, Beijing Zhongrong Yingtong was owned as to 96% by Mr. Fan Hong, 3% by Mr. Fan Hua (a supervisor of our Company) and 1% by Ms. Zhao Xilan (趙夕蘭). Mr. Fan Hong is the father of Mr. Fan Hua and Ms. Zhao Xilan is the mother of Mr. Fan Hua, and therefore are connected persons of our Company. Mr. Fan Hong is a professional investor with more than 20 years of experience in a variety of industries, including business services, restaurants, healthcare, wholesale, software and information technology and real estate.

Anhui SME Fund

Anhui SME Fund is a PRC-based limited liability company wholly owned by Anhui Provincial Emerging Industry Investment Co., Ltd.* (安徽省高新技術產業投資有限公司) which is in turn wholly owned by Anhui Provincial Investment Group Holding Co., Ltd.* (安徽省投資集團控股有限公司), a state-owned enterprise wholly owned by State-owned Assets

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Supervision and Administration Commission of People's Government of Anhui Province (安徽省人民政府國有資產監督管理委員會). Anhui SME Fund is principally engaged in equity investment and management and consulting services for equity investment.

Gongqingcheng Ruixin

Gongqingcheng Ruixin is a PRC-based limited partnership and is principally engaged in equity investment, project investment and business investment. As of the Latest Practicable Date, Gongqingcheng Ruixin was owned as to (i) approximately 0.06% by Beijing Richiner Investment Co., Ltd.* (北京瑞鑫遠航投資有限公司) (“**Richiner**”) as the general partner, and (ii) approximately 36.12% by Ms. Jia Ming (賈明) and five other individuals as the limited partners. Ms. Jia Ming is an individual investor with more than four years of experience in investment. Except for Ms. Jia Ming, none of the limited partners contributed one third or more of the capital of Gongqingcheng Ruixin. Richiner is a PRC-based limited liability company and is principally engaged in investment and asset management. As of the Latest Practicable Date, Richiner was owned as to 51% by Mr. Wang Xinzhen (王新政) and 49% by Ms. Zhuang Li (莊麗). Mr. Wang Xinzhen has about 10 years of experience in equity investment. Ms. Zhuang Li has about 18 years of investment experience in business services, real estate and technology related industries. To the best knowledge of our Directors after due enquiry, Ms. Jia Ming, Mr. Wang Xinzhen and Ms. Zhuang Li are independent third parties.

Fanrong No.2

Fanrong No.2 is a PRC-based limited partnership and is principally engaged in venture investment with self-owned funds, equity investment and other related services. As of the Latest Practicable Date, Fanrong No.2 was owned as to 1% by Duolinuo (Beijing) Engineering Consultancy Co., Ltd.* (多利諾(北京)工程諮詢有限公司) (“**Duolinuo**”) as the general partner and 99% by Mr. Fan Hua (樊驊) (a supervisor of our Company) as the limited partner. Duolinuo is a PRC-based limited liability company principally engaged in engineering technology consulting, trading consulting and enterprise management consulting. As of the Latest Practicable Date, Duolinuo was wholly owned by Mr. Fan Hua and therefore a connected person of our Company. Mr. Fan Hua is a professional investor with more than 10 years of investment experience in financial investment and private equity investment.

CITICS Investment

CITICS Investment is a PRC-based wholly-owned subsidiary of CITIC Securities Co., Ltd.* (中信証券股份有限公司) (“**CITIC Securities**”), a PRC-based limited liability company listed on the Stock Exchange (stock code: 06030) and the Shanghai Stock Exchange (stock code: 600030). CITICS Investment is principally engaged in financial products investment, securities investment and equity investment. CITIC Securities is principally engaged in securities investment and financial products investment.

OUR HISTORY AND DEVELOPMENT

Nanjing Taihua

Nanjing Taihua is a PRC-based limited partnership and is principally engaged in equity investment, investment management and asset management. As of the Latest Practicable Date, Nanjing Taihua was owned as to (i) approximately 1.75% by Jiangsu Taihua Venture Capital Co., Ltd.* (江蘇泰華創業投資有限公司) (“**Jiangsu Taihua**”) as the general partner, and (ii) approximately 94.74% by Mr. Bao Yunde (包雲德) and approximately 3.51% by Ms. Hu Qian (胡倩), as the limited partners. Jiangsu Taihua is a PRC-based limited liability company and is principally engaged in venture investment, industrial investment and investment management. As of the Latest Practicable Date, Jiangsu Taihua was owned as to more than 99% and controlled by Mr. Yang Rongfu (楊榮富). Mr. Yang Rongfu is experienced in enterprise management, investment and fund raising and has more than 15 years of experience in capital markets operation related industries. Mr. Yang Rongfu has been focusing on investment in healthcare, cultural media and fine chemicals industries and is currently a director and/or senior management member of various enterprises and financial institutions in China. Each of Mr. Bao Yunde and Ms. Hu Qian is a professional investor with more than six years of experiences in business services industry. To the best knowledge of our Directors after due enquiry, Mr. Yang Rongfu, Mr. Bao Yunde and Ms. Hu Qian are all independent third parties.

Anhui Hexin

Anhui Hexin is a PRC-based limited liability company and is principally engaged in investment activities and venture investment. As of the Latest Practicable Date, Anhui Hexin was owned as to 58% by Hefei Yuanxin Investment Co., Ltd.* (合肥源信投資有限公司) (“**Hefei Yuanxin**”) and 42% by Hefei Lida Venture Investment Co., Ltd.* (合肥立達創業投資有限公司) (“**Hefei Lida**”), both of which were ultimately controlled by Mr. Jiang Shilin (蔣詩林) and Ms. Xu Wen (許文). Hefei Yuanxin and Hefei Lida are principally engaged in equity investment and consulting, and investment activities with their own funds. Mr. Jiang Shilin is a professional investor with more than 20 years of investment experiences. Ms. Xu Wen is a professional investor with more than 10 years of investment experiences. To the best knowledge of our Directors after due enquiry, each of Mr. Jiang Shilin and Ms. Xu Wen is an independent third party.

Wenzhou Fangdao

Wenzhou Fangdao is a PRC-based limited partnership and is principally engaged in investment and investment management consulting (non-securities related). As of the Latest Practicable Date, Wenzhou Fangdao was owned as to (i) 0.99% by Wenzhou Fangdao Equity Investment Fund Management Co., Ltd.* (溫州方道股權投資基金管理有限公司) (“**Wenzhou Fangdao Equity**”) as the general partner and (ii) 69.01% by Semir Group Co., Ltd.* (森馬集團有限公司) (“**Semir**”) and 30% by Mr. Zheng Yi (鄭翼), as the limited partners. Wenzhou Fangdao Equity is a PRC-based limited liability company and is principally engaged in equity investment and investment management. As of the Latest Practicable Date, Wenzhou Fangdao Equity was owned as to 70% by Semir and 30% by four individuals, none of which held more than 10% of the equity interests of Wenzhou Fangdao Equity. Semir is a PRC-based limited

OUR HISTORY AND DEVELOPMENT

liability company and is principally engaged in industrial investment and enterprise investment management. As of the Latest Practicable Date, Semir was owned as to 40% by Mr. Qiu Guanghe (邱光和), 30% by Mr. Zheng Qiulan (鄭秋蘭) and 30% by two other individuals with each holding 15% of the equity interests of Semir. To the best knowledge of our Directors after due enquiry, all the shareholders of Semir and the shareholders of Wenzhou Fangdao Equity are independent third parties.

Central Fund

Central Fund is a PRC-based joint stock company and owned as to (i) approximately 77.68% by 74 enterprises, all of which are controlled by State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) and none of which holds more than 5.2% of shareholding in Central Fund; and (ii) approximately 22.32% by 35 other state-owned enterprises collectively, and none of which holds more than 3% of shareholding in Central Fund. Central Fund is principally engaged in equity investment.

Guoyuan Seed II

Guoyuan Seed II is a PRC-based limited liability company established by Anhui Guoyuan Seed Investment Fund Co., Ltd.* (安徽國元種子投資基金有限公司) (“**Anhui Guoyuan**”), a PRC-based limited liability company and a wholly-owned subsidiary of Anhui Guoyuan Finance Holding Group Co., Ltd.* (安徽國元金融控股集團有限責任公司) (“**Anhui Guoyuan Holding**”). Anhui Guoyuan Holding is in turn ultimately controlled by the government of Anhui Province. Guoyuan Seed II is a specialized fund set up by Anhui Guoyuan for equity investment, venture investment and investment management. Anhui Guoyuan is primarily involved in equity, fund and other investment. Anhui Guoyuan Holding is primarily involved in the operation of companies and enterprises authorized by the state, asset management and investment consulting services.

Hefei New-Econ Co.

Hefei New-Econ Co. is a PRC-based limited liability company established by Hefei Gaoxin Development & Investment Group Co., Ltd.* (合肥高新建設投資集團有限公司) (formerly known as Hefei Gaoxin Development & Investment Group Company* (合肥高新建設投資集團公司)) (“**Hefei Gaoxin**”), a PRC-based limited liability company whose principal businesses are real estate development and sales, investment in high-tech industries, development, production and management of high-tech products, development and construction of municipal infrastructure and supporting service facilities, development and construction of state-owned land, business services, warehousing and transportation services, material supply, equipment sales, information consulting, hosting exhibitions and training business. Hefei New-Econ Co. is principally engaged in equity investment, equity investment consulting, venture investment and the provision of value-added investment services. As of the Latest Practicable Date, Hefei Gaoxin was wholly owned and controlled by Administration Committee of Hefei Development Zones for New and High Technology Industries* (合肥高新技術產業開發區管理委員會).

OUR HISTORY AND DEVELOPMENT

Shanghai Qian'ao

Shanghai Qian'ao is a PRC-based limited partnership and is principally engaged in enterprise management and the provision of taxation, information consulting, marking and business related services. As of the Latest Practicable Date, Shanghai Qian'ao was owned as to (i) 58.84% by Mr. Chen Ming as the general partner, and (ii) 41.16% by Ms. Shi Guifang as the limited partner. Mr. Chen Ming is an experienced professional investor with more than 20 years of investment experience in cultural media, information technology, agriculture and logistics industries. Ms. Shi Guifang is a professional investor with about 6 years of investment experience in the logistics industry. To the best knowledge of our Directors after due enquiry, both Mr. Chen Ming and Ms. Shi Guifang are independent third parties.

Ms. Wang Shumei

Ms. Wang Shumei became acquainted with Mr. Feng through a partner of Shanghai Rongchuan, who is a friend of Ms. Wang Shumei and is acquainted with Mr. Feng through business relations. Ms. Wang Shumei is a professional investor with about nine years of experience in investment in business services, software and information technology services industries.

Ms. Yue Jingzhi

Ms. Yue Jingzhi became acquainted with Mr. Feng and Mr. Du through Mr. Tan Yongquan, son of Ms. Yue Jingzhi. Mr. Tan Yongquan is alumni of Mr. Feng and Mr. Du. Ms. Yue Jingzhi is an individual investor with more than seven years of investment experience in business services, software and information technology and is an independent third party.

To the best knowledge of our Directors after due enquiry, save for Shanghai Yunxin (one of our substantial shareholders), Huiwang Equity (an associate of our supervisor, Mr. Fan Hua) and Fanrong No.2 (a close associate of our supervisor, Mr. Fan Hua), all the Pre-IPO Investors are independent third parties and except as otherwise disclosed in this section, all the shareholders of our Company are independent among each other.

SOLE SPONSOR'S VIEW

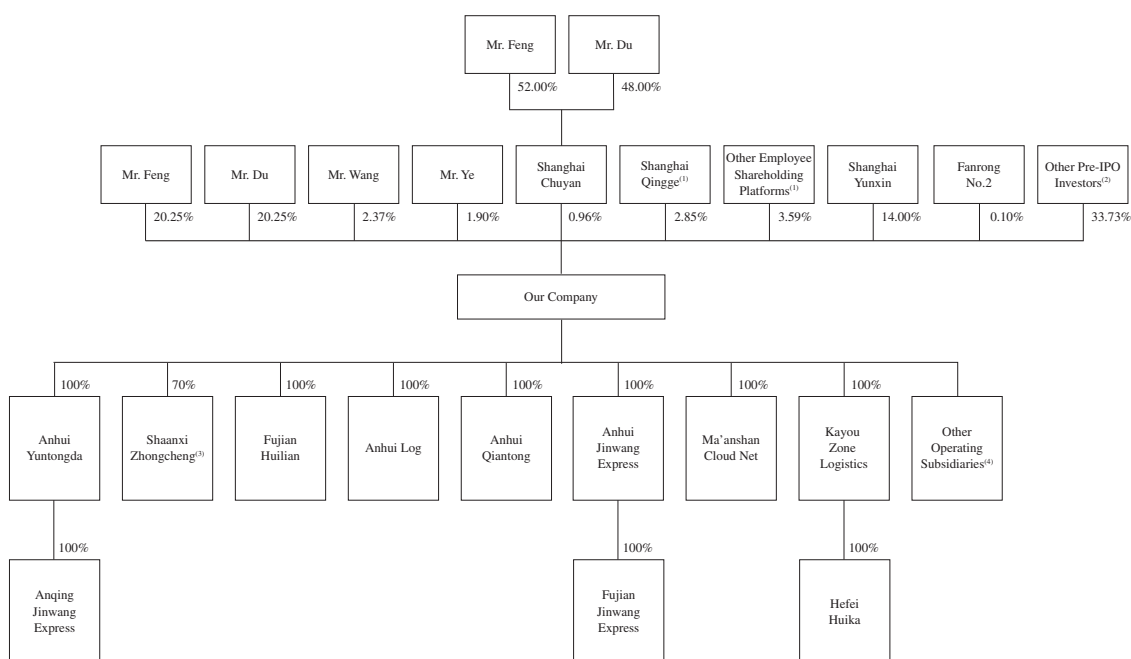
On the basis that (i) the consideration for the pre-IPO investments has been settled more than 28 clear days before the date of our submission of the listing application to the Stock Exchange; (ii) the special rights granted to the Pre-IPO Investors were automatically terminated upon the submission of listing application to the CSRC for the listing of the Company's H Shares on the Stock Exchange, the Sole Sponsor confirms that the terms of the pre-IPO investments as described above are in compliance with (i) the Interim Guidance on pre-IPO investments issued by the Stock Exchange in October 2010 and as updated in March

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2017 in the Guidance Letter GL29-12; (ii) the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017; and (iii) the Guidance Letter HKEX-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017.

CORPORATE STRUCTURE IMMEDIATELY PRIOR TO THE GLOBAL OFFERING

The chart below sets out our corporate structure as of the Latest Practicable Date and which will remain unchanged until immediately prior to the Global Offering:

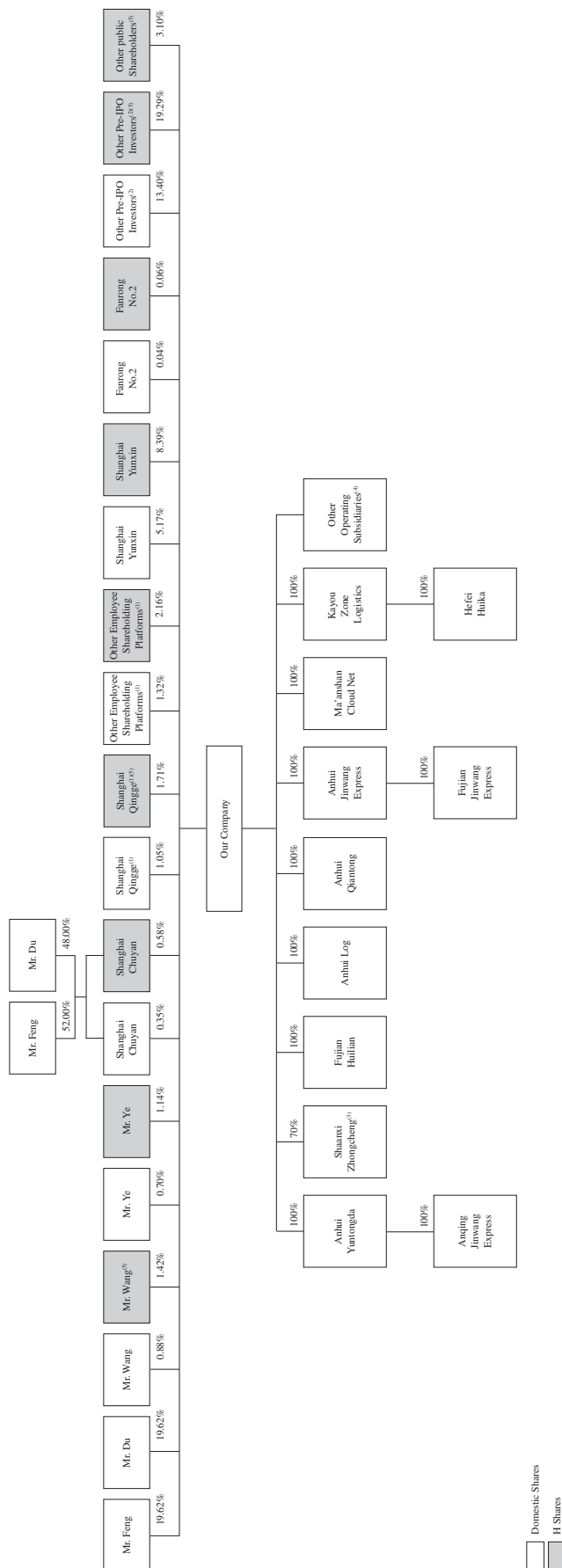


Notes:

- (1) Employee Shareholding Platforms include Shanghai Qingge and the Other Employee Shareholding Platforms which include Tianjin Mingyin, Tianjin Mingtong, Tianjin Mingyun and Tianjin Mingwei. As of the Latest Practicable Date, all of the Employee Shareholding Platforms are registered shareholders of our Company and there were no outstanding shares to be allocated under the previous share incentive plans. Details of Employee Shareholding Platforms are set out in the paragraph headed “Employee Shareholding Platforms” in this section.
- (2) Other Pre-IPO Investors include all Pre-IPO Investors other than Shanghai Yunxin and Fanrong No.2.
- (3) For the remaining interests of Shaanxi Zhongcheng, please refer to the paragraph headed “Our Subsidiaries—A. Our Principal Subsidiaries” above.
- (4) Details of these Other Operating Subsidiaries are set out in the paragraph headed “Our Subsidiaries—B. Our Other Operating Subsidiaries.”

CORPORATE STRUCTURE IMMEDIATELY UPON THE COMPLETION OF THE SHARE SUBDIVISION AND THE GLOBAL OFFERING

The chart below sets out our corporate structure immediately upon the completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised):



OUR HISTORY AND DEVELOPMENT

Notes:

- (1) Employee Shareholding Platforms include Shanghai Qingge and the Other Employee Shareholding Platforms which include Tianjin Mingyin, Tianjin Mingtong, Tianjin Mingyun and Tianjin Mingwei. Immediately following the completion of the Share Subdivision and the Global Offering, assuming the Over-allotment Option is not exercised, 38,471,760, 31,004,064, 6,485,008, 6,289,696 and 4,789,472 Shares will be held by Shanghai Qingge, Tianjin Mingyin, Tianjin Mingtong, Tianjin Mingyun and Tianjin Mingwei, representing approximately 2.76%, 2.22%, 0.47%, 0.45% and 0.34% of the enlarged share capital of our Company, respectively. As Tianjin Mingyin, Tianjin Mingtong, Tianjin Mingyun and Tianjin Mingwei are core connected persons of Mr. Ye, executive Director of our Company, Shares held by them will not be counted towards public float.
- (2) Other Pre-IPO Investors include all Pre-IPO Investors other than Shanghai Yunxin and Fanrong No.2. Immediately following the completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised), an aggregate of 455,719,152 Shares will be held by the Other Pre-IPO Investors, out of which, an aggregate of 268,915,458 H Shares (to be converted from Domestic Shares), representing approximately 19.29% of the enlarged registered share capital of our Company, will be counted as public float. Further details on H Shares to be converted from Domestic Shares upon Listing and held by each of the Other Pre-IPO Investors are set out in the section headed “Share Capital” in this prospectus.
- (3) For the remaining interests of Shaanxi Zhongcheng, please refer to the paragraph headed “Our Subsidiaries—A. Our Principal Subsidiaries” above.
- (4) Details of these Other Operating Subsidiaries are set out in the paragraph headed “Our Subsidiaries—B. Our Other Operating Subsidiaries.”
- (5) Immediately upon the completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised), our Company will have an aggregate of 1,393,876,104 Shares in issue, comprising of 866,444,180 Domestic Shares and 527,431,924 H Shares. Since each of Mr. Feng, Mr. Du, Shanghai Chuyan, Mr. Ye, Tianjin Mingyin, Tianjin Mingtong, Tianjin Mingyun, Tianjin Mingwei, Shanghai Yunxin and Fanrong No.2 is a core connected person of our Company, 171,711,358 H Shares held by them (if any) will not be counted towards public float. As a result, out of the total 527,431,924 H Shares, an aggregate of 355,720,566 H Shares, representing approximately 25.52% of the enlarged registered share capital of our Company, will be counted towards public float, which comprises of the following:
 - (i) 43,211,000 H Shares to be issued pursuant to the Global Offering (without taking into account any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option);
 - (ii) 19,795,326 H Shares to be converted from Domestic Shares and held by Mr. Wang;
 - (iii) 23,798,782 H Shares to be converted from Domestic Shares and held by Shanghai Qingge; and
 - (iv) 268,915,458 H Shares to be converted from Domestic Shares and held by the Other Pre-IPO Investors. Please also see note (2) above.

For further details of H Shares to be held by each of the Pre-IPO Investors, please see the section headed “Share Capital—Full-circulation Application for Conversion of Certain Domestic Shares into H Shares.”

OVERVIEW

We have built a digitalized ecosystem for road freight transportation in China. We operate one of the largest digital freight platforms in China in terms of Online GTV during the Track Record Period, according to CIC. Our platform provides digital freight services and solutions to shippers, such as logistics companies and cargo owners, as well as truckers in both inter-city and intra-city road freight transportation. To cater to different needs of shippers, we provide two types of services through our digital freight business, namely freight transportation services and freight platform services. We had served over 11,600 shippers and 2.7 million truckers who had completed an aggregate of over 36.2 million shipping orders on our platform from the inception of our digital freight business to September 30, 2022. The aggregate amount of shipping fees (including VAT) settled on our platform for transactions fulfilled through us as a statutory carrier under PRC law, which we refer to as our Online GTV, amounted to RMB27.3 billion in the nine months ended September 30, 2022.

In addition to our digital freight platform, we also operate Trucker Community, an “online + offline” community for truckers. According to CIC, it is the largest community for truckers in China and the largest community in the logistics industry in China, in terms of the number of registered users as of December 31, 2021. With over 3.1 million registered users as of September 30, 2022, we are committed to creating an “online + offline” community that facilitates the communication and mutual support among truckers. We have accumulated a large and loyal user base of truckers over the past decade, which enabled us to launch a comprehensive portfolio of truck sales and aftermarket solutions, Truck Plus, to empower truckers in China by addressing their needs in the full life-cycle of their businesses.

Our Trucker Community and Truck Plus business provide strategic value complement to our digital freight business, and such three business lines generate strong synergies. The large and loyal user base of Trucker Community provides stable and efficient supplemental road freight transportation resources for our digital freight platform. At the same time, our digital freight platform attracts more truckers to access, and become loyal members of, Trucker Community. In addition, the demands for aftermarket services by truckers on our platform also underpin the significant market potentials for our Truck Plus business. In the foreseeable future, we expect to continue to generate the majority of our revenue from our digital freight business, while we expect to continue exploring business opportunities in Trucker Community and Truck Plus business to increase monetization.

According to CIC, China possesses the world’s largest freight transportation market, yet the freight transportation market in China also faces long-standing problems, such as low operational efficiency and lack of trust between shippers and truckers for road transportation. Since the establishment, we have been committed to using internet-based technology and digital approaches to improve the operational efficiency of the road freight transportation industry in China, to enhance the working conditions for truckers, and to lead the digital transformation of the industry based on our insights into the trend of technology development. Since 2005, we have successively launched our self-developed SaaS products, which provide

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digital solutions to address the specific needs of different participants in the road freight transportation ecosystem and signify the first development phase of our digital freight business. We launched *Guanchebao* in 2005, the first SaaS product in logistics industry in China, according to CIC; subsequently, we launched mobile applications such as *Haoyunbao* and *Kuailubao* in light of the proliferation of mobile internet. In 2013, we took the lead in launching one of the first digital freight platforms in China according to CIC, signifying a new development stage for us as we transformed from a provider of SaaS products to a provider of comprehensive platform-based solutions. In 2014, we launched Trucker Community, the first online community for truckers in China according to CIC, reflecting our strategic transformation to another new development stage, as we strive to create ecosystem-based solutions that empower all ecosystem participants.

We seek to benefit and empower the participants in the ecosystem of road freight transportation industry, including shippers such as logistics companies and cargo owners, truckers, freight brokers, and other related service providers. We promote the collaboration between such ecosystem participants, enhance transparency and synergy in such collaboration through our digitalized services, and help such participants establish more balanced and reciprocal relationships through repeated transactions.



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Our revenue is primarily derived from our digital freight business. Based on the needs of the customers in the road freight transportation process, we provide two forms of services through our digital freight business, namely freight transportation services and freight platform services. Customers of our freight transportation services primarily consist of those with a high degree of standardization in road freight transportation such as shippers for bulk cargo, while customers of our freight platform services primarily consist of those with a high degree of complexity in road freight transportation. Under our freight transportation services, we serve as carriers and recognize contract amount charged to shippers as revenue for the freight transportation service we provide; under our freight platform services, while shippers select, and negotiate the transportation fee with, truckers, we serve as the carrier and recognize platform service revenue based on the difference between the contract amount to be received from the shipper and the contract amount to be paid to the trucker. During the Track Record Period, over 99% of our revenue was generated from our digital freight business and the remaining revenue was generated from sales of goods in our Truck Plus services, as well as other businesses such as advertisement services.

Our financial performance showed a trend of growth during the Track Record Period. Our revenue grew from RMB3.6 billion in 2019 to RMB6.3 billion in 2021, representing a CAGR of 33.0%, and grew from RMB4,676.7 million in the nine months ended September 30, 2021 to RMB4,710.6 million in the nine months ended September 30, 2022. We recorded a net loss of RMB3.3 million in 2019, and net profits of RMB26.1 million, RMB50.7 million and RMB3.7 million in 2020, 2021 and the nine months ended September 30, 2022, respectively.

STRENGTHS

We operate one of the largest digital freight platforms in China.

According to CIC, we are a pioneer in building one of the first digital freight platforms in China, which digitalizes each step of road freight transportation process. We operate one of the largest digital freight platforms in China in terms of Online GTV, according to CIC. In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, we recorded Online GTV of RMB23.4 billion, RMB27.9 billion, RMB38.0 billion, RMB28.3 billion and RMB27.3 billion, respectively, and the revenue of our digital freight business amounted to RMB3.5 billion, RMB4.6 billion, RMB6.3 billion, RMB4.7 billion and RMB4.7 billion, respectively. According to CIC, our market share in the digital freight market exceeded 8% in terms of Online GTV in 2021 and in the three-year period from 2019 to 2021.

As of September 30, 2022, our platform had more than 11,600 shipper customers of various types and approximately 2.5 million truckers. The number of participants at both ends of the platform continues to grow, demonstrating the attractiveness of our platform. Due to the appreciation by ecosystem participants of the value of our digital freight platform, and the flywheel effect at both ends of supply and demand, our Online GTV maintained a rapid and sustainable growth during the Track Record Period. The year-on-year growth rate of our Online

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GTV in 2019, 2020 and 2021 was 37.2%, 19.3% and 36.0%, respectively. Our Online GTV for the nine months ended September 30, 2022 decreased by 3.5% compared to the same period in 2021, primarily due to the resurgence of the COVID-19 pandemic in certain regions in China.

Our shipper customers cover a wide range of major logistics companies and cargo owners with nationwide business operations, as well as many regionally-renowned logistics companies and cargo owners in various industries. In 2019, 2020 and 2021, the annual retention rate from the preceding year of our major shipper customers, each of which recorded an annual Online GTV of over RMB10 million on our platform and all of which contributed to more than 75% of our total revenue for the respective years, was 86.2%, 85.8% and 91.8%, respectively.

During the Track Record Period, the number of truckers who had completed shipping orders on our platform amounted to 2.5 million. An average of more than 210,700 truckers obtained orders through our platform every month during the Track Record Period.

Through years of consistent and high-quality services, we have established our brand name among shippers, truckers and other ecosystem participants as a trusted partner that offers solutions to address their needs.

Our digital freight business, Trucker Community and Truck Plus solutions have demonstrated strong synergy that enriches our business development. The large and loyal user base of Trucker Community provides stable and efficient supplemental road freight transportation resources for our digital freight platform. At the same time, our digital freight platform attracts more truckers to access, and become loyal members of, Trucker Community. In addition, the demands for aftermarket services by truckers on our platform also underpin the significant market potentials for our Truck Plus solutions. The synergy among our business lines reinforces each other, allowing us to enhance our brand image and better serve our customers.

We have created the largest community for truckers in China.

We are dedicated to improving the social status, working environment and living conditions of truckers in China. Through our digital freight platform, Trucker Community and Truck Plus solutions, we are committed to providing full-scale empowerment for truckers. We strive to help truckers obtain more orders from our platform, with a view to increasing their income and utilization of trucks, and reducing their operating costs. We are committed to solving common problems faced by truckers, such as difficulty in collecting transportation fees and managing payment period. Through our Truck Plus solutions, we also offer maintenance services to truckers at relatively reduced price. To address truckers' needs for social life and entertainment, we set up an "online + offline" community for communication and mutual support.

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Historically, the social status, working environment and living conditions of truckers in China had been far from satisfactory. Truckers' demands for communication and mutual support had been underserved. In 2014, we launched Trucker Community, which has now grown into the largest community in the logistics industry in China and the largest community for truckers in China in terms of the number of registered users as of December 31, 2021, according to the CIC. Our Trucker Community app recorded a total of over 3.1 million registered users as of September 30, 2022. Trucker Community has various features such as information sharing, mutual assistance, offline network and assurance. It is accessible through multiple online portals, such as the Trucker Community App we developed, official accounts on social media platforms such as WeChat and Douyin, and WeChat groups. It provides a platform for truckers to communicate, discover business opportunities and enjoy social life, and gives truckers access to mutual support. Trucker Community is committed to building a positive and warm social community in the industry, to connecting the vast number of truckers more closely, and enhancing their sense of belonging. Our community has built up a good reputation and exerted a positive influence on the industry. During the Track Record Period, we recorded a monthly average of approximately 18,800 online inquiries, with 87.2% eventually resolved; we also recorded a monthly average number of approximately 1,300 requests for on-site mutual support, with all of them eventually resolved. We believe strong word-of-mouth would enable our community to consistently acquire new users at relatively low costs. The continued expansion of user base provides a stable supplement of road freight transportation resources for our digital freight platform and a solid foundation for us to develop truck aftermarket services.

Building upon our digital freight business and the abundant traffic generated by our Trucker Community, we have launched full life-cycle, comprehensive Truck Plus solutions encompassing new truck sales, maintenance, insurance, second-hand truck sales and other services for truckers. We continue to develop Truck Plus members from the trucker users of our digital freight business and our Trucker Community. According to CIC, the market size of China's truck sales and aftermarket services reached approximately RMB3.8 trillion in 2021, including truck sales market of RMB881.5 billion, truck tires market of RMB631.1 billion, truck maintenance market of RMB632.2 billion and truck insurance market of RMB569.5 billion. However, the market for truck sales and aftermarket solutions had been underdeveloped. Relying on the user base of millions of truckers with high loyalty, we have ample opportunities to develop an industry-leading truck aftermarket service platform. The scale of our Truck Plus business has grown rapidly, with more than 121,700 registered Truck Plus members as of September 30, 2022. As of the Latest Practicable Date, many of the aftermarket services we provide are in the early stages of commercialization, but they have shown considerable growth momentum and potential. During the Track Record Period, we had entered into strategic partnership with leading insurance companies, logistics companies and truck aftermarket service providers in connection with our Truck Plus solutions.

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We have been continuously providing industry-leading digital solutions to our customers.

We have been dedicated to the promotion of the digitalization of China's road freight transportation industry over the past decade. Based on our insights into the industry, we have been providing industry-leading digital solutions to our customers with continual upgrades. We pioneered among our peers in developing *Guanchebao*, the first SaaS product in the logistics industry in China. *Guanchebao* is a PC-based online transportation resource management application that can be seamlessly connected with the TMS and ERP systems of logistics companies and cargo owners. In light of the proliferation of mobile internet, we launched our mobile-based online transportation resource management application, *Kuailubao*, which, like *Guanchebao*, enables cargo owners and logistics companies to place orders in real-time through mobile apps, and optimize their efficiency through visualization of the whole transaction process; while truckers can use *Haoyunbao*, our self-developed mobile-based transportation assistance application for truckers, to make inquiries, take orders and collect payments in one stop on our platform.

In 2013, we launched one of the first digital freight platforms in the industry to enable online transactions. To cater to the specific demands of shippers, we provide targeted online digital solutions covering the whole transportation process, such as arrangement of road freight transportation resources, management of shipping orders, monitoring of the transportation process, road freight transportation payment and settlement, and the issuance of invoices. According to CIC, we were the first to offer online payment and settlement solutions on digital freight platforms in China, which enhanced the level of digitalization of the entire transaction process. Through such solutions, we have helped shippers upgrade their logistics operations, so that they can enhance the standardization, digitalization and transparency of the dispatching and management of road freight transportation resources. Our services also enable shippers to expand the scope of available road freight transportation resources and improve the efficiency in the coordination process between road freight transportation demand and supply, which in turn help shippers reduce their operating costs and compliance costs.

We have been consistently empowering our customers through the solutions we provide. For instance, after working with us, one of our key customers, Company A, significantly enhanced its capabilities in the direct procurement of road freight transportation resources and its operating efficiency. Similarly, we have provided a broad portfolio of services to help another key client, Shengfeng, improve its capabilities and operating efficiency in road freight transportation.

During the Track Record Period, the number of shippers that had completed shipping orders on our digital freight platform continued to grow rapidly, with 3,340, 4,327, 5,934 and 5,932 shippers for 2019, 2020, 2021 and the nine months ended September 30, 2022, respectively. We endeavor to continue exploring the digitalization opportunities on our platform and offering various value-added services to achieve digitalization.

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We have propelled the industry development with continuous research and development.

Since the inception of our business, we have been working to promote the digitalization of the road freight transportation industry in China. We leverage our research and development capacity to improve our services, maintain our competitiveness within the industry, and achieve long-term growth in revenue and profitability. To maintain our competitive edges in research and development, we consistently invest significant resources into research and development activities. In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, we incurred research and development expenses of RMB29.9 million, RMB46.7 million, RMB72.8 million, RMB48.2 million and RMB58.2 million, respectively.

We value the accumulation, analysis and application of data generated from our platform, as we continuously improve our efficiency in organizing road freight transportation resources and arranging trucks utilizing our big data capabilities. We worked with business partners that helped us build a credit system for truckers based on transaction data, in order to facilitate the access to financial resources by truckers. We also collaborated with certain business partner to record information generated from the road freight transportation process onto the blockchain, so that third-party financial service providers we work with can gain better understanding of the creditworthiness of logistics companies based on such data. We strive to use technology to transform the current road freight transportation industry that suffers from low transparency, lack of trust, and low penetration of insurance and other financial services, and to promote the establishment of a credit system within the industry.

We have established extensive collaborations with companies and academic institutions with leading technologies in areas such as automotive operation system, vehicle-to-everything and autonomous driving, including Banma, CalmCar and the International Institute of Finance of University of Science and Technology of China, to actively promote the application of advanced technologies in the road freight transportation industry, such as the active safety technology. Based on our operations throughout the years, we had accumulated valuable data regarding road freight transportation on our platform, and we collaborated with our research and development partner, CalmCar, which possesses technological advantages in developing vision systems for autonomous vehicles, to jointly engage in research and development efforts in promoting active safety system for trucks, including monitoring the driving conditions of truckers and providing alerts for dangerous driving scenarios. Through such collaboration, we were able to gain deep insights in the operation of trucks in the transportation process and to achieve breakthroughs in promoting the active safety system of trucks.

Our technological strengths have been substantiated by our intellectual property rights and the recognitions we have received as a result of our relentless research and development efforts. As of December 31, 2021, we were one of the leading players in research and development activities in the field of blockchain-related technologies. We ranked the 65th in 2017 and 74th in 2018 on the list of “Global Top 100 Companies with Patents in Blockchain Technologies” released by IPRdaily and incoPat, and was the only logistics company on such list. In addition, our Company is accredited as a national high and new tech enterprise.

We have cultivated a healthy, reciprocal and sustainable ecosystem.

We have cultivated a healthy, reciprocal and sustainable ecosystem for participants in the road freight transportation industry. For essential players in the industry such as cargo owners, logistics companies, freight brokers and truckers, our digital freight platform allows them to establish more stable business relationships through repeated transactions, and thereby promoting trust, better cooperation and reliable services. Our digital approach to the road freight transportation process allows all participants to effectively exchange data, monitor the transaction process and coordinate their business activities, and thereby increasing operating efficiency and creating cost savings to be shared by all participants. To increase the scale and livelihood of our ecosystem, we have brought in more participants through our Trucker Community and Truck Plus solutions, including a large pool of truckers, truck sellers, aftermarket service providers, insurance companies and various other service providers. Our ecosystem provides more business opportunities and better solutions to these participants as compared to what they may obtain from other channels, while at the same time, they provide more convenient, diversified and cost-effective services to address the various needs of the essential industry players in our ecosystem. As the ecosystem's builder and keeper, we have established stringent rules to monitor and manage the transactions happening in the ecosystem to ensure transparency, reliability and fairness to all participants. Due to its transparency, we believe our ecosystem can also effectively eliminate industry participants that do not add value, such as certain types of informational intermediaries and middlemen, from the transaction process, and thereby further increasing efficiency and reducing costs for all participants.

We have a management team with rich experience in digital logistics and a strong strategic shareholder base.

We have an experienced and entrepreneurial management team with a proven track record of strategic planning and sound execution. Mr. Feng Lei, our founder, has nearly 20 years of experience in digital logistics, and is currently the president of the Logistics Platform Branch of China Federation of Logistics & Purchasing. Mr. Feng has a thorough understanding of and insight into the road freight transportation industry in China as well as the internet and IT technology. While maintaining a high level of stability in our core executive team, we have continued to attract talents from leading internet companies and Fortune Global 500 companies. Our major shareholders and strategic partners have solid strength and abundant resources in technology and automobile industries, providing great potential for supporting our business expansion in connection with the automotive aftermarket and other fields.

STRATEGIES

We strive to capitalize on the business opportunities emerged through the course of digitalization in the road freight transportation industry, and provide services that better address the needs of our customers. To achieve such goals, we intend to pursue the following strategies:

Continue to scale up digital freight services and provide more in-depth services to customers

The currently low penetration rate of digital freight platforms in the freight transportation industry in China is expected to grow steadily in the near future, due to the increasing adoption of such digital freight platforms by different industry players and the support of favorable regulatory policies. As a leader in the digital freight industry, we plan to continue expanding the size of our digital freight business in the following aspects in the future:

- *Expanding customer base:* We plan to deploy a hybrid customer acquisition method combining online and offline channels, such as online marketing, on-site promotion, among others, to effectively expand our customer base. We expect to particularly focus our expansion on new geographic markets, business scenarios and industry segments with high growth potentials, striving to provide innovative industry solutions to address the needs of new customers. For example, following our establishment of regional operational and customer engagement centers in Guangzhou, Wuhan, Chengdu and Nanjing, we are also planning on establishing additional regional operational and customer engagement center in certain cities in North China to take advantage of the considerable market opportunities and growth potential for digital freight transportation in the region, especially for freight transportation businesses provided to bulk cargo shippers which are abundant in North China. Taking advantage of the flywheel effect on the supply and demand side for road freight transportation resources, we expect to fully capitalize on the loyal user base of our Trucker Community to continue to expand our supply of road freight transportation resources.
- *Providing more in-depth services:* We plan to continue enhancing and diversifying the scope of services we provide to shippers, through the provision of more tailor-made product and service offerings that better address the demands of shippers. We plan to help our existing customers upgrade their management system for transportation resources by introducing to them our *Newland* system, so that they can operate the transportation processes in their business with improved efficiency. We are also actively exploring a number of new market segments through various channels such as investment and M&As, to diversify the scope of product and service offerings we provide to our customers, so as to enhance our customers' loyalty to our brand and to our product and service offerings. We may consider to

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acquire or invest in companies that have synergistic businesses with ours, such as companies engaging in express shipping or LTL shipping. As of the Latest Practicable Date, we did not have any potential acquisition or investment targets.

Continue to strengthen the community and membership system for truckers, so as to reinforce our road freight transportation resources

We believe that the road freight transportation industry in China will experience significant transformation and the business of truckers will be conducted in a more organized manner in the future. To adapt to the trend, we strive to continue to improve our operation of Trucker Community and to enhance its role as a vibrant community for truckers. We plan to further support the formation of smaller-sized fleets by truckers, and strengthen the cooperative network between truckers, shippers and freight brokers, among others. With such efforts, we expect to help truckers improve their abilities in providing high-quality transportation services, and during such process, to better empower them and enhance the loyalty of such truckers to our platform. Furthermore, we also expect to explore greater commercial value in businesses on our digital freight platform and value-added aftermarket services.

Strengthen our efforts in Truck Plus solutions and further diversify our revenue streams

We believe that there are significant commercial values and monetization potentials within our truck sales and aftermarket business. To capitalize on the huge potential of such market, we plan to further improve our operations of the Truck Plus membership system for truckers, strengthen our supply chain capabilities and develop cooperation with upstream suppliers such as truck manufacturers, and cultivate a broader portfolio of diversified value-added services to truckers. Meanwhile, we will build a sound offline service network by partnering with workshops and empowering them in areas such as supply chain management, customer acquisition, IT system management, among other, so that we can facilitate the formation of a vibrant truck aftermarket ecosystem and facilitate monetization.

Increase investment in research and development and continuously explore the adoption of new technologies

We plan to continue to strengthen investment in research and development in the following areas:

- We expect to increase investment in the research and development of industry solutions for freight brokers, and enhance our abilities in empowering our customers through digitalization, based on our analysis of key operational indicators such as level of pricing, availability of transportation resources and effectiveness of business cooperation, so that we can provide comprehensive solutions that accurately address the needs of customers.

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- We expect to increase our investment in the construction of an “online + offline” system for truck aftermarket services. We also plan to build an operations platform which integrates functionalities spanning from market expansion, order taking, and sales management, so that we can provide more convenient, modularized tools for the operations of our authorized stores in our truck sales and aftermarket business.
- We expect to increase our investment in the research and development of big data acquisition, data processing and data application technologies, and utilize IoT devices and smart platforms to gather multi-dimensional data in the road freight transportation ecosystem, thus shaping and improving our big data analysis capabilities and providing users with high-quality services. We are dedicated to exploring the application of cutting-edge technologies such as blockchain, smart driving, and Internet of Vehicles, striving to apply such technology advancements in areas such as the construction of a credit system, the monitoring of service performance, the improvement in efficiency and the management of transportation resources in the road freight transportation industry. We plan to carry out research and development in related fields by both building our internal teams for independent research and development and cooperating with partners, so as to support the sustainable development of our digital freight platform.

Continue to improve the mechanism for recruiting, cultivating and motivating talents

We plan to offer competitive salaries and career development opportunities to recruit talents. We are making steady progress in growing our pool of talents in research, product development, operation, marketing, and other functions. We believe that our ability to attract and retain talents will improve as our business grows and as we have more resources in recruiting and motivating talents.

We have also built and are continuously updating our evaluation model for talents according to the needs for our business development. For employees who sustainably deliver high performance and loyalty to the company, we grant them equity incentives through our equity incentive scheme to provide them with steady, long-term motivation.

OUR ECOSYSTEM

We have cultivated an ecosystem through our platform, which connects truckers, shippers, freight brokers, truck sellers, truck aftermarket service providers and other participants in the ecosystem.

Under the traditional truck-based freight transportation model, shippers (including logistics companies and cargo owners) have very limited direct access to truckers, and therefore it is hard for shippers to find readily-available truckers to fulfill their road freight transportation demand. Consequently, shippers have to resort to freight brokers, including external freight transportation managers, fleet captains and other middlemen with access to truckers, to address their needs for road freight transportation. The freight brokers will look for

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truckers, negotiate with the truckers on the road freight transportation terms and conditions, and facilitate the transactions between shippers and truckers. In the past, such process was usually completed offline, and the information asymmetry between shippers and truckers may lead to unbalanced relationships between them and the freight brokers, resulting in higher road freight transportation costs and lower efficiency for shippers.

We have cultivated an ecosystem that values the interests of all participants. We encourage and promote a solid cooperative relationship of mutual trust and benefits among all ecosystem participants through enhanced digitalization and transparency throughout the process. We enhanced the division of responsibilities among ecosystem participants and improve their synergies. In addition, we encourage freight brokers to play a better coordinating role to facilitate transactions and obtain reasonable returns. We believe that our ecosystem contributes to the standardization and sustainable development of China's road freight transportation industry.

The following diagram illustrates the interaction among different participants within our ecosystem.



Set forth below are the key participants that benefit from our ecosystem, and the value propositions our ecosystem offers them:

Shippers: Shippers constitute the direct customers of our digital freight business. Our shipper customers primarily include logistics companies of all sizes and background. To a lesser extent, we also serve cargo owners with needs for freight transportation services. In 2019, 2020, 2021 and the nine months ended September 30, 2022, shippers that had completed

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shipping orders on our digital freight platform amounted to 3,340, 4,327, 5,934 and 5,932, respectively; and as of December 31, 2019, 2020 and 2021 and September 30, 2022, the cumulative number of shippers that had completed shipping orders on our platform reached 4,643, 6,884, 9,623 and 11,698, respectively. In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, the number of shipping orders completed on our platform amounted to 5.9 million, 7.2 million, 10.5 million, 7.8 million and 7.5 million, respectively, and the Online GTV on our platform amounted to RMB23.4 billion, RMB27.9 billion, RMB38.0 billion, RMB28.3 billion and RMB27.3 billion, respectively.

Our ecosystem provides the following value propositions to shippers:

- We enhance shippers' capabilities to manage transportation capacity by consolidating and structuralizing road freight transportation resources.
- We provide shippers with better access to stable and abundant road freight transportation resources, and improve the efficiency in coordinating trucks and cargos.
- We reduce shippers' procurement cost for road freight transportation by promoting the openness, transparency and standard of the road freight transportation process.
- We improve shippers' efficiencies through standardization of the entire process, intelligent dispatching and digital settlement.

Truckers: Truckers constitute the suppliers of road freight transportation resources for our digital freight business. We strive to empower truckers with better business opportunities, social communities and work capacities through our digital freight business, Trucker Community and Truck Plus solutions, respectively. In 2019, 2020, 2021 and the nine months ended September 30, 2022, the number of truckers who had completed shipping orders on our platform amounted to 760.1 thousand, 1,018.9 thousand, 1,344.2 thousand and 1,170.4 thousand, respectively, and the number of truckers who had newly registered on our Trucker Community platform amounted to 555.1 thousand, 779.0 thousand, 548.7 thousand, and 358.5 thousand, respectively. We consider truckers who complete at least four orders on our digital freight platform in a given year or a given period to be active truckers, who completed more than 82% of the total amount of sales orders on our platform in each of 2019, 2020, 2021 and the nine months ended September 30, 2022. In 2019, 2020, 2021 and the nine months ended September 30, 2022, the number of active truckers on our platform amounted to 229,800, 296,200, 411,600 and 325,100, respectively.

Our ecosystem provides the following value propositions to truckers:

- We help truckers obtain more shipping orders by notifying them of shipment opportunities once we receive orders from customers on our platform, and by facilitating the establishment of trust and long-term, stable business relationship

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between them and shippers who are familiar with them. Consequently, truckers can gain better access to repeated business interactions with such shippers who are able to provide them with steady source of income and business opportunities.

- We protect truckers' rights by facilitating transportation fee collection.
- We give truckers easy access to value-added services at more reasonable prices.
- By facilitating the communication, information sharing and collaboration among truckers, we create a self-organized community that helps truckers improve the quality of life, gain more professional respect and enhance work satisfaction.

Freight brokers: Traditionally freight brokers serve as an intermediary between shippers and truckers, who select truckers for shippers and coordinate with both sides. In our case, the major function of freight brokers is to introduce truckers to our digital freight platform. In some cases, freight brokers also assist with the vetting of, and coordination with, such truckers. We believe that freight brokers play an important role in our ecosystem by bringing additional truckers to our platform and facilitating the coordination and communication with truckers.

Our ecosystem provides the following value propositions to freight brokers:

- Freight brokers earn commissions from the truckers they introduce to us if they assist with coordination of such truckers in fulfilling shipping orders. By collaborating with us, truckers introduced by freight brokers can access a larger number of shipping orders via our digital freight platform and therefore freight brokers will be able to earn more commissions. In addition, we pay subsidies to freight brokers that introduce truckers to us after such truckers complete the first shipping order and/or download and register on *Haoyunbao* app.
- Traditionally, road freight transportation transactions facilitated by freight brokers were conducted offline without effective means for freight brokers to track and monitor. By collaborating with us, freight brokers can keep track of the shipping orders fulfilled by truckers they introduce through our digital freight platform in real time and coordinate with truckers in a more efficient manner.

We generally require freight brokers who introduce truckers to us to pay deposit if they are in charge of coordinating with such truckers in fulfilling certain shipping orders. Deposit should be paid by freight brokers to us before the fulfillment of such shipping orders. The primary purpose of the deposit is to secure timely fulfillment of such shipping orders by the truckers. The deposit will be returned to the freight brokers by us once the shippers confirm completion of the shipping orders and pay the shipping fees. As of December 31, 2019, 2020, 2021 and September 30, 2022, the amount of deposits we received from freight brokers was

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approximately RMB22.8 million, RMB24.9 million, RMB49.7 million and RMB112.3 million, respectively. For each shipping order where such deposit is required, the amount of such deposit is generally determined based on the amount of transportation fees payable to truckers for such shipping order.

Other ecosystem participants: Other ecosystem participants, such as truck aftermarket service providers, truck sellers, insurance companies and other financial institutions are connected to truckers on our platform through the truck aftermarket services available on our platform.

Our ecosystem provides the following value propositions to other ecosystem participants:

- We provide effective channels for customer acquisition and help them reach targeted user group.
- We create incremental business opportunities such as supply chain finance based on credit profiles of truckers and other platform participants.
- We help brand manufacturers build and enhance brand awareness among a mass of truckers.
- We reduce the procurement costs for small and medium-sized aftermarket service providers through centralized procurement of accessories and consumables.

OUR BUSINESS MODEL AND SERVICE OFFERINGS

We have cultivated a vibrant digital ecosystem for road freight transportation in China, and we are committed to providing a series of solutions to connect and serve various ecosystem participants. Our business primarily consists of three components: digital freight business, Trucker Community and Truck Plus solutions.

Our Trucker Community and Truck Plus solutions provide strategic value complement to our digital freight business, and such three business lines generate strong synergies. The large and loyal user base of Trucker Community provides stable and efficient supplemental road freight transportation resources for our digital freight platform. At the same time, our digital freight platform attracts more truckers to access, and become loyal members of, Trucker Community. In addition, the demands for truck sales and aftermarket services by truckers on our platform also underpin the significant market potentials for our Truck Plus solutions. The synergy among our business lines reinforces each other, allowing us to enhance our brand image and better serve our customers.

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The table below sets forth some of our key operating metrics during the Track Record Period. During the Track Record Period, the number of shippers and truckers (including active truckers) involved in our digital freight business, as well as the number of shipping orders completed on our platform and Online GTV of our digital freight business, generally maintained a trend of steady growth.

| | For the year ended December 31, | | | For the nine months ended September 30, | |
|--|---------------------------------|---------|---------|---|---------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| <i>Digital Freight Business</i> | | | | | |
| Shippers that had completed shipping orders on our digital freight platform ⁽¹⁾ | 3,340 | 4,327 | 5,934 | 5,318 | 5,932 |
| Truckers who had completed shipping orders on our platform ⁽¹⁾ (thousand) | 760.1 | 1,018.9 | 1,344.2 | 1,101.2 | 1,170.4 |
| Active truckers ⁽¹⁾⁽²⁾ (thousand) | 229.8 | 296.2 | 411.6 | 313.4 | 325.1 |
| Shipping orders (million) | 5.9 | 7.2 | 10.5 | 7.8 | 7.5 |
| Online GTV (RMB billion) | 23.4 | 27.9 | 38.0 | 28.3 | 27.3 |

For freight transportation services:

| | For the year ended December 31, | | | For the nine months ended September 30, | |
|--|---------------------------------|-------|-------|---|-------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| Shippers that had completed shipping orders ⁽¹⁾ | 267 | 634 | 924 | 822 | 871 |
| Truckers who had completed shipping orders ⁽¹⁾ (thousand) | 115.6 | 186.1 | 263.3 | 212.8 | 211.1 |
| Active truckers ⁽¹⁾⁽²⁾ (thousand) | 43.4 | 64.8 | 85.3 | 65.0 | 63.7 |
| Shipping orders (million) | 1.1 | 1.5 | 1.8 | 1.4 | 1.2 |
| Online GTV (RMB billion) | 3.6 | 4.8 | 6.5 | 4.8 | 4.9 |

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For freight platform services:

| | For the year ended December 31, | | | For the nine months ended September 30, | |
|--|---------------------------------|-------|---------|---|---------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| Shippers that had completed shipping orders ⁽¹⁾ | 3,119 | 3,762 | 5,177 | 4,587 | 5,169 |
| Truckers who had completed shipping orders ⁽¹⁾ (thousand) | 703.2 | 910.7 | 1,191.4 | 966.0 | 1,034.6 |
| Active truckers ⁽¹⁾⁽²⁾ (thousand) | 189.3 | 231.7 | 324.9 | 245.4 | 256.4 |
| Shipping orders (million) | 4.8 | 5.7 | 8.6 | 6.4 | 6.2 |
| Online GTV (RMB billion) | 19.8 | 23.1 | 31.5 | 23.5 | 22.5 |

Note 1: Some shippers and truckers fulfill shipping orders under both freight transportation services and freight platform services, so the sum of the number of shippers (or truckers or active truckers) under the two business models could be greater than the total number of shippers (or truckers or active truckers) for our digital freight business as a whole.

Note 2: An active trucker under freight transportation service or under freight platform service is defined as a trucker who completed at least four orders on our digital freight platform under such business model in a certain year or period. Since some truckers fulfilled less than four orders under each individual business model but fulfilled more than four orders on our digital freight platform as a whole in certain year or period, such truckers are not considered active truckers under each individual business model, but is considered an active trucker on our platform for such year or period. As a result, in certain year or period, the sum of the number of active truckers under the two business models could be smaller than the total number of active truckers for our digital freight business as a whole.

Digital Freight Business

We operate one of the largest digital freight platforms in China in terms of Online GTV, according to CIC. In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, Online GTV of our digital freight platform amounted to RMB23.4 billion, RMB27.9 billion, RMB38.0 billion, RMB28.3 billion and RMB27.3 billion, respectively, and the revenue of our digital freight business amounted to RMB3.5 billion, RMB4.6 billion, RMB6.3 billion, RMB4.7 billion and RMB4.7 billion, respectively. In 2019, 2020, 2021 and the nine months ended September 30, 2022, shippers that had completed shipping orders on our digital freight platform amounted to 3,340, 4,327, 5,934 and 5,932, respectively; and as of December 31, 2019, 2020 and 2021 and September 30, 2022, the cumulative number of shippers that had completed shipping orders on our platform reached 4,643, 6,884, 9,623 and 11,698, respectively. In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, the number of shipping orders completed on our platform amounted to 5.9 million, 7.2 million, 10.5 million, 7.8 million and 7.5 million, respectively.

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Services Provided Through our Digital Freight Business

We fulfill shippers' demand for road freight transportation through our digital freight business. The chart below sets forth the service we provide and the flow of fund at each stage during the shipment process of our digital freight business.

Funds Flow and Transaction Flow — Freight Transportation Services



Note: We assign one designated account to each shipper on our platform for its payment of shipping fees.

Funds Flow and Transaction Flow — Freight Platform Services



Note: We assign one designated account to each shipper on our platform for its payment of shipping fees.

Depending on the needs of the customers in the road freight transportation process, our digital freight business consists of two different service models, namely freight transportation services and freight platform services.

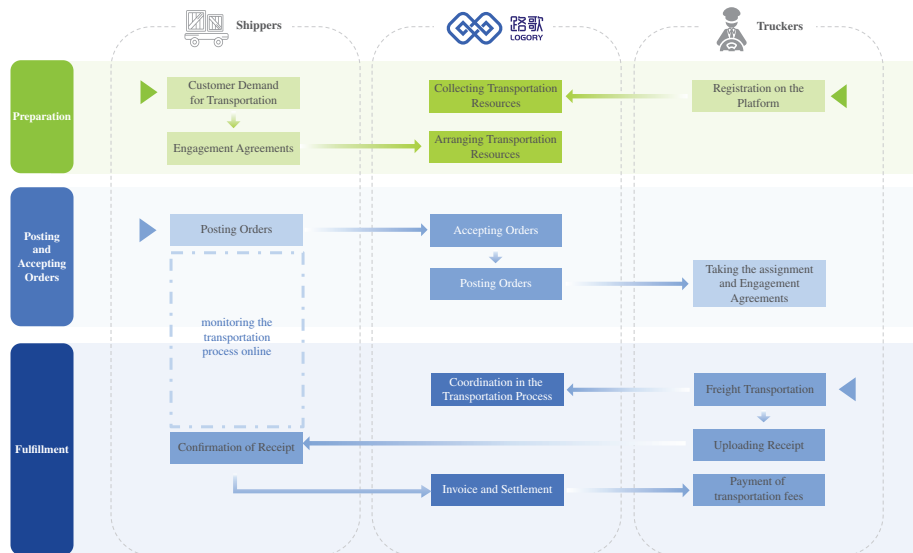
BUSINESS

Freight Transportation Services: We provide digital freight transportation services as a carrier by addressing the shipping demand from shippers with appropriate road freight transportation resources based on our analysis of the shippers' business. For each customer, we make tailor-made plans that are specifically catered to the needs of the customer and address the specific problems encountered by the customer in the industry in which it operates. For example, we analyze the transportation needs in the coal industry based on the production patterns of coal mining companies and the transportation patterns of logistics companies serving such coal mining companies, and we examine the background and transportation history of truckers to seek those with relevant experiences serving such companies, so that we can better allocate trucker resources for customers who demand transportation resources in large quantity. We provide shippers with a hassle-free experience by taking charge of the entire road freight transportation process, from trucker arrangement to final settlement. Our freight transportation services are usually provided to customers in the industries with a high degree of standardization in logistics transportation such as shippers for bulk cargo. For our freight transportation services, we recognize contract amount charged to shippers for freight transportation service as our revenue.

Set forth below are the key steps of our freight transportation services:

- ***Preparation:*** We sign our engagement agreement with our shipper customer and we make careful examination and analysis of the nature of the shipper's business, so as to make appropriate initial arrangement for transportation resources that are suitable for the specific needs of the shipper.
- ***Posting and Accepting Shipping Orders:*** The shipper posts its shipping order, after which we accept and assign such shipping order to selected truck fleets or truckers based on our initial arrangement for the road freight transportation resources.
- ***Fulfillment:*** Once the shipping order is accepted, the appropriate road freight transportation resources arranged by us, including truckers, will fulfill such shipping order. We closely manage the fulfillment process and provide the shipper with options to monitor the entire process of the fulfillment status online. Once truckers have completed the delivery and before payment is made to truckers, shippers are required to confirm the fulfillment of shipping orders with us. After the shipper confirms fulfillment of the shipping order, the shipper pays shipping fees to us, and we pay the transportation fee to the truckers.

BUSINESS FLOW CHART – FREIGHT TRANSPORTATION SERVICES



In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, Online GTV of our freight transportation services amounted to RMB3.6 billion, RMB4.8 billion and RMB6.5 billion, RMB4.8 billion and RMB4.9 billion, respectively, and the revenue of our freight transportation services amounted to RMB3.3 billion, RMB4.4 billion, RMB5.9 billion, RMB4.4 billion and RMB4.5 billion, respectively. In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, the number of shipping orders under our freight transportation services amounted to 1.1 million, 1.5 million, 1.8 million, 1.4 million and 1.2 million, respectively.

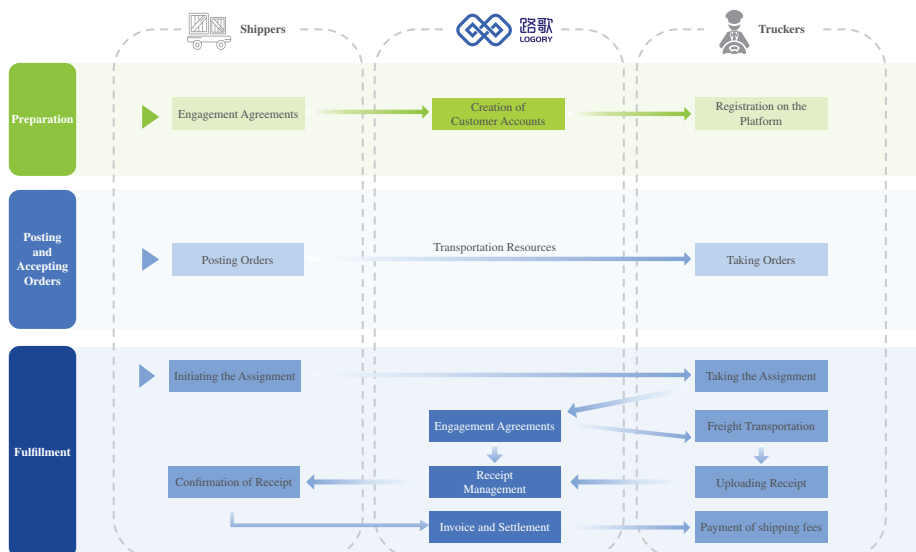
Freight Platform Services: When providing freight platform services, our focus is on connecting and facilitating the coordination between shippers and truckers. We provide shippers access to our platform so they can easily coordinate with the truckers they select. We help shippers reduce transportation cost by providing them with easy and transparent access to transportation resources so shippers can save time and resources for searching and procuring truckers for their transportation assignments. Our freight platform business provides shippers with online digital freight services, and helps shippers improve their operational efficiency through the convenient, flexible and reliable access to transportation resources we provide. We also help shippers reduce risks involved in the transportation process through the comprehensive portfolio of functionalities available on our platform, including enabling shippers to monitor the shipping process and providing shippers and truckers with access to relevant insurance products. Our freight platform services are mainly provided to address the needs of customers in industries where coordinating road freight transportation involves high complexity. For our freight platform services, we recognize revenue based on the difference between the contract amount to be received from the shippers and the contract amount to be paid to the selected truckers.

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Set forth below are the key steps of our freight platform services:

- Preparation:** We sign engagement agreements with our shipper customers. In the meantime, we accumulate transportation resources on our platform of truckers available for the provision of freight services for selection by shippers.
- Posting and Accepting Shipping Orders:** After the shippers post their shipping orders, we make recommendations regarding the transportation resources by providing the shippers with suggested truckers whose experience and professional background with respect to industry, nature of freight and transportation route best match the demand of the shippers. Our suggestions to shippers are based on our understanding of the transportation needs of the shippers, and our review of relevant background and transportation history of truckers to seek those with relevant experience serving such shippers, in a way similar to our selection of truckers for shippers under freight transportation services. In this way, we believe that shippers can select truckers with relevant experience and expertise to fulfill the shipping orders. The truckers selected by the shippers accept such shipping orders.
- Fulfillment:** Once the shipping orders are accepted, the road freight transportation resources, including truckers previously selected by the shippers, will fulfill such shipping orders. We also monitor the transportation process on our platform including the movement of the trucks and provide various functions for shippers to monitor and coordinate their shipments. Once truckers have completed the delivery and before payment is made to truckers, shippers are required to confirm the fulfillment of shipping orders with us. After the shippers confirm fulfillment of the shipping orders, the shippers pay shipping fees to us, which we pay to truckers after deducting our platform service fees.

BUSINESS FLOW CHART – FREIGHT PLATFORM SERVICES



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In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, Online GTV of our freight platform services amounted to RMB19.8 billion, RMB23.1 billion, RMB31.5 billion, RMB23.5 billion and RMB22.5 billion, respectively, and the revenue of our freight platform services amounted to RMB275.3 million, RMB261.7 million, RMB349.2 million, RMB253.6 million and RMB231.3 million, respectively. In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, the number of shipping orders under our freight platform services amounted to 4.8 million, 5.7 million, 8.6 million, 6.4 million and 6.2 million, respectively.

The table below sets out a comparison of key characteristics of our freight transportation services and freight platform services:

| | <u>Freight Transportation Services</u> | <u>Freight Platform Services</u> |
|--|---|--|
| <i>Selection of transportation resources</i> | We select transportation resources (including truckers and their trucks) for shippers. | Shippers select transportation resources (including truckers and their trucks) by themselves through our platform. |
| <i>Pricing</i> | <p>We set the pricing for shipping fees paid by shippers to us based on negotiation between shippers and us.</p> <p>We set the pricing for transportation cost we pay to truckers based on negotiation between truckers and us.</p> | Shippers directly negotiate with truckers for transportation fees paid to truckers, and we charge shippers a variable margin based on negotiation between shippers and us. |
| <i>Typical customers</i> | Shippers for bulk cargo, such as coal or steel. As the shipping process for bulk cargo is highly standardized, such shippers generally do not have special requirements and prefer to have us select transportation resources for them. | Shippers for consumer commodities, such as major home appliances. As the shipping process for consumer commodities is relatively complicated, such shippers generally have customized requirements and prefer to select transportation resources themselves. |

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| | <u>Freight Transportation Services</u> | <u>Freight Platform Services</u> |
|-----------------------------------|---|---|
| <i>Role of our Group</i> | Principal, as we select transportation resources for shippers and have full control over the shipping process. | Agent, as shippers select transportation resources themselves and we do not have full control over the shipping process. |
| <i>Revenue recognition basis</i> | Gross basis | Net basis |
| <i>Revenue recognition policy</i> | The shipping fees paid by shippers to us are recognized as revenue for freight transportation services, and the transportation cost we pay to truckers is recognized as cost of revenue. Revenue is recognized over time using an output method of progress as shippers receive the benefit of our services as the freight is shipped from the origin to the destination. | The margin we charge to shippers is recognized as revenue for freight platform services, which represents the difference between the total shipping fees paid by shippers to us and the transportation fees paid to truckers. Revenue is recognized once the shipping order is completed. |

Under both freight transportation services and freight platform services, as a statutory carrier, we are required by applicable PRC laws and regulations to enter an agreement with shippers who place shipping orders on our platform, and an agreement with truckers who fulfill such shipping orders. Since shippers do not enter into agreements with truckers under either business model, we collect the full amount of shipping fee from shippers and pay the transportation fee to truckers under both business models.

Our Relationship with Shippers

We generally enter into a road freight transportation collaboration agreement (“**Collaboration Agreement**”) with a shipper that has demand for transportation resources to fulfill shipping orders on our digital freight platform. Our responsibilities and liabilities under both freight transportation services and freight platform services are similar. For both freight transportation services and freight platform services, we serve as a carrier under PRC law, and bear the risks of loss or damage of goods in transit, up to the amount of shipping fee, in accordance with the agreements we entered into with shippers. As such, under both business models, shippers pay the full amount of shipping fee to us, and we pay the transportation fee to truckers. We are obligated under the agreement to ensure timely transportation and delivery of freight in good condition, while shippers are obligated to make timely payments for the shipping services. We are also required to observe safety requirements during the

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transportation process. On the basis that (A) in respect of the Collaboration Agreements with shippers (i) we bear the risk of loss and damage of goods in transit only up to the amount of the shipping fee we received from shippers, as required by the terms stipulated under the Collaboration Agreements, and we do not pay any additional amount of compensation to shippers beyond such limits; (ii) CIC's view that our existing insurance coverage is sufficient to cover our potential liability under the Collaboration Agreements, given that our exposure for loss and damage of goods in transit is limited to the amount of shipping fee; (iii) we generally require our customers to purchase adequate insurance coverage prior to our rendering of transportation services; and (B) in respect of our transportation agreements with truckers for road freight transportation ("**Transportation Agreements**") (i) we require truckers to take out insurance in key areas including vehicular insurance, third-party insurance and insurance over personal injuries of truckers and we require truckers to compensate us for loss and damage of goods in transit up to the amount of transportation fee we pay to truckers if we are required to compensate shippers for such loss and damage; and (ii) CIC's view that the insurance coverage we require of truckers pursuant to the Transportation Agreements is sufficient to cover general risks faced by truckers; and (C) CIC's view that the contractual allocation of risk between (i) shippers and us under the Collaboration Agreements; and (ii) truckers and us under the Transportation Agreements, are in line with market practice, the Sole Sponsor believes that our risks related to such responsibilities and liabilities imposed by law and by contracts are adequately insured. See "**—Insurance**".

We charge customers for both of our freight transportation services and freight platform services based on the scope of services we provide. Under freight transportation services, we charge the shipper shipping fees which are based on our transportation fees paid to truckers plus a reasonable mark-up. Under freight platform service, we charge a mark-up to the shippers, as well as collect transportation fees on behalf of truckers. For both the shipping fees under our freight transportation service and the mark-up under our freight platform service, we adopt our pricing policy and negotiate the price we charge for each customer on a case-by-case basis by considering factors including the annual Online GTV contributed by such customer and our business relationships and transaction history with such customer. We also provide customers with discounts based on various factors such as length of business relationship and creditworthiness.

Throughout the years, our services have enabled our customers to expand their accessibility to available road freight transportation resources, and improve their efficiency of utilizing such road freight transportation resources, which would in turn help them reduce operating costs and compliance costs. With our capability in providing digital solutions, we are dedicated to empowering our customers by improving their ability to manage road freight transportation resources.

Our Relationship with Truckers

We have an adequate reserve of truckers to meet customers' demand for road freight transportation. Truckers on our digital freight platform are individual truck drivers who provide shipping services through trucks in the process of road freight transportation. In 2019, 2020, 2021 and the nine months ended September 30, 2022, the number of truckers who had completed shipping orders on our platform amounted to 760.1 thousand, 1,018.9 thousand, 1,344.2 thousand and 1,170.4 thousand, respectively. We consider truckers who complete at least four orders on our digital freight platform in a given year or a given period to be active truckers, who completed more than 82% of the total amount of sales orders on our platform in each of 2019, 2020, 2021 and the nine months ended September 30, 2022. In 2019, 2020, 2021 and the nine months ended September 30, 2022, the number of active truckers on our platform amounted to 229,800, 296,200, 411,600 and 325,100, respectively.

We generally enter into a freight transportation service agreement with truckers who fulfill shipping orders on our digital freight platform. Pursuant to the freight transportation service agreements, we typically require that (i) truckers have requisite qualifications, licenses and permits with respect to the trucks and the freight transportation services to be provided; (ii) truckers fulfill the road freight transportation orders safely and in a timely manner; (iii) truckers remain subject to our continued supervision and stay in communication with us during the transportation process; (iv) truckers provide the transportation services with professional attitude, ensure the delivery of freight in good condition, and make appropriate communication with the recipient of the freight; and (v) truckers shall bear all risks during the transportation process in connection with the freight transportation services provided and shall be obligated to purchase relevant insurance relating to the transportation process, in addition to our requirements for our customers to purchase adequate insurance coverage prior to our rendering of transportation services. See “—Our Business Model and Service Offerings—Digital Freight Business—Our Relationship with Shippers”. According to the freight transportation service agreement between the truckers and us, should any disputes arise out of the transportation process, we are allowed to withhold payment of transportation fee to truckers until such disputes are resolved, and we shall make payment to truckers only after receiving confirmation from shippers, which limits the possibility of further or subsequent disputes arising between shippers and truckers. During the Track Record Period, we had not been involved in any material disputes with shippers or truckers for liabilities incurred during the transportation process.

Under our freight transportation service, based on the shipping fee we charged from shippers and general market conditions, we post on our digital freight platform relevant transportation assignments with a price quote to selected truckers by referring to various factors such as weight, distance and industry, which we believe is in line with general market pricing level. Truckers can take such transportation assignments based on their own transportation capacity, the price quote and other relative information such as the route and nature of the freight. Under our freight platform service, shippers negotiate price with truckers.

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To further improve the efficiency in trucker assignment, we screen truckers who have completed registration on our platform, and closely track and evaluate their performance. We conduct careful screening process for truckers on our platform, and generally require truckers to provide, for our screening purpose, their personal identification card, drivers' license and operating permits of their trucks which are issued by relevant transportation authorities. We offer customers a feedback system so they can provide feedback regarding the performance of the truckers engaged on our platform in completing a particular order, and we give each trucker a performance score based on such customer evaluation. We keep record of every transaction completed by truckers, including transaction time, customer feedback and nature of transactions. In some cases, we screen and select truckers who are familiar with certain routes, nature of freight or work procedures, in order to provide services to particular customers with improved efficiency.

We maintain good relationship with truckers on our platform. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material disputes with truckers on our platform or any strikes by truckers on our platform.




Users' Access to our Digital Freight Business

We leverage on our portfolio of apps, including *Haoyunbao*, *Guanchebao*, *Kuailubao* and *Newland*, to enhance the synergy of the road freight transportation resources along the industry value chain, and empower customers to manage the road freight transportation resources.

Set forth below is a comparison between the different apps we provide:

| | PC/mobile | Intended users | Main functionalities |
|---|------------------|---|--|
| <i>Guanchebao</i> (管車寶)  | PC | off-site personnel of shippers, who work at the headquarter or regional offices of the shippers | access to a comprehensive portfolio of digital freight services, including placing orders, selecting truckers, settling bills, and making payments. In addition, off-site finance team of the shippers may use this portal to review transportation records and audit the bills. |

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| | PC/mobile | Intended users | Main functionalities |
|---|-----------|---|--|
| <p><i>Haoyunbao</i> (好運寶)</p>  | mobile | truckers | managing the road freight transportation procedures, including taking orders, verifying information and managing payment of transportation fees; and accessing truck aftermarket services, such as the refill of oil, gas or ETC payments. |
| <p><i>Kuailubao</i> (快路寶)</p>  | mobile | on-site personnel of shippers, who work at the origin or destination of the shipping order to directly monitor the transportation process | fast and convenient onsite access to digital freight services, including placing orders, selecting truckers, settling bills, and making payments. |
| <p><i>Newland</i> (新大陸)</p>  | PC | off-site management personnel of shippers, who work at the headquarter or regional offices of the shippers | provides logistics companies with the possibility of data-empowered management and improve their scientific management capabilities. |

路歌管車寶

Guanchebao (管車寶), our self-developed app based on Internet technology and base station positioning technology, is an online transportation resources management software designed for logistics companies, the data bearer of which is PC terminal. *Guanchebao* is our first self-developed software, and it is also the first SaaS software applied to the logistics industry in China, according to CIC. Taking into account the status quo of domestic transportation industry in which individual truckers are major players, *Guanchebao* helps logistics companies improve dispatching efficiency, reduce transportation costs and optimize transportation management by providing a comprehensive portfolio of digital freight services for logistics companies. We cooperate with three major mobile service operators for *Guanchebao*, namely China Telecom, China Unicom and China Mobile, through location-based

services that allows logistics companies to acquire trucker’s location in real time, which improves the dispatching efficiency and enables in-transit management. Under our procurement agreements with these major mobile service operators, we pay such mobile service operators a monthly or annual fee in exchange for a fixed amount of the location-based services provided by such mobile service operators. Once the said fixed amount of location-based service is reached, we may pay additional fee to further procure such service. *Guanchebao* provides logistics companies with a variety of value-added services such as payment management, reconciliation management and invoice management, and is also equipped with functions including truck information collection, flow management and label management, facilitating standardized business management by logistics companies, and helping logistics companies to digitalize business process.

| 车牌列表 | 车牌号 | 车牌信息 | 司机姓名 | 联系电话 | 当前位置 | 更新时间 | 所属公司 | 操作 |
|------|---------------------|------|------|------|-------------|-------------|------|-----|
| | 粤A2K... 842K... 842 | | | | 重庆南岸南坪海棠溪 | 11:21 15:11 | 全国 | 已注销 |
| | 粤A... 854K... 1276 | | | | 浙江金华永康南苑路 | 10:22 15:54 | 全国 | 已注销 |
| | 粤A... 863K... 2076 | | | | 河南新乡卫辉工业园区 | 11:02 17:20 | 全国 | 已注销 |
| | 粤A... 862K... 874 | | | | 安徽宣城绩溪县皖边 | 09:28 14:57 | 全国 | 已注销 |
| | 粤A... 811K... 1276 | | | | 福建泉州南安蔡厝工业区 | 09:28 18:20 | 全国 | 已注销 |
| | 粤A... 842K... 4576 | | | | 广东惠州仲恺高新区 | 09:28 18:40 | 全国 | 已注销 |
| | 粤A... 842K... 1576 | | | | 福建泉州晋江工业园区 | 09:28 18:58 | 全国 | 已注销 |
| | 粤A... 842K... 5076 | | | | 安徽宣城绩溪县皖边 | 09:28 21:19 | 全国 | 已注销 |
| | 粤A... 842K... 6076 | | | | 安徽宣城绩溪县皖边 | 09:28 18:09 | 全国 | 已注销 |
| | 粤A... 811K... 3076 | | | | 广东惠州仲恺高新区 | 09:28 18:19 | 全国 | 已注销 |
| | 粤A... 854K... 3076 | | | | 湖南长沙开福区心区 | 09:28 22:02 | 全国 | 已注销 |
| | 粤A... 842K... 4576 | | | | 安徽宣城绩溪县皖边 | 09:28 22:59 | 全国 | 已注销 |
| | 粤A... 842K... 3176 | | | | 湖南长沙开福区心区 | 09:22 16:08 | 全国 | 已注销 |
| | 粤A... 842K... 3076 | | | | 四川成都新都工业园区 | 09:22 12:15 | 全国 | 已注销 |
| | 粤A... 842K... 5076 | | | | 安徽宣城绩溪县皖边 | 09:20 10:50 | 全国 | 已注销 |
| | 粤A... 842K... 3076 | | | | 江西宜春袁州经开区 | 09:18 16:37 | 全国 | 已注销 |

Truck List Interface of *Guanchebao*



Map Distribution Interface of *Guanchebao*



Haoyunbao (好运宝) is our self-developed, mobile-based comprehensive software built on mobile internet technology for truckers, which is dedicated to promoting more equitable and efficient coordination of participants along the road freight transportation supply chain. According to CIC, *Haoyunbao* is the first domestic transportation assistance tool that serves as the intelligent reminders with instant task response interaction, and also the first domestic all-round intelligent software integrating truckers’ business and life. *Haoyunbao* provides truckers with transportation process management and truck aftermarket services. *Haoyunbao* has digitalized the transportation process for truckers, including accepting freight sources, signing electronic agreements, uploading receipts and transportation fee settlement, etc. On the one hand, it helps truckers carry out the transportation process more efficiently, on the other hand, the online mode replaces the paper agreements and receipts under the traditional mode, effectively preventing losses caused by the loss of paper materials. *Haoyunbao* provides truckers with targeted services such as transportation fee guarantee, to secure the truckers’ transportation fee settlement and reduce the payment-related risk. At the same time, through direct supply chain procurement, it provides truckers with reasonably priced truck aftermarket

products and services, such as sales of trucks and assistance with truck operating qualifications, repair and maintenance, to help them participate in digital freight more efficiently and securely.



Transaction Interface



Truck Aftermarket Service Interface



Personal Center



Kuailubao (快路寶), our self-developed, mobile-based freight transport management software, strives to provide logistics companies with services covering business operation and road freight transportation management. *Kuailubao* is one of the first mobile applications for freight transportation management in China which seeks to improve the synergy between logistics companies and transportation resources through the repeated engagement of stable transportation resources, according to CIC. The freight transportation management service provided by *Kuailubao* digitalizes the management process for each transaction. It supports the direct procurement of transportation resources at the time of order creation, the in-transit management and emergency management during the transportation process, and the management of receipts and online settlement of shipping fees upon the completion of transportation. *Kuailubao* is committed to helping critical players in logistics projects collaborate in a more digital manner to fulfill their work.

While *Kuailubao* helps logistics companies accumulate massive road freight transportation resources through the data it has amassed, it also improves the transparency of business processes through digitalization and continuously optimizes the road freight transportation resources supply chain for logistics companies.



**Transaction List
Interface**



**In-transit Track
Interface**



**Payment Detail
Interface**



The *Newland* system is a mid-to-back stage management and analysis software for logistics companies, which provides them with business data and outputs middle platform management capabilities.

Newland analyzes the real-time front-end business data to form the mid-to-back stage analysis data (business analysis, abnormal warning, road freight transportation resources status, shipping fee transportation resources procurement, shipping fee analysis, etc.), and presents such data in a dynamic and visualized manner for use in business, road freight transportation resources management and capital management, respectively.

Newland provides logistics companies with the possibility of data-empowered management and improve their scientific management capabilities. In particular, by using *Newland*, large logistics companies can effectively manage a large number and different types of logistics projects distributed nationwide and analyze the operation status of each logistics project and/or the company as a whole. Moreover, they can directly oversee the performance of each participant in the business process and control the business risks in a timely manner through *Newland*, and manage and evaluate their internal staff.



Newland system
freight analysis interface



Newland system
abnormal warning interface

Trucker Community (卡友地带)

We operate Trucker Community, the largest community in the logistics industry in China and the largest community for truckers in China, in terms of the number of registered users as of December 31, 2021, according to CIC. We initiated our Trucker Community in 2014, which was dedicated to empowering truckers with better business opportunities, social communities and work capacities. Through years of efforts, our Trucker Community has evolved into a trusted self-organized community with significant recognition among truckers. During the Track Record Period, we did not generate any income directly from Trucker Community, and we primarily relied on Trucker Community for the strategic support it provides to our digital freight business and Truck Plus business.

Our Network for Truckers

We have established an “online + offline” community for truckers. As of September 30, 2022, our online platform recorded a total of over 3.1 million registered users. As of September 30, 2022, our offline community had encompassed a nationwide network spanning across 32 provinces and 298 cities in China.

Users can gain access to Trucker Community through a wide variety of online portals, including the mobile app we developed for Trucker Community, as well as our official accounts on social media platforms such as WeChat and Douyin. Our *Haoyunbao* portal also has an interface connected to Trucker Community. In addition, truckers may also gain access to Trucker Community through our WeChat group, or through the offline activities organized by the local branches of Trucker Community.

To get more involved in Trucker Community, truckers may register for memberships, which grant them access to additional features, such as posting online inquiries regarding professional know-hows and business opportunities, and posting requests for on-site assistance in case of traffic accident or mechanical failures of their truck. A trucker’s membership can be

upgraded through active participation in mutual support activities, as well as social events organized by local branches of the network. Such membership upgrade may provide truckers with additional benefits such as granting such truckers discounts on the Truck Plus solutions we provide.

Features for Truckers

Trucker Community primarily offers the following features:

Content-based Networking

Our content-based networking feature allows truckers to discover high-quality contents that are interesting, relevant and helpful, enabling truckers to build connections with each other in our robust community. Topics covered by the posts include industry updates, information on business opportunities, professional know-hows and sharing of significant moments in personal or family life.

Mutual Support-based Networking

We have established a mutual support program to address various online inquiries from truckers and to facilitate the provision of on-site support to truckers under urgent situations such as traffic accidents or extreme weather conditions. Online inquiries typically cover topics such as traffic and market conditions in the road freight transportation industry, professional know-hows and information on truck maintenance, while requests for on-site support typically address urgent conditions such as traffic accident or truck malfunction. During the Track Record Period, we recorded a monthly average of approximately 18,800 online inquiries, with 87.2% eventually resolved; we also recorded a monthly average number of approximately 1,300 requests for onsite mutual support, with all of them eventually resolved.

Offline Social Networking

To further facilitate the communication and mutual support among truckers, we established local branches for Trucker Community. Such local branches usually organize various activities, such as social gatherings or informal celebration of traditional holidays among truckers, to promote the interaction and foster the sense of community among truckers.

Access to Insurance

Truckers on our platform are offered with a portfolio of insurance services specifically designed for various risks in their work and life. We partnered with insurance companies such as Public Mutual Insurance Corporate and Huatai Property & Casualty Insurance to provide truckers on Trucker Community with easy access to insurance services provided by such business partner at affordable prices. Although during the Track Record Period and up to the

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Latest Practicable Date, we didn't generate any substantial income through providing truckers with access to such insurance services, we believe we help truckers on our platform resolve one of their concerns regarding affordable commercial insurances for their business.

Value to Our Business

Although our Trucker Community did not generate revenue during the Track Record Period, it provides strategic support for our digital freight platform. Through our Trucker Community, we strengthen our brand image among truckers, shippers and other ecosystem participants, who further promote our brand recognition within the industry through word-of-mouth and help us acquire customers for our digital freight business. In addition, the large pool of truckers that we can gain access to through Trucker Community serves as supplemental resources in fulfilling shipping orders on our digital freight platform. For example, under certain circumstances where additional truckers are needed to fulfill shipping orders in certain regions, we may reach out to truckers from Truckers Community in such regions, either directly through WeChat or through communication facilitated by active members of the local branches of Trucker Community, to recruit truckers to fulfill such shipping orders along with truckers who are already on our digital freight platform.

Set forth below are certain operating metrics of our Trucker Community:

| | Twelve months ended | | | Nine months ended | |
|--|---------------------|---------|---------|-------------------|---------|
| | December 31, | | | September 30, | |
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| Number of Converted Truckers ⁽¹⁾ (thousand) | 225.9 | 287.3 | 261.1 | 219.7 | 217.9 |
| Online GTV fulfilled by Converted Truckers (RMB billion) | 8.2 | 10.1 | 8.7 | 6.5 | 5.9 |
| Shipping orders fulfilled by Converted Truckers (thousand) | 2,072.0 | 2,835.8 | 2,079.3 | 1,599.6 | 1,324.0 |
| Breakdown by: | | | | | |
| Freight transportation services (thousand) | 453.8 | 581.5 | 371.4 | 292.5 | 158.3 |
| % of total freight transportation service shipping orders (%) ⁽²⁾ | 41.4 | 38.4 | 20.1 | 20.8 | 12.8 |
| Freight platform services (thousand) | 1,618.2 | 2,254.3 | 1,707.9 | 1,307.1 | 1,165.6 |
| % of total freight platform service shipping orders (%) ⁽²⁾ | 33.9 | 39.6 | 19.8 | 20.4 | 18.7 |
| Percentage of truckers converted from Trucker Community to our digital freight platform (%) ⁽³⁾ | 16.1 | 17.6 | 19.8 | 19.3 | 20.3 |

Notes:

- (1) "Converted Truckers" refer to trucker users who fulfilled shipping orders on our digital freight platform after they registered on Trucker Community.
- (2) The percentage of shipping orders fulfilled by truckers from our Trucker Community decreased from 2020 to 2021, primarily due to an increase in the number of shippers who fulfilled shipping orders mainly through truckers who had not yet joined Trucker Community.
- (3) Defined as the ratio of the Converted Truckers as of the end of a given period to the total trucker users registered on Trucker Community as of the end of such period.

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Truckers on our Trucker Community platform serve as supplemental resources in fulfilling shipping orders on our platform, while the majority of shipping orders are fulfilled by other truckers on our digital freight platform who have not joined Trucker Community. See “—Our Business Model and Service Offerings—Digital Freight Business.” The synergy among our business lines reinforces each other, allowing us to enhance our brand image and better serve our customers.

We have been exploring monetization opportunities for Trucker Community, including through our Truck Plus solutions. See “—Our Business Model and Service Offerings—Truck Plus Solutions.”

Truck Plus Solutions (卡加車服)

Our Truck Plus solutions are dedicated to enhancing the operational efficiency for truckers with an integrated portfolio of truck sales and aftermarket services covering the entire life-cycle of a trucker’s business. Our Truck Plus Solutions play a supplemental role in supporting our digital freight business and providing us with diversified sources of revenue. Truck Plus contributed to a small portion of our revenue during the Track Record Period. We provide our Truck Plus solutions through our network of authorized stores run by operators who manage the daily operation of such authorized stores with our permission.

To support operations of Truck Plus solutions, we also established a Truck Plus membership system. As of December 31, 2019, 2020 and 2021 and September 30, 2022, the total number of Truck Plus members was approximately 59,000, 95,000, 116,000 and 122,000, respectively. Our Truck Plus membership system was derived from the Trucker Community membership system. But it is a separate, stand-alone membership system that provides truck aftermarket services to truckers. We operate these two membership systems separately because they serve different functionalities and fulfill different demand from truckers. The Trucker Community membership system allows truckers to connect with and provide mutual support to their fellows, whereas the membership system for Truck Plus allows truckers to purchase truck aftermarket solutions from us. Members under each system can enjoy certain discounts and privileges that are transferable between these two systems. The Truck Plus membership services we provide to truckers include rescue, sales discounts, offline services, among others, to increase user loyalty. For example, our Truck Plus members can enjoy the services provided under our Truck Purchase solutions and Truck Maintenance solutions at a discount based on the membership status.

Truck Purchase Solutions (卡加優車)

Our “Truck Purchase” solutions mainly generate revenue through the sale of new trucks, and referral services for the sale of second-hand trucks. We primarily generate sale of goods revenue from Truck Purchase solutions by selling to our authorized stores new trucks, which we procure from truck manufacturers and OEMs that we have established stable business relationship with, and individual sellers and dealers. Under our procurement agreements, sellers such as truck manufacturers and OEMs are responsible for ensuring delivery of trucks

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in good quality, and we are responsible for making timely payment. Under our partnership with our authorized stores, which are our direct customers, we are responsible for the procurement of trucks and our authorized stores are responsible for the sales of such trucks to truckers. If an authorized store fails to fulfill its obligations stipulated in its agreement with us, such as refraining from activities that may damage our brand image, we are entitled to indemnity from such authorized store and we may terminate our agreement with such authorized store. As of the Latest Practicable Date, our “Truck Purchase” solutions had 42 authorized stores, most of which are operated by our business partners, in offline service network across 40 cities in 13 provinces in China. We also provide referral services for the sale of second-hand trucks and generate revenue from service commissions. In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, revenue generated from Truck Purchase solutions amounted to approximately RMB16.2 million, RMB10.1 million, RMB1.0 million, RMB0.9 million and RMB0.03 million, respectively, and gross profit generated from Truck Purchase solutions amounted to RMB177.9 thousand, RMB901.3 thousand, RMB163.9 thousand, RMB139.7 thousand and RMB28.5 thousand, respectively.

Truck Maintenance Solutions (卡加養車)

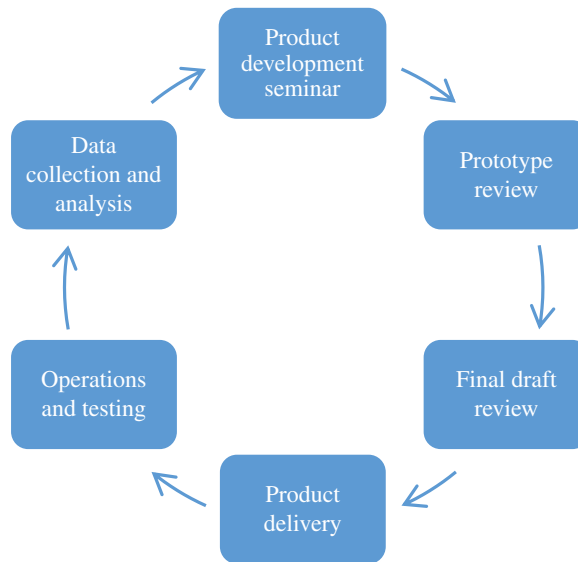
Our Truck Maintenance solutions mainly generate revenue by providing supply chain products to our authorized stores, which are our direct customers. We generate revenue from Truck Maintenance Solutions by selling to such authorized stores truck supply products, such as engine oil, which we procure in bulk from our suppliers at a discount. Under our partnership with our authorized stores, we are responsible for the procurement of such truck supply products and our authorized stores are responsible for the sales of such truck supply products to truckers. If an authorized store fails to make timely payments to us for the truck supply products they procure, or if it fails to fulfill its obligations such as refraining from activities that may damage our brand image, we may terminate our agreement with such authorized store. As of the Latest Practicable Date, our Truck Maintenance solutions had 648 authorized stores, most of which are operated by our business partners, in 117 cities in 19 provinces. In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, revenue generated from Truck Maintenance solutions amounted to approximately RMB1.6 million, RMB4.0 million, RMB8.7 million, RMB6.1 million and RMB7.3 million, respectively, and we generated from Truck Maintenance solutions gross loss of RMB18.1 thousand, gross profit of RMB285.9 thousand, gross profit of RMB1,482.0 thousand, gross profit of RMB713.3 thousand and gross profit of RMB272.0 thousand, respectively.

RESEARCH AND DEVELOPMENT

Our dedication to research and development has fueled us up and enabled us to continuously improve our services. We rely on our research and development capabilities to maintain our competitiveness within the industry, and to achieve our long-term growth in revenue and profitability. We consistently invest significant resources into research and development activities. In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, we incurred research and development expenses of RMB29.9 million, RMB46.7 million, RMB72.8 million, RMB48.2 million and RMB58.2 million, respectively.

Our Product Development Model

We are dedicated to relentlessly delivering value to our business operations through our research and development efforts. Our research and development process is characterized by our product development model, which optimizes the process for product development by focusing on the specific goals that each of our research and development projects strive to achieve:



Our product development model is comprised of the following six major steps:

- Product development seminar: We organize the initial product development seminar to initiate the product development process. Through early-stage discussions, we align the understanding of our team members on key points in the product development process, such as goals, strategies and the customer demand we strive to meet.
- Prototype review: We further clarify the value propositions through more intensive discussion, based on the prototype we have.
- Final draft review: We improve the application or function with respect to various details, and enhance the user experience to prepare for delivery of such application or function.
- Delivery of product: The new application or function is formally launched following the completion of this step.

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- Operations and testing: Facilitated by our research and development team, our business team begins to use the new application or function just launched in trials to get familiar with its new features. Our business team examines the effectiveness and user-friendliness of the new application or function from the perspective of users, and prepare for the data collection and analysis stage for the new round.
- Data collection and analysis: We collect operational data, conduct analysis on such data, and prepare for the next product development seminar based on the analysis result.

Based on our product development model, we have also developed our proprietary *Eagle* system, an integrated research and development platform that improves the efficiency of our research and development processes. The *Eagle* system has a series of functionalities that facilitate the work of our research and product development team, including automatic generation of application program for aided design, convenient release, error-fixing and testing. The *Eagle* system also facilitates the information sharing and feedback process between our research and development team and the operations team for our digital freight business, so that our research and development team can better understand the needs in, and help improve, our digital freight business.

Since its adoption in 2018, our product development model has greatly improved the output of our research and development achievements, leading to more frequent internal release of research and development iterations. In 2019, 2020, 2021 and the nine months ended September 30, 2022, our number of internal releases for research and development iterations amounted to 1,238, 2,053, 2,397 and 1,673, respectively, and the average duration for such internal release was 14.8 days, 9.8 days, 7.8 days, and 6.2 days, respectively, demonstrating the effectiveness of our product development model.

Our Research and Development Team

We have built a research and development team comprised of talented professionals. As of September 30, 2022, we had 212 employees dedicated to various research and development function, including a product development team of 118 employees, a user experience design team of 47 employees, a data analysis team of 22 employees, a operation maintenance team of 14 employees, an efficiency enhancement team of seven employees and a technical support team of four employees. We recruit research and development professionals that are motivated, skillful and outstanding in team-work and coordination, so that we can build a research and development team that provides all-rounded technology empowerment to our business units, and consistently creates value for our business. Many of our research and development professionals are equipped with relevant experience in research and development, and possess relevant industry background to help them better address the specific needs in our business. Some of the members of our research and development team held intermediate-level or advanced certificates, which further proved their technical skills in software development. As

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of September 30, 2022, among our research and development staff, 11 members were holders of advanced certificates of software development, and 15 members were holders of intermediate-level certificates of software development.

As a result of our research and development efforts, we have developed our portfolio of technologies, including big data and blockchain. We believe such technologies have significantly enhanced our operational efficiency and shaped our competitive edge within the industry. See “—Our Technology.”

OUR TECHNOLOGY

The success of our business hinges on our development and application of innovative technologies, which help us enhance our operational efficiency and empower ecosystem participants on our platform such as logistics companies, cargo owners and truckers, among others. Our technological strengths in big data and blockchain, together with the capabilities we jointly developed with our partners in AI and smart driving, underpin our excellence in operating efficiency. We safeguard our technology know-hows and capabilities with our comprehensive protection system of intellectual properties. See “—Intellectual Properties.”

Big Data

We have accumulated data on road freight transportation through interactions with shippers and truckers and usage of services provided on our platform.

We also possess strong capabilities in analyzing and utilizing the data efficiently, through big data technologies. Our data engineers achieve a comprehensive understanding of logistics companies, cargo owners, truckers and other participants in our ecosystem by cleaning, modeling, analyzing and mining such data. Based on such data, our data engineers are able to build insights into the behavior of different kinds of participants on our platform, helping us provide improved experience and more targeted services for such participants.

Our big data capabilities empower us to resolve challenges emerged in different areas of our businesses. Such areas include performance evaluation of truckers, creditworthiness evaluation of customers, risk management, monitoring and analysis of loss of customers, optimization of the road freight transportation resources, anomalies in the provision of digital freight services and mutual support among truckers, among others. In the performance evaluation system we construct for truckers, we record information such as the historical feedback from shippers for the performance of such truckers when fulfilling shipping orders, the experience of such truckers and the relevant track record of compliance of such truckers. All these information will be reverted to the performance score of truckers in the performance evaluation system, which facilitates the selection of appropriate truckers for shipping orders on our platform. Under freight transportation services, we select truckers for shippers and shippers can check performance scores of truckers upon request. Under freight platform services, our platform facilitates shippers' choice of truckers by providing shippers with information about truckers, including the truckers' performance scores, the truckers' prior experience in fulfilling

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shipping orders for such shippers, other shippers' evaluation of the truckers, the service period of the truckers on our platform and the type of trucks that the truckers use, among others. During the Track Record Period, we did not terminate the eligibility of any truckers in fulfilling shipping orders on our platform based on such performance scores. In the creditworthiness evaluation of shippers, we only maintain the creditworthiness information of the shippers for our own risk management and business planning purpose, or for helping such shippers gain better access to financial services provided by relevant third-party financial service provider. We only share the creditworthiness information of a shipper with such third-party financial service provider upon obtaining explicit approval by such shipper, and we do not share such creditworthiness information with any other shippers or any other third parties. According our PRC Legal Advisers, such credit system has complied with applicable data security laws and regulations.

Besides our in-house research and development, we also actively collaborate with universities and research institutions in China, such as the International Institute of Finance of University of Science and Technology of China, among others, to jointly conduct research projects on big data so as to enhance our capabilities in such areas. Based on the partnership agreement, we provide funding in the amount of RMB2 million per year for such joint research projects. As of the Latest Practicable Date, we had provided a total of RMB6 million for such research funding. Under such collaboration, we work together with the International Institute of Finance to train relevant research and development personnel from both parties who participate in the research projects, and both parties share ownership of the intellectual property developed through such collaboration. As of the Latest Practicable Date, such joint research efforts had resulted in seven research papers, two pending software copyright applications, and four pending patent applications.

Blockchain

We have empowered our operations through the adoption of blockchain technology. The business scenarios of the digital freight services we provide, especially the interactions among logistics companies, cargo owners and truckers, called for the development of a strong credit system among the ecosystem participants to build up trust and to guarantee the smooth operations of our digital freight services, and we have constructed such a credit system by taking advantage of our strengths in big data technology. See “—Our Technology—Big Data.” While the current credit system among participants in the digital freight business is fragile, the blockchain technologies provide efficient solutions to such issue. With the help of blockchain technology, the credit data within the credit system have been recorded onto the blockchain, which enhanced the security, transparency, and the traceability of such credit data. From April 2020 to April 2022, we entered into collaborations with our business partner, Ant Blockchain Technology (Shanghai) Co., Ltd. (“**Ant Blockchain Co.**”), to record information generated from the road freight transportation process onto the blockchain, so that third-party financial service providers we work with can gain better understanding of the creditworthiness of logistics companies based on such data. Pursuant to the annual logistics supply chain cooperation agreement with Ant Blockchain Co., we procured relevant blockchain technology from Ant Blockchain Co., which we further utilized to enhance the application of the relevant

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technology in our digital freight transportation system. We paid technology service fees to Ant Blockchain Co. for such blockchain technology, which were determined based on the amount of transactions to which such blockchain technology applied plus a market-prevailing mark-up. The logistics supply chain cooperation agreement has expired in April 2022, and our current credit system as of the Latest Practicable Date did not involve the blockchain technology service provided by Ant Blockchain Co.

Our technological strengths in blockchain is evidenced by the intellectual property we have obtained related to blockchain. We ranked the 65th in 2017 and 74th in 2018 on the list of “Global Top 100 Companies with Patents in Blockchain Technologies” released by IPRdaily and incoPat, and was the only logistics company on such list.

AI and Autonomous Driving

We have also made joint efforts in advancing technologies in AI and autonomous driving, with our business partners. We have collaborated with our research and development partner, CalmCar in multiple cutting-edge technology fields, such as autonomous driving and vehicle-to-everything for trucks. Under such collaboration, we and CalmCar jointly contribute to the research and development in relative fields, and we are able to gain access to data accumulated through such collaboration to improve our own technological strength. Based on the technology data accumulated on our platform, we were able to gain deep insights in the operation of trucks in the transportation process and to achieve breakthroughs in promoting the active safety system of trucks. For example, we collaborated with CalmCar to jointly engage in research and development efforts in promoting active safety system for trucks, including monitoring the driving conditions of truckers and providing alerts for dangerous driving scenarios. Through such collaboration, we were able to gain deep insights in the operation of trucks in the transportation process and to achieve breakthroughs in promoting the active safety system of trucks. For such technology breakthrough, we were granted the Wu Wen Jun AI Science & Technology Award (吳文俊人工智能科學技術獎) by China Association for Artificial Intelligence in 2020.

BRANDING AND MARKETING

We believe that our brand awareness among shippers and truckers has contributed to our business growth and customer acquisition. We have established our brand awareness through high service quality and our online and offline customer acquisition initiatives.

We deploy a mixture of online and offline customer acquisition methods. Our online acquisition methods include customer referral, online advertisement and targeted promotions. For examples, we offer discounts to our existing customers who refer new customers to use the products and services we provide. Our offline customer acquisition methods include door-to-door visit by our sales representatives and participation in trade fairs. For example, we participated in the Asia Biannual Trade Fair for Logistics Industry in 2019, where we were awarded three major prizes and were invited to multiple interviews by major media agencies, which further promoted our brand recognition.

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Trucker Community provides additional opportunities for us to build up our brand awareness among truckers. We provide truckers who are active participants in Trucker Community with stickers of our logos and names that can be attached to their trucks, to further enhance our brand recognition in a consistent and effective manner. We also organize an annual event, “I Love Truckers’ Day (52卡友節)”, which is held on May 2nd of the year, for truckers to gather together and socialize with each other. The event has been well-received and influential among truckers and has successfully promoted our brand among truckers as well as other potential customers in the road freight transportation industry.

We have a professional branding team in charge of various duties related to brand promotion and marketing, such as press release, public relations, organizing activities, preparation of publicity materials and operations of our social media account.

CUSTOMER SERVICES

We are committed to delivering exceptional user experience to our customers.

We engage customer service specialists to handle all kinds of user queries and complaints regarding our services. Customers can make queries and file complaints via various channels. We have established a combination of online and offline measures to provide our customers with after-sales services, which effectively enhanced our customer satisfaction. We have established a customer service hotline, for which we have arranged customer service specialists to address customer questions and complaints. Facilitated by the machine-learning algorithms, we procure from third-party service providers we are able to provide real-time, accurate responses to users’ queries in an efficient manner. We have maintained our connections with a cohort of our customers through online social network, which enable us to understand the needs of our customers and address their concerns in real time. We have also arranged regular on-site visit to our major customers to better understand their experience with the services we provide. In such ways, we strive to maintain good relationship with our customers and to enhance the loyalty of our customers on the services we provide.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any customer complaints about our services or products that would have a material adverse impact on our operations or financial results.

BUSINESS SUSTAINABILITY

During the Track Record Period, we gradually expanded our business operations and increased our revenue. Our revenue grew from RMB3.6 billion in 2019 to RMB4.7 billion in 2020 and further to RMB6.3 billion in 2021, representing a CAGR of 33.0% from 2019 to 2021; and increased from RMB4,676.7 million in the nine months ended September 30, 2021 to RMB4,710.6 million in the nine months ended September 30, 2022. We were able to achieve

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break-even or become profitable only after our revenue has reached a level that can cover our costs and expenses. Set forth below are certain key factors that may affect our revenue, costs or expenses, which may in turn impact our profitability and business sustainability:

- Government Grants:** Due to our contribution to the local economy and mutually-beneficial relationship with the local governments, we received a significant amount of government grants during the Track Record Period. The amount of government grants we recognized were based on our contribution to the local economy. During the Track Record Period, government grants related to digital freight business we recognized had approximately been half of our total financial contribution to the local governments, and such percentage had been decreasing slightly over the years during the Track Record Period. See “Financial Information—Government Grants.” We have improved our profitability during the Track Record Period, and recorded net profit in 2020, 2021 and the nine months ended September 30, 2022. We believe the improvement in our profitability during the Track Record Period was attributable to (1) the increase in the amount of government grants we received during the Track Record Period, and (2) our ability in effectively leveraging on economy of scale, enhancing profitability through enriched portfolio of service offerings, and improving our operational efficiency, as we grew in size and became more mature in our digital freight business.

The shipping fees we charge shippers have reflected the difficulties for digital freight platforms like us to claim VAT deductions for cash payment of transportation fees to truckers as well as the government grants we expected to receive from local governments related to our digital freight business. The table below sets forth a comparison between our gross profit and the amount of government grants we received during the Track Record Period:

| | For the year ended December 31, | | | | | | | | | For the nine months ended September 30, | | | | | |
|---------------------------------|---|-----------|---|-----------|---|-----|---|-----------|---|---|---|-----|---|-----------|-----|
| | 2019 | | | 2020 | | | 2021 | | | 2021 | | | 2022 | | |
| | Government Grants as a Percentage of Gross Profit | | Government Grants as a Percentage of Gross Profit | | Government Grants as a Percentage of Gross Profit | | Government Grants as a Percentage of Gross Profit | | Government Grants as a Percentage of Gross Profit | | Government Grants as a Percentage of Gross Profit | | Government Grants as a Percentage of Gross Profit | | |
| | (RMB'000) | (RMB'000) | (%) | (RMB'000) | (RMB'000) | (%) | (RMB'000) | (RMB'000) | (%) | (RMB'000) | (RMB'000) | (%) | (RMB'000) | (RMB'000) | (%) |
| Freight transportation services | 35,073 | 112,341 | 320 | 53,512 | 168,717 | 315 | 69,520 | 236,446 | 340 | 52,076 | 173,497 | 333 | 46,423 | 183,572 | 395 |
| Freight platform services | 168,878 | 631,627 | 374 | 235,321 | 812,481 | 345 | 318,990 | 1,180,357 | 370 | 235,213 | 876,921 | 373 | 205,435 | 845,879 | 412 |
| Total ⁽¹⁾⁽²⁾ | 211,826 | 743,968 | 351 | 300,958 | 981,198 | 326 | 399,861 | 1,416,803 | 354 | 294,208 | 1,050,418 | 357 | 259,083 | 1,029,451 | 397 |

Notes:

- Total gross profit includes gross profit for all types of goods and services we provide, including: (i) freight transportation services; (ii) freight platform services; (iii) sale of goods; and (iv) others.
- Total government grants related to digital freight business include (i) government grants related to freight transportation services, which are recognized as a reduction of freight cost for freight transportation services; and (ii) government grants related to freight platform services, which are recognized as a reduction of net freight cost for freight platform services and recorded in the line of revenue. Government grants related to digital freight business (for both freight transportation services and freight platform services) that are recorded as a deduction of taxes and surcharges are not included in this table as they do not affect our gross profit.

- **COVID-19:** When analyzing our business sustainability, we have also taken into consideration the adverse impact of COVID-19 resurgence in 2022, and the time it will take us, our customers and the digital freight industry to gradually recover from the lingering effects of the COVID-19 resurgence. See “Financial Information—Impact of the COVID-19 Outbreak.” During the nine months ended September 30, 2022, the COVID-19 resurgence resulted in a year-over-year decrease in our Online GTV and net profit. We have been gradually recovering from the lingering effects of the COVID-19 resurgence and our operations resumed normal in August 2022. See “Financial Information—Recent Development.” Considering such recovery, we do not expect the COVID-19 resurgence to materially and adversely affect our sustainability in the long term.
- **Staff Costs:** Staff costs account for a substantial portion of our sales and marketing expenses, administrative expenses and research and development expenses. Our staff costs hinge on the number of our employees and the level of average remuneration paid to our employees. The number of our employees generally grew as we expanded our scale of business during the Track Record Period. From January 1, 2019 to September 30, 2022, the number of our employees increased from 628 to 1,019. The average remuneration per employee per month also generally increased during the same period. As we expand our scale of business and as we continue to attract and retain talent, we expect our staff costs to continue to increase, leading to an increase in each of our sales and marketing expenses, administrative expenses and research and development expenses. However, as the rise in staff costs is commensurate with our expected business growth, we do not expect it to affect our business sustainability.

We expect to further improve our profitability and maintain our business sustainability through (i) continued revenue growth; (ii) improving our operational leverage; and (iii) increasing monetization. See “—Strategies.”

Continued Revenue Growth

We operate in a fast-growing market. According to CIC, due to favorable market condition and government policies, the number of digital freight platforms increased significantly from less than 300 in 2016, when the Ministry of Transportation began to officially promote the first batch of pilot enterprises that operate digital freight platforms, to more than 2,200 as of June 30, 2022. According to CIC, the market of digital freight business in China is expected to reach RMB759.0 billion in 2026, growing at a CAGR of 12.0% from 2021. In the meantime, the current low penetration rate of digital freight platform in the freight transportation industry in China suggests significant headroom for growth of digital freight business in China. According to CIC, the penetration rate of digital freight platform in the FTL market in China was 10.7% in 2021, and is expected to grow to 16.8% in 2026. As the penetration rate of digital freight platform in freight transportation industry in China continues to grow in the future, due to the increasing adoption of digital freight platform by more industry players and the support of favorable regulatory policies, we face immense market

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opportunities to further expand our business and continue to realize sustainable growth in revenue. In addition, the digital freight industry is highly fragmented. The top five market players accounted for approximately 36.0% and the top ten market players accounted for approximately 50.0% of the total market share in terms of Online GTV in 2021, followed by a large number of small players in the market, according to CIC. Since these small players are not able to compete with the leading players in terms of the ability to leverage economies of scale, obtain government support, stay compliant with regulations, build up reputation and win customer trust, it is expected that such small players will soon fall out of the market. As a result, there is substantial room for us to consolidate the market, take up the market share of the small players and achieve further growth. As one of the industry leaders, we are well-positioned to take advantage of the expansion of the market and maintain high growth in the future, driven by our expansion in customer base and service offerings.

Customer expansion: We expect to improve our customer acquisition by deploying multiple customer acquisition methods such as online marketing and on-site promotion. We also expect to further expand our customer base into new geographic areas and new industry segments with promising growth potential, to achieve steady growth in revenue. For example, while revenue from Inner Mongolia, Xinjiang and Shaanxi accounted for approximately 56% of our revenue in each of 2019, 2020, 2021 and in the nine months ended September 30, 2022, we plan to increase our customer acquisition in other regions in China to further sustain our expansion. To achieve this goal, we had been dedicated to refining our operations within major geographic regions in China, enhancing the accessibility of our operational staff to our customers, and deepening our penetration into regional markets. During the Track Record Period, we decided to exploit the market opportunities for road freight transportation in Xinjiang due to strong demand for freight transportation services from shippers in Xinjiang for bulk cargo products such as coal, and we formed a team dedicated to organizing selling and marketing initiatives targeted at shippers in Xinjiang to enhance our customer acquisition in the region. From March to July 2022, we established regional operational and customer engagement centers in Guangzhou, Wuhan, Chengdu and Nanjing, to enhance our operations and customer acquisition in Southern China, Central China, Southwest China and Eastern China, respectively, and we plan to establish additional operation and customer engagement centers in other regions in China as needed to facilitate our further penetration into regional markets. We did not set up new subsidiaries or enter into new government grant agreements in Guangzhou, Wuhan, Chengdu or Nanjing when we established such regional operational and customer engagement centers. We entered into agreements with customers covered by these centers under our existing subsidiaries, and we paid value-added tax to, and received government grants from, local financial bureaus of our existing subsidiaries. In the future, if the local financial bureaus in cities where we established regional operational and customer engagement centers are willing to make favorable government grant arrangements, we may also consider establishing new subsidiaries in such cities. At each of these regional operational and customer engagement centers, we kept a small number of employees who assisted with selling and marketing and customer services in the region to help us expand our reach to local customers and enhance customer engagement. The main responsibilities of such employees included (1) hosting business development meetings among certain existing and potential customers in the region to promote the understanding of our business and service offerings

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among customers; (2) following up with potential customers that have demonstrated interests in our service offerings through telephone communication and on-site visits to facilitate their subscription of our service offerings; (3) providing on-site trainings to employees of our customers to familiarize them with various functionalities of our services; and (4) maintaining business relationship with, and collecting feedback from, existing customers through telephone communication and on-site visits. In addition, we also expect to leverage our experience in the FTL market to expand the scope of customers we serve into the LTL market.

During the COVID-19 outbreak, although our business and customer expansion plan were affected by the travel restrictions and the resulted decrease in demand for digital freight services in China, we implemented various measures to mitigate the impact of the COVID-19 outbreak on our customer expansion plan. For example, we maintained active communication with our existing and new customers during the COVID-19 outbreak, and we conducted customer acquisition activities by taking advantage of channels that had been relatively less affected by the COVID-19 outbreak.

We also expect to further increase our revenue and improve profitability by diversifying our customer mix. We historically focused on acquiring a higher proportion of sizable customers in order to establish our reputation and brand image within the industry and to quickly scale up our business. We adopted a competitive pricing strategy to successfully acquire such customers. As we have achieved a considerable business scale, we seek to diversify our customer mix to increase the percentage of small to medium-sized customers, which tend to value our services and are willing to pay higher prices. During the Track Record Period, the Online GTV contribution from customers with annual Online GTV of less than RMB10 million increased from 21.8% in 2019 to 23.2% in 2020, and further to 24.6% 2021, and while we expect to grow the volume of our services provided to sizeable customers, we also expect to continue expanding our penetration into small and medium-sized customers through online and offline marketing measures to enhance our profitability.

Service expansion: To better serve our customers, we intend to diversify our scope of services to shippers and provide more tailor-made services to shippers such as helping them upgrade their system for better management of their road freight transportation process. We plan to explore new possibilities in expanding into services that generate synergies with our current service offerings to provide better experience to our customers. By expanding our service offerings, we plan to deepen our business relationship with our existing customers and increase our revenue per customer.

With such market opportunities and our expected growth supported by our plans for customer and service expansions, we plan to maintain active communication with local government authorities regarding the government grants related to digital freight business provided to us pursuant to our agreements with local financial bureaus, and we believe we will be capable of substantially satisfying and meeting relevant conditions for receiving such government grants, as we did during the Track Record Period, so that we can maintain the profitability of our operations.

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Improving Operational Leverage

During the Track Record Period, we incurred significant selling and marketing expenses, administrative expenses and research and development expenses. In the near future, we expect to continue to invest in our branding and marketing activities, administrative activities, and research and product development activities. We plan to drive our business sustainability by improving our operational leverage, as we expect to decrease the level of such expenses as a percentage of our revenue. To achieve this goal, we expect to enhance the economy of scale of our operations, increase our bargaining power and take advantage of technology advancement.

Economy of scale: As our business continues to grow, we expect that certain expenses such as staff costs, advertising costs and research expenses will not grow proportionally with revenue. As such, we expect to benefit from economy of scale and achieve a decrease in operating expenses as a percentage of revenue in the long run.

The following table sets forth our selling and marketing expenses, administrative expenses and research and development expenses in absolute amounts and as a percentage of our revenue for the periods presented:

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|-----------------------------------|---------------------------------|--------------|---------|--------------|---------|--------------|---|--------------|---------|--------------|
| | 2019 | | 2020 | | 2021 | | 2021 | | 2022 | |
| | RMB'000 | % of Revenue | RMB'000 | % of Revenue | RMB'000 | % of Revenue | RMB'000 | % of Revenue | RMB'000 | % of Revenue |
| | | | | | | | (Unaudited) | | | |
| Selling and marketing expenses | 109,006 | 3.1 | 129,575 | 2.8 | 153,602 | 2.4 | 114,727 | 2.5 | 109,489 | 2.3 |
| Administrative expenses | 48,510 | 1.4 | 53,907 | 1.2 | 86,718 | 1.4 | 56,407 | 1.2 | 73,584 | 1.6 |
| Research and development expenses | 29,872 | 0.8 | 46,741 | 1.0 | 72,821 | 1.2 | 48,209 | 1.0 | 58,221 | 1.2 |

Our selling and marketing expenses amounted to RMB109.0 million, RMB129.6 million, RMB153.6 million, RMB114.7 million and RMB109.5 million in 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, respectively, accounting for 3.1%, 2.8%, 2.4%, 2.5% and 2.3% of our revenue during the corresponding year/period, respectively. Our selling and marketing expense primarily consisted of staff costs, advertising and promotion expenses, travel expenses and office expenses, among others. During the Track Record Period, our selling and marketing expenses decreased as a percentage of our revenue as we were able to improve our efficiency in marketing and adopt diversified measures for customer acquisition. In particular, we enhanced our brand awareness among our customers through both online and offline initiatives. Besides traditional costly methods such as trade fairs and offline advertisements, we also hosted multiple online conferences as alternative means for marketing since the COVID-19 outbreak. We aligned the bonus paid to each member of our selling and marketing team with the Online GTV contributed by the customers introduced by such member,

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to more effectively motivate our selling and marketing personnel and enhance their performance. Members of our selling and marketing team also kept exploring means to establish long-lasting relationship with existing customers while acquiring new customers, so that each member can maintain the Online GTV contributed by existing customers while obtaining the Online GTV contributed by new customers. While the size of our selling and marketing team did not increase significantly during the Track Record Period, with 538, 557, 630, 592 and 574 members as of December 31, 2019, 2020 and 2021 and September 30, 2021 and 2022, the ratio of our revenue to the size of our selling and marketing team increased from RMB6.6 million per person in 2019 to RMB8.4 million per person in 2020, and further to RMB10.0 million per person in 2021; such ratio also increased from RMB7.9 million per person in the nine months ended September 30, 2021 to RMB8.2 million per person in the nine months ended September 30, 2022. We expect our selling and marketing expenses to increase in the absolute amount alongside our business expansion in the future but to decrease as a percentage of revenue, as the staff costs for selling and advertising personnel and advertising and promotion expenses are not expected to grow proportionally with revenue. In particular, we believe the following measures will help improve the efficiency of our selling and marketing expenses: (i) reducing selling and marketing expense per customer through cost-effective promotion measures, such as regional offline campaigns; (ii) enhancing the per person operational efficiency of our selling and marketing personnel by continuing to increase the average Online GTV contribution per selling and marketing staff member through performance-driven compensation mechanisms; (iii) sales ramp-up in our existing customers by developing effective means to maintain business relationship with our customers and continuing to optimize and promote our upgraded services; and (iv) improving brand awareness by driving word-of-mouth marketing through our ecosystem participants.

Our administrative expenses amounted to RMB48.5 million, RMB53.9 million, RMB86.7 million, RMB56.4 million and RMB73.6 million in 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, respectively, accounting for 1.4%, 1.2%, 1.4%, 1.2% and 1.6% of our revenue during the corresponding year/period, respectively. Our administrative expenses primarily consisted of staff costs, share-based payments, depreciation and amortization and office expenses, among others. After deducting non-recurring items including share-based payments and expenses related to the Global Offering, our administrative expenses as a percentage of our revenue accounted for 1.4%, 1.1%, 0.9%, 1.0% and 1.0% of our revenue in 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, respectively, as we were able to control our administrative expenses through effective management and streamlined internal coordination. We expect our administrative expenses in the absolute amount to increase alongside our business expansion in the future but to decrease as a percentage of our revenue, as the staff costs for administrative personnel are not expected to grow proportionally with our revenue.

Our research and development expenses amounted to RMB29.9 million, RMB46.7 million, RMB72.8 million, RMB48.2 million and RMB58.2 million in 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, respectively, accounting for 0.8%, 1.0%, 1.2%, 1.0% and 1.2% of our revenue during the corresponding year/period, respectively. During the Track Record Period, we capitalized on our product development model to drive up

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our efficiency in research and development activities. Looking forward, we expect our research and development expenses to continue to grow alongside the expansion of our business as we believe that research and development are essential for us to maintain competitive edge in digitalization, enhance overall operating efficiency, and improve our profitability in the long run. As we expect to continue implementing our product development model to enhance our research and development efficiency, and considering that the staff costs for research and development personnel are not expected to grow proportionally with our revenue, we expect to keep the level of our research and development expenses as a percentage of our revenue within a relatively stable and reasonable range.

Stronger bargaining power: As we grow in size and strengthen our competitive stance in the road freight transportation industry, we expect to enhance our bargaining power in negotiating with customers and suppliers. As a result, we expect to enter into shipping agreements with more favorable terms, such as credit period arrangements that are more favorable to us, to improve efficiency of our use of working capital and to enhance operational leverage.

Technology: We expect to rely on our technological capabilities to enhance our operational leverage. During the Track Record Period, we took advantage of technology to improve our operational efficiency and reduce costs:

- In 2019, our research and development team launched an integrated license review system, which enabled our operational staff to examine a new trucker's personal ID, driver's license, vehicle license, professional qualification certificate and business license in a smoother process. With such system, the number of employees that are needed to maintain the review system was reduced by approximately 60%.
- In 2021, our *Kuailubao* app launched a new function, allowing our customers to submit waybills to the app by scanning their paper waybills instead of manually inputting waybills into the app. This new function improved customers' efficiency in order creation and enhanced user experience. Meanwhile, with such function, our operations staffs were allowed to serve multiple clients at the same time, which also improved our operating efficiency in customer service. In the nine months ended September 30, 2022, the number of staffs in our customer operating team was reduced by 50%, as compared to 2019, while the average number of customers served per staff increased by six times.
- In 2019, our Trucker Community was connected to the community content management system. The original manual review was upgraded to automated review supplemented by manual review. The original content management team for our Trucker Community was composed of 15 employees, while only two employees were needed after introducing the automated review system. This helps us save approximately 86.7% of the management team's labor costs.

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- In July 2022, a store management software was launched for our Truck Plus business. In the backend of the software, management team of our Truck Plus business can see the order volume, business volume, and inventory of each store in real time. The store management software shows the real-time operating status of each store and helps us save approximately 12.3% of the Truck Plus team’s labor costs.

We plan to continue to increase the level of automation in our service offerings by exploring the existing technology and developing new technology, in order to reduce cost and enhance our operational efficiency. We plan to develop (i) intelligent dispatch algorithm, which aims to automatically assign the most suitable truckers to our customers based on intelligent scheduling algorithms, (ii) intelligent risk management algorithm, which aims to build an intelligent risk management system based on big data, with the goal of identifying potentially risky data within a large amount of data anywhere, anytime; and (iii) intelligent analysis and recommendation algorithm, which aims to leverage big data and deep learning algorithms to improve data-drive user profile for intelligent recommendation and targeted marketing. We believe that these algorithms will help us improve our close rate, reduce costs and enhance our marketing efficiency.

Increasing Monetization

We plan to enhance our monetization capabilities by diversifying our revenue streams and expanding our ecosystem. See “—Strategies—Strengthen our efforts in Truck Plus solutions and further diversify our revenue streams.”

Further diversifying the sources of revenue: We expect to diversify our revenue stream by further expanding our Truck Plus business. The market for truck sales and aftermarket services has promising market potential, and its market size is expected to grow from RMB3.8 trillion in 2021 to RMB5.3 trillion in 2026. Leveraging our sound relationship with truckers, we believe that we are well positioned to seize the substantial market opportunities by providing truck aftermarket services to truckers nationwide to satisfy their various demand ranging from truck purchase to maintenance. We expect to expand our offline service network and increase collaboration with business partners in the truck aftermarket sector. For instance, we seek to collaborate with business partners to open up more authorized stores and increase the coverage of our offline service network. We also plan to lease additional warehouses to facilitate the provision of truck aftermarket supplies to authorized stores, so as to improve the quality control and operating efficiency of the supply chain. Starting from August 2022, we established more in-depth collaboration with certain authorized stores for Truck Maintenance solutions to upgrade such stores into “premium stores.” We plan to devote more managerial resources to such premium stores to enhance their supply chain management and quality control. In return, we plan to charge such stores (1) annual fee; (2) software fee for using software developed by us to manage their aftermarket business; and (3) commissions for purchases made by truckers that we refer to such stores. As of the Latest Practicable Date, we had entered into business collaboration contracts with 16 premium stores for Truck Maintenance solutions. We have not yet generated revenue from premium stores during the

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Track Record Period due to the relatively short operating history of premium stores. Nevertheless, we expect to generate higher revenue and gross profit from such premium stores than from other authorized stores considering that (1) the annual fee, software fee and commission we charge for premium stores provide us with additional means of monetization; and (2) we plan to introduce certain truck supply products, such as truck-based air-conditioners, to such premium stores, which are expected to generate relatively higher gross profit margin than other truck supply products. We expect to open 150, 200, 300 and 500 new authorized stores for our Truck Maintenance solutions, respectively, in each of the four years from 2023 to 2026, and a total of 2,000 new authorized stores for our Truck Maintenance solutions in the period from 2027 to 2031, and we also expect to upgrade such authorized stores to premium stores to increase the revenue and gross profit generated from them. See “Future Plans and Use of Proceeds.” In addition, we also seek to further diversify the product mix of the truck aftermarket products we provide to truckers. For example, in 2022, we started to provide vehicle-based air-conditioners, tires and truck supplies for engine maintenance.

Expanding our ecosystem: We plan to expand our ecosystem by attracting more participants into our ecosystem in order to create strong synergy among our ecosystem participants and explore additional monetization opportunities. For example, we plan to enhance the engagement and involvement of freight brokers, who generally have access to abundant trucker resources. They can introduce their trucker resources to our platform, enrich the trucker pool on our platform and provide shippers with a wider selection of truckers. Since freight brokers help increase the number of truckers available to fulfill shipping orders on our digital freight platform, more shippers will be attracted to place shipping orders on our platform so that we can expand our business scale and increase our revenue. The additional truckers that such freight brokers introduce to our platform may also become potential customers of our Truck Plus solutions and enhance our monetization capabilities. In addition, as disclosed in the paragraph above, we also plan to expand our ecosystem by attracting more business partners to our ecosystem to set up additional authorized stores and expand our offline network.

OUR CUSTOMERS

Our customers primarily include third-party logistics companies, and to a lesser extent, cargo owners with needs for road freight transportation services. In particular, our customers are primarily engaged in the FTL shipping business. The FTL market accounted for approximately 60% of the overall market size of the road freight transportation market in China in 2021, and the digital freight platform had a penetration rate of 10.7% in the FTL market in 2021, according to CIC. We generally maintain stable relationships with our customers, and we provide customer services to enhance the loyalty of our customers. See “—Customer Services.”

Under our agreements with our customers, we are responsible for providing the freight transportation services or freight platform services, in each case for the freight and route designated by the customers, subject to certain quality standard. Our customers generally have right to supervise and monitor the transportation process and we are obligated to report to our customers if emergencies or unexpected adverse events happen during the transportation

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process. Our customers are responsible for payment of the fees for such services as stipulated in the agreement. The term of such agreements may range from several months to one year, depending on the business needs of the customers and their business relationship with us.

During the Track Record Period, we did not have any substantial reliance on any single customer. In 2019, 2020, 2021 and the nine months ended September 30, 2022, revenue generated from our top five customers in each year or period amounted to RMB909.5 million, RMB848.8 million, RMB1,218.4 million and RMB1,232.4 million, representing 25.5%, 18.2%, 19.4% and 26.2% of our total revenue for the respective year or period. Our customers operate in a broad range of industry sectors, and during the Track Record Period, shipping orders from each of the industry sectors where our customers operate generally accounted for less than 20% of our total Online GTV during the same period. As such, we believe that the concentration risk of our customers in terms of industry sectors is low.

As of the Latest Practicable Date, none of our Directors, their close associates or any shareholders which, to the best knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, had any interest in any of our top five customers.

The tables below set out the details of our top five customers during the Track Record Period:

| <u>Customers</u> | <u>Length of relationship</u> | <u>For the year ended December 31, 2019</u> | |
|---|-------------------------------|---|---------------------------|
| | | <u>Revenue</u> | <u>% of total revenue</u> |
| | | <i>(RMB million)</i> | <i>(%)</i> |
| Customer G, a logistics company in Inner Mongolia | since 2018 | 355.7 | 10.0 |
| Customer C, a logistics company in Shanxi | since 2018 | 155.3 | 4.4 |
| Customer F, a logistics company in Xinjiang | since 2018 | 136.2 | 3.8 |
| Customer H, a logistics company in Shaanxi | since 2018 | 134.6 | 3.8 |
| Customer I, a logistics company in Tianjin | 2019 — 2021 | 127.7 | 3.6 |
| Total | | 909.5 | 25.5 |

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| <u>Customers</u> | <u>Length of relationship</u> | <u>For the year ended December 31, 2020</u> | |
|---|-------------------------------|---|---|
| | | <u>Revenue</u> <i>(RMB million)</i> | <u>% of total revenue</u> <i>(%)</i> |
| Customer F, a logistics company in Xinjiang | since 2018 | 207.1 | 4.4 |
| Customer C, a logistics company in Shanxi | since 2018 | 178.6 | 3.8 |
| Customer H, a logistics company in Shaanxi | since 2018 | 165.4 | 3.6 |
| Customer J, a freight owner in Shaanxi | since 2018 | 160.9 | 3.5 |
| Customer G, a logistics company in Inner Mongolia | since 2018 | 136.8 | 2.9 |
| Total | | 848.8 | 18.2 |

| <u>Customers</u> | <u>Length of relationship</u> | <u>For the year ended December 31, 2021</u> | |
|---|-------------------------------|---|---|
| | | <u>Revenue</u> <i>(RMB million)</i> | <u>% of total revenue</u> <i>(%)</i> |
| Customer K, a logistics company in Beijing | since 2018 | 416.0 | 6.6 |
| Customer L, a logistics company in Shanghai | since 2018 | 220.2 | 3.5 |
| Customer J, a freight owner in Shaanxi | since 2018 | 208.5 | 3.3 |
| Customer F, a logistics company in Xinjiang | since 2018 | 194.9 | 3.1 |
| Customer M, a logistics company in Inner Mongolia | since 2017 | 178.9 | 2.8 |
| Total | | 1,218.4 | 19.4 |

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| Customers | Length of relationship | For the nine months ended September 30, 2022 | |
|---|-------------------------------|---|---|
| | | Revenue <i>(RMB million)</i> | % of total revenue <i>(%)</i> |
| Customer K, a logistics company in Beijing | since 2018 | 465.5 | 9.9 |
| Customer M, a logistics company in Inner Mongolia | since 2017 | 410.1 | 8.7 |
| Customer N, a logistics company in China (Shanghai) Pilot Free Trade Zone | since 2021 | 173.3 | 3.7 |
| Customer J, a freight owner in Shaanxi | since 2018 | 106.3 | 2.3 |
| Customer O, a freight owner in Shaanxi | since 2021 | 77.2 | 1.6 |
| Total | | 1,232.4 | 26.2 |

To the best knowledge and belief of our Directors, Customer K, one of our top five customers in 2021 and the nine months ended September 30, 2022, was also a supplier to us in the same period. During the Track Record Period, we provided digital freight services to Customer K; during the same period, Customer K also served as a logistics cooperation partner. To facilitate the integration of our system with that of Customer K and for better coordination with Customer K, we procured from an affiliate of Customer K certain services in relation to Customer K's shipping orders, such as system integration and loading and unloading of the freight during the transportation process, for which we incurred cost of assistance from logistics cooperation partners. In 2019, 2020, 2021 and the nine months ended September 30, 2022, our revenue attributable to Customer K amounted to RMB0.2 million, RMB0.2 million, RMB416.0 million and RMB465.5 million, respectively, representing 0.006%, 0.004%, 6.6% and 9.9% of our total revenue during the corresponding period, respectively. We did not incur any purchase costs attributable to Customer K in 2019 and 2020. We incurred cost of assistance from logistics cooperation partners attributable to Customer K in 2021 of RMB3.5 million, representing 0.04% of our total purchase costs in 2021. In the nine months ended September 30, 2022, we incurred cost of assistance from logistics cooperation partners attributable to Customer K of RMB3.9 million, representing 0.09% of our total purchase costs in such period, as our demand for the logistics cooperation services provided by Customer K increased; in comparison, in the nine months ended September 30, 2021, we incurred cost of assistance from logistics cooperation partners attributable to Customer K of RMB0.5 million, representing 0.01% of our total purchase costs in such period. Our Directors are of the view that such arrangements are mutually beneficial, given that we negotiated with Customer K on an

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arm's-length basis. In addition, the terms of transactions with Customer K are in line with market practice and similar to those with our other customers and suppliers. To the best knowledge and belief of our Directors, Customer K is an Independent Third Party. None of our Directors, their respective close associates, or any Shareholder who, to the best knowledge of our Directors, owns more than 5% of our issued capital, have any interest in the Customer K during the Track Record Period. Save as disclosed above, to the best knowledge of our Directors, we did not have any other overlap between our top five customers and suppliers during the Track Record Period.

OUR SUPPLIERS

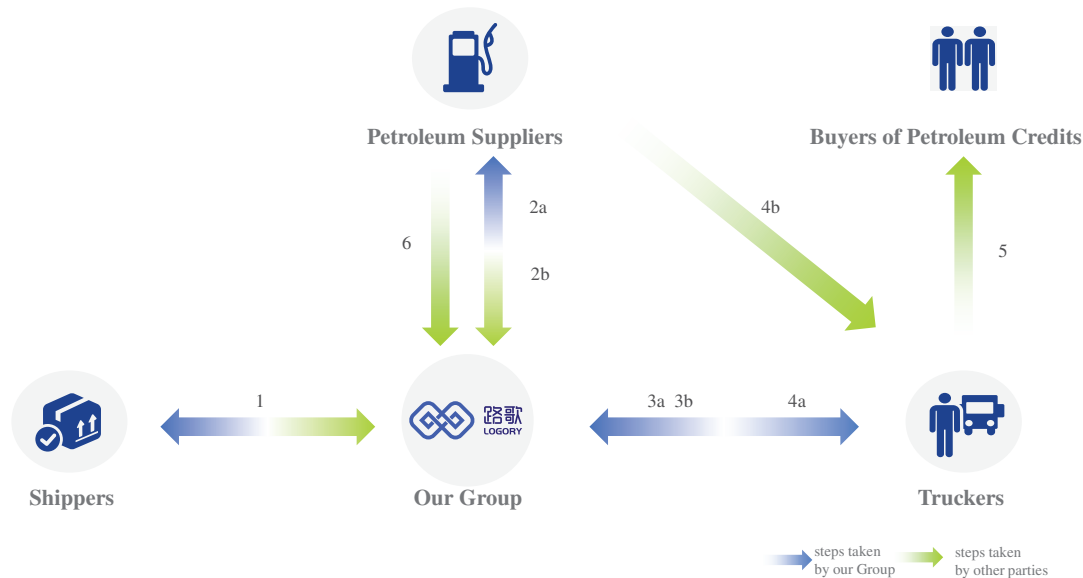
Our suppliers primarily include truckers and petroleum suppliers. We select our suppliers based on a series of factors, such as the quality of products and services they provide, credit history, reputation, and professional experience. We have generally maintained stable and long-term relationships with our suppliers. During the Track Record Period, we have not experienced any significant fluctuation in prices set by our suppliers, material breach of contract on the part of our suppliers, or delay in the provision of the products or services we procured from our suppliers. During the Track Record Period, we did not have any substantial reliance on any single suppliers. In 2019, 2020 and 2021 and the nine months ended September 30, 2022, our purchase amount from our five largest suppliers in each year or period amounted to RMB511.6 million, RMB309.0 million, RMB105.0 million and RMB37.9 million, representing 15.3%, 7.1%, 1.8% and 0.9% of our total cost of revenue for the respective year or period. We have identified readily available alternative suppliers that can offer services and products, at comparable terms, price and quality, in the case of any material disruption to the supply of our current major suppliers. As such, we believe that we will be able to procure products and services we need from alternative suppliers without any significant difficulties.

Although the procurement cost for transportation services provided by truckers takes up a substantial share of our total procurement cost during the Track Record Period, our top suppliers are generally petroleum suppliers due to their relatively large size in comparison with the small amount of procurement cost we pay for each individual trucker. Our purchase from such petroleum suppliers during the Track Record Period consisted of procurement of petroleum credits, in bulk at a discount, and we did not procure products other than petroleum credits from such petroleum suppliers during the Track Record Period. Under our procurement agreements with our petroleum suppliers, our petroleum suppliers are generally required to provide us with petroleum credits, which we are able to grant to truckers on our platform under both freight transportation services and freight platform services so truckers can use such petroleum credits in their transportation process, and we are responsible for the payment of such petroleum credits. We reached agreements with truckers on our platform that, in addition to paying the transportation fee in cash, we could also provide the truckers with petroleum credits that can be used by the truckers during their transportation process, and we principally purchased petroleum credits from such petroleum suppliers for such purpose. The petroleum credits we provided to truckers were in the form of monetary amounts for truckers to redeem petroleum of equivalent value. The proportion of cash payment and petroleum credits is stipulated in the shipping order acceptance interface for truckers on our platform, based on

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bilateral discussion between the truckers and us before the truckers accept the shipping order. Although we generally prefer a higher proportion of petroleum credits in relation to cash payment for the payment to truckers, considering that we are able to claim input VAT deduction based on the value of the petroleum credits consumed by truckers, we take multiple factors into consideration when setting up such proportion, including the amount of petroleum needed for the fulfillment of such shipping order, the proportion that were provided to truckers who fulfilled prior shipping orders with the same or similar transportation route, and truckers' preferences for remuneration in cash given their needs for liquidity. For each shipping order, we may also adjust such proportion depending on market demand and number of truckers available to fulfill shipping orders. During the Track Record Period, we had not offered any particular incentives to truckers in order to achieve a higher proportion of settlement by petroleum credits than by cash.

The following diagram illustrates key steps in transactions involving petroleum credits:



Step 1: Shippers place shipping orders on our digital freight platform for our digital freight services.

Step 2a: We purchase petroleum credits from our petroleum suppliers and such petroleum credits are recorded in the petroleum suppliers' systems under accounts designated to us. The monetary value of the petroleum credits paid by us is recognized as prepayments to petroleum suppliers.

Step 2b: After we purchase petroleum credits, petroleum suppliers deliver petroleum cards with zero initial balance to us.

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Step 3a: We engage truckers for shipping orders placed by shippers and negotiate with truckers regarding the proportion of cash remuneration to be paid to truckers and petroleum credits that truckers can use in their transportation process. We propose a proportion when a shipping order is initially posted on our digital freight platform, and we may adjust such proportion depending on market demand and number of truckers available to fulfill shipping orders. Once a trucker is satisfied with the proposed proportion, such trucker may accept such proportion and enter into agreement with us for the fulfillment of such shipping order.

Step 3b: Truckers fulfill the shipping orders. During this process, payables to truckers are recognized on our balance sheet. At such time, petroleum credits paid to truckers are recognized either as cost under freight transportation services on a gross basis or as reduction of revenue under freight platform services on a net basis. In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, the amount of petroleum credits we paid to truckers as costs of revenue for freight transportation services amounted to RMB456.0 million, RMB314.6 million, RMB120.9 million, RMB105.3 million and RMB33.1 million, respectively, and the amount of petroleum credits we paid to truckers netted of against revenue for freight platform services amounted to RMB2,552.1 million, RMB1,528.2 million, RMB589.9 million, RMB515.7 million and RMB259.0 million, respectively.

Step 4a: After the shipping orders are fulfilled, we pay the cash remuneration to truckers, and deliver to truckers the petroleum cards with zero initial balance (if the truckers have not received one from us before).

Step 4b: We transfer petroleum credits to truckers' petroleum cards from the account designated to us under the petroleum suppliers' systems. Thus, the prepayments to petroleum suppliers decrease in the same amount of the petroleum credits granted to truckers.

Step 5: Truckers generally consume the petroleum credits by themselves by purchasing the petroleum used in their transportation, while under certain limited circumstances, truckers may resell the petroleum cards with remaining balance to the buyers of petroleum credits.

Step 6: In the month following the consumption of the petroleum credits by the truckers, we receive certain rebates from the petroleum suppliers, in the form of petroleum credits, with value determined based on the amount of petroleum credits consumed by the truckers in the prior month. We record such rebates as an increase in prepayments to petroleum suppliers on our balance sheet.

- For freight transportation services, for which revenue is recognized on a gross basis, we record such rebates as a decrease in cost of revenue in the prior month in our income statement, because the rebates are considered as a compensation to the costs paid by us to truckers in the form of petroleum credits.

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- For freight platform services, for which revenue is recognized on a net basis, such rebates are presented in the line of revenue in the prior month in our income statement because the rebates are considered as a compensation to the transportation fees paid by us to truckers in the form of petroleum credits.

We provide petroleum credits to truckers to make it more convenient for truckers to purchase petroleum en route. On the other hand, provision of petroleum credits is also beneficial to us as we are entitled to claim input VAT deduction based on the value of the petroleum credits consumed by truckers, which can reduce our costs under freight transportation services and increase our revenue under freight platform services, and consequently enhance our profit margin. In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, we claimed input VAT deduction relating to petroleum credits of RMB364.1 million, RMB273.5 million, RMB92.7 million, RMB86.0 million and RMB33.7 million, respectively. As advised by our Industry Consultant, CIC, such provision of petroleum credits to truckers is in line with industry practices and conventions. As confirmed by M&T Lawyers, an independent third-party tax consultant we engaged (the “Tax Consultant”), such provision of petroleum credits to truckers is also recognized by the key competent tax authorities. Based on (i) the aforementioned confirmations by our Industry Consultant, CIC, and by key competent tax authorities; and (ii) the fact that the percentage of our fuel cost out of total transportation cost during the Track Record Period was significantly lower than 40% (being the upper limit on percentage of fuel cost out of total transportation costs generally acceptable to tax authorities for tax deduction purposes), our Tax Consultant is of the view that our provision of petroleum credits to truckers had been in compliance with relevant PRC tax laws and regulations during the Track Record Period and up to the Latest Practicable Date. On the same basis as the Tax Consultant’s view, and taking further into account that we had not been subject to administrative penalties by competent authorities for violating PRC laws and regulations regarding our business activities related to petroleum credits, our PRC Legal Advisers are of the view that our business activities related to petroleum credits complied with the relevant PRC laws and regulations during the Track Record Period and up to the Latest Practicable Date.

In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, the total amount of petroleum credits that we recognized as costs of revenue for freight transportation services amounted to RMB456.0 million, RMB314.6 million, RMB120.9 million, RMB105.3 million and RMB33.1 million, respectively, accounting for 14.2%, 7.3%, 2.1%, 2.4% and 0.8% of the costs of revenue for freight transportation services in the corresponding year/period, respectively. The amount of petroleum credits we provided to the truckers decreased both in absolute amount and as a proportion of the costs of revenue for freight transportation services during the Track Record Period, as truckers generally expressed stronger preference for remuneration in cash due to their stronger needs for liquidity as their cash flow had become relatively more constrained since the outbreak of COVID-19. As we remain dedicated to maintaining good relationships with truckers who fulfill shipping orders on our digital freight platform, we adjusted the composition of their remuneration to cater to such preference. During

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the Track Record Period and up to the Latest Practicable Date, we had not been engaged in any disputes with truckers with regard to the proportion of remuneration to be paid in cash or in kind to the truckers that were material to our business, results of operations or financial condition.

As of the Latest Practicable Date, none of our Directors, their close associates or any shareholders which, to the best knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, had any interest in any of our top five suppliers.

The tables below set out the details of our top five suppliers during the Track Record Period:

| <u>Suppliers</u> | <u>Length of relationship</u> | <u>For the year ended December 31, 2019</u> | |
|--|-------------------------------|---|---|
| | | <u>cost of revenue</u> <i>(RMB million)</i> | <u>% of total cost of revenue</u> <i>(%)</i> |
| Supplier X, a petroleum supplier in Beijing | since 2016 | 320.0 | 9.6 |
| Supplier W, a petroleum supplier in Sichuan | since 2017 | 157.6 | 4.7 |
| Supplier U, a petroleum supplier in Beijing | since 2016 | 18.6 | 0.6 |
| Supplier Y, a petroleum supplier in Shanghai | since 2017 | 9.4 | 0.3 |
| Supplier T, a petroleum supplier in Sichuan | since 2017 | 6.0 | 0.2 |
| Total | | 511.6 | 15.3 |

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| Suppliers | Length of relationship | For the year ended December 31, 2020 | |
|--|-------------------------------|---|---|
| | | cost of revenue <i>(RMB million)</i> | % of total cost of revenue <i>(%)</i> |
| Supplier X, a petroleum supplier in Beijing | since 2016 | 148.2 | 3.4 |
| Supplier W, a petroleum supplier in Sichuan | since 2017 | 105.9 | 2.4 |
| Supplier S, a petroleum supplier in Beijing | since 2020 | 22.7 | 0.5 |
| Supplier R, a petroleum supplier in Shandong | since 2020 | 19.3 | 0.4 |
| Supplier T, a petroleum supplier in Sichuan | since 2017 | 12.9 | 0.3 |
| Total | | 309.0 | 7.1 |

| Suppliers | Length of relationship | For the year ended December 31, 2021 | |
|--|-------------------------------|---|---|
| | | cost of revenue <i>(RMB million)</i> | % of total cost of revenue <i>(%)</i> |
| Supplier R, a petroleum supplier in Shandong | since 2020 | 61.9 | 1.1 |
| Supplier P, a petroleum supplier in Xinjiang | since 2019 | 11.7 | 0.2 |
| Supplier T, a petroleum supplier in Sichuan | since 2017 | 10.8 | 0.2 |
| Supplier S, a petroleum supplier in Beijing | since 2020 | 10.5 | 0.2 |
| Supplier X, a petroleum supplier in Beijing | since 2016 | 10.0 | 0.2 |
| Total | | 105.0 | 1.8 |

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| Suppliers | Length of relationship | For the nine months ended September 30, 2022 | |
|--|-------------------------------|---|---|
| | | cost of revenue <i>(RMB million)</i> | % of total cost of revenue <i>(%)</i> |
| Supplier R, a petroleum supplier in Shandong | since 2020 | 12.7 | 0.3 |
| Supplier P, a petroleum supplier in Xinjiang | since 2019 | 7.6 | 0.2 |
| Supplier U, a petroleum supplier in Beijing | Since 2016 | 6.5 | 0.2 |
| Supplier W, a petroleum supplier in Sichuan | Since 2017 | 5.9 | 0.1 |
| Supplier Q, a petroleum supplier in Shandong | Since 2021 | 5.2 | 0.1 |
| Total | | 37.9 | 0.9 |

THIRD-PARTY PAYMENT ARRANGEMENTS

Background

During the Track Record Period, certain of our customers (the “**Relevant Customer(s)**”) settled their payments with us through third-party payers (such payer(s), the “**Third-Party Payer(s)**”, and such arrangement(s), the “**Third-Party Payment Arrangement(s)**”). In 2019, 2020, 2021 and the nine months ended September 30, 2022, the aggregate amount of third-party payments (the “**Third-Party Payments**”) we received from Third-Party Payers was approximately RMB132.3 million, RMB59.6 million, RMB63.8 million and RMB0.6 million, which accounted for approximately 3.7%, 1.3%, 1.0% and 0.01% of our Group’s total revenue during the corresponding periods, respectively. The revenue related to Third-Party Payment generated from the Relevant Customers was approximately RMB25.6 million, RMB17.0 million, RMB13.1 million and RMB0.3 million, which accounted for approximately 0.7%, 0.4%, 0.2% and 0.01% of our Group’s total revenue during the corresponding periods, respectively. No individual Relevant Customer had made material contribution to our revenue during the Track Record Period. By late October 2021, we have ceased all Third-Party Payment Arrangements without executed Third-Party Confirmations, and we have ceased all Third-Party Payment Arrangements by June 27, 2022.

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The table below sets forth (i) the amounts of Third-Party Payments received from the Third-Party Payers; and (ii) the total revenue related to Third-Party Payments generated from the Relevant Customers during the Track Record Period:

| | | 2019 | | 2020 | | 2021 | | The nine months ended September 30, 2022 | |
|--------------------------------|---------------------------|----------------|---------------|---------------|---------------|---------------|---------------|---|---------------|
| | | Amount | % | Amount | % | Amount | % | Amount | % |
| | | (RMB'000) | | (RMB'000) | | (RMB'000) | | (RMB'000) | |
| Freight Transportation Service | Alliance Members | 5,990 | 4.5% | 8,477 | 14.2% | 1,362 | 2.1% | — | — |
| | DSM | 1,000 | 0.8% | 393 | 0.7% | 226 | 0.4% | — | — |
| | Other Third-Party Payers | 11,533 | 8.7% | 4,461 | 7.5% | 5,845 | 9.2% | — | — |
| | Corporate Related Parties | 4,788 | 3.6% | 337 | 0.6% | 4,294 | 6.7% | — | — |
| | Corporate Business | | | | | | | | |
| | Associates | 672 | 0.5% | 2,811 | 4.7% | 803 | 1.3% | 256 | 43.0% |
| | Subtotal | 23,982 | 18.1% | 16,480 | 27.7% | 12,530 | 19.6% | 256 | 43.0% |
| Freight Platform Service | Alliance Members | 35,796 | 27.1% | 9,554 | 16.0% | 1,943 | 3.0% | — | — |
| | DSM | 31,590 | 23.9% | 5,505 | 9.2% | 12,592 | 19.7% | — | — |
| | Other Third-Party Payers | 30,445 | 23.0% | 12,113 | 20.3% | 13,877 | 21.8% | — | — |
| | Corporate Related Parties | 5,740 | 4.3% | 4,451 | 7.5% | 9,716 | 15.2% | — | — |
| | Corporate Business | | | | | | | | |
| | Associates | 4,700 | 3.6% | 11,497 | 19.3% | 13,121 | 20.6% | 340 | 57.0% |
| | Subtotal | 108,271 | 81.9% | 43,120 | 72.3% | 51,249 | 80.4% | 340 | 57.0% |
| Total | | <u>132,253</u> | <u>100.0%</u> | <u>59,600</u> | <u>100.0%</u> | <u>63,780</u> | <u>100.0%</u> | <u>596</u> | <u>100.0%</u> |

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| | | 2019 | | 2020 | | 2021 | | The nine months ended September 30, 2022 | |
|--------------------------------|---------------------------|-----------|--------|-----------|--------|-----------|--------|---|--------|
| | | Amount | % | Amount | % | Amount | % | Amount | % |
| | | (RMB'000) | | (RMB'000) | | (RMB'000) | | (RMB'000) | |
| Freight Transportation Service | Alliance Members | 5,990 | 23.4% | 8,477 | 49.9% | 1,362 | 10.4% | — | — |
| | DSM | 1,000 | 3.9% | 393 | 2.3% | 226 | 1.7% | — | — |
| | Other Third-Party Payers | 11,533 | 45.1% | 4,461 | 26.2% | 5,845 | 44.5% | — | — |
| | Corporate Related Parties | 4,788 | 18.7% | 337 | 2.0% | 4,294 | 32.7% | — | — |
| | Corporate Business | | | | | | | | |
| | Associates | 672 | 2.6% | 2,811 | 16.5% | 803 | 6.1% | 256 | 98.8% |
| | Subtotal | 23,982 | 93.8% | 16,480 | 97.0% | 12,530 | 95.4% | 256 | 98.8% |
| Freight Platform Service | Alliance Members | 523 | 2.0% | 115 | 0.7% | 23 | 0.2% | — | — |
| | DSM | 461 | 1.8% | 66 | 0.4% | 147 | 1.1% | — | — |
| | Other Third-Party Payers | 444 | 1.7% | 145 | 0.9% | 162 | 1.2% | — | — |
| | Corporate Related Parties | 84 | 0.3% | 53 | 0.3% | 114 | 0.9% | — | — |
| | Corporate Business | | | | | | | | |
| | Associates | 68 | 0.3% | 138 | 0.8% | 154 | 1.2% | 3 | 1.2% |
| | Subtotal | 1,581 | 6.2% | 517 | 3.0% | 600 | 4.6% | 3 | 1.2% |
| | Total | 25,563 | 100.0% | 16,997 | 100.0% | 13,130 | 100.0% | 259 | 100.0% |

During the Track Record Period and up to the Latest Practicable Date, we have not been imposed any penalties, fines, and have not been involved in any disputes or litigation in relation to the Third-Party Payment Arrangements. During the Track Record Period, there were no payment offset arrangements between our customers and suppliers.

Third-Party Payers

Set forth below are the major types of individual and corporate Third-Party Payers under the Third-Party Payment Arrangements:

Individuals

Alliance Members: During the Track Record Period, our Group cooperated with certain individuals who had existing business relationship with, or were otherwise acquainted with, customers in the road freight transportation industry due to their knowledge, experience and business connection within the industry (the “Alliance Members”). In such cooperations, the Alliance Members assisted our Group in gaining access to new customers, or in the provision and coordination of logistics services for customers of our digital freight platform. Such Alliance Members generally have an incentive to introduce us to customers in the freight

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transportation industry that demand the digital freight services provided by us, as in this way they could help such customers address business needs for digital freight services, which cannot be provided by Alliance Member due to the lack of the relevant road transportation qualification, and consequently enhance their relationships with such customers. The Alliance Members include those individuals who signed up for the “Logory Integrity Logistics Alliance” (路歌誠信物流聯盟) membership scheme which started from 2017, as well as those individual logistics service providers who were registered in our system for the provision of logistics services to customers.

In transactions involving Alliance Members, our Group generally enters into certain agreement with the Alliance Members, the Relevant Customers and the truckers who fulfill the shipping orders, as applicable, including:

- **Membership Agreement:** The Alliance Members who cooperate with us through the Logory Integrity Logistics Alliance would enter into membership agreements with our Group. Pursuant to the terms of the Membership Agreement and the negotiation between our Group and Alliance Members, the Alliance Members would introduce new customers to our platform or assist our Group to provide freight services to the Relevant Customers.
- **Logistics Cooperation Agreement:** Our Group and certain of our Alliance Members would enter into logistics cooperation agreements in relation to such Alliance Members’ assistance in providing specific freight services and solutions to our Group’s customers, including but not limited to scheduling of pick-up and delivery time with the Relevant Customers and truckers, collection of delivery receipts from the Relevant Customers, and assistance in parking of trucks, acceptance of goods, and loading and unloading of goods upon arrival at destination. Based on such agreements, our Group is the principal and the relevant Alliance Member is the agent, and such Alliance Member is responsible for assisting our Group to fulfill our obligations under the relevant Customer Transportation Agreement. Pursuant to customary arrangements as negotiated amongst our Group, the Relevant Customers and the Alliance Members, (a) a portion of the shipping fees received by our Group from the Relevant Customers would be paid to truckers as their compensation, (b) a portion of such fees would be retained by our Group as profits from the freight services and solutions, and (c) the remaining balance would be transferred to the relevant Alliance Members as compensation for their assistance. The fees paid to the Alliance Members are directly related to the freight transportation and freight platform services provided by our Group, and are recognized as our Group’s cost of revenue when the services are completed. The logistics cooperation agreement also provides that certain Alliance Members shall pay shipping fees in advance to our Group on behalf of the Relevant Customers for settlement of fees charged by the truckers. Such payment made by the Alliance Members on behalf of the Relevant

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Customers to our Group is recognized as our revenue generated from digital freight business, which, in terms of accounting treatment, is similar to the revenue we generate from digital freight business in the cases that do not involve Third-Party Payment Arrangements.

- **Customer Transportation Agreement:** Our Group (as carrier) would enter into engagement agreements with the Relevant Customers (as shippers) in relation to the provision of freight services and solutions by our Group.
- **Actual Carrier Transportation Agreement:** Our Group would enter into transportation agreements with truckers, who serve as the actual carriers in the transportation process, in relation to the shipping services provided by the truckers.

Our Group assumes similar responsibilities in transactions involving the Alliance Members as it does in those transactions without the Alliance Members. In both instances, we are obligated to ensure timely transportation and delivery of freight in good condition, while the shippers are obligated to make timely payments for the shipping services. In transactions involving the Alliance Members, some of the Alliance Members may refer shippers to our Group; and the Alliance Members may make timely payment to our Group on behalf of the shippers, if the shippers cannot pay on time. In 2019, 2020, 2021 and the nine months ended September 30, 2022, the aggregate amount of revenue generated through Alliance Members was RMB763.5 million, RMB431.4 million, RMB203.3 million and RMB30.9 million, respectively, and the aggregate amount of gross profit generated through Alliance Members was RMB33.1 million, RMB24.0 million, RMB12.3 million and RMB1.5 million, respectively. The aggregate amount paid to Alliance Members and their associates who assisted in the provision of logistics cooperation service was RMB83.4 million, RMB6.1 million, RMB2.1 million and RMB0.1 million in 2019, 2020, 2021 and the nine months ended September 30, 2022, respectively. The decrease in such payment was mainly due to the reduction in the volume of freight services and solutions provided by the Alliance Members to the Relevant Customers through our platform and the increase in the volume of freight services and solutions directly provided by the Alliance Members to the Relevant Customers.

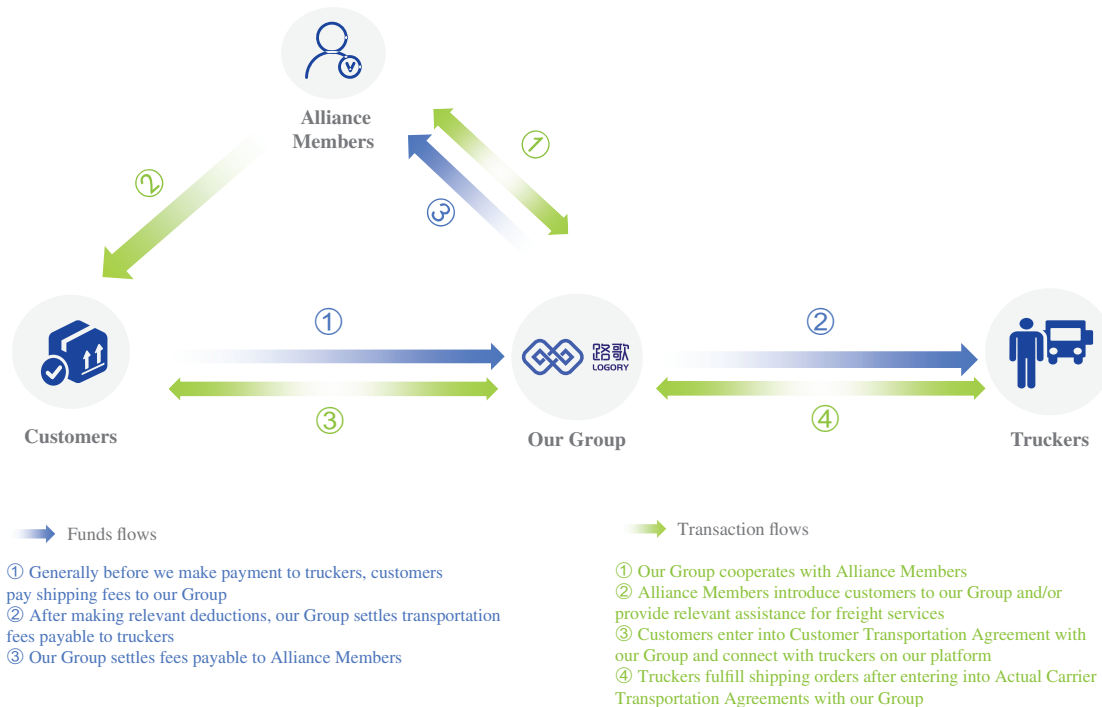
As the Relevant Customers mainly comprise small to medium-scale logistics companies which may not maintain substantial cash resource at all times, during the Track Record Period, there had been circumstances where certain Alliance Members (“**Relevant Alliance Members**”) had paid shipping fees in advance to our Group on behalf of the Relevant Customers for settlement of fees charged by the truckers. Such Relevant Alliance Members generally make payments on behalf of the Relevant Customers due to the limited cash availability of the Relevant Customers, and due to the need to settle fees with the truckers upon delivery of goods, which has been a customary market practice of the PRC road freight transportation industry. It is important for shippers to settle fees with truckers within such time frame, as failure to do so may hurt reputation of the shippers among truckers, worsen business relationship, and cause potential disputes. Such Relevant Alliance Members generally use their own funds for such advance payment of shipping fees on behalf of the Relevant Customers, and are generally willing to bear the risk of default by the Relevant Customers as (i) such Relevant

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Alliance Members generally have a long-term business relationship with the Relevant Customers; and (ii) the Relevant Alliance Members are incentivized to facilitate the completion of the shipping and settlement process as they derive certain economic interest from such process. Such advance payment made by the Relevant Alliance Members to our Group would generally be subsequently settled directly between the Relevant Customers and the Relevant Alliance Members without the involvement of our Group. Such arrangements are mutually beneficial for our Group as well as for the Relevant Alliance Members. Based on such arrangements, our Group is able to take advantage of the business connection of the Relevant Alliance Members to expand the reach of our business and facilitate our business development, while the Relevant Alliance Members are able to monetize such connections based on the platform and the services provided by our Group. According to CIC, such arrangements are common in the digital freight industry and are in line with general market practice. As a result of the historical arrangements set out above, the advance payments made by the Relevant Alliance Members were treated as shipping fees paid to our Group on behalf of the Relevant Customers, and thus constituted Third-Party Payments. In 2019, 2020, 2021 and the nine months ended September 30, 2022, the aggregate amount of Third-Party Payments we received from the Relevant Alliance Members was approximately RMB41.8 million, RMB18.0 million, RMB3.3 million and nil, respectively.

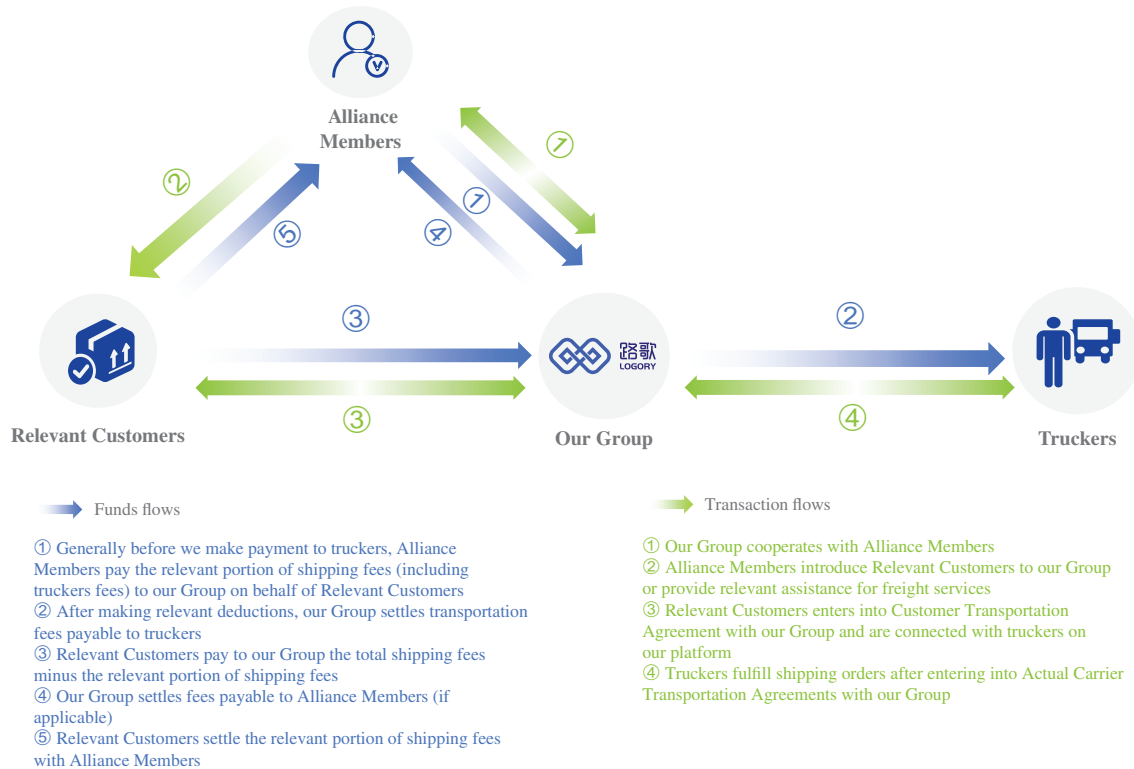
The following diagrams illustrate the funds flows and transaction flows in digital freight transactions involving Alliance Members, with and without Third-Party Payment Arrangements, respectively.

Funds flows and transaction flows — for transactions involving Alliance Members, without Third-Party Payment Arrangements



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Funds flows and transaction flows — for transactions involving Alliance Members, with Third-Party Payment Arrangements



Directors, Supervisors and senior management: Certain Relevant Customers had settled payments with our Group through such customers’ shareholders, legal representatives (法定代表), directors, supervisors and senior management (“**DSM**”) due to operational needs and requirements. For further details of the reasons for such Relevant Customers to adopt Third-Party Payment Arrangements, please refer to the section headed “Reasons for Utilizing Third-Party Payment Arrangements” as set out below.

Other Third-Party Payers: Other Third-Party Payers include (i) individuals with whom such Relevant Customers have an existing business relationship (the “**Individual Business Associates**”); (ii) employees of Relevant Customers (the “**Relevant Customer Employees**”); and (iii) immediate family members of the DSM (the “**DSM Family Members**”) due to operational needs and requirements. For further details of the reasons for such Relevant Customers to adopt Third-Party Payment Arrangements, please refer to the section headed “Reasons for Utilizing Third-Party Payment Arrangements” as set out below.

Corporates

Corporate related parties: Certain Relevant Customers had settled payments with our Group through (a) companies with a common shareholder as the Relevant Customers; or (b) companies with a common legal representative as the Relevant Customers (together, the “**Corporate Related Parties**”) due to operational needs and requirements. For further details of the reasons for such Relevant Customers to adopt Third-Party Payment Arrangements, please refer to the section headed “Reasons for Utilizing Third-Party Payment Arrangements” as set out below.

Corporate business associates: Certain companies with whom Relevant Customers have existing business relationships, such as logistics services suppliers of Relevant Customers (“**Corporate Business Associates**”), may engage our Group for logistics services in circumstances where they do not have sufficient logistics capacity to accommodate logistics services requests from the Relevant Customers, and as such the Corporate Business Associates would settle shipping fees with our Group on behalf of the Relevant Customers first. For further details of the reasons for such Relevant Customers to adopt Third-Party Payment Arrangements, please refer to the section headed “Reasons for Utilizing Third-Party Payment Arrangements” as set out below.

Reasons for Utilizing Third-Party Payment Arrangements

As confirmed by CIC, the practice of Third-Party Payment Arrangements is commonly adopted in the PRC road freight transportation industry. According to CIC, among the top 10 digital freight platforms in terms of total Online GTV in 2021, at least 8 platforms have adopted similar Third-Party Payment Arrangements in their past and current operations in providing digital freight services. Such common adoption of Third-Party Payment Arrangements is due to the following reasons:

- certain Relevant Customers might not be able to arrange payments in time (a) due to limited bank service for their PRC corporate accounts over the weekend and during non-business hours; or (b) due to internal control protocols and approval procedures of such Relevant Customers, and as such they would arrange for the DSM and DSM Family Members to pay shipping fees to our Group first, such that the relevant digital freight transaction could be completed on time; and
- in the case of Corporate Related Parties (i.e., companies with whom certain Relevant Customers share common shareholders or legal representatives), such common shareholders or legal representatives may arrange for Corporate Related Parties to pay on behalf of the Relevant Customers due to internal fund allocation and management arrangements.

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The Third-Party Payment Arrangements were primarily effected as a result of operational needs of our Group and Relevant Customers. During the Track Record Period and up to the Latest Practicable Date, we have not provided any discount, commission, rebate or other benefit to any of the Relevant Customers or the Third-Party Payers to facilitate or incentivize the Third-Party Payment Arrangements over the Track Record Period.

Internal Control Measures for Third-Party Payment Arrangements

To safeguard our Group's interest against risks associated with Third-Party Payment Arrangements, the following internal control measures have been adopted by our Group:

- To formalize the Third-Party Payment Arrangements, commencing from late October 2021, our Group required the Relevant Customers and Third-Party Payers to execute written confirmations (“**Third-Party Confirmations**”), which set out and confirm, among other matters, the relationship between the Relevant Customers and the relevant Third-Party Payers, and the reason(s) for adopting such Third-Party Payment Arrangements. The Third-Party Confirmations also provide that the Relevant Customers may assign their payment obligations under the terms of their original Customer Transportation Agreements with our Group to the relevant Third-Party Payers, and that the Relevant Customers are liable for such Third-Party Payers' payment obligations. Such Relevant Customers and/or the relevant Third-Party Payers also make various representations to our Group, including confirmation that the source of funding for payments made to our Group is legal and does not involve any money laundering activities or otherwise contravenes applicable laws and regulations. During 2019, 2020, 2021 and the nine months ended September 30, 2022, the aggregate amount of Third-Party Payments subject to executed Third-Party Confirmations covered approximately 27.6%, 33.8%, 58.8% and 100.0% of all Third-Party Payments, respectively;
- Since late October 2021, our Group has ceased all Third-Party Payment Arrangements other than the ones for which Third-Party Confirmations had been obtained. Our online payment system only accepts payments from Third-Party Payers who/which have executed the Third-Party Confirmations. If we identify any payment from the account of a Relevant Customer who has not executed Third-Party Confirmations, we will return all relevant payments made by such Third-Party Payers accordingly; and
- Our Group verifies the names and identities of Third-Party Payers against our Group's internal records to ensure that such payments are settled through the Relevant Customer's bank account(s) or such bank account(s) as identified in the Third-Party Confirmations. Our Group also verifies the relationship between the Relevant Customers and Corporate Related Parties; for instance, our Group would conduct public searches to verify the shareholding information of the Corporate Related Parties and such Relevant Customers.

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Our Company and all of our subsidiaries had ceased all Third-Party Payment Arrangements by June 27, 2022. Specifically, we have issued an internal notice within the Group to prohibit the acceptance of all Third-Party Payments. For all payments made by the Third-Party Payers that we identify, we shall initiate refund to such Third-Party Payers and ask the Relevant Customers to re-arrange payment to us. Considering that our revenue generated from these Third-Party Payment Arrangements as a percentage of our total revenue was immaterial and has been decreasing on an overall basis during the Track Record Period, our Directors confirm that the cessation of the Third-Party Payment Arrangements does not have a material adverse impact on our business, financial conditions or results of operations.

Our Directors are responsible for formulating and overseeing the implementation of our internal control measures and the effectiveness of our internal control system. In preparation for the Listing, we have engaged an independent third-party consultant (the “**Internal Control Consultant**”) and an independent professional party to perform a review over selected areas of our internal controls over financial reporting in November 2021 (the “**Internal Control Review**”). The scope of the Internal Control Review performed by the Internal Control Consultant and the independent professional party covered, among others, the Third-Party Payment Arrangements. Pursuant to the Internal Control Review undertaken for Listing purposes, the Internal Control Consultant and the independent professional party reviewed the above internal control measures in relation to Third-Party Payment Arrangements adopted by us and did not identify any material deficiencies.

In addition, our PRC Legal Advisers are of the view that the risk that our past practice of accepting Third-Party Payments would be deemed as constituting the crime of money laundering and subject to relevant criminal liability is low, on the basis that (i) we have obtained confirmations from certain number of relevant Third-Party Payers on the legitimacy of the relevant payment source and that such payers are not involved in any money laundering activities or violations; (ii) according to Article 191 of the Criminal Law of the PRC (中華人民共和國刑法), the crime of money laundering is deemed as committed only if we (a) have actual knowledge of any Third-Party Payments being proceeds and/or gains obtained from drug-related crimes, crimes committed by criminal organizations, crimes of terrorism, smuggling, bribery or corruption, crimes undermining the financial order of the society, or financial fraud, and (b) committed certain acts as stipulated under Article 191 of the Criminal Law of the PRC for the purpose of covering up or concealing the source and nature of such proceeds or gains. As a service provider, we confirm that all Third-Party Payments are based on actual transaction grounds and we have no intention nor incentive to cover up or conceal the source and nature of relevant Third-Party Payments; (iii) all Third-Party Payments were paid to us through our bank accounts, and all of the relevant banks are required to conduct anti-money laundering checks on such bank accounts. As of the Latest Practicable Date, we are not aware of any breach of anti-money laundering policies or mechanisms of any of the banks where we hold our bank accounts, which resulted in any warning or inquiry related to money laundering from such banks; (iv) we have implemented “know your customer” procedures to collect business licenses and corporate information in order to verify the due incorporation and

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business nature of our customers; and (v) as of the Latest Practicable Date, we have not been subject to any settled or ongoing criminal sanctions, public security investigations or administrative penalties by any competent authorities in relation to money laundering.

On the basis that (i) certain Relevant Customers may assign their payment obligations to the relevant Third-Party Payers pursuant to the terms of the Customer Transportation Agreements with our Group or through Third-Party Confirmations or other relevant agreements or authorizations; (ii) we had not been subject to any litigation, claim or dispute brought by any Third-Party Payer against us during the Track Record Period; and (iii) public searches carried out by the Company's PRC Legal Advisers via China Judgements Online (中國裁判文書網) showed that we had not been subject to any litigation, claim or dispute brought by any Third-Party Payer against us relating to any payment refund or return during the Track Record Period, our PRC Legal Advisers are of the view that our Third-Party Payment Arrangements have not breached or contravened any prohibitive provisions under any existing laws and administrative regulations of the PRC. Our Directors are of the view that sufficient internal control measures have been adopted and implemented to effectively monitor the Third-Party Payment Arrangements going forward and to effectively mitigate money laundering and other risks associated with the Third-Party Payment Arrangements.

Furthermore, as advised by our PRC Legal Advisers, the potential risk for the creditors or liquidators of the Third-Party Payers to claim for refund from us is low, on the following basis:

- (i) Under the Third-Party Payment Arrangements, the Third-Party Payers were entrusted by our actual customers (“**Actual Customers**”) to settle payments with us on such customers' behalf. As such, there is no debtor-creditor relationship between the Third Party Payers and us under the Third-Party Payment Arrangements. Therefore, the Third Party Payers and their creditors / liquidators can only claim for refund from the Actual Customers but not from us;
- (ii) According to the Civil Code of the People's Republic of China (《中華人民共和國民法典》), creditors and liquidators of the Third-Party Payers generally do not have the right to request any People's Court to invalidate a Third-Party Payment unless the court finds that the Third-Party Payer made such payment to us for the purpose of evading its debt, which severely affected the assertion of rights by its creditors or liquidators. We have not entered into arrangements with, nor have had any intention to assist, the Third Party Payers to evade the right of its creditors or liquidators; and
- (iii) We had not been subject to any litigation, claim or dispute brought by any creditor or liquidator of the Third-Party Payers relating to any Third-Party Payment refund during the Track Record Period and up to the Latest Practicable Date.

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In addition, our PRC Legal Advisers are of the view that, since the Third-Party Payers were entrusted by the Actual Customers to settle payments with us on such customers' behalf, even if the People's Court rules in favor of the claim by any creditor or liquidator of the Third-Party Payers for refund of Third-Party Payments, we would still have a right of recourse against the Actual Customers for the refunded amount.

Based on the due diligence work performed by the Sole Sponsor, including (i) the discussion with the Company in relation to internal control measures adopted in respect of the Third-Party Payment Arrangements and the review of relevant internal control policies, such as the assignment of separate bank accounts for each customer for the payment of shipping fees as of the Latest Practicable Date; (ii) the review of Third-Party Confirmations executed by Relevant Customers and Third-Party Payers confirming, amongst other matters, that the source of funding for Third-Party Payments made to the Group is legal and does not involve any money laundering activities; (iii) the review of the agreed-upon procedure report prepared by an independent professional party which states that (a) no material deficiencies in relation to the Third-Party Payment Arrangements were noticed after reviewing the Group's enhanced internal control procedures which have been adopted since 31 October 2021 and (b) the sample checks by such independent professional party conducted after 31 October 2021 showed that there had not been any deviation from the enhanced internal control procedures; (iv) discussed with the industry expert and understand that Third-Party Payment Arrangements are commonly adopted in the PRC road freight transportation industry; and (v) discussed with the PRC Legal Advisers regarding the basis of their view as set out above, nothing has come to the attention of the Sole Sponsor that would cause them to question the Directors' view above that the Company's internal control measures to mitigate risks associated with the Third-Party Payment Arrangements are sufficient and effective.

RECENT REGULATORY DEVELOPMENT

The Cybersecurity Review Measures

On July 10, 2021, the Cyberspace Administration of China (國家互聯網信息辦公室) (the "CAC") published the Measures for Cybersecurity Review (Revised Draft for Comments) (《網絡安全審查辦法(修訂草案徵求意見稿)》) (the "**Revised Draft**"), which stipulates that data processors which possess personal information of over one million users and intend for a "foreign" listing must apply for a cybersecurity review. On November 14, 2021, the CAC published the Regulations on the Administration of Network Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Regulations**") to further expand the scope of application of cybersecurity review, which stipulate that data processing entities seeking a listing in Hong Kong that will influence or may influence national security must apply for a cybersecurity review. On December 28, 2021, the CAC promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "**Cybersecurity Review Measures**"), which came into effect on February 15, 2022. According to the **Cybersecurity Review Measures**, there are two mechanisms to trigger cybersecurity review:

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- (1) **Review of voluntary declaration by enterprises:** (i) critical information infrastructure operators that intend to purchase network products and services; (ii) a network platform operator that processes the personal information of more than one million people intends to be listed overseas (國外上市).
- (2) **Initiation of review by regulatory authorities:** if any member of the cybersecurity review working mechanism believes that any network product or service or data processing activity affects or is likely to affect national security. In this case, the Office of Cybersecurity Review shall report this circumstance to the Central Cyberspace Affairs Commission for approval, and conduct a review after approval.

Set forth below is an analysis of the key definitions in the Cybersecurity Review Measures:

Critical information infrastructure operators: on July 30, 2021, the State Council of the PRC (國務院) published the Security Protection Regulations on the Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) (the “**CII Regulations**”), which took effect on September 1, 2021. Pursuant to Article 2 of the CII Regulations, critical information infrastructure refers to the important network facilities and information systems in important industries and fields such as public telecommunications, information services, energy, transportation, water conservancy, finance, public services, e-government and national defense science, technology and industry, as well as other important network facilities and information systems which, in case of destruction, loss of function or leak of data, may result in serious damage to national security, the national economy and the people’s livelihood and public interests. Pursuant to Article 10 of the CII Regulations, the identity of the critical information infrastructure operator shall be determined by the PRC government authorities responsible for critical information infrastructure protection, and the identified critical information infrastructure operator shall be notified by the competent PRC government authority. As of the Latest Practicable Date, we had not received any notice or determination from competent PRC government authorities identifying us as a critical information infrastructure operator.

Listed overseas: according to mainstream opinions, “listed overseas” does not include “listed in Hong Kong”, so the Group is not obliged to proactively declare cybersecurity review.

Pursuant to Article 16 of the Cybersecurity Review Measures, the competent PRC government authority shall initiate cybersecurity review on any network product or service or data processing activity that affects or may affect national security. This involves the understanding of “network platform operators”, “data processing activities” and “affect or may affect national security”.

Network platform operators and data processing activities: according to the Draft Regulations, “Internet platform operators” (互聯網平台運營者) refer to data processors who provide users with internet platform services such as information release, social networking, transactions, payment, and audiovisual. With reference to this definition, “platform operators” have the attributes of “platforms” and “provide specific services”. According to the Guidelines

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for the Classification and Grade of Network Platforms (Draft for Comment) (《互聯網平台分類分級指南(徵求意見稿)》) promulgated by the State Administration for Market Regulation (國家市場監督管理總局), “internet platforms” (互聯網平台) provide the connection of people, goods, services, information, entertainment, capital, and computing power through network technology. This connection enables the platform to have various functions such as trading, social interaction, entertainment, information, financing, and calculation. With reference to the Draft Regulations and the Guidelines for the Classification and Grade of Network Platforms (Draft for Comment), since the Group conducts data processing activities and provides online platform services during its business, the Group shall be defined as a network platform operator, and the Cybersecurity Review Measures shall be applied to the Group.

National security: according to National Security Law of the PRC (《中華人民共和國國家安全法》) issued on 1 July 2015 and became effective on the same date, national security refers to a status in which the regime, sovereignty, unity, territorial integrity, welfare of the people, sustainable economic and social development, and other major interests of the state are relatively not faced with any danger and not threatened internally or externally and the capability to maintain a sustained security status.

Based on (i) relevant due diligence work conducted by our PRC Legal Advisers, in accordance with the relevant provisions of the Cybersecurity Review Measures, (ii) the response from the phone consultation with the CCRC, an institution authorized by CAC to conduct cybersecurity review, by our PRC Legal Advisers on January 11, 2022, and (iii) the fact that we had not received any notice or determination from competent PRC government authorities identifying us as a critical information infrastructure operator, nor as a situation of foreign listing, our PRC Legal Advisers are of the view that we are not required to apply to the regulatory authorities for cybersecurity review. Based on the facts that (i) the types of data processed by us are mainly freight data and user data, which have not been recognized as “essential data” or “national core data” by the competent PRC government authorities, (ii) the purpose of our data processing activities is to carry out digital freight and other commercial services, and (iii) the relevant business data provided by us in preparation of the Listing do not cover data with personal information of our users, our PRC Legal Advisers are of the view that our data processing activities have not been found to affect national security and, consequently, the probability that competent PRC government authorities initiate cybersecurity reviews on us at the present stage is low. In light of the above and the fact that the Group has not been involved in any investigation on cybersecurity review made by the PRC government authorities or received any inquiry, warning or sanctions from the PRC government authorities on such basis, our PRC Legal Advisers are of the view that we had complied with the relevant requirements of the Cybersecurity Review Measures.

The Draft Regulations

On November 14, 2021, the CAC published the Regulations on the Administration of Network Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “**Draft Regulations**”), which cover a wide range of cyber data security issues and apply to the use of networks to carry out data processing activities, as well as the supervision and management of data security in the PRC. Besides cybersecurity review, it sets out general guidelines, protection of personal information, security of important data, security management of cross-border data transfer, obligations of network platform operators, supervision and management, and legal liabilities. Most of the regulatory details under the Draft Regulations have already been embodied in the now-effective texts of the Cybersecurity Law of the People’s Republic of China (《中華人民共和國網絡安全法》) (the “**Cybersecurity Law**”), the Data Security Law of the People’s Republic of China (《中華人民共和國數據安全法》) (the “**Data Security Law**”) and the Personal Information Protection Law of the People’s Republic of China (《中華人民共和國個人信息保護法》) (the “**PIPL**”).

Pursuant to Article 2 of the Draft Regulations, the Draft Regulations apply to: (i) data processing activities carried out by using the network in the PRC; and (ii) supervision and management of network data security in the PRC. The Group operates online products and services, so the Group uses the network to carry out data processing activities in the PRC. Therefore, the Draft Regulations shall be applied to the Group.

Pursuant to Article 13 of the Draft Regulations, data processors shall, in accordance with relevant state provisions, apply for cybersecurity review when carrying out the following activities: (i) the merger, restructuring or separation of network platform operators that have acquired a large number of data resources related to national security, economic development or public interests, which affects or could affect national security; (ii) data processors that handle the personal information of more than one million people intend to be listed overseas; (iii) data processors seeking to be listed in Hong Kong that affect or may affect national security; or (iv) other data processing activities that affect or may affect national security.

As advised by our PRC Legal Advisers, we will be able to comply with the Draft Regulations, if implemented in their current form, in all material aspects on the basis that: (i) we are in compliance with the superordinate laws of the Draft Regulations in all material respects, including the Cybersecurity Law, the Data Security Law, and the PIPL; (ii) we have implemented and maintained commercially reasonable controls, policies, procedures, and safeguards to maintain and protect important data and users’ personal information as well as the integrity, continuous operation and security of all IT systems in connection with our businesses; and (iii) there have been no major breaches, violations, outages or unauthorized uses of or accesses to our IT systems. Based on the view of our PRC Legal Advisers and our cybersecurity and data compliance status, our Directors are of the view that there is no material impediment for the Group to comply with the relevant requirements of the Draft Regulations, if implemented in their current form. Having taken into account the views of our PRC Legal Advisers and our Directors and the respective bases set out above, the Sole Sponsor concurs with our Directors’ view that there is no material impediment for the Group to comply with the relevant requirements of the Draft Regulations, if implemented in their current form.

Automobile Data Security Provisions

We are also required to comply with relevant requirements under the Automobile Data Security Provisions. Pursuant to the Automobile Data Security Provisions, automobile data operators shall conduct risk assessment for its essential data operating activity, and report it to relevant government authorities. See “Regulatory Overview—Regulations related to Cyber Security and Privacy Protection—Regulations on Data and Privacy Protection.” As our business and the services we provide involve the processing of vehicle data, logistics analysis data and personal information of more than 100,000 individuals, which may be deemed as “essential data” by regulators under the Automobile Data Security Provisions, we have conducted the risk assessment as required by the Automobile Data Security Provisions and have prepared for relevant submission to the government authorities. However, based on our telephone consultation with the Cyberspace Administration of Anhui, we were informed that the relevant competent authorities in Anhui were still in the process of specifying the detailed rules for the evaluation, and the procedure of submissions, regarding the risk assessment of automobile data operators that engage in the operation of essential data, and therefore had not yet started accepting such submissions. As such, our PRC Legal Advisers are of the view that the risk of us being subject to any administrative penalties for failing to conduct risk assessment regarding the processing of essential data or failing to report to relevant government authorities is remote. Furthermore, pursuant to the Automobile Data Security Provisions, when an automobile data operator needs to make a cross-border transferring of essential data for business purpose, such operator needs to pass the security assessment organized by CAC and other relevant government authorities. See “Regulatory Overview—Regulations related to Cyber Security and Privacy Protection—Regulations on Data and Privacy Protection.” According to our PRC Legal Advisers, although our business and the services we provide may be deemed as involving the processing of “essential data” by regulators under the Automobile Data Security Provisions, we do not conduct a cross-border transfer of such “essential data”, so we are not subject to the security assessment related to the cross-border transfer of “essential data” under the Automobile Data Security Provisions. Based on the foregoing, our PRC Legal Advisers are of the view that we are not subject to substantial legal risks under the Automobile Data Security Provisions.

Impact on Our Business

Since the promulgation of the Cybersecurity Review Measures and the Draft Regulations, we have been engaged in the process of evaluating the applicability of the various requirements under the Cybersecurity Review Measures and the Draft Regulations on our business. As of the date of this prospectus, we have not been involved in any investigations on cybersecurity review made by the CAC or received any inquiry, warning, or sanctions in respect of cybersecurity. See “Risk Factors—Risks Relating to Our Business and Industry—Our business generates and processes a large quantity of data, and improper handling of or unauthorized access to such data may adversely affect our business. Complying with evolving laws and regulations regarding cybersecurity, information security, privacy and data protection and other related laws and requirements may be expensive and force us to make adverse changes to our business.”

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On the basis of the facts and analysis mentioned above, our PRC Legal Advisers are of the view that, during the Track Record Period and up to the Latest Practicable Date, we had complied with the relevant requirements of the Cybersecurity Review Measures and the Draft Regulations in their current form in all material respects. Therefore, our PRC Legal Advisers are of the view that the Cybersecurity Review Measures and the Draft Regulations are not expected to have any material adverse impact on our business, results of operations or financial conditions, or on the proposed Listing.

We are of the view that, as of the date of this prospectus, the Cybersecurity Review Measures and the Draft Regulations, if implemented in their current form, have not had, and are not expected to have, any material adverse effect on our business, results of operations or financial conditions, or on the proposed Listing, on the basis that (i) we have implemented comprehensive measures, including internal policies and system settings, to ensure secured collection, processing, storage, use, transmission and elimination of data, to prevent any unauthorized access or use of data, and to enhance our compliance with the Cybersecurity Review Measures and the Draft Regulations and other relevant laws and regulations; (ii) as of the date of this prospectus, there had been no material leakage of data or personal information or violation of data protection and privacy laws and regulations by us which will have a material adverse impact on our business operations, (iii) as of the date of this prospectus, we had not been subject to material fines or administrative penalties imposed by any government authorities in relation to infringement of data security laws and regulations, (iv) we obtained relevant written confirmations from the Cybersecurity Administrative Office of Hefei, the competent local government authority regulating cybersecurity-related issues, which confirmed that the Company had not been penalized for violating the relevant laws and regulations in relation to data security; and (v) we will closely monitor the legislative and regulatory developments in connection with cybersecurity and data protection, including the Draft Regulations and the interpretation or implementation rules of laws and regulations, and adjust and enhance our data protection measures as appropriate.

Based on the due diligence work performed by the Sole Sponsor, including (i) the review of the legal opinion of the PRC Legal Advisers and discussions with the PRC Legal Advisers regarding the recent regulatory developments in light of the Cybersecurity Review Measures and the Draft Regulations and the basis of their view as set out above; (ii) the Company's confirmation that the Group has not been involved in any investigation on cybersecurity review made by the PRC government authorities or received any inquiry, warning or sanctions from the PRC government authorities as at the Latest Practicable Date; (iii) discussions with the Company regarding its historical compliance with regulations and measures of the CAC and internal control measures adopted by the Company in relation to cybersecurity; and (iv) the review of the Group's internal control policies with regards to cybersecurity and the confirmation from the PRC Legal Advisers that relevant policies have been adopted, nothing has come to the attention of the Sole Sponsor that would cause them to question the Directors' view as set out above that the Cybersecurity Review Measures and the Draft Regulations have not had a material adverse effect on the Company's business, results of operations or financial conditions, or on the Company's compliance status with relevant laws and regulation.

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COMPETITION

The road freight transportation industry in China is competitive. We compete with other major digital freight platforms, communities for truckers and platforms for truck sales and aftermarket services. The areas in which we compete with our current or future competitors primarily include technological capabilities, industry know-hows and operational experiences. See “Industry Overview—Overview of China’s Digital Freight Market—Competitive Landscape of the Digital Freight Market” and “Industry Overview—Overview of the Market for Communities for Truckers—Competitive Landscape of the Market of Communities for Truckers.”

Some of the companies against which we are competing or against which we may compete in the future may have greater financial resources. Mergers and acquisitions in the road freight transportation industry may result in even more resources being concentrated among a smaller number of our competitors. There can be no assurance that we will be able to compete successfully against our current or future competitors or that competition will not have a material adverse effect on our business, results of operations and financial condition. See “Risk Factors—Risks Relating to Our Business and Industry—We operate in a competitive industry, and if we fail to compete effectively, our business and prospect could suffer.”

SEASONALITY

We experience seasonality in our business, mainly correlating to the seasonality pattern associated with the road freight transportation industry in China. We generally have a lower volume of business around the Chinese New Year holiday in the first quarter of each year. Correspondingly, we generally observe a surge in business in the fourth quarter and early first quarter of each year, before the Chinese New Year holiday. As a result, our financial condition and results of operations for future periods may continue to fluctuate from time to time due to seasonality. See “Risk Factors—Risks Relating to Our Business and Industry—Our financial results may vary significantly from period to period due to the seasonality of our business.”

INTELLECTUAL PROPERTIES

Intellectual property rights are fundamental to our business operations, and we devote significant time and resources to their development and protection. We protect our intellectual property rights, including trademarks, patents, copyrights and domain names, strictly in accordance with the relevant laws and regulations, and we regularly improve and update our intellectual property management system in line with business development.

We rely on a combination of intellectual property registrations and contractual restrictions regarding confidentiality to safeguard our intellectual property rights. We seek to maintain registration of intellectual property rights that are material to our business under appropriate categories and in appropriate jurisdictions. As of the Latest Practicable date, we had registered

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1,041 trademarks, five patents, 259 copyrights (including 221 software copyrights) and 41 domain names in China. See “Statutory and General Information—B. Further Information about Our Business—2. Intellectual Property Right of the Group” in Appendix VII to this prospectus.

On the other hand, proprietary know-how that is not patentable and processes for which patents are difficult to enforce are also important for us. We expect to rely on business confidentiality agreements to safeguard our interests in this respect. We have entered into confidentiality agreements, or employment agreements with confidentiality terms, with our employees, requiring them to strictly comply with our confidentiality requirements. Such confidentiality agreements, or confidentiality provisions in the employment agreements with our employees, generally contain no definite termination date, and such confidentiality obligations generally survive the termination of the employment relationship. Such agreements are usually entered upon the start of employment of each of our employees, and the provisions stipulates clear rules, requirements and guidelines for our employees to observe so that our intellectual property can be properly protected. Such confidentiality agreements, or employment agreements with confidentiality terms, also generally include penalties and remedial measures for circumstances that any of our employees violate such terms, and we expect to take various legal and commercial measures to uphold and strictly enforce such provisions, including but not limited to litigations, if our intellectual property is harmed due to the breach of such provisions by our employees. In addition, we also emphasize the importance of such confidentiality requirements in our internal meetings and training sessions. In particular, we enter into detailed confidentiality agreements with our research and development staff members to ensure our intellectual properties derived from our research and development activities are adequately protected.

We have established a comprehensive system safeguarding our intellectual property rights, while mitigating the risks for us to infringe on the intellectual property rights of others. We regularly maintain our own portfolio of intellectual properties, and have constructed a management system to categorize, file and keep track of our intellectual properties. We incorporate the monitoring, assessment and mitigation of risk management into our overall risk management schemes, as we closely monitor scenarios in which our intellectual property rights may be harmed by other, and scenarios in which we may infringe on the intellectual property rights of others. For such risks, we carefully evaluate the potential consequences on our business operations and financial condition, propose solutions, including legal measures such as arbitrations and litigations, to mitigate the impacts of such risks. See “- Risk Management and Internal Control.”

As of the Latest Practicable Date, we were not aware of any material infringement (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us. Despite our efforts, third parties may still obtain and misappropriate our intellectual property without authorization in the future. Such unauthorized use of our intellectual property by third parties and the expenses incurred in protecting our intellectual property rights may adversely affect our business and results of operations. See

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“Risk Factors—Risks Relating to Our Business and Industry—We may not be able to protect our intellectual property rights, including our brand and our technology infrastructure, and third parties may infringe upon or misappropriate our intellectual property.”

DATA PRIVACY AND PERSONAL INFORMATION PROTECTION

Temporary App Takedown

In November and December 2020, we received certain notifications from the China Academy of Information and Communications Technology, a subordinate to the MIIT, claiming our potential violation of relevant rules and regulations governing privacy, as our Trucker Community App, and several third-party software development kits that are linked to our Trucker Community App, were found to be involved in improper collection and handling of user information, such as collecting MAC address of user’s device upon first time running the App before obtaining user’s authorization. In December 2020, our Trucker Community App was temporarily suspended from download by the MIIT in certain major App platforms. No penalty has been imposed by MIIT with respect to such temporary takedown of Trucker Community App.

In response to such suspension, we have taken detailed measures to enhance our compliance in privacy protection. See “—Measures Implemented to Ensure Data Privacy and Personal Information Protection Compliance.” After fully rectifying such issue, the suspension against our Trucker Community App was lifted in January 2021. Taking into account (i) the fact that the suspension against our Trucker Community App was lifted in January 2021, (ii) the fact that no penalty has been imposed by MIIT with respect to temporary takedown of Trucker Community App, and (iii) the enhanced internal control measures that the Group has implemented to ensure the ongoing compliance, our PRC Legal Advisers are of the view that the risk that we will be subject to further administrative penalties for such temporary App takedown is low. Considering the aforementioned factors and the view of our PRC Legal Advisers, our Directors are of the view that such temporary App takedown is neither material nor systemic.

Measures Implemented to Ensure Data Privacy and Personal Information Protection Compliance

We attach the greatest importance to data security and protection. We have adopted our standard protective measures such as confidentiality management, access control, and data encryption to prevent unauthorized access, leakage, improper use or modification of, damage to or loss of data and personal information.

We have formed a team of eight members to attend to our compliance in data privacy and personal information protection, and such members are from multiple functional departments within our Company, including research and development, service operations, information technology, data and legal, among others. We have built up a comprehensive personal

information management system, formulated a series of technical standards and specifications, and implemented a number of internal rules and policies to ensure data and personal information security throughout their life-cycle:

Data Collection

Our cyber security and data protection department oversees our data security and personal information protection efforts. We process data on an as-needed basis for our services offering during the ordinary course of our business operations. The data we collect or use include those related to the business operations of our customers, such as their business addresses and relevant business permits, as well as those related to the personal information of users of our Apps, such as contact information, location and driver's license status. As of the Latest Practicable Date, the personal information we collected, stored and processed relating to our digital freight business amounted to over 2,490GB, covering more than 2.7 million individuals; the personal information we collected, stored and processed relating to Trucker Community amounted to over 357GB, covering more than 3.1 million individuals; and the personal information we collected, stored and processed relating to Truck Plus amounted to over 7GB, covering more than 121 thousand individuals. We obtain authorization from our customers and users before collecting and processing such data. In addition, we also use data collected from third-party sources such as vendors and consultants in the road freight transportation industry.

We have established data privacy policies to ensure that our collection of data is conducted in accordance with applicable laws and regulations and that the collection is for legitimate purposes. We apply our data protection requirements equally to all types of data, regardless of their sources.

Data Processing

We strictly process data in a way that protects the legitimate rights of data subjects. We process data with specific and reasonable purpose, and limit our data processing work to the minimum scope for achieving the purpose. We engage in data processing to enable us to provide customers with relevant products and service offerings, or to comply with relevant requirements under applicable laws and regulations. We forbid our employee to use data for any other purpose irrelevant to such purpose. To achieve such goals, we have implemented our uniform data processing requirements across different business lines.

For customer data processing, we adopt appropriate level of authorization for the staff who may contact end users' personal data, and regularly check the logs of visitors and access. We have established approval mechanisms for the access and processing of data. For example employees working at various functionalities within our Company are required to go through relevant application process and submitting their specific purpose for accessing and processing the data that they applied for, before they are granted access by their supervisors for processing relevant data. Our operating systems and database systems have adopted security protocol. We also keep comprehensive audit records for our systems which cover all system users.

Data Usage

We have adopted and implemented relevant policies and management system in relation to data privacy and protection. We have adopted a data encryption system to ensure the secured transmission of data and prevent unauthorized users or personnel from accessing or using our data for unintended purposes. Data is categorized in accordance with its level of confidentiality. Use and retrieval of data are subject to assessment and approval procedures based on data categorization. We have implemented comprehensive employee confidentiality policies, data usage approval procedures and data tracking mechanisms to ensure the security of our database. We have formulated corresponding workplace procedures based on relevant rules and regulations. We have engaged an external legal counsel who is specialized in data compliance to review and evaluate our data security compliance status. We had not found material non-compliance issues for data security during the Track Record Period.

We also adopt technology measures, such as the use of firewalls, anti-malware, network security protection applications and various encryption technologies at both software and hardware levels, to protect data privacy and securely store such data. To minimize the risk of data loss or leakage, we conduct regular data backup and data recovery tests. We audit and monitor all the user accounts for server operation. If we find any server operating system with any security loopholes, we will upgrade the security protection to ensure the security of all server systems and application.

Data Storage and Sharing

We store our data on Alibaba Cloud. Our server systems are protected with heightened levels of security, and we regularly conduct user account auditing and monitoring of our server operations. Once we discover security issues with certain server systems, we will promptly upgrade such systems to ensure the security of our server systems and applications.

We only share data with relevant third parties to the extent necessary for our business operations and when we have obtained users' consent or other legitimate causes, so that we are legally allowed to do so. Third parties that we share data with include, among others, payment service providers, insurance providers, location services providers and authentication services providers. We conduct such sharing process with caution under our relevant policies. Before sharing data with third parties, we include in our privacy policy the type of information to be shared, the purpose of the sharing, the method of sharing, the name and contact details of the third party subject, and inform the user about the data sharing through a pop-up window when the user uses the product and obtain the user's individual consent. And we take data security technical measures to ensure data security during transmission, such as authentication, encryption, IP whitelisting mechanism and data desensitisation. To ensure the compliance with relevant laws and regulations of the third parties with which we share our data, our contract with such third parties generally include provisions related to confidentiality, which require such third parties to fulfil their confidentiality obligations in respect of the information and data involved in the cooperation process, to prevent third parties from unauthorized sharing of our data to others. To ensure such contractual protection is kept abreast of regulatory updates,

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we have formulated an enhanced template of confidentiality and data protection provision to be included in future contracts with third parties, and we plan to update such template from time to time based on regulatory development. In April 2022, we started to add such template to our contracts with third parties, so that we can more effectively ensure that the third parties with which we share data also comply with our standards and requirements of data security, and further mitigate risks of unexpected accidents such as data leakage.

Data Destruction

The Company had established internal policies regarding the deletion and destruction of data. We delete data according to such policies, when the data collected had been completely utilized for the purpose of collection, or when such data are retracted by individual users. In addition, we generally delete relevant user data once a user deletes his own account. For information that is required to be maintained in accordance with relevant laws and regulations, we do not delete such information unless permitted by relevant laws and regulations, but we generally do not use such data in our operations.

Based on a review of our data compliance measures, our PRC Legal Advisers confirm that we have adopted comprehensive data compliance measures which cover multiple aspects and multiple processes in our business and in the services we provide, in accordance with laws and regulations related to data privacy, personal information protection and cyber security in the PRC. Therefore, our PRC Legal Advisers are of the view that, (i) there are no fundamental flaws in the data compliance measure that we have adopted which may lead to the interruption to our business operations due to potential violation, or incompliance of laws and regulations related to data privacy, personal information protection and cyber security in the PRC; and (ii) during the Track Record Period and up to the Latest Practicable Date, we have complied with the legal requirements in material aspects of data privacy and personal data protection as required under the Cyber Security Law and other applicable laws and regulations, and we are not subject to material risks in data compliance.

WORKPLACE SAFETY AND ENVIRONMENTAL MATTERS

We strive to comply with applicable rules, laws, regulations and industry standards on workplace safety and environmental matters. In doing so, our human resources department would, if necessary, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with health, safety or environmental laws or regulations.

The operation of our business may be subject to certain environmental laws and regulations. For example, truckers are required to use trucks that meet relevant emission standards to fulfill shipping orders on our platform. As we continue to expand our business, including involving additional new energy vehicles for the fulfillment of shipping orders on our digital freight platform and expanding the product mix under our Truck Plus solutions, we may be further required to comply with, among other things, the applicable laws and

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regulations in relation to health, workplace safety and environmental protection. See “Risk Factors—Risks Relating to Our Business and Industry—Our business is subject to a broad range of PRC laws and regulations. If we are deemed to be not in compliance with any of these laws and regulations, our business, reputation, financial condition and results of operations may be materially and adversely impacted.” We are subject to various safety issues related to our digital freight business and our Truck Plus solutions, and we have enacted a full scope of operational security measures to ensure the safety of our employees, customers, truckers and business partners in conducting our business. For our digital freight business, we impose explicit requirements on shippers and truckers in our business contracts with them. Such business contracts set forth the specific safety requirements at each major stages of our service offerings, and specify the respective obligations and responsibilities of shippers, truckers and us during this process. We also promote the awareness on safety among truckers by providing contents on workplace safety on our Trucker Community platform. We also train or guide our employees and truckers on our platforms on workplace safety requirements to raise their awareness on workplace safety.

CORPORATE SOCIAL RESPONSIBILITY

Since the founding of our business, we have been committed to sustainable corporate responsibility projects, both through engaging in charitable activities and through leveraging our resources in the road freight transportation industry and our access to the large population of truckers across China. We are dedicated to enhancing the quality of life for truckers by enhancing their better business opportunities, social communities and production capacities. In 2020, we were recognized as one of the “2020 China Socially-Responsible Enterprises in Logistics and Supply Chain Finance” by the China Federation of Logistics & Purchasing.

- **Rescue and disaster relief in natural disasters:** We have been actively participating in a series of disaster relief initiatives after the occurrence of natural disasters across China. For example, in July 2021, we organized a fleet of self-volunteered truckers to deliver food, clothing, medical resources and other supplies to the disaster areas following the devastating flood in Henan Province.
- **Mutual support and rescue of truckers in accidents:** We established mutual support programs through our Trucker Community platform to facilitate the provision of real-time mutual support among truckers. See “—Our Business Model and Service Offerings—Trucker Community—Features for Truckers—Mutual Support based Networking.”
- **Assurance for truckers:** To empower truckers on our platforms with better risk-bearing capabilities, we provide access to tailored insurance products customized to address the needs of truckers. See “—Our Business Model and Service Offerings—Trucker Community—Features for Truckers—Access to Insurance.”

- **Labor union for truckers:** According to CIC, most of the truckers in China are self-employed and do not have opportunities to join labor unions as workers employed by established corporates. We have facilitated the establishment of the first labor union among truckers in China, under the pilot program by All-China Federation of Trade Unions to establish labor unions for self-employed workers in certain professions.

Our ESG Policy

We have adopted a set of policy on environmental, social and corporate governance (“**ESG Policy**”), which sets forth our corporate social responsibility objectives and provides guidance on fulfilling corporate social responsibility in our daily operations.

Our Board has the collective and overall responsibility for establishing, adopting and reviewing our policies for environmental, social and corporate governance related matters, and evaluating, determining and addressing the relevant risks. Our Directors are tasked with amending and evaluating the implementation of our ESG Policy, and our general administration team is responsible for the implementation of our ESG Policy. Set out below are the duties and responsibilities of our general administration team with respect to ESG-related matters:

- keeping abreast of the latest ESG-related laws and regulations, including the applicable sections of the Listing Rules, keeping the Board informed of any changes in such laws and regulations and updating our ESG Policy in accordance with the latest regulatory updates;
- identifying our Group’s key stakeholders based on our business operations and understanding such stakeholders’ influences and dependence with respect to ESG matters and monitoring the implementation and effectiveness of our ESG policy;
- assessing and reporting to the Board of potential ESG-related risks.

Our operations could be severely disrupted and are subject to financial risks if the logistics companies, cargo owners and truckers we work with, or other participants in our ecosystem were materially and adversely affected by extreme weather conditions, including those resulted from climate change. See “Risk Factors—Risks Relating to Our Business and Industry—Our business operations and financial performance were and may in the future continue to be adversely affected by the COVID-19 outbreak, and may face risks related to natural disasters, extreme weather conditions, health epidemics and other unforeseeable catastrophic incidents, which could significantly disrupt our operations.”

Specifically, we face ESG-related challenges in multiple aspects. For example, (i) drivers we cooperated with may fail to meet vehicle emission standards or requirements and violate laws and regulations related to environmental protection; (ii) we may not be able to detect or prevent our shippers and drivers from deliberately misreporting or concealing the weight,

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specification and nature of the goods, increasing carbon emissions during transportation and violating laws and regulations related to environmental protection; and (iii) we may not be able to detect or prevent our shippers and drivers from transporting prohibited and dangerous goods, violating fire safety-related regulations and indirectly affecting the personal safety of drivers and our business cooperation. To mitigate the abovementioned risks, we specifically stipulated the requirements of complying with relevant laws and regulations in the agreements entered into with drivers and shippers, respectively. Our system also checked permits listed on driver's licenses before sending them orders.

Under our ESG Policy, we aim to build a sustainable community with our employees, business partners, users and other participants of our platform. We endeavor to reduce negative impacts on the environment through our commitment to energy saving and sustainable development. For example, capitalizing on our strong capabilities in the digital freight business, we have been dedicated to reducing the use and waste of paper in road freight transportation process. We also focus on embracing diversity within our Group and equal and respectful treatment of all of our employees, including any employees with disabilities, in their hiring, training, wellness, and professional and personal development. We will continue to promote work-life balance and create a positive workplace for all of our employees. We strive to establish a sound talent cultivation mechanism and create an online-to-offline training platform. In particular, we have established a comprehensive set of ESG-related metrics and targets to evaluate and guide our business operations:

Carbon-efficient Operation

Metrics and targets. We plan to reduce carbon emission by improving energy efficiency in our operation. For the next five years, we aim to reduce the intensity of carbon emission by 5% of our current discharge.

Efforts and achievements we made. To achieve such targets, we have endeavored to enhance the adoption of *Haoyunbao* among truckers on our platform. With *Haoyunbao*, drivers can participate in the transportation through their mobile phones and conduct online paperless operations, instead of signing paper agreements and returning paper shipping orders after the transportation is completed. During the Track Record Period, over 65% of the shipping orders, which represented over 65% of Online GTV on our platform, were completed through *Haoyunbao*, which signifies our dedication to paperless operations on our platform.

Plans and measures to achieve the target. We plan to achieve carbon-efficiency operation by realizing complete paperless operation of our company by the end of 2027. Unless the relevant regulations require paper archives (such as accounting vouchers, major contracts, etc.), our daily operation and management will be completed through our online system. We have launched or plan to launch online file management system, online approval system, online procurement system, online financial control system, online human resources system and online travel reimbursement system, etc. We will also communicate with our customers to promote the use of electronic invoices. At the same time, a series of energy-saving and emission-reduction measures have been or will be introduced in our campus. For example,

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charging stations will be installed in the campus to encourage our employees to travel by carbon-efficient means. In addition, we also plan to achieve carbon-efficiency operation by continuing encouraging the engagement of new energy vehicles in the shipping orders completed on our platform, and selling more exhaust gas treatment products to improve the quality of gas emission by trucks. See “—Corporate Social Responsibility—Our ESG Policy—New Energy Vehicles” and “—Corporate Social Responsibility—Our ESG Policy—Reduction and Management of Truck Emission.”

Review of the progress. Our Board will simultaneously review the relevant progress when it reviews our administrative expenses every year.

New Energy Vehicles

Metrics and targets. We plan to encourage the engagement of new energy vehicles in the shipping orders completed on our platform. By 2027, we plan to have 10% of our shipping orders fulfilled by new energy vehicles.

Efforts and achievements we made. During the Track Record Period, we served a number of customers who engaged new energy vehicles instead of traditional diesel-based vehicles. The engagement of new energy vehicles by such customers led to a total of approximately 8.8 million kilograms of reduction in carbon emissions during the Track Record Period. We increased cooperation with such customers with new energy vehicles from 2019 to 2021, as the number of shipping orders fulfilled by new energy vehicles on our platform increased from over 20,000 in 2019 to over 80,000 in 2021, and the mileage completed by such new energy vehicles increased from approximately 6 million kilometers in 2019 to approximately 15 million kilometers in 2021.

Plans and measures to achieve the target. During the Track Record Period and up to the Latest Practicable Date, the PRC government promulgated certain policies that promoted the use of new energy vehicles, including the exemption of certain taxes related to the purchase of new energy vehicles, and the nationwide construction of charging facilities for new energy vehicles. In line with such favorable government policies for new energy vehicles, we have cooperated with certain of our business partners to promote the purchase of new energy vehicles by the truckers we served. In addition, we will build battery charging and swapping facilities around the regions where we operated our digital freight business to support the use of new energy trucks.

Review of the progress. Our Board will review the relevant progress with reference to our overall strategies in the new energy field, including relevant risks related to compliance with environmental protection laws and regulations. See “Risk Factors—Risks Relating to Our Business and Industry—Our business is subject to a broad range of PRC laws and regulations. If we are deemed to be not in compliance with any of these laws and regulations, our business, reputation, financial condition and results of operations may be materially and adversely impacted.”

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Reduction and Management of Truck Emission

Metrics and targets. We plan to reduce the amount and improve the quality of gas emissions by trucks on our platform.

Measures we take to achieve the target. During the Track Record Period, we required the trucks used by truckers to fulfill shipping orders on our digital freight platform to meet standards on emission imposed by relevant laws and regulations, and we did not allow truckers to use trucks that failed to meet such standards to fulfill shipping orders on our platform. In the future, we plan to further encourage the engagement of new energy vehicles in the shipping orders completed on our platform to reduce truck emission. For example, we may prioritize truckers with new energy vehicles when selecting truckers to fulfill shipping orders, and we may prioritize the shipping orders for shippers that are willing to engage truckers with new energy vehicles, especially when multiple shippers with similar demands for transportation compete for transportation resources. In addition, we plan to reduce truck emission by selling more exhaust gas treatment products through our Truck Plus solutions. The adoption of exhaust gas treatment products may not only reduce the negative impact of exhaust gas to the environment, but also extend the life of the trucks. We started to promote the sales of exhaust gas treatment products through our Truck Plus solutions since 2021 and sold approximately 1.4 million kilograms exhaust gas treatment products to truckers in 2021.

During the Track Record Period, we incurred compliance costs of approximately RMB19.4 million, which primarily represent (i) research and development costs and promotion expenses for introducing *Haoyunbao*, (ii) business development expenses for introducing customers using new energy vehicles, (iii) cost of sales of exhaust gas products and (iv) expenses in relation to the procurement of office software in order to reduce paper use and carbon footprint.

PROPERTIES

Our headquarters office is located in Hefei, Anhui Province in China. We own and lease properties in China. As of the Latest Practicable Date, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets. According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempt from the requirements of section 342(1) (b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

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Owned Properties

As of the Latest Practicable Date, we owned land use rights of one parcel of land in China with an aggregate site area of approximately 13,334.3 sq.m., which were primarily used for industrial purposes. We had obtained the land use right certificates for such parcel of land.

As of the Latest Practicable Date, we owned ten properties in China with an aggregate gross floor area of approximately 23,065.8 sq.m., which were primarily used for office and business purposes. We have obtained all the requisite certificates and permits for our owned properties.

Leased Properties

As of the Latest Practicable Date, we leased 26 properties from independent third parties in China, with an aggregate gross floor area of approximately 7,891.43 sq.m., which were primarily used for office and business purposes. We had obtained valid title certificates or documents to prove their legal rights from relevant landlords for all of these leased buildings.

As of the Latest Practicable Date, we had not registered the lease agreements for 24 of our leased properties with the relevant competent authorities in accordance with applicable PRC regulations, primarily due to the lack of the cooperation from the relevant landlords to complete such registration. As advised by our PRC Legal Advisers, failure to register the lease agreements would not affect the validity and enforceability of such lease agreements. However, if we and the landlords fail to register such lease agreements as required by the relevant competent authorities, we may be subject to a fine of RMB1,000 to RMB10,000 for each of the unregistered lease agreements. Taking into account (i) as of the Latest Practicable Date, we had not been subject to any administrative penalties by the relevant competent authorities, (ii) the amount of potential penalties accounts for a minimal portion of our total revenue during the Track Record Period, and (iii) internal control measures implemented by us, the Directors are of the view that such failure to register the lease agreements are neither material nor systemic.

As a result of the reasons above, we believe that the defects of our leased buildings would not materially and adversely affect our business operations.

EMPLOYEES

As of September 30, 2022, we had a total of 1,019 employees. All of our employees are based in China, primarily at our headquarters in Hefei, with the rest in Beijing, Anqing and other cities.

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The following table sets for the breakdown of our employees as of September 30, 2022, by function:

| <u>Function</u> | <u>As of September 30, 2022</u> | |
|----------------------------------|---------------------------------|-------------------|
| | <u>Number of Employees</u> | <u>% of total</u> |
| Sales and operations | 574 | 56.3 |
| Research and product development | 212 | 20.8 |
| General and administration | 233 | 22.9 |
| Total | 1,019 | 100.0 |

Our sales and operations staff, who accounts for the majority of our total number of employees, supports key functions in the operation and expansion of our business, such as client service and customer acquisitions. Our research and product development staff provide technology and research support that drives our business. Our business is also supported by our general and administrative staff, who are responsible for various important functional departments such as finance, legal and human resources.

We believe our success depends on our ability to attract, retain and motivate talent. We recruit our talent through multiple channels, including internal referral, head-hunters and online recruiting websites. We conduct regular performance evaluation for our employees, usually on a quarterly basis, based on evaluation indicators such as KPI or OKR, among others to provide feedback on their performance and assess their strengths.

As part of our human resources strategies, we are committed to establishing a competitive and fair remuneration and benefits system. Compensation for our employees typically consists of basic salary and performance-based bonus. We provide our employees with benefits such as pension scheme, medical insurance, workplace injury insurance, unemployment insurance and housing providence funds in accordance with relevant PRC laws and regulations. We offer employees additional benefits such as additional commercial insurance, among other things. In order to effectively motivate our staff, we continually refine our remuneration and incentive policies through market research.

We provide training sessions tailored to the needs of our employees in different functions. Topics covered by such training sessions include our corporate culture, internal rules and policies and professional knowledge, know-hows and skills. We also provide training to management and administrative personnel at all levels, in order to enhance their leadership capabilities. Such training sessions are conducted in both online and offline forms.

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We have maintained a good relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not have any strikes, protests or other material labor disputes that may materially and adversely affect our business, results of operations and financial conditions.

Social Insurance and Housing Provident Funds

During the Track Record Period, we had not made social insurance and housing provident fund contributions for some of our employees timely or in full in accordance with the relevant PRC laws and regulations. During the Track Record Period, the total shortfall amount for our social insurance and housing provident funds contributions for our employees were approximately RMB2.2 million and RMB2.0 million, respectively. We were unable to make full social insurance and housing provident fund contributions for such employees primarily because certain of our employees were not willing to bear the costs associated with social insurance and housing provident funds strictly in proportion to their salary. In such cases, we provide these employees with compensation and benefits in lieu of such contribution.

Pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of social insurance contributions as required, we may be ordered to pay the outstanding social insurance contributions within a prescribed period and may be subject to an overdue fine of 0.05% of the delayed payment per day from the date on which the payment is payable. If such payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times the overdue amount (RMB2.2 million to RMB6.6 million, based on the total shortfall amount of social insurance contributions during the Track Record Period). Pursuant to relevant PRC laws and regulations, if there is a failure to pay the full amount of housing provident fund as required, the housing provident fund management center may require payment of the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.

As of the Latest Practicable Date, no administrative action or penalty had been imposed by the relevant regulatory authorities with respect to our social insurance and housing provident fund contributions, nor had we received any order or been informed to settle the deficit amount. Moreover, as of the Latest Practicable Date, we were not aware of any complaint filed by any of our employees regarding our social insurance and housing provident fund policy.

For social insurance, pursuant to the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilization the Levy of Social Insurance Payment (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) promulgated on September 21, 2018, it is prohibited for administrative enforcement authorities to organize and conduct centralized collection of enterprises' historical social insurance arrears.

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We have taken the following internal control rectification measures to prevent future occurrences of such non-compliance: (1) we have enhanced our human resources management policies, which explicitly require social insurance and housing provident fund contributions to be made in full in the future in accordance with applicable local requirements; (2) we will keep abreast of latest developments in PRC laws and regulations in relation to social insurance and housing provident funds; and (3) we will consult our PRC Legal Advisers on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant regulatory developments.

Having considered the foregoing, our Directors believe that such non-compliance is not systematic and would not have a material adverse effect on our business, results of operations or financial condition, considering that: (i) we had not been subject to any administrative action on penalties during the Track Record Period and up to the Latest Practicable Date due to such non-compliance with respect to social insurance and housing provident funds, (ii) we were neither aware of any employee complaints filed against us nor involved in any labor disputes with our employees with respect to social insurance and housing provident funds during the Track Record Period and up to the Latest Practicable Date, (iii) as of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay for the shortfalls or any overdue charges with respect to social insurance and housing provident funds, and (iv) as advised by our PRC Legal Advisers, based on the confirmations from and interviews with relevant authorities, considering relevant regulatory policies and the facts stated above, the likelihood that we are subject to any material penalties due to our failure to provide full social insurance and housing provident funds contributions for our employees is low. As a result, we had not made any provision for the shortfall in our social insurance and housing provident fund contributions during the Track Record Period and up to the Latest Practicable Date.

INSURANCE

We maintain various insurance policies to safeguard against risks and unexpected events. We have purchased property insurance covering our office building and IT facilities, and third-party liabilities insurance covering risks for visitors to buildings and facilities. Our risk exposure to cargo damage or cargo loss during the transportation process are limited, as we generally limit our liability to an amount up to the shipping fees we charge, and we generally require our shippers to purchase their own insurance covering relevant risks in the transportation process, including cargo loss and cargo damage, before the performance of our services. Starting from 2019, we also purchase freight insurance, at the request of our customers who not yet have adequate insurance coverage, for a small amount of transactions provided under our digital freight business. The transactions covered by such freight insurance at the request of our customers, and the transactions covered by the shipping fee guarantee services we provided, accounted for approximately 1.2%, 1.8%, 5.3% and 9.8% of the total transaction amount under our digital freight business, in 2019, 2020, 2021 and the nine months ended September 30, 2022, respectively. However, under most cases, the shippers have purchase their own insurances and therefore do not have to rely on the freight insurance purchased by us for such orders. During the Track Record Period and up to the Latest

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Practicable Date, we had not been subject to any claim against us that are not covered by insurance and that are material to our business, result of operations and financial conditions, and we believe that our insurance coverage is sufficient to cover the risks involved in our business. We generally require truckers on our platform to purchase relevant insurance so that they can insure against relevant risks during the transportation process which they are responsible for, and for truckers who have difficulties finding appropriate insurance products, we provide truckers on our “Trucker Community” platform with the option to purchase relevant insurances covering risks in the business operations of the truckers. See “Our Business Model and Service Offerings—Trucker Community—Features for Truckers—Access to Insurance.” In accordance with relevant laws and regulations, we provide social security insurance including pension insurance, unemployment insurance, work-related injury insurance and medical insurance to our employees.

We do not maintain business interruption insurance or key-man insurance. Considering that (1) as confirmed by CIC, the coverage of insurance policies we maintained is in line with the general practice in the industry; and (2) many of shippers on our platform have already purchased their own insurances, we consider that the coverage from the insurance policies we maintained is adequate for our business operations, and is in line with the general practice in the industry. Our management evaluate the adequacy of our insurance coverage from time to time and purchase additional insurance policies as needed. See “Risk Factors—Risks Relating to Our Business and Industry—We may not have sufficient insurance coverage.”

RISK MANAGEMENT AND INTERNAL CONTROL

We have designated responsible personnel in our Company to monitor the risk management and internal control performance of our Company. In addition, we have adopted a set of internal rules, policies and procedures governing the conduct of our employees to ensure effective risk management and internal control. We are dedicated to continually improving these rules, policies and procedures. Such rules, policies and procedures cover various aspects of our business operations, such as human resources, information technology and financial reporting.

Human Resource Risk Management

We provide training tailored to our human resource management policies, and the needs of our employees in different departments. We from time to time organize training session for our employees covering various aspects of our business operations and compliance issues, such as anti-bribery and anti-corruption. Through these training sessions, we strive to ensure that our employee’s knowledge level of our internal policies remain up-to-date, and to enable them to better comply with applicable laws and regulations in the course of exploring business. We have in place an employee handbook and a code of conduct which is distributed to all our employees, covering topics such as work ethics, fraud prevention, negligence prevention and anti-corruption policies, among others. We emphasize the importance of integrity in business conduct through various training mechanisms, and require our employees to observe our anti-corruption and anti-bribery policies throughout our business operations.

Information Technology Risk Management

Sufficient maintenance and protection of our information technology infrastructure, as well as the user data and other information we collect in the course of our business, is critical to our operations. We have implemented a number of IT risk management measures throughout our system, such as data back-up, recovery and emergency response mechanisms. We have put in place a series of back-up management procedures. We perform data recovery tests on a regular basis and we retain relevant records. We have an emergency response mechanism to evaluate critical risks, formulate disaster response plans and perform emergency drills regularly. We take extra precaution regarding the usage, storage and protection of user data we collect. See “—Data Privacy and Personal Information Protection.” In addition, we have formed partnerships with key information technology and internet players to jointly enhance business performance in workplace collaboration and cybersecurity.

Our information technology department, consists of experience professionals in information technology, is responsible for the maintenance and protection of our information technology infrastructure, and for ensuring that our usage, storage and protection of user data are in compliance with our internal rules and applicable laws and regulations. They also work closely with our human resources team to provide information security trainings to our employees from time to time.

Financial Reporting Risk Management

We have in place various accounting policies in connection with our financial reporting risk management. We have also installed our financial reporting management system, which can monitor the our financial reporting and recording procedures, to safeguard the implementation of our accounting policies. We also provide regular trainings to our finance department employees to ensure that they understand our financial management and accounting policies and implement them in our operations.

Internal Control

We have designed and adopted strict internal control procedures to safeguard the compliance of our business operations with relevant laws and regulations. Our internal control team work closely with our legal, compliance and finance team to perform risk assessment, improve business efficiency, monitor the effective of internal control and promote the awareness of internal control and risk management across the Company. We have established channels to report misconducts or wrongdoings, and we take disciplinary actions against employee who committed misconducts.

We have also engaged an independent internal control consultant to review our internal control measures and assess the effectiveness of our internal control system. The scope of such review covers the following aspects of our business: digital freight business, aftermarket services, procurement, payables and payments, inventory management (including logistics),

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human resources and compensation, asset management, research and development management, cash and cash equivalents management, financial reporting and disclosure controls, tax administration as well as insurance and IT control.

Based on the abovementioned internal control review, the internal control consultant is of the view that, within the scope of the above-mentioned internal control evaluation, the internal control consultant did not find any material defects in our internal control system and measures.

LEGAL PROCEEDING AND COMPLIANCE

Licenses and Permits

The following table sets forth a list of our material licenses, permits, approvals and certifications:

| No. | Holder | Name of License, Permit, Approval and Certification | Date of the Current License, Permit, Approval and Certification | Expiration Date |
|-----|-----------------------|---|---|--------------------|
| 1 | Our Company | Value-added Telecommunications Business Operation License | September 30, 2021 ⁽¹⁾ | September 30, 2026 |
| 2 | Our Company | Registration Certificate for Graded Protection of Information System Security | August 5, 2020 | N/A |
| 3 | Anhui Qiantong | Value-added Telecommunications Business Operation License | December 10, 2019 | December 10, 2024 |
| 4 | Anhui Qiantong | Road Transportation Operation Permit | January 7, 2022 | December 31, 2023 |
| 5 | Anhui Qiantong | Registration Certificate for Graded Protection of Information System Security | April 1, 2020 | N/A |
| 6 | Anhui Jinwang Express | Value-added Telecommunications Business Operation License | January 15, 2020 | January 15, 2025 |
| 7 | Anhui Jinwang Express | Road Transportation Operation Permit | June 8, 2021 | January 1, 2025 |
| 8 | Anhui Jinwang Express | Registration Certificate for Graded Protection of Information System Security | March 23, 2020 | N/A |
| 9 | Anhui Log | Value-added Telecommunications Business Operation License | May 12, 2020 | May 12, 2025 |
| 10 | Anhui Log | Road Transportation Operation Permit | December 31, 2021 | December 30, 2023 |

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| No. | Holder | Name of License, Permit, Approval and Certification | Date of the Current License, Permit, Approval and Certification | Expiration Date |
|-----|---|---|---|--------------------|
| 11 | Anhui Log | Registration Certificate for Graded Protection of Information System Security | March 16, 2020 | N/A |
| 12 | Anhui Yuntongda Logistics Technology Co., Ltd. (安徽運通達物流科技有限公司) (“ Anhui Yuntongda ”) | Value-added Telecommunications Business Operation License | October 30, 2019 | October 30, 2024 |
| 13 | Anhui Yuntongda | Road Transportation Operation Permit | September 24, 2021 | September 23, 2025 |
| 14 | Anhui Yuntongda | Registration Certificate for Graded Protection of Information System Security | March 18, 2020 | N/A |
| 15 | Anqing Jinwang Express Transportation Co., Ltd.* (安慶金網運通運輸有限公司) (“ Anqing Jinwang Express ”) | Value-added Telecommunications Business Operation License | March 3, 2020 | March 3, 2025 |
| 16 | Anqing Jinwang Express | Road Transportation Operation Permit | December 13, 2022 | December 28, 2026 |
| 17 | Anqing Jinwang Express | Registration Certificate for Graded Protection of Information System Security | March 18, 2020 | N/A |
| 18 | Ma’anshan Cloud Net | Value-added Telecommunications Business Operation License | December 10, 2019 | December 10, 2024 |
| 19 | Ma’anshan Cloud Net | Road Transportation Operation Permit | May 29, 2020 | April 23, 2024 |
| 20 | Ma’anshan Cloud Net | Registration Certificate for Graded Protection of Information System Security | March 23, 2020 | N/A |
| 21 | Fujian Huilian | Value-added Telecommunications Business Operation License | February 7, 2020 | February 7, 2025 |
| 22 | Fujian Huilian | Road Transportation Operation Permit | July 31, 2020 | July 30, 2024 |

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| No. | Holder | Name of License, Permit, Approval and Certification | Date of the Current License, Permit, Approval and Certification | Expiration Date |
|-----|--|---|---|-------------------|
| 23 | Fujian Huilian | Registration Certificate for Graded Protection of Information System Security | April 10, 2020 | N/A |
| 24 | Fujian Jinwang Express | Value-added Telecommunications Business Operation License | February 7, 2020 | February 7, 2025 |
| 25 | Fujian Jinwang Express | Road Transportation Operation Permit | July 31, 2020 | July 30, 2024 |
| 26 | Fujian Jinwang Express | Registration Certificate for Graded Protection of Information System Security | April 10, 2020 | N/A |
| 27 | Hubei Log | Value-added Telecommunications Business Operation License | January 6, 2020 | January 6, 2025 |
| 28 | Hubei Log | Road Transportation Operation Permit | December 27, 2021 | December 31, 2023 |
| 29 | Hubei Log | Registration Certificate for Graded Protection of Information System Security | April 27, 2020 | N/A |
| 30 | Shaanxi Zhongcheng Technology Logistics Co., Ltd. (陝西眾誠科技物流有限公司) (“ Shaanxi Zhongcheng ”) | Value-added Telecommunications Business Operation License | April 29, 2020 | April 29, 2025 |
| 31 | Shaanxi Zhongcheng | Road Transportation Operation Permit | January 25, 2022 | December 31, 2023 |
| 32 | Shaanxi Zhongcheng | Registration Certificate for Graded Protection of Information System Security | June 30, 2021 | N/A |
| 33 | Huainan Log ⁽²⁾ | Transportation Operation Permit | April 29, 2022 | April 28, 2026 |
| 34 | Huainan Log | Registration Certificate for Graded Protection of Information System Security | March 14, 2022 | N/A |

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| No. | Holder | Name of License, Permit, Approval and Certification | Date of the Current License, Permit, Approval and Certification | Expiration Date |
|-----|---|---|---|-------------------|
| 35. | Huangshan Log Logistics Technology Co., Ltd* (黄山路歌物流科 技有限公司) (“Huangshan Log”) | Transportation Operation Permit | August 29, 2022 | August 28, 2026 |
| 36. | Huangshan Log | Registration Certificate for Graded Protection of Information System Security | July 29, 2022 | N/A |
| 37. | Tianjin Log Logistics | Value-added Telecommunications Business Operation License | June 9, 2022 | June 9, 2027 |
| 38. | Tianjin Log Logistics | Transportation Operation Permit | December 29, 2022 | December 31, 2023 |
| 39. | Tianjin Log Logistics | Registration Certificate for Graded Protection of Information System Security | November 26, 2021 | N/A |

Note:

- (1) The Company obtained an earlier version of Value-added Telecommunications Business Operation License on October 29, 2020, and obtained an updated version of such license on September 30, 2021.
- (2) Huainan Log is able to engage in digital freight business without ICP license since the Department of Transportation of Anhui Province (安徽省交通運輸廳) announced that ICP license was no longer required as a pre-condition for the operation of digital freight business in Anhui Province starting from August 2020.

According to our PRC Legal Advisers, as of the Latest Practicable Date, we had obtained all licenses, permits, approvals and certificates that are material for the business operations of our Group as a whole in the PRC and such licenses, permits, approvals and certificates are valid and subsisting.

Sichuan Quanwang Express

As required by applicable PRC laws and regulations, an entity that engages in digital freight business is generally required to obtain an operating license from local county-level authorities that are responsible for the supervision and administration of road transportation. See “Regulatory Overview—Regulations Related to Road Transportations.” During the Track Record Period, we had not obtained such license for the operation of digital freight business for one of our subsidiaries, Sichuan Quanwang Express. Since Sichuan Province, where

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Sichuan Quanwang Express operates, had not promulgated relevant rules regulating the issuance of such license when the PRC laws and regulations requiring such license was formulated, we were not able to apply for such license for Sichuan Quanwang Express. We had been engaging in active communication with local county-level authorities regarding such issue, and had received a written confirmation from Xichong County Municipal Road Transport Administrative Bureau (西充縣道路運輸管理局), a competent authority having jurisdiction over us, that permitted Sichuan Quanwang Express to engage in digital freight business in the absence of such license, and had confirmed that we had not been in violation of any relevant administrative regulations. By the end of 2021, we had completed the transfer of business operations under, and service provided by, Sichuan Quanwang Express to other operating entities in our Group, and had decided to cease the operations of Sichuan Quanwang Express until we obtain such operating license.

Considering that (i) Xichong County Municipal Road Transport Administrative Bureau is authorized to regulate the operations of Sichuan Quanwang Express by the Regulations on Road Transportation of the PRC, (ii) Sichuan Quanwang Express has submitted relevant data to the supervisory system of digital freight business in Sichuan Province, and therefore has been under the effective supervision and regulation by authorities at provincial level, our PRC Legal Advisers are of the view that Xichong County Municipal Road Transport Administrative Bureau is competent in providing the confirmation for Sichuan Quanwang Express's operation in Sichuan Province and in PRC, and that the likelihood of such confirmation being challenged by higher authority is very low. Furthermore, as of the Latest Practicable Date, we had not received any notice from higher authority challenging the confirmation provided by Xichong County Municipal Road Transport Administrative Bureau.

Having considered the foregoing, we believe that the absence of operating licensing for digital freight business for Sichuan Quanwang Express did not and will not have a material adverse effect on our business, financial conditions and results of operations, considering that (i) we had obtained the written confirmation from relevant local county-level authorities as mentioned above; (ii) during the Track Record Period and as of the Latest Practicable Date, we had not been subject to any material regulatory notice, fines, penalties or enforcement actions on account of such licensing status; (iii) as of the Latest Practicable Date, we had not received any notification from the relevant authorities requiring us to obtain such license for Sichuan Quanwang Express; (iv) during the Track Record Period, Sichuan Quanwang Express contributed to less than 5% of our total revenue; (v) as advised by our PRC Legal Advisers, considering relevant written confirmation we obtained from local county-level authorities that permitted Sichuan Quanwang Express to engage in digital freight business in the absence of such licenses, the risk of us being subject to administrative penalty by relevant authorities as a result of such licensing status is low; and (vi) following our discussion with local government, by the end of 2021, we had completed the transfer of business operations under, and service provided by, Sichuan Quanwang Express to other operating entities in our Group, and had decided to cease the operations of Sichuan Quanwang Express pursuant to recommendation by the government in accordance with relevant regional economic development planning policies.

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Value-added Telecommunications Business License

Our Company first obtained a Value-added Telecommunications Business License (the “ICP License”) issued by Anhui Communications Administration in 2010 with the validity period from November 12, 2010 to November 11, 2015. We applied for such ICP license for our then-existing SaaS-based services and our proposed Trucker Community. Although, as advised by our PRC Legal Advisers, the SaaS-based services we offered back then were not considered as value-added telecommunication business and thus did not require ICP license, we still obtained one out of precaution. We launched our Trucker Community in 2014. However, we did not apply to Anhui Communications Administration for the renewal of the ICP License and continued to operate Trucker Community since the expiration of our ICP License in November 2015 until October 29, 2020. On October 29, 2020, we obtained a new ICP License issued by Anhui Communications Administration, which was subsequently updated on September 30, 2021. According to the interview with Anhui Communications Administration, the Anhui Communications Administration generally is not expected to retrospectively impose administrative penalties us for failing to renew the ICP License during a historical period as (i) we obtained the ICP License on October 29, 2020, (ii) no complaints have been filed against us, and (iii) the Anhui Communications Administration had not imposed any administrative penalties on us in the past. Accordingly, as advised by the our PRC Legal Advisers, the risk that we are subject to administrative penalties by Anhui Communications Administration is low.

For our digital freight business, as advised by our PRC Legal Advisers, since the inception of our digital freight business and up to the official implementation of the Measures for Administration of Road Freight Transport Operation on Online Platform (《網絡平台道路貨物運輸經營管理暫行辦法》) (“Interim Measure of Digital Freight Transportation”) on January 1, 2020, the ICP license was not required for the operation of digital freight business. Pursuant to the Interim Measure of Digital Freight Transportation and other applicable online freight transportation regulations, ICP licenses are required to be obtained as a condition to obtaining the requisite Road Transportation Operation Permits for digital freight transportation operators. As such, our subsidiaries engaging in digital freight business applied for and obtained the requisite ICP Licenses from October 2019 to October 2020, and thus obtained the requisite Road Transportation Operation Permits for digital freight transportation operators. Accordingly, our PRC Legal Advisers are of the view that we have complied with ICP License requirements applicable to our digital freight business during the Track Record Period and as of the Latest Practicable Date.

Road Transportation Operation Permit

On August 26, 2016, the General Office of the Ministry of Transportation (the “MOT”) promulgated “the Opinions 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》), and decided to carry out nationwide the pilot work of digital freight transportation (by that time, also known as “Non-vehicle Operating Carrier Logistics”). On March 1, 2017, the General Office of the MOT published the list of pilot

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enterprises, our Company, and one of our subsidiaries, Anhui Jinwang Express, were selected as the pilot enterprises, and obtained the Road Transportation Operation Permit with the business scope of digital freight business issued by the local county-level transportation authorities, with the validity period from July 2017 to July 2021. Later, three more of our subsidiaries, including Fujian Huilian, Fujian Jinwang Express and Shaanxi Zhongcheng, became the pilot enterprises in 2019 in accordance with the provincial pilot policies of Fujian Province and Shaanxi Province, and obtained the Road Transportation Operation Permit with the business scope of digital freight business issued by the local county level transportation authorities with the validity period from July 2019 to July 2023, July 2019 to July 2023 and August 2019 to May 2020, respectively.

However, six of our subsidiaries, including Anhui Qiantong, Anhui Yuntongda, Anqing Jinwang Express, Ma'anshan Cloud Net, Hubei Log and Sichuan Quanwang Express had not obtained the pilot qualification of digital freight transportation due to the lack of additional opportunity to apply for the pilot qualification, since most of such subsidiaries were established later than the time when the pilot enterprises list was published by the General Office of the MOT on March 1, 2017. For the aforementioned reason, the local transportation authorities allowed our subsidiaries to carry out digital freight business without the pilot qualification and issued each of our relevant subsidiaries a version of the Road Transportation Operation Permit which did not explicitly include digital freight business within the business scope upon the start of their digital freight business.

On September 6, 2019, the MOT ended pilot work of digital freight transportation and promulgated the Interim Measure for Administration of Road Freight Transport Operation on Online Platform (《網絡平台道路貨物運輸經營管理暫行辦法》, the “Interim Measure of Road Freight Transport”) in replacement. With the implementation of the Interim Measure of Road Freight Transport on January 1, 2020 and the promulgation of local rules regulating the issuance of Road Transportation Operation Permit with the business scope of digital freight business, the Company’s subsidiaries engaged in digital freight business (except Sichuan Quanwang Express, as disclosed in “—Legal Proceeding and Compliance—Licenses and Permits—Sichuan Quanwang Express”) had applied for the Road Transportation Operation Permit with the business scope of digital freight business and obtained such permits successively.

Given (i) our qualification as a selected pilot enterprise, and that our relevant subsidiaries had engaged in digital freight business operations under our supervision; (ii) that the requisite administrative channel to apply for pilot enterprise qualification had been unavailable to our relevant subsidiaries upon commencement of their respective digital freight businesses, and the local transportation authorities had allowed such subsidiaries to carry out digital freight business without the said pilot qualification and had issued to such subsidiaries a version of the Road Transportation Operation Permit without the business scope of digital freight business to our relevant subsidiaries upon the commencement of their respective digital freight businesses; (iii) after the implementation of the Interim Measures of Road Freight Transport on January 1, 2020 and the promulgation of local rules regulating the issuance of Road Transportation Operation Permits with the business scope of digital freight business, our subsidiaries engaged

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in digital business, save for Sichuan Quanwang Express, had promptly obtained the Road Transportation Operation Permit with the business scope of digital freight business after the local transportation authorities issued specific implementation rules, and (iv) the county-level local transportation authorities of the relevant subsidiaries have issued written confirmations, confirming, among other matters, that they have not imposed, and will not retrospectively impose, any administrative penalties on such subsidiaries for operating digital freight business without pilot qualification. As advised by our PRC Legal Advisers, transportation authorities are competent to issue the above written confirmations and the risk of the relevant subsidiaries being subject to administrative penalties by relevant authorities is remote. Based on the above, our PRC Legal Advisers are of the view that, save for Sichuan Quanwang Express, the regulatory compliance details of which are set out in the paragraph headed “Business—Legal Proceeding and Compliance—Sichuan Quanwang Express” of the Prospectus, we have in substance complied with the applicable Road Transportation Operation Permit requirements during the Track Record Period and as of the Latest Practicable Date.

Legal Proceedings

During the Track Record Period and up to the Latest Practicable Date, as advised by our PRC Legal Advisers, we had not been and were not a party to any material legal, arbitral or administrative proceedings, which could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Compliance

During the Track Record Period and up to the Latest Practicable Date, as advised by our PRC Legal Advisers, we had not been and were not involved in any non-compliance incidents that led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations. Our Directors are of the view that, we had complied, in all material respects, with all relevant laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date.

AWARDS AND RECOGNITION

We have received recognition for the quality and popularity of our services. The table below sets forth some of the awards and recognition we received during the Track Record Period.

| <u>Award/Recognition</u> | <u>Award Year</u> | <u>Awarding Institution/Authority</u> |
|---|-------------------|---|
| 340th among the 2022 Top 500 Private Enterprises (2022年全國民營企業500強, 第340位) | 2022 | All-China Federation of Industry and Commerce (全國工商聯) |

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| <u>Award/Recognition</u> | <u>Award Year</u> | <u>Awarding Institution/Authority</u> |
|---|-------------------|---|
| Key “Little Giant” Enterprise of the MIIT (工信部專精特新“小巨人”企業) | 2021 | Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) |
| 432nd among the 2021 Top 500 Private Enterprises (2021年全國民營企業500強, 第432位) | 2021 | All-China Federation of Industry and Commerce (全國工商聯) |
| Best Exemplary Enterprise of Innovative Logistics and Supply Chain Management (物流與供應鏈管理創新最佳示範單位) | 2021 | Smart Logistics Committee of China Communications and Transportation of Association (中國交通運輸協會智慧物流專業委員會) |
| 2020 National Exemplary Platform for Public Services by Small and Medium Enterprises (2020年度國家中小企業公共服務示範平台) | 2020 | Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) |
| AAAAA Digital Freight Platform Enterprise (5A級網絡貨運平台企業) | 2020 | China Federation of Logistics & Purchasing (中國物流與採購聯合會) |
| 477th among the 2020 Top 500 Private Enterprises (2020年全國民營企業500強, 第477位) | 2020 | All-China Federation of Industry and Commerce (全國工商聯) |
| Wu Wen Jun AI Science & Technology Award (吳文俊人工智能科學技術獎) | 2020 | China Association for Artificial Intelligence (中國人工智能學會) |
| 2020 Innovation and Growth Award for National Advanced Logistics Enterprises (2020年度全國先進物流企業創新成長獎) | 2020 | China Communications and Transportation Association (中國交通運輸協會) |

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| <u>Award/Recognition</u> | <u>Award Year</u> | <u>Awarding Institution/Authority</u> |
|---|-------------------|---|
| National Monitor Spots for the Operations of Logistics Business (全國物流運行監測點) | 2019 | National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) |
| Pilot NVOCC Enterprise (首批無車承運人試點企業) | 2019 | Ministry of Transport of the PRC (中華人民共和國交通運輸部) |
| 2019 China Logistics Social Responsibility Award (2019中國物流社會責任貢獻獎) | 2019 | China Federation of Logistics & Purchasing (中國物流與採購聯合會) |
| 2019 Smart Logistics Service Innovation Enterprise (2019智慧物流服務創新企業) | 2019 | China Federation of Logistics & Purchasing (中國物流與採購聯合會) |

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Share Subdivision and the Global Offering (assuming that the Over-allotment Option is not exercised), (i) Mr. Feng will directly hold approximately 19.62% of the enlarged registered share capital of our Company; (ii) Mr. Du will directly hold approximately 19.62% of the enlarged registered share capital of our Company; and (iii) Shanghai Chuyan will directly hold approximately 0.93% of the enlarged registered share capital of our Company. Shanghai Chuyan is the shareholding platform established by Mr. Feng and Mr. Du, and is owned as to 52% by Mr. Feng (as the general partner) and 48% by Mr. Du (as the sole limited partner). Mr. Feng and Mr. Du therefore have full control over Shanghai Chuyan.

On July 30, 2021, Mr. Feng and Mr. Du entered into the Concert Party Agreement, according to which Mr. Feng and Mr. Du confirmed and agreed that they have been and will continue to act in concert by aligning their votes at the shareholders' meeting and the board meeting of the Company, unless otherwise agreed, and in case they cannot reach an unanimous consent on a relevant matter, Mr. Du shall act in accordance with the direction of Mr. Feng. Further details of the Concert Party Agreement are set out in the section headed "Our History and Development—Concert Party Agreement."

On the basis of the above, Mr. Feng and Mr. Du will be entitled to exercise or control the exercise of an aggregate of approximately 40.17% of the voting power at general meetings of our Company upon Listing. As a result, Mr. Feng, Mr. Du and Shanghai Chuyan will constitute a group of Controlling Shareholders of our Company under the Listing Rules.

Apart from being a Controlling Shareholder, Mr. Feng is also an executive Director and the chairman of our Board, and Mr. Du is also an executive Director, the chief executive officer and the general manager of our Company. For further background details of Mr. Feng and Mr. Du, please see the section headed "Directors, Supervisors and Senior Management—Executive Directors" in this prospectus.

EXCLUDED BUSINESS

As of the Latest Practicable Date, our Controlling Shareholders, Mr. Feng and Mr. Du, were interested in certain companies outside of our Group, details of which are set out below:

| <u>Company name</u> | <u>Place of Incorporation</u> | <u>Date of Incorporation</u> | <u>Ownership</u> |
|--|-------------------------------|------------------------------|---|
| 1. Nanjing Luge Investment Management Center LLP* (南京路歌投資管理中心(有限合夥)) ("Nanjing Luge Investment") | Nanjing, PRC | September 23, 2015 | 76.94% by Mr. Feng, 1% by Mr. Du, 14.71% by Mr. Wang and 7.35% by Mr. Pan Ruibo (潘瑞波) ^{Note} |

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

| <u>Company name</u> | <u>Place of Incorporation</u> | <u>Date of Incorporation</u> | <u>Ownership</u> |
|--|-------------------------------|------------------------------|------------------|
| 2. Nanjing Luge Information Technology Co., Ltd.* (南京路歌信息技術有限公司) (“ Nanjing Luge Information ”) | Nanjing, PRC | June 17, 2015 | 100% by Mr. Feng |

Note: Further details of Mr. Pan Ruibo are set out in the section headed “Our History and Development—C. Earlier Shareholding Changes—(c) Conversion of Capital Reserve into Paid-in Registered Share Capital.”

Nanjing Luge Investment was set up by our Controlling Shareholders, Mr. Feng and Mr. Du, for the purpose of holding our Company’s equity interests on behalf of our employees. Since its establishment and up to the Latest Practicable Date, Nanjing Luge Investment had no actual business operations. Mr. Du is the executive partner of Nanjing Luge Investment.

Nanjing Luge Information was set up and wholly owned by Mr. Feng. In 2018, Nanjing Luge Information transferred all its equity interests in our Company to Ganzhou Jinxi Investment Partnership (Limited Partnership)* (贛州金義投資合夥企業(有限合夥)), details of which are set out in the section headed “Our History and Development—Corporate Development of Our Company.” Since its establishment and up to the Latest Practicable Date, Nanjing Luge Information had no actual business operations. Mr. Feng is the sole director of Nanjing Luge Information.

Save as otherwise disclosed above and the section headed “Directors, Supervisors and Senior Management—Directors—Executive Directors”, as of the Latest Practicable Date, none of our Controlling Shareholders or our Directors was engaged or had any interest in any 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.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders and their respective associates after the Global Offering.

Management Independence

The Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors. Our management and operational decisions are made by our executive Directors and senior management, most of whom have served our Group for an extensive period and have substantial experience in the industry in which we are engaged. Please see the section headed “Directors, Supervisors and Senior Management” in this prospectus for further details.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, save as otherwise disclosed below, none of our Directors, supervisors or the members of our senior management team holds any position with our Controlling Shareholders and/or their respective close associates (the “**Controlling Shareholders Group**”).

| <u>Name</u> | <u>Position with our Company</u> | <u>Position with the Controlling Shareholders Group as of the Latest Practicable Date</u> |
|-------------|--|---|
| Mr. Feng | Executive Director and chairman of the Board | Director of Nanjing Luge Information |

Despite that Mr. Feng holds a director position in Nanjing Luge Information, our Directors are of the view that given Nanjing Luge Information currently does not have any actual business operations, Mr. Feng is and will continue to be largely involved in the day-to-day management and operation of our Group, and in the event that Mr. Feng is required to be absent himself from any board meeting on any matter which may give rise to a potential conflict of interest, our remaining Directors will have sufficient expertise and experience to fully consider such matter.

In addition, our Directors are of the view that there are sufficient and effective control mechanisms to ensure that our Directors discharge their duties appropriately and safeguard the interests of our Shareholders as a whole for following reasons:

- (i) each of our Directors is aware of his/her fiduciary duties as a Director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests. The Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her associates has a material interest and shall not be counted in the quorum present at the relevant Board meeting. Further, when considering connected transactions, our independent non-executive Directors will review the relevant transactions; and
- (ii) our independent non-executive Directors constitute one-third of our Board and none of them has any relationship with our Controlling Shareholders or their respective associates. They will bring independent judgment to the decision-making process of the Board.

Therefore, there are sufficient non-overlapping Directors who are independent and have relevant experience to allow the proper function of the Board.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform the managerial role in our Group independently and are of the view that we are capable of managing our business independently from the Controlling Shareholders Group after the Global Offering.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational Independence

Although the Controlling Shareholders will retain a controlling interest in our Company after the Listing, we have full rights to make all decisions regarding, and to carry out, our own business operations independently from our Controlling Shareholders. Our Company (through our subsidiaries) holds or enjoys the benefit of all relevant licenses necessary to carry out our businesses, and has sufficient capital, equipment and employees to operate our business independently from the Controlling Shareholders.

We have established our own organizational structure with independent departments and business units, each with specific areas of responsibility. We maintain a set of comprehensive internal control procedures to facilitate the effective operations of our business. Our operational functions are running independently of the Controlling Shareholders Group.

We have our own employee headcount for our operations and our own management of human resources, cash and accounting, invoicing and billing. As of the Latest Practicable Date, substantially all of our full-time employees were recruited independently and primarily through recruitment websites, on-campus recruitment programs, advertisements in newspapers, recruiting firms and internal referrals.

Our Directors currently do not expect that there will be any transactions between our Group and our Controlling Shareholders Group upon or immediately following the Listing which will constitute continuing connected transactions of our Company pursuant to the Listing Rules.

Financial Independence

During the Track Record Period and up to the Latest Practicable Date, our Group has our own internal control, accounting and financial management system, accounting and finance department independent treasury functions for cash receipts and payment and we make financial decisions according to our own business needs.

During the Track Record Period and up to the Latest Practicable Date, we entered into various facility agreements or standalone loan agreements with certain banks, pursuant to which our Company or other eligible member of our Group borrowed short-term loans from these banks which are secured by personal guarantees provided by our Controlling Shareholders, Mr. Feng and Mr. Du. These short-term loans were generally used for the turnover of our working capital, technology development, and/or other financial needs in the ordinary and usual course of our business operation.

Save as otherwise disclosed above, we confirm that there is no other financial assistance provided by our Controlling Shareholders Group to our Group and *vice versa*. As of the Latest Practicable Date, (i) all the guarantees provided by our Controlling Shareholders to our Group were all released upon maturity of the relevant loan or otherwise agreed by relevant banks in advance, or will be released upon Listing and (ii) all loans, advances and balances due to the Controlling Shareholders were fully repaid.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Directors believe that we are capable of obtaining financing from external sources without reliance on our Controlling Shareholders, and our Group has developed long term stable relationships with various banks to support our business operation and expansion.

Based on the above, our Directors believe that we have the ability to operate independently of the Controlling Shareholders Group from a financial perspective and are able to maintain financial independence from the Controlling Shareholders Group.

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there will be adequate corporate governance measures in place to manage conflicts of interest after Listing. In particular, we will implement the following measures:

- (a) as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and abstain from voting at the board meetings on matters in which such Director or his/her associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- (c) we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in “Directors, Supervisors and Senior Management—Directors—Independent Non-executive Directors”;
- (d) in the event that the independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and the Controlling Shareholders and/or the Directors on the other hand, the Controlling Shareholders and/or the Directors shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either through its annual report or by way of announcements; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (e) we have appointed Guotai Junan Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

Further, any transaction that is proposed between our Company and the Controlling Shareholders and/or our Directors and their respective associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent Shareholders' approval requirements.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

GENERAL INFORMATION

The following table sets forth the key information about our Directors, supervisors and senior management as of the date of this prospectus.

Directors

| Name | Age | Position(s) | Date of appointment | Date of joining our Group | Roles and responsibilities |
|---------------------------|-----|--|-----------------------------|---------------------------|--|
| Mr. Feng Lei (馮雷) | 52 | Executive Director and chairman of the Board | October 2021 ⁽¹⁾ | June 2010 | Formulating overall strategic planning and overseeing the business operations of our Group |
| Mr. Du Bing (杜兵) | 52 | Executive Director | October 2021 ⁽²⁾ | June 2010 | Managing the daily business operations of our Group |
| Mr. Ye Sheng (葉聖) | 43 | Executive Director | October 2021 ⁽³⁾ | July 2010 | Developing technology strategies and innovation projects to enhance the quality of the products and services provided by our Group |
| Ms. Wang Yao (王瑤) | 48 | Executive Director | October 2021 ⁽⁴⁾ | August 2019 | Overseeing overall financial management and risk control of our Group |
| Mr. Liu Junjie (劉俊傑) | 51 | Non-executive Director | October 2021 ⁽⁵⁾ | April 2016 | Supervising the management of our Company and providing professional opinion and judgment to our Board |
| Mr. Chen Zhijie (陳志傑) | 40 | Non-executive Director | October 2021 ⁽⁶⁾ | September 2021 | Supervising the management of our Company and providing professional opinion and judgment to our Board |
| Mr. Dai Dingyi (戴定一) | 75 | Independent non-executive Director | October 2021 | October 2021 | Supervising and providing independent judgment to our Board |
| Mr. Li Dong (李東) | 46 | Independent non-executive Director | October 2021 | October 2021 | Supervising and providing independent judgment to our Board |
| Mr. Liu Xiaofeng (劉曉峰) | 60 | Independent non-executive Director | October 2021 | October 2021 | Supervising and providing independent judgment to our Board |

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Notes:

- (1) Mr. Feng joined our Company as a Director and chairman of the Board in June 2010 and was re-designated as an executive Director of our Company in October 2021.
- (2) Mr. Du joined our Company as a Director in June 2010 and was re-designated as an executive Director of our Company in October 2021.
- (3) Mr. Ye joined our Company as the chief technology officer in July 2010 and was elected as a Director of our Company in September 2021 and was further re-designated as an executive Director in October 2021.
- (4) Ms. Wang joined our Company as the chief financial officer in August 2019 and was elected as an executive Director of our Company in October 2021.
- (5) Mr. Liu joined our Company as a Director and a member of the Board in April 2016 and was re-designated as a non-executive Director in October 2021.
- (6) Mr. Chen joined our Company as a Director in September 2021 and was re-designated as a non-executive Director of our Company in October 2021.

Supervisors

| Name | Age | Position(s) | Date of appointment | Date of joining our Group | Roles and responsibilities |
|----------------------------|-----|---|---------------------|---------------------------|---|
| Ms. Liang Xiaojia (梁晓佳) | 41 | Supervisor and employee representative supervisor | September 2021 | May 2015 ^{Note} | Supervising the performance of duties of Directors and senior management of our Company |
| Mr. Fan Hua (樊驊) | 34 | Supervisor and chairman of the supervisory board | March 2019 | March 2019 | Supervising the performance of duties of Directors and senior management of our Company |
| Mr. Wang Yang (汪洋) | 40 | Supervisor | September 2021 | September 2021 | Supervising the performance of duties of Directors and senior management of our Company |

Note: Ms. Liang joined our Company as an administrator of the office affairs department in May 2015 and was elected as supervisor of our Company in October 2021.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Senior Management

| Name | Age | Position(s) | Date of appointment | Date of joining our Group | Roles and responsibilities |
|----------------------|-----|---|--|---------------------------|--|
| Mr. Du Bing (杜兵) | 52 | Chief executive officer and general manager | March 2019/ September 2021 ⁽¹⁾ | June 2010 | Managing the daily business operations of our Group |
| Mr. Ye Sheng (葉聖) | 43 | Chief technology officer | July 2010 | July 2010 | Developing technology strategies and innovative projects to enhance the quality of the products and services provided by our Group |
| Ms. Wang Yao (王瑤) | 48 | Chief financial officer | August 2019 | August 2019 | Overseeing overall financial management and risk control of our Group |
| Mr. Long Ke (龍科) | 39 | Vice president, secretary of the Board and one of the joint company secretaries | February 2021/ September 2021/ October 2021 ⁽²⁾ | February 2021 | Managing our Group's capital operation, overseeing outbound investment and financing, information disclosure, maintaining investors relationships and implementing the Board's resolutions |

Notes:

- (1) Mr. Du was appointed as the general manager of our Company in March 2019 and was further appointed as the chief executive officer of our Company in September 2021.
- (2) Mr. Long joined our Company as the vice president in February 2021, and was appointed as the secretary of the Board in September 2021 and was further appointed as one of the joint company secretaries of our Company in October 2021.

Save for that Mr. Feng Lei and Mr. Ye Sheng are cousins, none of our Directors, supervisors and other senior management members has any relationship with other Directors, supervisors and other senior management members or any Substantial Shareholder or Controlling Shareholder.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board currently consists of nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. Our Board is responsible for and has the general power over the management and operations of our business, including determining our business strategies and investment plans, implementing resolutions passed at our Shareholders' general meetings, and exercising other powers, functions and duties conferred by the Articles of Association.

Pursuant to our Articles of Association, our Directors are elected and appointed by our Shareholders at a Shareholders' meeting for a term of three years which is renewable upon re-election and re-appointment. The functions and powers of our Board include, among other things, convening Shareholders' meetings, reporting on our Board's work at the Shareholders' meetings, implementing the resolutions passed at the Shareholders' meetings, determining business and investment plans, formulating our annual financial budget and financial statements, and formulating our proposals for profit distributions and plans on making up losses, formulating our proposals for the increase or reduction of registered capital and issue and listing of bonds or other securities of our Company, formulating proposals for our Company's material acquisition, purchase of our Company's Shares or merger, division, dissolving and change in corporate form of our Company, deciding on our Company's basic internal management structure, and appointing or dismissing the general manager, the secretary of the Board, chief financial officer or other senior officers, determining their emoluments, rewards and penalties, and establishing the basic management system of our Company. In addition, our Board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association, and all applicable laws and regulations, including the Listing Rules.

Executive Directors

Mr. Feng Lei (馮雷), aged 52, is an executive Director and the chairman of the Board of our Company. Mr. Feng is also one of the founders and promoters of our Company. Mr. Feng has nearly 30 years of experience and accumulated expertise in information technology sector. Mr. Feng is principally responsible for formulating overall strategic planning and overseeing the business operations of our Group. In addition to his directorship in our Company, Mr. Feng is currently also serving as an executive director or supervisor at certain of our subsidiaries.

In addition to his roles in our Group, Mr. Feng has also been a director of Anhui Jika Lubrication Technology Co., Ltd.* (安徽吉卡潤滑科技有限公司) (“**Anhui Jika**”) (since November 2017), an associate company of our Group that is principally engaged in research and development of lubrication technology and manufacturing of lubricant products. As of the Latest Practicable Date, Anhui Jika was owned as to 40% by Kayou Zone Logistics, one of our wholly-owned subsidiaries, and 60% by Anhui Runtian Vehicle Maintenance Products Co., Ltd.* (安徽潤天汽車養護用品有限公司), an independent third party.

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Save for the above, Mr. Feng also held various positions in the following companies:

| Company name | Position held | Period of service |
|---|---|--|
| 1. Jiangsu Telecommunications Equipment Factory* (江蘇省通信設備廠) (“ Jiangsu Telecommunications ”) ⁽¹⁾ | Engineer | July 1992 to April 1993 |
| 2. Beijing Taikang Institute of Telecommunications Technology Co., Ltd.* (北京泰康通信技術公司) | Engineer | April 1993 to July 1994 |
| 3. Data Way Communication Limited* (北京迪特威通信設備有限公司) (“ Data Way ”) ⁽²⁾ | Engineer | July 1994 to September 1995 |
| 4. Beijing Holy Telecom Co., Ltd.* (北京市合力電信有限公司) (formerly known as Beijing Holy Telecom Group* (北京市合力電信集團)) (“ Beijing Holy ”) ⁽³⁾ | Manager | April 1998 to March 2000 |
| 5. Beijing Sijichuang Information Technology Co., Ltd.* (北京思及創環宇通信技術有限公司) | Director | March 2000 to August 2000 |
| 6. Beijing Yihe Jiaxun Information Technology Co., Ltd.* (北京怡和佳訊信息技術有限責任公司) (“ Beijing Yihe Jiaxun ”) ⁽⁴⁾ | Executive director, general manager and chairman of the Board | September 2002 to August 2011 ⁽⁵⁾ |

Notes:

- (1) Jiangsu Telecommunications is a company principally engaged in data communication equipment design and manufacturing.
- (2) Data Way is a company principally engaged in design, installation, commissioning and retailing of financial transaction room equipment, video and telephone conference system equipment.
- (3) Beijing Holy is a company principally engaged in software development and integration services.
- (4) Beijing Yihe Jiaxun is the predecessor of our Company, and was voluntarily deregistered in 2018, further details of which are set out in the sub-paragraph headed “Deregistration of Beijing Yihe Jiaxun” below.
- (5) Mr. Feng joined Beijing Yihe Jiaxun as the executive director and general manager in September 2002 and was promoted as chairman of the board of Beijing Yihe Jiaxun in November 2009. He remained as chairman of the board of Beijing Yihe Jiaxun from November 2009 to August 2011.

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Mr. Feng served several roles in the following companies, which were all PRC-based subsidiaries of our Group and were dissolved on a voluntary basis by way of deregistration as they had never commenced operation or ceased to carry on business.

| Company name | Position held | Period of service | Nature of business before dissolution | Date of dissolution |
|--|--|-------------------------------|--|---------------------|
| 1. Tongling Weitian Yuntong Modern Logistics Co., Ltd.* (銅陵維天運通現代物流有限公司) (“ Tongling Weitian Yuntong ”) | Executive director and general manager | July 2013 to June 2015 | General cargo services | June 12, 2015 |
| 2. Anhui Luge Logistics Co., Ltd.* (安徽路歌物流有限公司) | Executive director | November 2013 to October 2019 | Logistics business process management | October 22, 2019 |
| 3. Anhui Tuge Logistics Technology Co., Ltd.* (安徽途歌物流科技有限公司) (“ Anhui Tuge ”) | Executive director | July 2016 to November 2019 | Logistics information technology development | November 6, 2019 |
| 4. Beijing Weitian Yuntong Logistics Co., Ltd.* (北京維天運通物流有限公司) (“ Beijing Weitian Yuntong ”) | Supervisor | November 2003 to April 2016 | Warehousing and shipping agency service | April 8, 2016 |

The above companies were solvent prior to their deregistrations.

Mr. Feng received his bachelor’s degree in telecommunications engineering from Beijing University of Post and Telecommunications (北京郵電大學) (formerly known as Beijing College of Post and Telecommunications (北京郵電學院)) the PRC, in July 1992. He later received a master’s degree in telecommunications and control from Beijing Jiaotong University (北京交通大學) (formerly known as Northern Jiaotong University (北方交通大學)), the PRC, in April 1998. In June 2004, Mr. Feng obtained his MBA degree from School of Economics & Management at Tsinghua University (清華大學經濟管理學院), the PRC.

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In 2016, Mr. Feng was recognized as China's Top Ten Logistics People of the Year (中國物流十大年度人物). In 2018, Mr. Feng was recognized as the Top Ten Influential People in Logistics Information Platform (物流信息化十大風雲人物) and Member of China Logistics 100 Think Tank (中國物流100人智庫成員). In 2021, Mr. Feng was recognized as the Outstanding Private Entrepreneur of Anhui Province (安徽省優秀民營企業家) and was awarded a May 1st Labor Medal in Hefei, Anhui Province (安徽省合肥市五一勞動獎章).

Deregistration of Beijing Yihe Jiaxun

Beijing Yihe Jiaxun was established in Beijing in September 2002. In August 2011, Mr. Feng and Mr. Du sold Beijing Yihe Jiaxun to independent third parties. To the best knowledge of our Directors after due and careful enquiries, Beijing Yihe Jiaxun was subsequently and voluntarily deregistered on March 9, 2018 as a result of business restructuring of its then owner(s). For further details, please refer to the section headed "Our History and Development."

Mr. Du Bing (杜兵), aged 52, is currently an executive Director, the chief executive officer and the general manager of our Company. Mr. Du is one of the founders and promoters of our Group. He is principally responsible for managing the daily business operations of our Group. Mr. Du is currently also an executive director and/or general manager of certain subsidiaries of our Group.

In addition, since September 2020, Mr. Du has been serving as non-executive director of Wuhu Luge Logistics Technology Co., Ltd.* (蕪湖路歌物流科技有限公司) ("**Wuhu Luge**"), a company invested by our Company and which is principally engaged in providing multi-modal transportation services including shipping and trucking. As of the Latest Practicable Date, Wuhu Luge was owned as to (i) 24% by our Company, and (ii) 40% by Anhui Ganghang Logistics Co., Ltd.* (安徽港航物流有限公司), 29.4% by Wuhu Honghao Equity Investment Partnership (Limited Partnership) * (蕪湖宏浩股權投資合夥企業(有限合夥)) and 6.6% by Tianjin Jintaishi Enterprise Management Partnership (Limited Partnership)* (天津金泰石企業管理合夥企業(有限合夥)) ("**Tianjin Jintaishi**"), who are independent third parties. Further, since January 18, 2022, Mr. Du has been serving as a director and the chairman of the board directors of Xinjiang Zhongya Log Digital Technology Co., Ltd* (新疆中亞路歌數字科技有限公司) ("**Xinjiang Zhongya**"), a company jointly set up by our Company and a few other independent third parties (see details below) and which is principally engaged in the provision of bulk cargo services. Mr. Du was nominated by our Company to the board of directors of Xinjiang Zhongya. As of the Latest Practicable Date, Xinjiang Zhongya was owned as to (i) 46% by our Company, and (ii) 21% by Ms. Yu Haijie (于海潔), 18% by Xinjiang Zhongya Oil and Gas Co., Ltd* (新疆中亞石油天然氣有限公司), 10% Xinjiang Guoxing Agricultural Development Group Co., Ltd* (新疆國興農業發展集團有限公司) and 5% by Tianjin Jintaishi, which are all independent third parties. As of the Latest Practicable Date, Mr. Du was not involved in the daily management and operation of Wuhu Luge and Xinjiang Zhongya. As such, the directorship held by Mr. Du in Wuhu Luge and Xinjiang Zhongya would not give rise to any material competition issue under Rule 8.10 of the Listing Rules.

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Mr. Du has also been serving as the chairman of the supervisory board of Tianjin Qingkong Shoulu Supply Chain Management Co., Ltd.* (清控首路供應鏈管理(天津)有限公司) (“**Tianjin Qingkong**”) since January 2019. Tianjin Qingkong is an associate company of our Group which is principally engaged in the provision of highway-railway combined freight transportation services. As of the Latest Practicable Date, Tianjin Qingkong was owned as to 30% by our Company, 40% by Capital Railway Resources & E-Business (Tianjin) Co., Ltd.* (首鐵資源電子商務(天津)有限公司), 20% by Beijing Star International Energy Investment Co., Ltd.* (北京斯塔國際能源投資有限公司) and 10% by Beijing Qingkong Internet Technology Co., Ltd.* (北京清控互聯科技有限責任公司), who (except our Company) are all independent third parties. In addition, Mr. Du has been serving as the supervisor of Beijing Lvyangchun Technology Co., Ltd.* (北京綠陽醇科技有限公司) (“**Beijing Lvyangchun**”), a company principally engaged in technology development and consultancy, since September 2020. As of the Latest Practicable Date, Beijing Lvyangchun was owned by Mr. Hao Xiaoyu (郝曉宇). To the best knowledge of our Directors after due enquiry, Mr. Hao Xiaoyu is an independent third party.

Mr. Du started his career as a salesman at China P&T Appliances Co., Ltd. (Beijing)* (中國郵電器材北京公司), a company principally engaged in the retail of communication terminal products and accessories, from August 1992 to September 1994. Subsequently, he acted as vice president at Beijing Jiangyu Jinse Zhongguang Communication Equipment Co., Ltd.* (北京金色中光通信設備有限公司), a company principally engaged in retailing of communication power products and surge protection device, from February 1997 to March 2001. Mr. Du then served as the chief operating officer at Beijing Yihe Jiaxun from September 2002 to June 2010, and as a director and manager from November 2009 to August 2011. Beijing Yihe Jiaxun was deregistered in 2018, further details of which are set out in the sub-paragraph headed “Deregistration of Beijing Yihe Jiaxun” above.

Mr. Du served several roles in the following companies, which were all PRC-based subsidiaries of our Group and were dissolved on a voluntary basis by way of deregistration.

| <u>Company name</u> | <u>Position held</u> | <u>Period of service</u> | <u>Nature of business before dissolution</u> | <u>Date of dissolution</u> |
|-----------------------------|----------------------|-----------------------------|--|----------------------------|
| 1. Beijing Weitian Yuntong | Executive director | November 2003 to April 2016 | Warehousing and freight services | April 8, 2016 |
| 2. Tongling Weitian Yuntong | Supervisor | July 2013 to June 2015 | General cargo services | June 12, 2015 |
| 3. Anhui Tuge | General manager | July 2016 to November 2019 | Logistics information technology and provision of logistics data technology services | November 6, 2019 |

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| Company name | Position held | Period of service | Nature of business before dissolution | Date of dissolution |
|--|--|---------------------------------|---|---------------------|
| 4. Anhui Ningge Logistics Technology Co., Ltd.* (安徽寧歌物流科技有限公司) (“ Anhui Ningge ”) | Executive director | July 2018 to September 2021 | Logistics information technology development and services | September 7, 2021 |
| 5. Suide Branch of Logory Logistics Technology Co., Ltd.* (合肥維天運通信息科技股份有限公司綏德分公司) | Responsible officer | August 2018 to October 2019 | Technical development and service | October 28, 2019 |
| 6. Lianjiang Jinwang Yuntong Logistics Technology Co., Ltd.* (連江金網運通物流科技有限公司) (“ Lianjiang Jinwang Yuntong ”) | Executive director and general manager | November 2018 to September 2019 | Intelligent logistics system services | September 23, 2019 |
| 7. Lianjiang Huilian Logistics Technology Co., Ltd.* (連江慧連物流科技有限公司) (“ Lianjiang Huilian ”) | Executive director and general manager | November 2018 to September 2019 | Intelligent logistics system services | September 23, 2019 |

The above companies were solvent prior to their deregistrations and were deregistered as they had never commenced operation or ceased to carry on business.

Mr. Du received his bachelor’s degree in telecommunications engineering from Beijing University of Post and Telecommunications (北京郵電大學) (formerly known as Beijing College of Post and Telecommunications (北京郵電學院)), the PRC, in July 1992.

In 2020, Mr. Du was recognized as one of the 2020 Online Freight Platform Influential People (2020年度網絡貨運平台風雲人物).

Mr. Ye Sheng (葉聖), aged 43, is an executive Director and the chief technology officer of our Company. He is principally responsible for developing technology strategies and innovation projects to enhance the quality of the products and services provided by our Group. Mr. Ye is currently also an executive director or supervisor of certain subsidiaries of our Group.

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Prior to joining our Group and from December 2002 to July 2010, Mr. Ye served as chief technology officer at Beijing Yihe Jiaxun where his main duties were overseeing technology innovation projects and developing product strategies. Mr. Ye worked as a supervisor at Anhui Ningge from July 2018 to September 2021 and as a supervisor of Lianjiang Jinwang Yuntong and Lianjiang Huilian from November 2018 to September 2019. Each of Anhui Ningge, Lianjiang Jinwang Yuntong and Lianjiang Huilian was a subsidiary of our Company and was dissolved on a voluntary basis by way of deregistration, details of which are set out in the paragraph headed “Executive Directors—Mr. Du Bing” above.

Mr. Ye received a bachelor’s degree in science from Nanjing University (南京大學), the PRC, in July 2001.

Ms. Wang Yao (王瑤), aged 48, is an executive Director and the chief financial officer of our Company. Ms. Wang is primarily responsible for overseeing overall financial management and risk control of our Group. Ms. Wang has more than 20 years of experience in large-scale enterprise financial management and team management.

Prior to joining our Group and from May 2017 to July 2019, Ms. Wang worked as a senior director of the Finance Department at Alibaba Group Holding Limited (阿里巴巴集團控股有限公司), a company listed on the New York Stock Exchange (symbol: BABA) and the Stock Exchange (stock code: 9988), principally engaged in e-commerce, retail, internet and technology, where she was in charge of management accounting, middle platform financial accounting and overseas financial matters. From May 1998 to April 2017, she held various senior management roles including chief financial officer of the Enterprise Business Group, chief financial officer of South Pacific region and vice president of tax management, at Huawei Technologies Co., Ltd.* (華為技術有限公司), a company principally engaged in building telecommunications networks, providing operational and consulting services and equipment to enterprises and manufacturing consumer communications devices.

Ms. Wang has been a Chinese Certified Public Accountant (中國註冊會計師) recognized by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since 1998. She received both of her bachelor’s degree in industrial catalysis in July 1995 and a master’s degree in management engineering in January 1998 from Tianjin University (天津大學), the PRC.

Non-executive Directors

Mr. Liu Junjie (劉俊傑), aged 51, is a non-executive Director of our Company. Mr. Liu joined our Company in April 2016 and is responsible for supervising the management of our Company and providing professional opinion and judgment to our Board.

Since October 2020, he has been serving as a general manager at Strategic Development Department of Haitong Unitrust International Financial Leasing Co., Ltd.* (海通恆信國際融資租賃股份有限公司) (“**Haitong Unitrust**”), a listed company on the Stock Exchange (stock code: 01905) and whose principal business is financial leasing. Mr. Liu was nominated by Haitong Unitrust International Financial Leasing (Tianjin) Co., Ltd.* (海通恆信國際融資租賃(天津)有限公司) (formerly known as Haitong UniFortune International Leasing Co., Ltd. (海通恆運國際租賃有限公司)), one of our Pre-IPO Investors.

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From November 1997 to January 2001, Mr. Liu worked at the Computer Sales Department at Nanjing branch of Haitong Securities Co., Ltd.* (海通證券股份有限公司) (“**Haitong**”, together with Haitong Unitrust and its branches, “**Haitong Group**”), the parent company of Haitong Unitrust. Haitong is currently listed on the Shanghai Stock Exchange (stock code: 600837) and the Stock Exchange (stock code: 06837). Mr. Liu subsequently worked as an information technology director at Nanjing branch of Haitong from February 2001 to July 2005. From August 2005 to June 2007, he served as a deputy general manager at Wuhu branch of Haitong. Mr. Liu was then promoted as the marketing director at Nanjing branch of Haitong from July 2007 to August 2008, and later as the deputy general manager at Huai’an branch of Haitong from September 2008 to January 2010. He then worked as the deputy general manager and general manager at Yangzhou branch of Haitong from January 2010 to December 2015. He also served as deputy general manager at Shanghai Yingxue Investment Management LLP* (上海映雪投資管理中心(有限合夥)) from January 2016 to June 2016. From July 2016 to April 2017, Mr. Liu served as the general manager at Institutional Client Department of Haitong UniTrust. Subsequently, from May 2017 to September 2020, Mr. Liu worked as the general manager of Institutional and Network Finance Department in Haitong Hengxin Small and Micro Finance Leasing (Shanghai) Co., Ltd.* (海通恆信小微融資租賃(上海)有限公司), a company principally engaged in financial leasing business.

In June 1994, Mr. Liu obtained his bachelor’s degree in computer science and applications from Nanjing University of Aeronautics and Astronautics (南京航空航天大學), the PRC. He also received an EMBA degree from Dongbei University of Finance & Economics (東北財經大學), the PRC, in June 2011.

Mr. Chen Zhijie (陳志傑), aged 40, is a non-executive Director of our Company. He is primarily responsible for supervising the management of our Company and providing professional opinion and judgment to our Board. Mr. Chen was nominated by Shanghai Yunxin, one of our Pre-IPO Investors and a substantial shareholder of our Company.

Mr. Chen has been serving as a director at Investment and Enterprise Development Division of Ant Group which is engaged in businesses that provide inclusive, convenient digital life and digital financial services to consumers and SMEs, and introduce new technologies and products to support the digital transformation and industrial collaboration worldwide, since August 2018.

Mr. Chen received his master’s degree in global economics from Peking University (北京大學), the PRC, in July 2007.

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Independent non-executive Directors

Mr. Dai Dingyi (戴定一), aged 75, is an independent non-executive Director of our Company. He is primarily responsible for supervising and providing independent judgment to our Board.

Prior to joining our Company, Mr. Dai has more than 29 years of experience in logistics and transportation sectors. Mr. Dai worked at different departments of China Logistics Information Center* (中國物資信息中心) from April 1992 to September 2004, in the capacity of deputy director and director. Mr. Dai also served as the executive vice chairman of China Society of Logistics* (中國物流學會) from November 2006 to December 2015.

In addition, since November 2015, Mr. Dai was the chairman of the expert committee of China Society of Logistics* (中國物流學會).

Mr. Dai received his research fellow qualification certificate (研究員資格證書) from Chinese Academy of Social Sciences (中國社會科學院) in 2005. Mr. Dai also received his bachelor's degree with a major in mathematics from Capital Normal University (首都師範大學) (previously known as Beijing Normal College (北京師範學院)), the PRC, in July 1982 and his master's degree in quantitative economics from Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院), in December 1984.

Mr. Li Dong (李東), aged 46, is an independent non-executive Director of our Company. He is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Li has over 22 years of experience in finance and accounting industry. Mr. Li joined Tim Hortons China, a multinational coffee chain, as the chief financial officer in September 2021. Before that, Mr. Li worked at KPMG (China) (畢馬威華振會計師事務所) as a senior audit associate from August 1999 to April 2006. From September 2008 to February 2015, Mr. Li worked as an associate and later vice president of the investment banking division at BofA Securities Inc. (美銀證券集團) (formerly known as the Bank of America Merrill Lynch (美銀美林集團)), a company listed on the New York Stock Exchange (symbol: MER-K), and as a vice president of the investment banking department of ICBC International Holdings Limited* (工銀國際控股有限公司), a wholly-owned subsidiary of Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司). Subsequently, he served as chief financial officer at several companies, including (i) Ecovacs Robotics Co., Ltd. (科沃斯機器人股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603486) and a leading consumer robotics company in the PRC, from March 2015 to February 2016; (ii) Pegasus Media Group Limited, a company principally engaged in movie and TV show production, investment, licensing, marketing and derivatives, from April 2016 to April 2017; (iii) OneSmart International Education Group Ltd. (精銳國際教育集團有限公司) (“**OneSmart International**”), a company listed on the New York Stock Exchange (symbol: ONE) and which is principally engaged in providing premium K-12 after-school education service in the PRC, from July 2017 to June 2019; and (iv) Ximalaya (Hong Kong) Limited (喜馬拉雅(香港)有限公司), a non-music audio platform in the PRC, from September 2019 to August 2021. Mr. Li was also the director at OneSmart International from September 2017 to June 2019.

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Mr. Li has also been serving as (i) an independent director of GreenTree Hospitality Group Ltd. (格林酒店集團), a company listed on the New York Stock Exchange (symbol: GHG) and which is principally engaged in hospitality management, since March 2018; (ii) an independent director at BQ-Boqii Holding Ltd. (波奇寵物控股有限公司), a company listed on the New York Stock Exchange (symbol: BQ) and which is principally engaged in managing pet-focused online sales platform, since September 2020; and (iii) an independent non-executive director of Helens International Holdings Co., Ltd. (海倫司國際控股有限公司), a company listed on the Stock Exchange (stock code: 9869) and which is principally engaged in bar chain operating and alcohol retailing, since September 2021.

Mr. Li obtained a bachelor's degree in international accounting from School of Economics and Management at Tsinghua University (清華大學經濟管理學院), the PRC, in July 1999 and a MBA degree from Kellogg School of Management at Northwestern University, the United States, in June 2008. Mr. Li has been a member of the Chinese Institute of Certified Public Accountants since December 2002 and a member of the Certified General Accountants Association of Canada since September 2001.

Mr. Liu Xiaofeng (劉曉峰), aged 60, is an independent non-executive Director of our Company. He is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Liu has over 28 years of experience in corporate finance. Mr. Liu was an independent director at UBS Securities Co., Ltd., a company principally engaged in securities brokerage, investment banking and asset management services, from June 2016 to June 2022. Prior to that, Mr. Liu worked at various international financial institutions including N M Rothschild & Sons (Hong Kong) Limited (洛希爾父子(香港)有限公司) (“**Rothschild**”), a multinational investment bank and financial services company, from July 1994 to April 2000, where his last position was the Director of Corporate Finance Department. Mr. Liu later joined the Hong Kong branch of JPMorgan Chase Bank., an American multinational investment bank, as the vice-president of the Investment Banking Department from April 2000 to January 2003. Mr. Liu rejoined Rothschild as the head of China Investment Banking Department from February 2003 to March 2005. From September 2005 to August 2009, Mr. Liu joined DBS Asia Capital Limited (星展亞洲融資有限公司), a wholly-owned subsidiary of DBS Bank Limited* (星展銀行有限公司), and which is principally engaged in investment banking services, as the managing director and head of the PRC. Mr. Liu then joined China Resources Capital Holdings Co., Ltd. (華潤金融控股有限公司), a wholly-owned subsidiary of China Resources (Holdings) Co., Ltd.* (華潤(集團)有限公司), and which is principally engaged in financial services, as the managing director from March 2010 to January 2016.

Mr. Liu has also been serving as (i) an independent non-executive director of Kunlun Energy Co., Ltd. (崑崙能源有限公司), a company listed on the Stock Exchange (stock code: 0135) and which is principally engaged in producing and supplying oil and gas, since April 2004; (ii) an independent non-executive director at Honghua Group Ltd. (宏華集團有限公司), a company listed on the Stock Exchange (stock code: 0196) and which is principally engaged in manufacturing land drilling rigs, from February 2008 to November 2021; (iii) an

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independent non-executive director of Cinda International Holdings Ltd. (信達國際控股有限公司), a company listed on the Stock Exchange (stock code: 0111) and a financial institution, since July 2016; (iv) an independent non-executive director of Sunfonda Group Holdings Ltd. (新豐泰集團控股有限公司), a company listed on the Stock Exchange (stock code: 1771) and an automobile dealership group, since May 2017; and (v) an independent non-executive director of AAG Energy Holdings Ltd. (亞美能源控股有限公司), a company listed on the Stock Exchange (stock code: 2686) and which is principally engaged in exploration, development and production of coalbed methane, since August 2018. Further, Mr. Liu was (i) an independent non-executive director of Haier Electronic Group Co., Ltd. (海爾電器集團有限公司), a company listed on the Stock Exchange (stock code: 1169) and which is principally engaged in the research, development, manufacture and wholesale of washing machines and water heaters, from June 2007 to June 2014; and (ii) an independent non-executive director of Hisense Home Appliances Group Co., Ltd. (海信家電集團股份有限公司) (formerly known as Hisense Kelon Electrical Holdings Co., Ltd. (海信科龍電器股份有限公司)), a company listed on the Stock Exchange (stock code: 0921) and a consumer electronics company, from September 2017 to August 2018.

Notwithstanding that Mr. Liu is currently holding directorships in four listed companies on the Stock Exchange as disclosed above and he may be occupied by appointments of these listed companies during the financial reporting seasons, our Directors are of the view that Mr. Liu will be able to devote sufficient time to discharge his duties and responsibilities as an independent non-executive Director on the basis that (i) his roles in other listed companies primarily requires him to oversee their management independently, rather than to allocate substantial time on the participation of the day-to-day management and operations of their respective businesses; (ii) he has demonstrated that he does not have a full time position and he is capable of devoting sufficient time to discharge his duties owed to each of these listed companies by attending 100% of their board meetings and board committee meetings as well as the general meetings that he was eligible to attend during their latest financial year, as disclosed in the annual reports of the relevant listed companies; (iii) he has acquired extensive management experience and developed substantial knowledge on corporate governance through his directorships in other listed companies, which is expected to facilitate the proper discharge of his duties and responsibilities as an independent non-executive Director; and (iv) he has confirmed that he will allocate sufficient time to fulfill his duties as an independent non-executive Director despite his existing independent non-executive directorships in four other listed companies. To ensure that he is able to carry out his duties as an independent non-executive Director despite multiple directorships, we will also make appointments with Mr. Liu in advance to reserve his time for our regular board meetings, board committee meetings and other matters to be transacted. Based on the foregoing and Mr. Liu's satisfactory attendance record in the other listed companies' meetings, our Directors believe that Mr. Liu's positions outside our Company will not affect his functions and responsibilities for our Company.

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Mr. Liu obtained his bachelor's degree in economics from Southwest University of Finance and Economics (西南財經大學) (previously known as Sichuan Institute of Finance and Economics, China) (前稱為中國四川財經學院), the PRC, in July 1983. Mr. Liu obtained his master's degree and Ph.D. in development economics from University of Cambridge, United Kingdom, in October 1988 and May 1994, respectively, and a master's degree in Development Studies from the University of Bath, United Kingdom, in December 1987.

Save as otherwise disclosed above, none of our Directors holds any other directorships in any other companies listed in Hong Kong or elsewhere during the three years immediately preceding the date of this prospectus.

Save as otherwise disclosed in this section and the sub-section headed "Relationship with our Controlling Shareholders—Excluded Business", none of our Directors have any interests in any businesses, other than our Group's business, which competes or is likely to compete, either directly or indirectly, with our Group's business that would require disclosure under Rule 8.10 of the Listing Rules.

SUPERVISORS

The PRC Company Law requires a joint stock limited company to establish a board of supervisors. Our board of supervisors is responsible for supervising the performance of duties of our Board and the senior management of our Company and overseeing the financial, internal control and risk conditions of our Company. Our supervisory board currently consists of three supervisors, among which one of them is the chairman to the supervisory board. Pursuant to our Articles of Association, at least one-third of our supervisors must be employee representatives elected by our employees. We have one employee representative supervisor elected by our employees and two shareholder representative supervisors elected and appointed by our Shareholders at a Shareholders' meeting. Each of the supervisors elected by our employees and/or by our Shareholders is appointed for a term of three years which is renewable upon re-election and re-appointment.

Pursuant to the Articles of Association, the functions and powers of the board of supervisors include, among other things, examining the financial affairs of our Company, supervising the performance of our Directors and other senior management members, and monitoring as to whether they had acted in violation of the law, administrative stipulations and Articles of Association in the performance of their duties, requesting Directors and senior management members to rectify actions which are detrimental to our Company's interests. In addition, the board of supervisors is responsible for exercising other powers, functions and duties in accordance with the Articles of Association, and all applicable laws and regulations. A description of the background business experience of each supervisor is set out below.

Ms. Liang Xiaojia (梁曉佳), aged 41, is the employee representative supervisor of our Company. Ms. Liang is principally responsible for supervising the performance of duties of our Directors and senior management.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Ms. Liang has been acting as the president assistant of our Company since May 2015. Prior to joining our Company, Ms. Liang served as an assistant notary officer (公證員助理) at Zhong'an Notary Office of Hefei City, Anhui Province (安徽省合肥市中安公證處) (formerly known as Yiaohai Notary Office of Hefei City (合肥市瑤海區公證處)) from 2004 to August 2006. From November 2008 to April 2011, Ms. Liang served as an administrative and human resources manager at Anhui Heans Information Technology Co., Ltd.* (安徽和安信息科技有限公司), a company principally engaged in computer hardware development. From March 2012 to April 2015, Ms. Liang served as a business manager at Anhui Yizhong Network Technology Co., Ltd.* (安徽易眾網絡科技有限公司), a company principally engaged in providing internet information service. From July 2020 to October 2021, Ms. Liang worked as a supervisor at Fujian Log Kajia Automobile Service Co., Ltd.* (福建路歌卡加汽車服務有限公司) (“**Fujian Log Kajia**”), a previously wholly owned subsidiary of our Company, principally engaged in car rental and cargo transportation. Fujian Log Kajia was dissolved on a voluntary basis by way of deregistration on October 21, 2021.

Ms. Liang has been a Secondary Enterprise Human Resources Professional (二級企業人力資源管理師) recognized by the Ministry of Human Resources and Social Security of the PRC (中華人民共和國勞動和社會保障部) since July 2008. Ms. Liang obtained her diploma in legal affairs at Anhui Vocational College of Police Officers (安徽警官職業學院), the PRC, in July 2004. She then obtained her bachelor's degree in law at Anhui University (安徽大學), the PRC, in July 2005.

Ms. Liang received her honorary credential for “2020 Hi-tech Zone March 8th Red Banner Pacesetter (2020年合肥市高新區三八紅旗手)” from Hefei Hi-tech Zone Women Association (合肥高新區婦女聯合會) in March 2021.

Mr. Fan Hua (樊驊), aged 34, is our chairman of the supervisory board of our Company. Mr. Fan is principally responsible for supervising the performance of duties of our Directors and senior management.

Mr. Fan has been serving as chief investment officer and partner at two investment management companies, namely Beijing Zhongrong Yingtong Investment Management Co., Ltd.* (北京中融盈通投資管理有限公司) and Shanghai Auto Investment Management Co., Ltd.* (上海黿圖投資管理有限公司), since August 2019 and March 2020, respectively. Since August 2019, Mr. Fan has been serving as a director at Panda Fine Brewing (Yiyang) Liquor Co., Ltd.* (熊貓精釀(青島)酒業有限公司), a company principally engaged in liquor and food business. Before joining our Company, Mr. Fan worked as an investment manager at M&A Department of Beijing Ocean Co-stone Capital Investment Management Co., Ltd.* (北京海洋基石創業投資管理有限公司), a company principally engaged in private equity investment, from June 2015 to July 2017. From August 2017 to April 2019, Mr. Fan served as a business director at Investment Banking Business Centre of CCB Trust Co., Ltd.* (建信信託有限責任公司), a non-bank financial intermediary of China Construction Bank Corporation Limited (中國建設銀行股份有限公司). From November 2019 to December 2022, Mr. Fan served as a director of Chengdu Happy Player Technology Co., Ltd.* (成都開心玩家科技有限責任公司) (“**Happy Player**”).

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Due to cessation of business operations, Happy Player was deregistered on December 15, 2022. Mr. Fan confirmed that (i) to the best of his knowledge, information and belief, Happy Player was solvent immediately prior to its deregistration; (ii) there is no wrongful act on his part leading to the deregistration of Happy Player; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the deregistration of Happy Player; and (iv) no misconduct or misfeasance had been involved on his part in the deregistration of Happy Player.

Mr. Fan obtained a bachelor's degree in financial engineering at Central University of Finance and Economics (中央財經大學), the PRC, in July 2011 and a master's degree in finance at University of Texas at Dallas (德克薩斯州大學達拉斯分校), the United States, in May 2013.

Mr. Wang Yang (汪洋), aged 40, is currently a supervisor of our Company. Mr. Wang is principally responsible for supervising the performance of duties of our Directors and senior management. Mr. Wang was nominated by Anhui Province SME Development Fund Co., Ltd.* (安徽省中小企業發展基金有限公司), one of our Pre-IPO Investors.

Since February 2018, Mr. Wang has been serving as the deputy general manager of the investment department of Anhui Province Venture Capital Co., Ltd.* (安徽省創業投資有限公司), a company principally engaged in venture capital financing and venture capital consultancy.

Prior to joining our Company, Mr. Wang held various positions at (i) Anhui Petroleum branch of Sinopec Marketing Co., Ltd.* (中國石化銷售股份有限公司安徽石油分公司), a company principally engaged in retailing and marketing of petrol, kerosene, diesel fuel and other chemical products, from January 2010 to August 2014; (ii) Anhui Wantou Mining Investment Co., Ltd.* (安徽皖投礦業投資有限公司), a company principally engaged in mining industry investment and management, from November 2014 to October 2015; and (iii) Anhui Provincial Emerging Industry Investment Co., Ltd.* (安徽省高新技術產業投資有限公司), a company principally engaged in high-tech industry investment and related derivative business, from November 2015 to January 2018.

Mr. Wang obtained a bachelor's degree in business administration from China Agricultural University (中國農業大學), the PRC, in July 2006. He received his qualification certificate of specialty and technology (intermediate accounting) ((專業技術資格證書) (中級會計)) from the Ministry of Finance of the PRC in January 2013 and has been a member of the Chinese Institute of Certified Public Accountants since December 2017.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The senior management members are responsible for our day-to-day management and operations of our Company. For the biographical details of Mr. Du, Mr. Ye and Ms. Wang, please see the paragraph headed “Directors—Executive Directors” in this section. A description of the background and business experience of each other senior management member is set out below.

Mr. Long Ke (龍科), aged 39, is the vice president of our Company, the secretary of the Board and one of our joint company secretaries. Mr. Long has been primarily responsible for managing our Group’s capital operation, overseeing outbound investment and financing, information disclosure, maintaining investors relationships and implementing the Board’s resolutions.

Prior to joining our Company, Mr. Long accumulated extensive investment experience from several state-owned asset management companies. From July 2008 to April 2017, he served as an investment manager and investment director at three subsidiary asset management companies of China South Industries Group Corporation* (中國兵器裝備集團), namely China South Industry Assets Management Co., Ltd.* (南方工業資產管理有限責任公司), China South Demao Capital Management Co., Ltd.* (南方德茂資本管理有限責任公司) and China South Jiuding Investment Management Co., Ltd.* (南方九鼎投資管理有限公司). From April 2017 to February 2021, Mr. Long served as an investment director at BAIC Group Industrial Investment Co., Ltd.* (北京汽車集團產業投資有限公司), a company principally engaged in investment management of new energy, autonomous driving technology and advanced manufacture industry, where he was mainly responsible for making investment decisions in the automotive aftermarket and autonomous driving field.

Mr. Long obtained his bachelor’s degree in management from Sichuan Normal University (四川師範大學), the PRC, in July 2006 and his master’s degree in economics from Central University of Finance and Economics (中央財經大學), the PRC, in June 2008.

JOINT COMPANY SECRETARIES

Mr. Long Ke (龍科), aged 39, was appointed as one of our joint company secretaries in October 2021. Mr. Long is also the vice president of our Company and the secretary of our Board. Please see the paragraph headed “Senior Management—Mr. Long Ke” in this section for his biography.

Ms. Yuen Wing Yan, Winnie (袁穎欣), aged 52, is one of our joint company secretaries. Ms. Yuen is currently a director of the corporate services division of Tricor Services Limited. Ms. Yuen has over 25 years of experience in corporate services and provided professional corporate service for listed companies in Hong Kong, multinational companies, private companies and offshore companies. Ms. Yuen currently holds company secretary or joint company secretary positions in eight companies listed on the Hong Kong Stock Exchange. Ms. Yuen graduated from Lingnan College (currently known as Lingnan University). Ms. Yuen is a Chartered Secretary and a fellow of both of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Audit Committee

Our Company established an audit committee in compliance with Rules 3.21 to 3.23 of the Listing Rules with written terms of reference in compliance with the Corporate Governance Code set forth in Appendix 14 to the Listing Rules. The primary duties of our audit committee are to review, supervise and approve our financial reporting process, risk management and internal control system and to provide advice and comments to our Board. Members of the audit committee are Mr. Li Dong (李東), Mr. Liu Xiaofeng (劉曉峰) and Mr. Dai Dingyi (戴定一). Mr. Li Dong (李東) is the chairman of the audit committee.

Remuneration Committee

Our Company established a remuneration committee in compliance with Rule 3.25 of the Listing Rules. The remuneration committee reviews and recommends to our Board the remuneration and other benefits paid by us to our Directors and senior management. The remuneration of all our Directors and senior management is subject to regular monitoring by our remuneration committee to ensure that levels of their remuneration and compensation are appropriate. Members of the remuneration committee are Mr. Liu Xiaofeng (劉曉峰), Mr. Li Dong (李東) and Mr. Du Bing (杜兵). Mr. Liu Xiaofeng (劉曉峰) is the chairman of the remuneration committee.

Nomination Committee

Our Company established a nomination committee with written terms of reference in compliance with Appendix 14 to the Listing Rules. The primary responsibilities of our nomination committee are to review the structure, size and composition of our Board on regular basis, to recommend to our Board suitable and qualified candidates of directors and senior management members, and consider removal of directors and senior management members of our Company on regular basis. Members of the nomination committee are Mr. Dai Dingyi (戴定一), Mr. Liu Xiaofeng (劉曉峰) and Mr. Feng Lei (馮雷). Mr. Dai Dingyi (戴定一) is the chairman of the nomination committee.

BOARD DIVERSITY

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 board diversity policy, we seek to achieve board diversity by taking into consideration of various factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service.

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Our Directors have a balanced mix of knowledge, skills and experience, including the areas of information technology, telecommunications, computer science and application, logistics, asset management, accounting, and economics. They obtained academic degrees in various majors, including telecommunications engineering, computer science, business management, industrial catalysis and management engineering. Furthermore, our Board has a wide range of age, ranging from 40 years old to 75 years old.

Our Nomination Committee is responsible for ensuring the diversity of our Board members and compliance with relevant codes governing board diversity under the Corporate Governance Code contained in Appendix 14 to the Listing Rules. Our Nomination Committee will review the board diversity policy and our diversity profile (including gender balance) from time to time to ensure its continued effectiveness. We will also disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

We are also committed to adopting similar approach to promote diversity, including but not limited to gender diversity, at all other levels of our Company from our Board downwards to enhance the effectiveness of our corporate governance as a whole.

WAIVERS GRANTED BY THE STOCK EXCHANGE

We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with the requirement under Rule 8.12 and Rule 19A.15 of the Listing Rules in relation to the requirement of management presence in Hong Kong and a waiver from strict compliance with the requirement under Rule 3.28 and Rule 8.17 of the Listing Rules in relation to the company secretary. For details of the waiver, please see the section headed “Waivers from Strict Compliance with the Listing Rules and Exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance” in this prospectus.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The aggregate amount of remuneration (including salaries, bonuses, allowances and benefits in kind, pension schemes contributions and social welfare and equity-settled share-based payments expenses) our Directors received for each of the three years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2022 was approximately RMB1.65 million, RMB1.99 million, RMB4.69 million and RMB6.94 million, respectively.

The aggregate amount of remuneration (including salaries, bonuses, allowances and benefits in kind, pension schemes contributions and social welfare and equity-settled share-based payments expenses) our supervisors received for each of the three years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2022 was approximately RMB0.60 million, RMB1.89 million, RMB1.80 million and RMB0.49 million, respectively.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The aggregate amount of remuneration (including salaries, bonuses, allowances and benefits in kind, pension schemes contributions and social welfare and equity-settled share-based payments expenses) our senior management members (excluding Directors) received for each of the three years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2022 was approximately RMB1.11 million, RMB3.88 million, RMB6.99 million and RMB5.13 million, respectively.

Save as otherwise disclosed in the sub-section headed “Financial Information—Significant Accounting Policies and Estimates—Significant Accounting Policies—Share-based Payments” of and the sub-sections headed “Accountants’ Report—8. Directors’, Supervisors’ and Chief Executive’s Remuneration” and “Accountants’ Report—36. Related Party Transactions” of Appendix I to this prospectus, no other amounts have been paid or are payable by our Group to our Directors, supervisors and senior management members for the three years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2022.

The aggregate amount of remuneration (including salaries, bonuses, allowances and benefits in kind, pension schemes contributions and social welfare and equity-settled share-based payments expenses) paid to the five highest paid individuals of our Company, excluding Directors, supervisors and chief executives during each of the three years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2022 was approximately RMB3.33 million, RMB4.88 million, RMB5.77 million, and RMB7.28 million, respectively.

No remuneration was paid by us to our Directors, supervisors, senior management members or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the three years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2022. Further, none of our Directors, supervisors nor senior management members waived or agreed to waive any remuneration during the same periods.

Under the arrangements currently in force as of the date of this prospectus, the aggregate amount of remuneration (including salaries, bonuses, allowances and benefits in kind, pension schemes contributions and social welfare and equity-settled share-based payments expenses) payable to our Directors, supervisors and senior management members for the year ended December 31, 2022 is estimated to be approximately RMB12.19 million in aggregate.

Our Board will review and determine the remuneration and compensation packages of our Directors, supervisors and senior management which, following the Listing, will receive recommendation from the Remuneration Committee taking into account salaries paid by comparable companies, their time commitment, experience and level of responsibilities and performance of our Group.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

We have appointed Guotai Junan Capital Limited as our compliance adviser (the “**Compliance Adviser**”) upon listing of our H Shares on the Stock Exchange in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will provide advice to us when consulted by us in the following circumstances:

- before the publication of any announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where its business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the H Shares of our Company.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company distributes our annual report in respect of our financial results for the first full financial year commencing after the Listing Date. This appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Share Subdivision and the Global Offering and assuming that the Over-allotment Option is not exercised, the following persons will have an interest or a short position in Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 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:

| Immediately following the completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised) ⁽¹⁾ | | | | |
|---|---|-----------------|---------------------|--|
| Name of Shareholder/ Ultimate Controller | Nature of interest | Class | Number of Shares | Approximate percentage of interest in our Company |
| Mr. Feng | Beneficial owner/ Interest in controlled corporation/ Interest of a party to an agreement ⁽²⁾ | Domestic Shares | 551,866,025 | 39.59% |
| | | H Shares | 8,062,151 | 0.58% |
| Mr. Du | Beneficial owner and Interest in controlled corporation/ Interest of a party to an agreement ⁽²⁾ | Domestic Shares | 551,866,025 | 39.59% |
| | | H Shares | 8,062,151 | 0.58% |
| Shanghai Yunxin | Beneficial owner | Domestic Shares | 72,103,345 | 5.17% |
| | | H Shares | 116,947,759 | 8.39% |
| Ant Group | Interested in controlled corporation ⁽³⁾ | Domestic Shares | 72,103,345 | 5.17% |
| | | H Shares | 116,947,759 | 8.39% |
| Hangzhou Yunbo | Interested in controlled corporation ⁽³⁾ | Domestic Shares | 72,103,345 | 5.17% |
| | | H Shares | 116,947,759 | 8.39% |
| Mr. Jack Ma (馬雲) | Interested in controlled corporation ⁽³⁾ | Domestic Shares | 72,103,345 | 5.17% |
| | | H Shares | 116,947,759 | 8.39% |
| Mr. Eric Jing (井賢棟) | Interested in controlled corporation ⁽³⁾ | Domestic Shares | 72,103,345 | 5.17% |
| | | H Shares | 116,947,759 | 8.39% |
| Mr. Simon Hu (胡曉明) | Interested in controlled corporation ⁽³⁾ | Domestic Shares | 72,103,345 | 5.17% |
| | | H Shares | 116,947,759 | 8.39% |
| Ms. Fang Jiang (蔣芳) | Interested in controlled corporation ⁽³⁾ | Domestic Shares | 72,103,345 | 5.17% |
| | | H Shares | 116,947,759 | 8.39% |
| Mr. Ye Sheng (葉聖) | Beneficial owner/ Interest in controlled corporation ⁽⁴⁾ | Domestic Shares | 28,287,476 | 2.03% |
| | | H Shares | 45,880,764 | 3.29% |

SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) The calculation is based on the total number of 1,393,876,104 Shares in issue immediately following the completion of the Share Subdivision and the Global Offering (assuming that the Over-allotment Option is not exercised).
- (2) Immediately following the completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised), Shanghai Chuyan will directly hold approximately 0.93% of the enlarged registered share capital of our Company. Mr. Feng is the general partner of Shanghai Chuyan and owns 52% of the equity interests of Shanghai Chuyan. Mr. Du is the sole limited partner of Shanghai Chuyan and owns 48% of the equity interests of Shanghai Chuyan. As such, both Mr. Feng and Mr. Du are deemed under the SFO to be interested in the Shares held by Shanghai Chuyan, including 4,970,665 Domestic Shares and 8,062,151 H Shares to be converted from Domestic Shares upon Listing.

By virtue of the Concert Party Agreement entered into by and between Mr. Feng and Mr. Du, Mr. Feng and Mr. Du are deemed under the SFO to be interested in each other's interests in the Shares.

- (3) Shanghai Yunxin is a direct wholly-owned subsidiary of Ant Group, which is in turn owned as to (i) 31.04% by Hangzhou Junhan and (ii) 22.42% by Hangzhou Junao. Hangzhou Yunbo is the executive partner and general partner of, and controls, Hangzhou Junhan and Hangzhou Junao. Mr. Jack Ma (馬雲) held a 34% equity interest in Hangzhou Yunbo and each of Mr. Eric Jing (井賢棟), Mr. Simon Hu (胡曉明) and Ms. Fang Jiang (蔣芳) held a 22% equity interest in Hangzhou Yunbo. Pursuant to a concert party agreement entered into among Mr. Jack Ma, Mr. Eric Jing, Mr. Simon Hu and Ms. Fang Jiang and the articles of association of Hangzhou Yunbo, Mr. Jack Ma has ultimate control over Ant Group. As such, each of (i) Ant Group, (ii) Hangzhou Yunbo, (iii) Mr. Jack Ma, (iv) Mr. Eric Jing, (v) Mr. Simon Hu and (vi) Ms. Fang Jiang, shall be deemed under the SFO to be interested in the Shares held by Shanghai Yunxin.

Pursuant to certain agreements entered into in January 2023, there will be changes to the voting structure of Ant Group's major shareholders which will take effect upon satisfaction of the conditions set out in such agreements (including the approval of or filing with relevant government authorities), and as a result, none of direct or indirect shareholders of Ant Group, alone or jointly with other parties, will have control over Ant Group. As of the Latest Practicable Date, the changes to the voting structure of Ant Group's major shareholders were not effective as conditions set out in such agreements have not been fully satisfied (including approval of or filing with relevant government authorities).

- (4) Immediately following the completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised), Mr. Ye Sheng (葉聖), Tianjin Mingyin, Tianjin Mingtong, Tianjin Mingyun and Tianjin Mingwei will directly hold approximately 1.84%, 2.22%, 0.47%, 0.45% and 0.34% of the enlarged registered share capital of our Company. Mr. Ye Sheng is the general partner of and has full control over Tianjin Mingyin, Tianjin Mingtong, Tianjin Mingyun and Tianjin Mingwei. As such, Mr. Ye Sheng is deemed under the SFO to be interested in the Shares held by Tianjin Mingyin, Tianjin Mingtong, Tianjin Mingyun and Tianjin Mingwei.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 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 any member of the Group.

OUR CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (the “**Cornerstone Investment Agreements**”, each a “**Cornerstone Investment Agreement**”) with the cornerstone investors set out below (the “**Cornerstone Investors**”, each a “**Cornerstone Investor**”) who have agreed to subscribe for such number of our Offer Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of HK\$68.16 million⁽¹⁾ (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$2.9 (being the low-end of the indicative Offer Price range set out in this prospectus), the total number of H Shares to be subscribed by the Cornerstone Investors would be approximately 23,503,000 H Shares, representing approximately (i) 54.39% of the total Offer Shares, assuming that the Over-allotment Option is not exercised, (ii) 1.69% of the total Shares in issue immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised, and (iii) 1.68% of the total Shares in issue immediately following completion of the Global Offering, assuming that the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK\$3.2 (being the mid-point of the indicative Offer Price range set out in this prospectus), the total number of H Shares to be subscribed by the Cornerstone Investors would be approximately 21,299,000 H Shares, representing approximately (i) 49.29% of the total Offer Shares, assuming that the Over-allotment Option is not exercised, (ii) 1.53% of the total Shares in issue immediately following completion of the Global Offering and assuming that the Over-allotment Option is not exercised, and (iii) 1.52% of the total Shares in issue immediately following completion of the Global Offering, assuming that the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK\$3.5 (being the high-end of the indicative Offer Price range set out in this prospectus), the total number of H Shares to be subscribed by the Cornerstone Investors would be approximately 19,473,000 H Shares, representing approximately (i) 45.06% of total the Offer Shares, assuming that the Over-allotment Option is not exercised, (ii) 1.40% of the total Shares in issue immediately following completion of the Global Offering and assuming that the Over-allotment Option is not exercised, and (iii) 1.39% of the total Shares in issue immediately following completion of the Global Offering, assuming that the Over-allotment Option is fully exercised.

Note:

1. Calculated based on an exchange rate of HK\$1.00 to RMB0.87474 as set out in the section headed “Information about this Prospectus and the Global Offering” for illustrative purpose. The actual investment amount of the relevant Cornerstone Investors may change due to the actual exchange rate to be used as prescribed in the Cornerstone Investment Agreements.

OUR CORNERSTONE INVESTORS

Our Company is of the view that introducing the Cornerstone Investors to the Global Offering and securing the subscription of a significant number of Offer Shares sets a very solid platform for the launch of the Global Offering by demonstrating the Cornerstone Investors' confidence in the Global Offering.

Hefei Gaoxin (as defined below), a close associate of Hefei New Economy Industry Development Investment Co., Ltd.* (合肥新經濟產業發展投資有限公司), an existing Shareholder and a pre-IPO investor of our Company. In relation to the investment of Hefei Gaoxin in our Company, our Company has applied for a waiver from strict compliance with Rule 10.04 of the Listing Rules, details of which are set out in the section headed "Waivers from Strict Compliance with the Listing Rules and Exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance." Other than the aforementioned, to the best knowledge of our Company, (i) each of the Cornerstone Investors is an independent third party and is not a connected person of our Company and its close associate (as defined in the Listing Rules); (ii) none of the subscriptions of the relevant Offer Shares by the Cornerstone Investors is financed directly or indirectly by our Company, Directors, chief executive of our Company, Controlling Shareholders, substantial Shareholders or existing Shareholders, or any of its subsidiaries or their respective close associates; and (iii) the Cornerstone Investors are not accustomed to take instructions from our Company, Directors, chief executive of our Company, Controlling Shareholders, substantial Shareholders or existing Shareholders or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares. The Cornerstone Investors will acquire the Offer Shares pursuant to, and as part of, the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Offer Shares in issue and will be counted towards the public float of our Company under Rule 8.08 of the Listing Rules and in compliance with the requirement under Rule 8.08(3) of the Listing Rules. None of the Cornerstone Investors will have any representation on the Board or become a substantial Shareholder of our Company immediately upon completion of the Global Offering and will not subscribe for any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreements.

As confirmed by the Cornerstone Investors, their subscription under the Cornerstone Placing would be financed by their respective internal resources and/or own funds. There are no side agreements/arrangement between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price. Each of the Cornerstone Investors has confirmed that all necessary approvals (including approvals from their shareholders, if relevant) have been obtained with respect to the Cornerstone Placing and that no specific approval from any stock exchange (if relevant) is required for the relevant cornerstone investment.

OUR CORNERSTONE INVESTORS

No preferential treatment has been granted by our Company to the Cornerstone Investors other than the preferential treatment of assured entitlement to the Cornerstone Investors following the principles as set out in the Stock Exchange Guidance Letter HKEX-GL51-13. The Offer Shares to be subscribed for by the Cornerstone Investors might be affected by the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering. If the total demand for Offer Shares in the Hong Kong Public Offering falls within the circumstance as set out in the section headed “Structure of the Global Offering—The Hong Kong Public Offering—Reallocation and clawback” in this prospectus, the number of Offer Shares under the International Offering may be deducted on a *pro rata* basis to satisfy the public demands under the Hong Kong Public Offering. Further, the Overall Coordinator and the Company can adjust the allocation of the number of Offer Shares to be subscribed by the Cornerstone Investors in their sole and absolute discretion for the purpose of satisfying Rule 8.08(3) of the Listing Rules which provides that no more than 50% of the Shares in public hands on the Listing Date can be beneficially owned by the three largest public shareholders. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by us on or around Wednesday, March 8, 2023.

There will be no delayed delivery or deferred settlement of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Investment Agreement and the payment for the Offer Shares to be subscribed by the Cornerstone Investors will be settled on or before the Listing.

OUR CORNERSTONE INVESTORS

The following information on the Cornerstone Investors was provided to the Company by the Cornerstone Investors.

Hefei Gaoxin

Hefei Gaoxin Development & Investment Group Co., Ltd.* (合肥高新建設投資集團有限公司) (“**Hefei Gaoxin**”) is a PRC-based limited liability company whose principal businesses are real estate development and sales, investment in high-tech industries, development, production and management of high-tech products, development and construction of municipal infrastructure and supporting service facilities, development and construction of state-owned land, business services, warehousing and transportation services, material supply, equipment sales, information consulting, hosting exhibitions and training business. Hefei Gaoxin is wholly owned and controlled by Administration Committee of Hefei Development Zones for New and High Technology Industries* (合肥高新技術產業開發區管理委員會), which is a state-owned and governmental entity.

OUR CORNERSTONE INVESTORS

Hefei Gaoxin is the controlling shareholder of Hefei New-Econ Co., an existing Shareholder and a Pre-IPO Investor of our Company. Our Company became acquainted with Hefei Gaoxin through introduction of Hefei New-Econ Co.

For the purpose of this cornerstone investment, Hefei Gaoxin has engaged SDIC Taikang Trust Co., Ltd.* (國投泰康信託有限公司), an asset manager which is a qualified domestic institutional investor approved by the relevant PRC authorities, to subscribe for or purchase and hold such Offer Shares on its behalf.

Xingtai

XINGTAI HOLDING COMPANY (HONG KONG) LIMITED (興泰控股(香港)有限公司) (“**Xingtai**”) is a limited liability company incorporated in Hong Kong with a focus on equity investment, industrial investment, investment consulting and other business investment permitted under the laws and regulations of its incorporation place. Xingtai is wholly owned and controlled by Hefei Xingtai Financial Holdings (Group) Co., Ltd.* (合肥興泰金融控股(集團)有限公司) which is in turn wholly owned by State-owned Assets Supervision and Administration Commission of Hefei Municipal Government (合肥市人民政府國有資產監督管理委員會).

Our Company became acquainted with Xingtai through introduction of Mr. Feng, an executive Director and a Controlling Shareholder of our Company, who became acquainted with a senior management of Xingtai at a conference organized by China Federation of Logistics & Purchasing (中國物流與採購聯合會).

OUR CORNERSTONE INVESTORS

The table below sets forth details of the Cornerstone Placing:

Based on the Offer Price of HK\$2.9 (being the low-end of the indicative Offer Price range)

| Cornerstone Investor | Total investment amount | Number of Offer Shares to be acquired ⁽¹⁾⁽²⁾ | Assuming the Over-allotment Option is not exercised | | Assuming the Over-allotment Option is fully exercised | |
|----------------------|-------------------------|---|--|--|--|--|
| | | | Approximate % of the H Shares in issue immediately following the completion of Global Offering | Approximate % of the total Shares in issue immediately following the completion of Global Offering | Approximate % of the H Shares in issue immediately following the completion of Global Offering | Approximate % of the total Shares in issue immediately following the completion of Global Offering |
| Hefei Gaoxin | RMB50.00 million | 19,710,000 | 45.61% | 3.74% | 39.66% | 3.69% |
| Xingtai | HK\$11.00 million | 3,793,000 | 8.78% | 0.72% | 7.63% | 0.71% |
| | | | | | | 1.41% |
| | | | | | | 0.27% |
| | | | | | | 1.41% |
| | | | | | | 0.27% |

OUR CORNERSTONE INVESTORS

Based on the Offer Price of HK\$3.5 (being the high-end of the indicative Offer Price range)

| Cornerstone Investor | Total investment amount | Number of Offer Shares to be acquired ⁽¹⁾⁽²⁾ | Assuming the Over-allotment Option is not exercised | | Assuming the Over-allotment Option is fully exercised | |
|----------------------|-------------------------|---|--|--|--|--|
| | | | Approximate % of the H Shares in issue immediately following the completion of Global Offering | Approximate % of the total Shares in issue immediately following the completion of Global Offering | Approximate % of the H Shares in issue immediately following the completion of Global Offering | Approximate % of the total Shares in issue immediately following the completion of Global Offering |
| Hefei Gaoxin | RMB50.00 million | 16,331,000 | 3.10% | 1.17% | 3.06% | 1.17% |
| Xingtai | HK\$11.00 million | 3,142,000 | 7.27% | 0.23% | 6.32% | 0.22% |

Notes:

(1) Subject to rounding down to the nearest whole board lot of 1,000 H Shares.

(2) Calculated based on the exchange rate of HK\$1.00 to RMB0.87474 as set out in the section headed "Information about this Prospectus and the Global Offering."

OUR CORNERSTONE INVESTORS

CLOSING CONDITIONS

The obligation of the Cornerstone Investors to acquire the Offer Shares under the Cornerstone Investment Agreements is subject to, among other things, the following closing conditions:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement;
- (b) neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;
- (c) the Offer Price having been agreed upon between the Company and the Overall Coordinator (for itself and on behalf of the underwriters of the Global Offering);
- (d) the Stock Exchange having granted the approval for the listing of, and permission to deal in, the H Shares (including the H Shares under the Cornerstone Placing) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;
- (e) no Laws (as defined in the respective Cornerstone Investment Agreement) shall have been enacted or promulgated by any Governmental Authority (as defined in the respective Cornerstone Investment Agreement) which prohibits the consummation of the transactions contemplated in the Global Offering or the respective Cornerstone Investment Agreement, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (f) the respective representations, warranties, acknowledgements, undertakings and confirmations of the Cornerstone Investor under the respective Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

OUR CORNERSTONE INVESTORS

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has, agreed that without the prior written consent of each of our Company, the Overall Coordinator and the Sole Sponsor, it will not, whether directly or indirectly, at any time during the period of six months from the Listing Date (the “**Lock-up Period**”), (i) dispose of, in any way, any of the Offer Shares it has purchased pursuant to the relevant Cornerstone Investment Agreement (the “**Cornerstone Shares**”) or any interest in any company or entity holding any of such Cornerstone Shares, including any securities convertible into or exchangeable or exercisable for or that represent the right to receive any of the Cornerstone Shares; (ii) allow itself to undergo a change of control (as defined in The Codes on Takeovers and Mergers and Share Buy-backs promulgated by the SFC) at the level of its ultimate beneficial owner; (iii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transaction; or (iv) agree or contract to, or publicly announce any intention to, enter into any of the foregoing transactions described in (i), (ii) and (iii) above, in each case whether any of the foregoing transactions described in (i), (ii) and (iii) above is to be settled by delivery of Cornerstone Shares or such other securities convertible into or exercisable or exchangeable for Cornerstone Shares, in cash or otherwise, and save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries which will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

SHARE CAPITAL

As of the Latest Practicable Date, the registered share capital of our Company is RMB84,416,569, divided into 84,416,569 Shares with a nominal value of RMB1.00 each.

Immediately following the completion of the Share Subdivision and prior to the Global Offering, the registered share capital of our Company will be RMB84,416,569, divided into 1,350,665,104 Domestic Shares with a nominal value of RMB0.0625 each.

Assuming the Over-allotment Option is not exercised, the registered share capital of our Company immediately following the completion of the Share Subdivision and the Global Offering will be as follows:

| <u>Description of Shares</u> | <u>Number of Shares</u> | <u>Approximate percentage to total share capital</u> |
|--|-----------------------------|--|
| Domestic Shares in issue ⁽¹⁾ | 866,444,180 | 62.16% |
| H Shares converted from Domestic Shares ⁽²⁾ | 484,220,924 | 34.74% |
| H Shares to be issued under the Global Offering | 43,211,000 | 3.10% |
| TOTAL | <u><u>1,393,876,104</u></u> | <u><u>100.00%</u></u> |

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following the completion of the Share Subdivision and the Global Offering will be as follows:

| <u>Description of Shares</u> | <u>Number of Shares</u> | <u>Approximate percentage to total share capital</u> |
|--|-----------------------------|--|
| Domestic Shares in issue ⁽¹⁾ | 866,444,180 | 61.87% |
| H Shares converted from Domestic Shares ⁽²⁾ | 484,220,924 | 34.58% |
| H Shares to be issued under the Global Offering | 49,692,000 | 3.55% |
| TOTAL | <u><u>1,400,357,104</u></u> | <u><u>100.00%</u></u> |

SHARE CAPITAL

Notes:

- (1) These Domestic Shares represent Domestic Shares held by our Shareholders and which will not be converted into H Shares upon Listing.
- (2) Subject to the approval of the CSRC and the Stock Exchange, certain Domestic Shares shall be converted into H Shares upon Listing, details of which are set out in the sub-paragraph headed “Conversion of our Domestic Shares into H Shares—Full-circulation Application for Conversion of Certain Domestic Shares into H Shares” in this section.

CLASS AND RANKING OF SHARES

After the completion of the Global Offering, we have two classes of ordinary shares, namely Domestic Shares and H Shares, and they shall rank *pari passu* with each other in all respects. Our Domestic Shares are unlisted Shares which are currently not listed or traded on any stock exchange or authorized trading facility. Domestic Shares and H Shares are regarded as different classes of Shares, further details of which are set out in the section headed “Summary of the Articles of Association” in Appendix VI to this prospectus.

According to the Articles of Association, any change or abrogation of the rights of class Shareholders shall be approved by way of a special resolution of the general meeting of our Shareholders and by a separate class meeting of class Shareholders convened by the relevant class Shareholders. Circumstances where a general meeting and/or a class meeting is required is summarized in the section headed “Summary of the Articles of Association” in Appendix VI to this prospectus. However, a class meeting is not required under circumstances set forth below:

- issue of Domestic Shares or H Shares of not more than 20% of Domestic Shares or H Shares in issue, respectively, either separately or concurrently within a period of 12 months, pursuant to approval by way of a special resolution of the general meeting of our Shareholders;
- proposed issue of Domestic Shares and H Shares at the time of the establishment of our Company, pursuant to approval of the securities regulatory authority of the State Council and provided that such proposed issue will be completed within 15 months since the date of such approval;
- transfer of Domestic Shares by domestic shareholder to foreign investors, or conversion of Domestic Shares by domestic shareholder to foreign Shares in part or in full, and such transferred or converted Shares are listed on overseas stock exchange as approved by the securities regulatory authority under the State Council and with the consent of the Stock Exchange; and
- other circumstances as stipulated in relevant PRC laws, regulations and the Articles of Association.

For further details, please refer to the section headed “Summary of the Articles of Association” in Appendix VI to this prospectus.

SHARE CAPITAL

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

Conversion of Domestic Shares

According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our Domestic Shares may be converted into H Shares, and such converted shares may be listed or traded on the Stock Exchange, provided that prior to the conversion and trading of such converted shares, any requisite approval processes shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, pursuant to the Full-circulation Guidelines, eligible PRC companies can concurrently convert all or part of their domestic shares into H shares and be listed and traded on the Stock Exchange upon listing and they shall apply to the CSRC for their approval according to the Administration Procedures for the Approval of the Public Offering and Listing (including Additional Issue) of Shares of Joint Stock Companies (《股份有限公司境外公開募集股份及上市(包括增發)審批行政許可程序》). According to the Articles of Association, no approval of class meeting is required for the listing and trading of such converted shares on the Stock Exchange. Any application of a company for listing of such converted shares on the Stock Exchange after its listing on the Stock Exchange is subject to prior notification by way of announcement to inform its shareholders and the public of any proposed conversion.

In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the Stock Exchange.

If any of our Domestic Shares are to be converted into H Shares, either by way of concurrent conversion upon Listing pursuant to the Full-circulation Guidelines or conversion after listing, such conversion will need to obtain the approval of the relevant PRC regulatory authorities including the CSRC. Approval of the Stock Exchange is required for the listing of such converted shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our Domestic Shares into H Shares as described in this section and subject to that the total number of H Shares at any time after the Global Offering shall be in compliance with the applicable laws, we can apply for the listing of certain portion of our Domestic Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed concurrently upon Listing or promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional shares after our initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

Upon Listing and subject to the approval of the CSRC, 484,220,924 Domestic Shares will be converted into H Shares. Such conversion has been deliberated and approved by the Board and the general meeting of our Shareholders. According to the Articles of Association, no general meeting or class meeting is required for any subsequent conversion of Domestic Shares into overseas listed shares (including H Shares) or the listing and trading of the converted shares on the Stock Exchange. However, any application for listing of such converted shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform shareholders and the public of any proposed conversion.

SHARE CAPITAL

Mechanism and Procedures for Conversion

After all the requisite approvals have been obtained, the following procedures will need to be completed in order to effect the conversion: (i) where Domestic Shares are converted into H Shares upon Listing pursuant to the Full-circulation Guidelines, we will directly register such Shares on our H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates; and (ii) where Domestic Shares are converted into H Shares after Listing, the relevant Domestic Shares will be withdrawn from the Domestic Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates.

Registration on our H Share register will be conditional on (a) our H Share Registrar lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates and (b) the admission of the H Shares to be traded on the Stock Exchange complying with the Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

In view of the above, our PRC Legal Advisers have also advised us that our Articles of Association is consistent with the relevant PRC laws and regulations regarding the conversion of the Domestic Shares into H Shares.

Full-circulation Application for Conversion of Certain Domestic Shares into H Shares

Pursuant to a Shareholders' resolution passed at the extraordinary general meeting of our Company on October 28, 2021, our Company has made an application to the CSRC for the full circulation of an aggregate of 484,220,924 Domestic Shares in issue, representing approximately 34.74% of the enlarged share capital of our Company upon the completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised), pursuant to which such Domestic Shares will be converted into H Shares on a one-to-one basis and be listed and traded on the Stock Exchange upon Listing (the "Full-circulation Application"). Details of the Full-circulation Application are set out below:

| <u>Name of Shareholder</u> | <u>Number of H Shares to be converted from Domestic Shares upon Listing</u> | <u>Approximate percentage of share capital immediately following the completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised)</u> |
|--------------------------------|---|--|
| 1 Shanghai Yunxin | 116,947,759 | 8.39% |
| 2 Tianjin Huacheng Intelligent | 34,426,645 | 2.47% |

SHARE CAPITAL

| Name of Shareholder | Number of H Shares to be converted from Domestic Shares upon Listing | Approximate percentage of share capital immediately following the completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised) |
|-----------------------------|--|---|
| 3 Tianjin Mingyin | 19,179,236 | 1.38% |
| 4 Jiangsu Gaotou Innovation | 24,890,643 | 1.79% |
| 5 Mr. Wang | 19,795,326 | 1.42% |
| 6 Ms. Wang Shumei | 18,674,119 | 1.34% |
| 7 Time Investment | 16,976,471 | 1.22% |
| 8 Haitong Unitrust Tianjin | 16,974,888 | 1.22% |
| 9 Mr. Ye Sheng | 15,836,261 | 1.14% |
| 10 Nanjing Kaiyuan | 14,846,494 | 1.07% |
| 11 Shanghai Qingge | 23,798,782 | 1.71% |
| 12 Shenzhen Anpeng | 14,407,038 | 1.03% |
| 13 Ms. Yue Jingzhi | 14,252,634 | 1.02% |
| 14 Hengqin Zanlu No.1 | 12,909,987 | 0.93% |
| 15 Huiwang Equity | 12,340,099 | 0.89% |
| 16 Central Fund | 11,694,771 | 0.84% |
| 17 Shanghai Qian'ao | 11,541,467 | 0.83% |
| 18 Hainan Yujun | 9,604,474 | 0.69% |
| 19 Shanghai Rongchuan | 8,472,399 | 0.61% |
| 20 Shanghai Chuyan | 8,062,151 | 0.58% |
| 21 CITICS Investment | 7,796,517 | 0.56% |
| 22 Hefei New-Econ Co. | 7,796,517 | 0.56% |
| 23 Tianjin Huacheng OLondon | 6,024,658 | 0.43% |
| 24 Guoyuan Seed II | 5,197,678 | 0.37% |
| 25 Gongqingcheng Ruixin | 4,528,616 | 0.32% |
| 26 Huangshan Fengying | 4,303,325 | 0.31% |
| 27 Tianjin Mingtong | 4,011,651 | 0.29% |
| 28 Tianjin Mingyun | 3,890,830 | 0.28% |
| 29 Nanjing Taihua | 3,898,254 | 0.28% |
| 30 Anhui Hexin | 3,898,254 | 0.28% |
| 31 Tianjin Mingwei | 2,962,786 | 0.21% |
| 32 Wenzhou Fangdao | 2,598,839 | 0.19% |
| 33 Zhejiang Yanzi | 860,671 | 0.06% |
| 34 Fanrong No.2 | 820,684 | 0.06% |
| Total | 484,220,924 | 34.74% |

SHARE CAPITAL

TRANSFER OF SHARES ISSUED PRIOR TO LISTING DATE

The PRC Company Law provides that (i) where a limited liability company converted into a joint stock limited company, its shares shall not be transferred within one year from the date of its conversion, (ii) in relation to the public offering of a company, the shares issued prior to the public offering shall not be transferred within one year from the date on which the publicly offered shares are listed on any stock exchange. Accordingly, shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and not be transferred within one year from the Listing Date.

Directors, supervisors and senior management shall notify the Company of the Shares they hold and any changes therein. During their respective tenure of office, any Shares transferred by any of the Company's Directors, supervisors and senior management in any year shall not exceed 25% of the relevant individual's total Shares in the Company. Shares held by any Director, supervisor or senior management shall not be transferred within one year from the Listing Date and within six months from the date on which he or she ceases to be a Director, supervisor or senior management of our Company.

REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on the overseas stock exchange with CSDC within 15 business days upon listing and provide a written report to the CSRC regarding the centralized registration and deposit of its unlisted shares as well as the current offering and listing of shares.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS AND CLASS MEETINGS ARE REQUIRED

According to our Articles of Association, general meetings (by special resolutions) are required under the following circumstances: (i) increase or reduction in the registered capital of the Company and issuance of any class of shares, warrants and similar securities; (ii) the division, merger, dissolution, liquidation or change of corporate forms of the Company; (iii) issuance of corporate bonds; and (iv) amendments to the Articles of Association. Further, general meetings (by special resolution) and class meetings are both required if our Company proposes to change or abrogate the rights of the class shareholders.

For further details, please see the sub-section headed "Summary of the Articles of Association—Resolutions of Shareholders' General Meeting" in Appendix VI to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountants' Report in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.

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. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus.

For the purpose of this section, unless the context otherwise requires, references to 2019, 2020 and 2021 refer to our financial year ended December 31 of such year. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We have built a digitalized ecosystem for road freight transportation in China. We operate one of the largest digital freight platforms in China in terms of Online GTV during the Track Record Period, according to CIC. Our platform provides digital freight services and solutions to shippers, such as logistics companies and cargo owners, as well as truckers in both inter-city and intra-city road freight transportation. To cater to different needs of shippers, we provide two types of services through our digital freight business, namely freight transportation services and freight platform services. We had served over 11,600 shippers and 2.7 million truckers who had completed an aggregate of over 36.2 million shipping orders on our platform from the inception of our digital freight business to September 30, 2022. The aggregate amount of shipping fees (including VAT) settled on our platform from transactions fulfilled through us as a statutory carrier under PRC law, which we refer to as our Online GTV, amounted to RMB27.3 billion in the nine months ended September 30, 2022.

In addition to our digital freight platform, we also operate Trucker Community, an "online + offline" community for truckers. According to CIC, it is the largest community for truckers in China and the largest community in the logistics industry in China, in terms of the number of registered users as of December 31, 2021. With over 3.1 million registered users as of September 30, 2022, we are committed to creating an "online + offline" community that facilitates the communication and mutual support among truckers. We have accumulated a large and loyal user base of truckers over the past decade, which enabled us to launch a comprehensive portfolio of truck sales and aftermarket solutions, Truck Plus, to empower truckers in China by addressing their needs in the full life-cycle of their businesses.

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Our Trucker Community and our Truck Plus business provide strategic value complement to our digital freight business, and such three business lines generate strong synergies. The large and loyal user base of Trucker Community provides stable and efficient supplemental road freight transportation resources for our digital freight platform. At the same time, our digital freight platform attracts more truckers to access, and become loyal members of, Trucker Community. In addition, the demands for aftermarket services by truckers on our platform also underpin the significant market potentials for our Truck Plus business.

Our revenue is primarily derived from our digital freight business. Based on the needs of the customers in the road freight transportation process, we provide two forms of services through our digital freight business, namely freight transportation services and freight platform services. Customers of our freight transportation services primarily consist of those with a high degree of standardization in road freight transportation such as shippers for bulk cargo, while customers of our freight platform services primarily consist of those with a high degree of complexity in road freight transportation. Under our freight transportation services, we serve as carriers and recognize contract amount charged to shippers as revenue for the freight transportation service we provide; under our freight platform services, while shippers select, and negotiate the transportation fee with, truckers, we serve as the carrier and recognize platform service revenue based on the difference between the contract amount to be received from the shipper and the contract amount to be paid to the trucker. During the Track Record Period, over 99% of our revenue was generated from our digital freight business and the remaining revenue was generated from sales of goods in our Truck Plus services, as well as other businesses such as advertisement services.

Our financial performance showed a trend of growth during the Track Record Period. Our revenue grew from RMB3.6 billion in 2019 to RMB6.3 billion in 2021, representing a CAGR of 33.0%; and grew from RMB4,676.7 million in the nine months ended September 30, 2021 to RMB4,710.6 million in the nine months ended September 30, 2022. We recorded a net loss of RMB3.3 million in 2019, and net profits of RMB26.1 million, RMB50.7 million and RMB3.7 million in 2020, 2021 and the nine months ended September 30, 2022, respectively.

RECENT DEVELOPMENT

Since the end of the Track Record Period and up to the Latest Practicable Date, our business continued to be affected by the lingering effects of the COVID-19 resurgence. The macroeconomic conditions in China suffered more severe systemic distress in the three months ended December 31, 2022 in comparison to most periods in 2020 and 2021, primarily due to a sharp reduction in economic activities as a result of (i) lockdown of several cities and regions during the period from October 2022 to early December 2022 as a means to contain the spread of COVID-19 and (ii) a surge in COVID-19 cases in December 2022 following the relaxation of restrictive measures to combat COVID-19. According to CIC, the monthly average Composite PMI in China was 49.0, 47.1 and 42.6 in October, November and December 2022, respectively, representing the lowest quarterly average Composite PMI since the second quarter of 2020. According to CIC, freight volume for the road freight transportation industry experienced a year-over-year decrease of 9.0% across China during the two months ended November 30, 2022. The downward trend in macroeconomic conditions and road freight transportation industry during the three months ended December 31, 2022 adversely affected

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our business and results of operations during such period. In particular, from late October 2022 to early December 2022, the operations and business development activities at our headquarter in Hefei were adversely affected due to the restrictive measures implemented by the government in response to a temporary regional resurgence of COVID-19. In the three months ended December 31, 2022, our Online GTV amounted to RMB9.3 billion, representing a 3.9% decrease from the three months ended December 31, 2021, primarily due to a decrease in our business volume as a result of the regional lockdown from October 2022 to early December 2022 and a significant increase in COVID-19 cases in December 2022. As a result of the impact of COVID-19, for the twelve months ended December 31, 2022, our Online GTV decreased to RMB36.6 billion from RMB38.0 billion in 2021, the number of active truckers on our platform decreased to 406.4 thousand from 411.6 thousand in 2021, and the shipping orders fulfilled on our platform decreased to 9.3 million from 10.5 million in 2021. Nevertheless, we achieved growth in the number of shippers that had completed shipping orders on our platform, which increased from 5,934 in 2021 to 6,236 in 2022, as well as the number of truckers who had completed shipping orders on our platform, which increased from 1,344.2 thousand in 2021 to 1,364.4 thousand in 2022.

Since December 2022, the PRC government has started to relax some of its restrictive measures nationwide, including digital health code, mass testing and lockdown. Many regions are currently facing a surge in COVID-19 cases following such relaxation. CIC is of the view, and our Directors concur that, the relaxation of restrictive measures by the PRC government since December 2022 adversely affected the road freight transportation industry in China in the short run since the surge in COVID-19 cases led to increased infection by truckers and employees of shippers, but is expected to benefit the road freight transportation industry in the long run considering that (i) the revival in the macroeconomic conditions and in the production and operating activities of private enterprises in China are expected to boost the demand for road freight transportation; and (ii) the relaxation of restrictive measures is also expected to increase the number of truckers available to fulfill shipping orders because their activities will no longer be affected by lockdown and quarantine requirements, which will benefit our operations. We continued to take measures to protect our business operations from the adverse impact of the COVID-19 outbreak. For more details on the impact of COVID-19 on our business and results of operations during the Track Record Period. See “—Impact of the COVID-19 Outbreak.”

Despite the net profit we incurred in 2020, 2021 and the nine months ended September 2021 and 2022, we expect our net profit in 2022, even after excluding the impact of the incurrence of listing expenses related to this Global Offering, to be significantly lower than that in 2021, primarily due to (i) an expected decrease in revenue resulted from a decrease in our Online GTV from RMB38.0 billion in 2021 to RMB36.6 billion in 2022, as a result of the adverse impact of the COVID-19 resurgence in 2022, which adversely affected the macroeconomic conditions and the road freight transportation industry in China, the number of truckers available to fulfill shipping orders and the shippers’ demand for digital freight services, and continued to affect our business since the end of the Track Record Period and up to the Latest Practicable Date; (ii) an expected decrease in our gross profit margin resulted from (1) a decrease in the proportion of petroleum credits we paid to truckers in comparison to cash which led to reduced value-added tax deduction claimed by us based on the value of petroleum credits provided to truckers; (2) an expected increase in other cost of digital freight

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business as we improved our platform to enhance user experience; and (3) an expected increase in cost of assistance from logistics cooperation partners attributable to a few major customers, such as Customer K; and (iii) an expected increase in our other expense resulted from an expected increase in taxes and surcharges in certain regions where we operated our digital freight business.

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this prospectus, save as disclosed in this prospectus under “—Recent Development” and “—Impact of the COVID-19 Outbreak”, there has been no material adverse change in our financial or trading position or prospects since September 30, 2022, being the end date of the periods reported in the Accountant’s Report in Appendix I to this prospectus, and there is no event since September 30, 2022 that would materially affect the information as set out in the Accountant’s Report in Appendix I to this prospectus.

BASIS OF PRESENTATION

The historical financial information of our Group has been prepared in accordance with applicable International Financial Reporting Standards (“**IFRS**”), issued by the International Accounting Standards Board. The historical financial information has been prepared under the historical cost convention, except for certain financial instruments that are measured at fair value.

The preparation of the historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying our accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the historical financial information are disclosed in Notes 3 to the Accountants’ Report included in Appendix I to this prospectus.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, many of which are outside of our control, including the following:

- Macroeconomic trends in China and the development of road freight transportation industry;
- Our ability to expand our user base and enhance user loyalty;
- Our ability to control costs and expenses, and enhance operational efficiency;
- Our ability to compete effectively in the industry; and
- Our ability to effectively invest in our technological capabilities.

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Macroeconomic trends in China and the development of road freight transportation industry.

We have benefited from the growth of China's economy and the rapid development of the road freight transportation industry in China. The growth of our business has been largely driven by the demand for digital freight services in China, which in turn hinges on the demands for goods transported through the road freight transportation network in China and is linked to macroeconomic factors driving the growth of China's economy, such as per capita disposable income, level of consumer spending, and other economic conditions that affect consumption, investment and business activities in China in general. As our business continues to grow, we anticipate that the demand for digital freight services in China will continue to expand, driving the increase in demand for the services we provide and the constant growth of our business. In addition, our business is also affected by the evolution of the market trends and by the factors driving the development of the road freight transportation industry in China. With the expansion of mobile internet in China, the trend for digitalization has been increasingly redefining and reshaping the road freight transportation industry. As the digital freight market is expected to be further driven by the increasing needs of digital transformation of the transportation process on the shipper's side, the rapid extension of the nationwide road network as a result of China's continued investment in infrastructure, and the growing number of mobile users in China, we expect that such industry trends will continue to drive the evolution of our business and our results of operations.

Our ability to expand our user base and enhance user loyalty.

Throughout the years we have built up our strong brand and a massive and highly engaged user base across our business divisions. Whether we can continue to expand our user base and enhance user loyalty is an important factor that drives the growth of our business. Our ability to attract users and enhance user loyalty depends on our ability to improve and diversify our existing service offerings, including through digital freight services, Trucker Community and Truck Plus solutions, to cater to the evolving demand of our users, which will in turn enhance our ability to generate revenues. In addition, our results of operations are also affected by our ability to leverage on the synergy between our different business divisions, such as the contribution by Trucker Community to our brand recognition and to our engagement of shippers and truckers for our digital freight business. We expect to continue exploring the synergies among our business divisions to further drive our business growth in the future.

Our ability to control costs and expenses, and enhance operational efficiency.

Our ability to maintain and improve profitability hinges on our ability to control our costs and expenses through enhancing our operational efficiency. Our cost of revenue, which primarily comprises of cost of freight transportation services, is subject to various factors, such as fluctuations in general wage level and in fuel prices. Our results of operations also hinge on our ability to (i) leverage economies of scale with the expansion of our business; (ii) control our cost and expenses through enhancement in our business models; and (iii) apply new technology to improve operational efficiency. As we continue to grow our business and expand

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our market share, we believe we can take better advantage of our economics of scale and achieve stronger bargaining position in negotiation with our customers, suppliers and business partners. Meanwhile, our results of operations may be further influenced by the evolving industrial polices and regulatory framework governing the digital freight business, including laws and regulations regarding relevant grants awarded by local government authorities.

Our ability to compete effectively in the industry.

We operate in the road freight transportation industry, and we compete with market players and potential new entrants emerging in the road freight transportation market. See “Business—Competition” and “Industry Overview—Overview of China’s Digital Freight Market—Competitive Landscape of the Digital Freight Market” and “Industry Overview—Overview of the Market of Communities for Truckers—Competitive Landscape of the Market of Communities for Truckers.” Our ability to compete effectively against our competitors and strengthen our market position depends on our ability to enhance our competitive strength. See “Business—Strengths.” We have been focusing on, and will continue to focus on, keeping our competitiveness in terms of the portfolio of products and service offerings, scope and quality of services, brand recognition and financial resources, among other factors, in order to expand our business and obtain a larger market share, which directly lead to our growth and improvement in our results of operations. If we fail to compete effectively and grow our business, we may lose our existing market share and experience decreased revenue and weakened profitability. See “Risk Factors—Risks Relating to Our Business and Industry—We operate in a competitive industry, and if we fail to compete effectively, our business and prospect could suffer.”

Our ability to effectively invest in our technological capabilities.

Our technological capabilities affect our ability to provide customers with services of premium quality, and consequently affect our future growth and results of operations. During the Track Record Period, we made continued investments in research and development activities to enhance our technological capabilities. In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, our research and development expenses amounted to RMB29.9 million, RMB46.7 million, RMB72.8 million, RMB48.2 million and RMB58.2 million, respectively. Leveraging our existing competitive strength in research and development, we expect to continue to increase our investment in research and development activities, and relentlessly explore commercialization opportunities in areas where we have gained technological strengths. We believe such investment will effectively enhance our operating efficiency while drive our growth in the long run. See “Business—Research and Development.”

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GOVERNMENT GRANTS

Nature and Accounting Treatment of Government Grants

During the Track Record Period, we received a substantial amount of government grants. The government grants we received primarily consisted of the following types: government grants related to digital freight business and other government grants.

- (1) ***Government Grants Related to Digital Freight Business:*** We received government grants related to our digital freight business, which were provided by local financial bureaus subject to our agreements with them, based on our contribution to the local economy. Government grants related to digital freight business are generally awarded by government authorities conditional on the achievement of income target and financial contribution target, which are associated with our level of contribution to the development of local economy, taking into account a series of factors including taxable income, financial contribution (which is primarily measured by tax contribution to the local government) and contribution to local employment, among others, by our relevant subsidiaries. In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, the total amount of government grants related to digital freight business we recognized amounted to RMB916.0 million, RMB1,192.5 million, RMB1,771.8 million, RMB1,312.4 million and RMB1,285.7 million, respectively, accounting for approximately 3.9%, 4.3%, 4.7%, 4.6% and 4.7% of our Online GTV in the corresponding years, respectively.
- ***Reduction of Freight Cost for Freight Transportation Services:*** Under freight transportation services, our revenue is recognized on a gross basis, and government grants related to digital freight business are recognized as a reduction of freight cost, as such government grants under freight transportation services are considered as compensation for the cost incurred in our provision of freight transportation services. In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, such government grants that were recorded as reduction of freight cost amounted to RMB112.3 million, RMB168.7 million, RMB236.4 million, RMB173.5 million and RMB183.6 million, respectively.
- ***Reduction of Freight Cost for Freight Platform Services:*** Under freight platform services, our revenue is recognized on a net basis. The revenue from freight platform services mainly represents the difference between the contract amount to be received from the shipper and the net freight cost. Net freight cost represents the contract amount to be paid to the trucker net of relevant government grants. As such, government grants under freight platform services are recognized as a reduction from the consideration paid to the trucker, and are indirectly reflected as an increase in net revenue of the freight platform services we provide. In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, government grants that were recognized as reduction of freight cost for freight platform services amounted to RMB631.6 million, RMB812.5 million, RMB1,180.4 million, RMB876.9 million and RMB845.9 million, respectively.

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- Reduction of Taxes and Surcharges:** During the Track Record Period, in addition to government grants that reduced our freight cost for both freight transportation services and freight platform services, we also recognized additional government grants related to digital freight business that were recorded as a deduction of taxes and surcharges. In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, government grants that were recorded as reduction of taxes and surcharges amounted to RMB172.1 million, RMB211.3 million, RMB355.0 million, RMB262.0 million and RMB256.2 million, respectively.

The government grants related to digital freight business recognized by us under each business model are set forth below:

| | Twelve months ended December 31, | | | Nine months ended September 30, | |
|---------------------------------|----------------------------------|------------------|------------------|------------------------------------|------------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | <i>(RMB'000)</i> | <i>(RMB'000)</i> | <i>(RMB'000)</i> | <i>(RMB'000)</i> | <i>(RMB'000)</i> |
| Freight transportation services | 138,322 | 205,058 | 295,690 | 216,779 | 229,263 |
| Freight platform services | 777,701 | 987,489 | 1,476,106 | 1,095,687 | 1,056,416 |
| Total | <u>916,023</u> | <u>1,192,547</u> | <u>1,771,796</u> | <u>1,312,466</u> | <u>1,285,679</u> |

The unit costs of our freight transportation service and our freight platform service were fair and reasonable, and were in line with the prevailing market rates excluding the impact of the government grants. According to CIC, the industry average unit cost for inter-city FTL freight transportation for bulk cargo is approximately RMB0.2 — 0.4/ton*km in 2021 (excluding the impact of the government grants). The unit cost for the majority of the shipping orders completed on our digital freight platform during the Track Record Period was approximately RMB0.1 — 0.5/ton*km (excluding the impact of the government grants), which was in line with the prevailing level within the industry.

- Other Government Grants:** In addition to government grants related to digital freight business, we also received government grants that were not related to digital freight business for other causes (“**other government grants**”). For example, we had been awarded governments grants for enhancement in technology or business model. There are no unfulfilled conditions or contingencies relating to other government grants. Other government grants are generally recorded under other income and gains. In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, other government grants received by us amounted to RMB6.5 million, RMB10.5 million, RMB16.0 million, RMB11.6 million and RMB14.2 million, respectively.

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Industry and Policy Background of Government Grants Related to Digital Freight Business

According to CIC, the financial bureaus of local governments in China started to offer government grants related to digital freight business to companies providing digital freight services since 2016. By the end of 2020, the provision of such government grants became a common practice among most of cities and counties across China. Currently, such grants are provided in accordance with the *Notice of the Ministry of Transport and the State Taxation Administration on issuing interim measures for the operation and administration of road freight transport based on Internet platforms* (《網絡平台道路貨物運輸經營管理暫行辦法》), which was promulgated in January 2020, and government grant policies issued by local governments, and are generally granted to promote the development of digital freight business in local cities or counties.

Since the emergence of the digital freight industry, companies providing digital freight services had played an important role in the implementation and collection of value-added tax in the road freight transportation industry. Historically, before the emergence of digital freight platforms, logistics companies that engage truckers to serve freight owners face problems in the significant amount of value-added tax they incur, as they are required to pay value-added tax based on the total GTV of each order, but cannot effectively claim the value-added tax deduction they deserve based on the transportation cost they pay to truckers, as such truckers are generally sole practitioners who are usually unable or reluctant to issue proper value-added tax invoices for such transportation cost. As such, a number of logistics companies had attempted to evade the payment of value-added tax, making the tax compliance status in the road freight transportation industry unsatisfactory and leading to the reduction of tax revenue of local government.

Digital freight platforms overcome this problem for logistics companies as they digitalize the road freight transportation process and make the recording of revenue and cost in road freight transportation process more convenient, so that logistics companies can claim their entitled VAT deduction and enhance their tax compliance status. This substantially increases the amount of net tax revenue collected by the government and contributes to the local economy. However, by dealing with truckers directly in place of the logistics companies, digital freight platforms themselves also face the practical difficulties in claiming their entitled VAT deduction based on the transportation fee they pay to truckers due to truckers' inability or reluctance to issue VAT invoices, which results in unreasonably high VAT obligations for digital freight platforms. To address this issue and in light of the contribution of digital freight platforms to the local economy, local governments generally have strong incentives to provide government grants to digital freight platforms.

According to CIC, it has become an industry norm for companies in the digital freight industry to receive significant amounts of government grants related to their digital freight business. In 2021, the proportion of government grants as to total Online GTV of the Top 10 digital freight platforms was around 4-5%. The amount of government grants is affected by multiple factors, including the digital freight platform's contribution to the local economy, the depth of cooperation with the local government, and the local policies in the regions where the digital freight business is conducted.

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Our Arrangements with Local Financial Bureaus Regarding Government Grants Related to Digital Freight Business

The table below summarizes the key terms of the government grant agreements between the Group and relevant local financial bureaus:

| | |
|---|---|
| <i>Term of Government Grant Agreements</i> | Generally between five and ten years ⁽¹⁾ . Certain government grant arrangements are governed by a 15-year framework agreement. |
| <i>Expiry Date</i> | Generally between 2022 and 2037. ⁽¹⁾ |
| <i>Renewal</i> | Renewable upon mutual consent of the contractual parties. The negotiation on renewal of the agreement generally begins one year before the agreement expires and generally takes two to three months. The terms under negotiation generally cover reward percentage, taxable income thresholds, financial contribution thresholds, and other obligations that we need to fulfill in order to receive government grants, if any. |
| <i>Reward Percentage</i> | Generally between 45% and 50% of our total financial contribution ⁽²⁾ to the local government from 2019 to 2021, and between 35% and 48.5% of our total financial contribution to the local government from 2022 to 2027. ⁽³⁾ |
| <i>Condition for Receiving Government Grants</i> | |
| • Taxable income threshold | Generally between RMB15,800 million and RMB28,179 million from 2019 to 2021, and between RMB33,151 million and RMB63,293 million from 2022 to 2027. |
| • Financial contribution threshold | Generally between RMB1,105 million and RMB1,519 million from 2019 to 2021, and between RMB1,417 million and RMB4,023 million from 2022 to 2027. |

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- **Other obligations**

Certain government grant agreements impose additional obligations on us, such as hiring certain number of local employees or promoting the development of freight transportation industry in the local region. While certain obligations are stipulated as a general intent for future cooperation between the local governments and us without specific timeframe for implementation, other obligations are stipulated with specific plans for implementation. To implement such specific plans and fulfill our obligations, we expect to invest a total amount of no more than RMB500,000 over the next five to ten years, which is not expected to have a material impact on our gross profit or gross profit margin.

Notes:

- (1) One of our government grant agreements had a term of one year pursuant to relevant requirements of local government, which was universally applied to all digital freight platforms entering into government grant agreements with such local government. As such government grant agreement was originally due in 2022, we started to negotiate the renewal of such agreement with the local financial bureau in November 2022. According to our communication with the local financial bureau, the local financial bureau agreed to treat the current agreement as in effect until a new agreement is executed and expected to execute a new agreement by the end of March 2023.
- (2) Our financial contribution is primarily measured by our tax contribution to the local government.
- (3) Except for the government grant agreement for one of our subsidiaries which stipulated a lower reward percentage of 35%, the reward percentage in the other government grant agreements are between 45% to 48.5% of our total financial contribution to the local governments from 2022 to 2027.

Set forth below are the details regarding the government grants related to digital freight business we received during the Track Record Period.

Granting process: In cities where we have established subsidiaries for the operation of digital freight business, we apply for relevant government grants related to digital freight business pursuant to local policies. The government grants related to digital freight business are granted to us by local financial bureaus, and we negotiate the amount of government grants we receive and conditions for receiving such grants on a case-by-case basis with local financial bureaus at each of the locations where we operate. The local financial bureaus with which we enter into government grant agreements do not need to reside in the same region where our digital freight business is conducted. As such, when we expand our business into a new region, we do not need to establish a new subsidiary or enter into a new government grant agreement in such region; instead, we usually use existing subsidiaries with government grant agreements to enter into business contracts with customers in such region. We may also establish new subsidiaries in regions where local financial bureaus are willing to make favorable government grant arrangements. Considering that relevant taxation laws and regulations in the PRC require a corporate entity to pay VAT to tax authorities of its place of registration, rather than to tax

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authorities of the place where the actual business is carried out or where its customers are located, our Tax Consultant is of the view that such practice is in compliance with relevant tax laws and regulations in China. Our Industry Consultant, CIC, is of the view that such practice is in line with industry norms.

Conditions and amount: Local government grants are generally granted to us conditional on our contribution to the local economy. Generally, the amount of government grant will equal to a portion of our contribution to the local economy, although the exact proportion differs from regions to regions subject to our discussion with, and relevant policies of, local government in different regions where we operate. During the Track Record Period, government grants related to digital freight business we recognized had approximately been half of our total financial contribution to the local governments, and such percentage had been decreasing slightly over the years during the Track Record Period. The amount of government grants attributable to each subsidiaries of our Company that operate digital freight business fluctuated during the Track Record Period, because such government grants were generally commensurate with the financial contribution of such subsidiaries in the corresponding period, which was affected by fluctuations in the revenue attributable to such subsidiaries. Such fluctuation in revenue of our Company's subsidiaries was primarily due to (i) the natural business fluctuation of our customers conducting business with such subsidiaries; (ii) our allocation of new businesses to certain subsidiaries pursuant to adjustments made to our overall business strategies or expansion plans; and (iii) the adjustments of business volume of such subsidiaries based on our arrangements or agreements with the local government. Sometimes, such government grants related to digital freight business may have additional conditions, such as the establishment of research and development centers in local markets. If we fail to meet the relevant target for contribution to the local economy, the amount of local government grants granted to us may be adjusted.

Effective period: Although the terms of our agreements with local financial bureaus vary from region to region, such agreements usually have a term of five to ten years. We closely monitor the term and the effectiveness of each of our agreements with local financial bureaus and arrange for necessary renewal once such agreements are about to expire. We believe that we generally do not have substantial difficulties in renewing such agreements. If the negotiation for renewal is prolonged and we cannot timely renew our existing government grant agreement for any of our subsidiaries, we may discuss with local financial bureau for temporary arrangements such as allowing us to continue receiving government grants pursuant to the expired agreement until the agreement is successfully renewed, or we may transfer our business under such subsidiary to another subsidiary of us and continue to receive government grants from the local financial bureau in the region where such other subsidiary is established.

Recognition and receipt: We generally receive government grants related to digital freight business one to six months after the corresponding digital freight transportation transaction took place. During the Track Record Period and up to the Latest Practicable Date, we had generally received the agreed amount of government grants without material delay.

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Assessment of the Sustainability of Government Grants Related to Digital Freight Business and Their Impacts to Our Business and Financial Conditions

The profitability of our digital freight business currently depends significantly on the level of government grants we receive. During the Track Record Period, if we had not received government grants, and assuming we did not increase our shipping fees charged to shippers notwithstanding the absence of such government grants and our continued difficulties in claiming VAT deductions, we would have incurred gross loss. We cannot assure you that we will be able to receive government grants from any province in the PRC on similar terms or at all in the future. See “Risk Factors—Risks Relating to Our Business and Industry—The profitability of our business has been and is expected to continue to be reliant upon, among others, government grants provided by local financial bureaus relating to digital freight business. If we cannot continue to receive such grants, our financial performance may be materially and adversely affected”.

We substantially satisfied and met relevant conditions for receiving government grants, including our contribution to the local economy, as set out in our agreements with local financial bureaus during the Track Record Period and have not experienced any material shortfall or delay in receipt of government grant due to failure to meet such conditions. We had been able to renew substantially all of our government grant agreements to the extent needed during the Track Record Period and up to the Latest Practicable Date. The amount of our government grants related to digital freight business increased significantly during the Track Record Period, in line with the increase in our contribution to the local economy, primarily due to our expansion of digital freight business. The proportion of government grants related to digital freight business as a percentage of our financial contribution had been decreasing slightly over the years during the Track Record Period, which signified the gradual reduction in our reliance on such government grants. For our newly established subsidiaries, such as Tianjin Log Logistics, Huainan Log and Huangshan Log, we succeeded in continuing to reach agreements with local government agencies regarding obtaining government grants related to digital freight business in November 2021, February 2022 and July 2022, respectively, on terms similar to those we previously obtained for other subsidiaries.

While the *Notice of the Ministry of Transport and the State Taxation Administration on Issuing Interim Measures for the Operation and Administration of Road Freight Transport Based on Internet Platforms* (the “**Notice**”) may expire at the end of 2023, based on interviews with industry experts and considering (i) the contribution of digital freight platforms to local economy and local tax revenue, (ii) the practical difficulties for digital freight platforms to claim VAT deductions for cash payments to truckers in the foreseeable future and additional VAT burden that digital freight platforms have assumed resulting from such difficulties, (iii) the competition among local financial bureaus across China to attract digital freight platforms, and (iv) the consistent implementation of the Notice by various local governments with respect to such government grants, our Industry Consultant, CIC, is of the view that the support to the digital freight industry by the government is expected to continue, and the government grants related to digital freight platforms are expected to be continued at similar levels in the foreseeable future notwithstanding the potential expiration of the Notice. Based on applicable PRC laws and regulations and the interviews conducted between October 2021

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and January 2022 with chief officers or directors of the local financial bureaus covering all of the Company's subsidiaries that received government grants during the Track Record Period, who are, in the view of our PRC Legal Advisers, competent in providing relevant confirmation, our PRC Legal Advisers are of the view that considering the fact that (A) the government grants represent a form of national and local government policy support of the digital freight industry; (B) the low likelihood of relevant authorities terminating the cooperation agreements for government grants (i) before their expiry dates (save upon the occurrence of force majeure events or material breach by us); or (ii) before or upon the expiry date of the Notice on December 31, 2023 given that the continued validity of the Notice is not a condition precedent to our cooperation agreements, the possibility that we cannot continue to enjoy such government grants in accordance with the cooperation agreements entered into with local financial bureaus is relatively low. In addition, we have been receiving government grants related to digital freight business since the inception of adoption of relevant government support policies, and our cooperation agreements with local financial bureaus are generally of long term. We will continue to explore the new opportunities to enter into additional agreements with local financial bureaus. In November 2021, February 2022 and July 2022, our newly established subsidiaries, Tianjin Log Logistics, Huainan Log and Huangshan Log, entered into agreements with relevant local financial bureaus.

Further, based on interviews conducted with the Department of Transport of Anhui Province, we understand that (i) the government grants represent a form of national and local policy support of the digital freight industry; and (ii) even in the unlikely event of termination of government grants, given the substantial market demand for digital freight services, the Group and other digital freight industry players would be able to adjust their pricing policies to minimize the impact of such termination. Reduction or cessation of government grants for digital freight platforms will reduce the profitability of digital freight platforms, and they will have to increase their shipping fees charged to shippers in order to avoid gross loss and maintain their business operation. While an upward adjustment of shipping fee by one digital freight platform may not be acceptable to shippers, an industry-wide increase in shipping fees due to a reduction or cessation of government grants should be acceptable by shippers because it will be both reasonable and necessary for the continued operation of the digital freight industry. By streamlining the road freight transportation process and improving the shippers' operating efficiency, digital freight platforms create unique value to shippers that cannot be easily substituted by other services. As such, shippers are expected to accommodate upward adjustments in shipping fees charged by digital freight platforms in the event of a reduction or cessation of government grants to such platforms. Moreover, given the amount of government grants received by digital freight platforms only represented a very small percentage of total shipping fees paid by shippers, the level of adjustments that digital freight platforms will need to make to shipping fees in the event of a reduction or cessation of government grants should not significantly increase the amount of shipping fees to be paid by shippers, and therefore such shipping fee adjustments are unlikely to have a significant impact on the demand for digital freight services. As such, our Industry Consultant, CIC, is of the view that industry players would be able to adjust pricing in the event of any change in the availability or amount of government grants because the demand for digital freight services from the shippers is expected to sustain despite increase in price.

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Based on the foregoing, our Directors and the Sole Sponsor are of the view that we are expected to be able to continue obtaining government grants related to digital freight business at a level substantially similar to those obtained during the Track Record Period, or, in the unlikely event of termination of government grants, effectively adjust our pricing policies to minimize the impact of such termination, and consequently, the probability of our business, results of operations and financial conditions being materially and adversely affected is low.

IMPACT OF THE COVID-19 OUTBREAK

The outbreak of COVID-19 has materially and adversely affected the global economy. In response to the initial spread of COVID-19 in late 2019 and early 2020, the Chinese government implemented a number of measures, including travel restrictions and temporary closure of commercial malls, warehouses and factories. As a result of the timely implementation of such measures, the spread of COVID-19 has been contained in China. By approximately the fourth quarter of 2020, almost all cities in China had eased or lifted domestic travel restrictions and resumed normal social and business activities.

During the COVID-19 outbreak, our business was affected by the travel restrictions and the resulted decrease in demand for digital freight services in China. In regions where the COVID-19 outbreak was not effectively contained, relevant travel restrictions had decreased the demand for road freight transportation and resulted in the decrease in the number of orders for digital freight services. Also, our business expansion and customer acquisition plan were negatively affected by such travel restrictions as we were not able to visit new customers in such regions. Nevertheless, we still managed to achieve business growth due to the strong demands for our services by our customers. As the COVID-19 outbreak was generally contained at national level in the second half of 2020 and 2021, demand for road freight transportation and demand for digital freight transportation also resumed to normal at national level during such period, which led to the rapid recovery of demand for our service offerings. We recorded the completion of 7.2 million shipping orders on our platform in 2020, representing an increase of 22.8% from 5.9 million shipping orders in 2019, and we recorded Online GTV of RMB27.9 billion in 2020, representing an increase of 19.3% from the Online GTV of RMB23.4 billion in 2019. In 2021, we recorded the completion of 10.5 million shipping orders on our platform, representing an increase of 45.8% from 2020, and we recorded Online GTV of RMB38.0 billion, representing an increase of 36.2% from 2020.

To mitigate the impact of the COVID-19 outbreak on our business operations and to safeguard the health conditions of our employees, we implemented various measures, including: (i) adopting flexible working schedules and allowing our employees to work from home during the outbreak; (ii) establishing a COVID-19 outbreak prevention team under the guidance of the government; and (iii) encouraging our employees to take vaccination following relevant government guidelines. We maintained active communication with our customers during the COVID-19 outbreak and strived to maintain the normal operations of our services by taking advantage of technologies in remote working and business coordination. Due to the effectiveness of our measures, and the general containment of the COVID-19 outbreaks in China, our business substantially resumed normal operations around the end of the second quarter of 2020.

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In addition, as we usually record a lower volume of business transactions in the first quarter of each year compared to the other quarters attributable to seasonality pattern of the road freight transportation industry, the impact of the COVID-19 outbreak on our results of operations for the whole year was further mitigated. As a result, despite the impact of the COVID-19 outbreak on the general economy, we still managed to achieve year-on-year growth of 19.3% and 36.2% of our Online GTV from 2019 to 2020 and from 2020 to 2021, respectively.

Since the beginning of 2022, there had been a resurgence of the COVID-19 pandemic in certain areas of China due to the Delta and Omicron variants. In response to such resurgence of the COVID-19 pandemic, the Chinese government took certain emergency measures, including travel restrictions, mandatory quarantines, limitations on public gatherings, and lockdowns of certain cities or regions, which were more stringent than those measures implemented in 2020 and 2021. As a result, the macroeconomic conditions in China and the entire road freight transportation industry in China had been adversely affected. According to CIC, the monthly average Composite PMI in China dropped to 49.2 in 2022, in comparison to 52.1 in 2020 and 52.4 in 2021, indicating an overall contraction in the production and operating activities of private enterprises in China in 2022. Due to quarantine requirements and travel restrictions that were relatively longer in duration, broader in geographic coverage and more stringent in nature in comparison to those in 2020 and 2021, the number of truckers available to fulfill shipping orders declined. The business activities of some of the shippers were also adversely affected, and consequently, their demand for digital freight services decreased. As a result, the road freight transportation industry had been more severely adversely affected by the COVID-19 outbreak in 2022 in comparison to 2021. According to CIC, freight volume for the road freight transportation industry experienced a year-over-year decrease of 4.4% across China during the nine months ended September 30, 2022. Our business operations and financial performance were affected by the resurgence of the COVID-19 pandemic in 2022. In the nine months ended September 30, 2022, our Online GTV declined by 3.5% to RMB27.3 billion from RMB28.3 billion for the nine months ended September 30, 2021 and the number of shipping orders fulfilled on our platform decreased to 7.5 million from 7.8 million for the nine months ended September 30, 2021. We recorded a net profit of RMB3.7 million in the nine months ended September 30, 2022, representing a 93.5% decrease from net profit of RMB56.7 million for the nine months ended September 30, 2021. The adverse impact of such COVID-19 resurgence was most severe in certain provinces and municipalities in Eastern China. For example, according to CIC, freight volume for the road freight transportation industry experienced a year-over-year decrease of 17.7% and 16.3% in Shanghai and Jiangsu Province during the nine months ended September 30, 2022, respectively. Our operations in Eastern China were most severely affected by the COVID-19 resurgence during the nine months ended September 30, 2022, compared with our operations in other regions in China, with a decrease in Online GTV for shipping orders originated from such areas. In addition, the operations at our headquarter in Hefei were adversely affected for approximately two weeks in April 2022, due to relevant lockdown and quarantine measures implemented by the government in response to a temporary regional outbreak of COVID-19.

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Since December 2022, considering the relatively mild nature of the currently prevalent Omicron variant, the PRC government has started to relax some of its restrictive measures nationwide, including digital health code, mass testing and lockdown. Many regions are currently facing a surge in COVID-19 cases following such relaxation. CIC is of the view, and our Directors concur that, the relaxation of restrictive measures by the PRC government adversely affected the road freight transportation industry in China in the short run since the surge in COVID-19 cases led to increased infection by truckers and employees of shippers, but is expected to benefit the road freight transportation industry in the long run considering that (i) the revival in the macroeconomic conditions and in the production and operating activities of private enterprises in China are expected to boost the demand for road freight transportation; and (ii) the relaxation of restrictive measures is also expected to increase the number of truckers available to fulfill shipping orders because their activities will no longer be affected by lockdown and quarantine requirements, which will benefit our operations. We pay close attention to the development of COVID-19 and its impact on our business operations and financial performance, and we continue to implement abovementioned measures to mitigate the adverse impact of the COVID-19 resurgence. However, we currently are unable to predict the impact of the COVID-19 pandemic on our business and operations, our results of operations, financial condition, cash flows and liquidity in the future, as these depend on rapidly evolving developments, which are highly uncertain and will be a function of factors beyond our control. Such factors include, among others, the continued spread or recurrence of infection, the implementation of effective preventative and containment measures, the development of effective medical solutions, and the extent to which governmental restrictions on travel, public gatherings, mobility and other activities remain in place or are augmented. There remains the possibility of further spread of COVID-19, in which case, our business may be impacted by the outbreak and the relevant measures adopted by the government. See “Risk Factors—Risks Relating to Our Business and Industry—Our business operations and financial performance was and may in the future continue to be adversely affected by the COVID-19 outbreak, and may face risks related to natural disasters, extreme weather conditions, health epidemics and other unforeseeable catastrophic incidents, which could significantly disrupt our operations.”

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgments based on past experiences and other factors, including expectation of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management’s estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

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Set forth below are discussions of the accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Other significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in Notes 2 and 3 to the Accountants' Report in Appendix I to this prospectus.

Significant Accounting Policies

Revenue Recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between us and the customer at contract inception. When the contract contains a financing component which provides us with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Freight transportation services

Revenue from freight transportation services represents the contract amount charged to shippers for these services. Costs incurred with contracted truckers for road freight transportation are recorded in cost of revenue.

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The primary performance obligation of us under the contracts with shippers is to transport the shippers' freight. We have the responsibility for transportation of the freight from the origin to destination, once the shipper places the transportation service request and we accept the service request, a transportation service order is set up between the shipper and us. The transaction price for each transportation request is generally fixed and readily determinable at inception.

We contract with truckers separately, to deliver the transportation services. Contracted truckers are mainly individual drivers. Judgment is required in determining whether we are the principal or agent in transactions with shippers. We are at our own discretion for acceptance of transportation requests and release the transportation requests to the truckers on our own behalf to deliver the services. We also oversee the transportation process during the transit period. Therefore, we effectively control the service before it is transferred to the shipper. We are primarily responsible for fulfilling the contract with the shipper and is legally liable for loss or damage to shippers' goods in transit period according to the contract. We also have pricing discretion and negotiate separately the prices charged to shippers and amounts paid to truckers. Accordingly, we are the principal in these transactions.

We recognise revenue over time using an output method of progress as shippers receive the benefits of our services as the freights are shipped from the origin to the destination.

(b) Freight platform services

We provide freight platform services to the shippers registered on our platform. The platform provides the access to the shippers so they can select the appropriate truckers, coordinate with the truckers, and negotiate freight price to complete the road freight transportation request. As a freight platform service provider, we enter into shipping contracts with the shipper and trucker separately to fulfill the shipping order.

We conclude that we act as an agent in the provision of transportation services as we do not have the ability to fully control the related services. Specifically, we cannot fully direct truckers to perform the transportation service on our own behalf. The platform service fee recognised by us is based on the difference between the contract amount to be received from the shipper and the contract amount to be paid to the trucker, which are both fixed at the time a transaction is entered into. The revenue is recognized on a net basis at the point of fulfillment of the shipping order.

According to the guidance of IFRS 15 *Revenue from Contracts with Customers*, the choice of revenue recognition method, between gross basis (for our freight transportation services) and net basis (for our freight platform services) does not only depend on whether we entered contracts with shippers and truckers separately and whether we bear the credit risk of shipping fees from shippers. Rather, the choice of revenue recognition methods between gross and net basis should depend on the substance of the business

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arrangements among us, shippers and truckers. Under freight transportation services, we act as the principal as we effectively control the services before it is transferred to the shipper. Under freight platform services, we act as an agent as we cannot fully direct truckers to perform the transportation service on our behalf and do not have the ability to fully control the related services.

We also earn freight platform service fee by allowing the users to use our software products and the nature of our performance obligation in granting a license is considered to be a right to access our software products. We account the grant of license as a performance obligation satisfied over the contracted period on a straight-line basis. We also charge additional fees to our users on the basis of the number times of the additional functions used, such as short messaging service and location service in the software products. The additional fees are recognized at the point of fulfilment of such services.

(c) Sale of goods

Revenue from the sale of goods, mainly including trucks and other related accessories is recognized at the point in time when control of the asset is transferred to the customers, generally on delivery of the goods.

(d) Other value-added services

We collect service fees from other value-added services, such as advertisement services. Revenue from these services are recognized at the point in time when the relevant services are rendered.

Revenue from other sources

Rental income is recognized on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are incurred.

Other income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

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Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If we perform by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before we transfer the related goods or services. Contract liabilities are recognised as revenue when we perform under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based Payments

We operate share award schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of our operations. Our employees (including our directors) receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (“**equity-settled transactions**”).

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. See Note 30 to the Accountants’ Report in Appendix I to this prospectus for more details.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each of the Track Record Period until the vesting date reflects the extent to which the vesting period has expired and our best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of our best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

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For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either us or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income or as a reduction of specific costs and expenses on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed. Government grants related to digital freight business are recognised as a reduction of freight costs or related expenses.

Government grants other than the above are recognised in other income and gains. Further details are contained in notes 5 and 6 to the Accountants' Report in Appendix I to this prospectus.

Government grants shall not be recognized until there is reasonable assurance that: (i) the entity will comply with the conditions attaching to them; and (ii) the grants will be received. The conditions of the government grants awarded by the local government authorities to us generally include the achievement of income target and financial contribution target. The amount of government grants related to digital freight business awarded to us is based on our contribution to the local economy.

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Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Track Record Period, taking into consideration interpretations and practices prevailing in the countries in which we operate.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the Track Record Period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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The carrying amount of deferred tax assets is reviewed at the end of each of the Track Record Period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each of the Track Record Period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Track Record Period.

Deferred tax assets and deferred tax liabilities are offset if and only if we have a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Critical Accounting Judgement and Key Sources of Estimation Uncertainty

The preparation of the our historical financial information requires our management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying our accounting policies, our management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in our historical financial information:

Principal versus agent

In freight transportation services and freight platform services, judgement is required in determining whether we are the principal or agent in transactions with shippers. When determining whether we are acting as the principal or agent in offering services to the shippers, we need to first identify who controls the transportation services before they are transferred to the shippers. Further details are contained in Notes 2.3 to the Accountants' Report included in Appendix I to this prospectus.

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Deferred tax assets

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary difference can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the Track Record Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade and notes receivables

We use a provision matrix to calculate ECLs for trade and notes receivables. The provision rates are based on their recoverability and ageing analysis. The provision matrix is initially based on our historical observed default rates. We will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Our historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future.

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Non-IFRS Measure

To supplement our consolidated financial statements which are presented in accordance with the IFRS, we also use adjusted profit or loss (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with the IFRS.

We believe that adjusted profit or loss (non-IFRS measure) provides 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 the adjusted profit or loss (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of adjusted profit or loss (non-IFRS measure) is presented herein as an analytical tool for illustrative purposes only, and should not be considered in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under the IFRS.

The following table reconciles our adjusted profit/(loss) (non-IFRS measure) for the periods indicated:

| | For the year ended December 31, | | | For the nine months ended September 30, | |
|--|--|----------------|----------------|--|----------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | | | | <i>(unaudited)</i> | |
| Net income/(loss) | (3,298) | 26,070 | 50,744 | 56,720 | 3,699 |
| Add | | | | | |
| Share-based payments⁽¹⁾ | 1,503 | 15,303 | 22,347 | 15,060 | 13,667 |
| Listing expenses related to the Global Offering | — | — | 14,218 | 4,931 | 16,185 |
| Adjusted profit/(loss) (non-IFRS measure) | <u>(1,795)</u> | <u>41,373</u> | <u>87,309</u> | <u>76,711</u> | <u>33,551</u> |

Notes:

- (1) We operate share award schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of our operations. Such share-based payments are non-cash in nature.

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In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, we recorded adjusted loss (non-IFRS measure) of RMB1.8 million, adjusted profit (non-IFRS measure) of RMB41.4 million, adjusted profit (non-IFRS measure) of RMB87.3 million, adjusted profit (non-IFRS measure) of RMB76.7 million and adjusted profit (non-IFRS measure) of RMB33.6 million, respectively, representing (0.1)%, 0.9%, 1.4%, 1.6% and 0.7% of our total revenue for the year/period, respectively. We incurred significant net loss and adjusted loss (non-IFRS measure) in 2019, as we were in the early stage of developing our digital freight business, and were not able to fully leverage on the economy of scale to generate enough revenue to cover the costs and expenses incurred. Our adjusted net profit (non-IFRS measure) in the nine months ended September 30, 2022 decreased in comparison with the nine months ended September 30, 2021, for reasons similar to those for the decrease of our net profit in the nine months ended September 30, 2022 in comparison to our net profit in the nine months ended September 30, 2021, including, in particular, the resurgence of the COVID-19 pandemic in certain regions in China in 2022 which had an adverse impact on the business activities and the demand for digital freight services of some of the shippers. See “—Period-to-Period Comparison of Results of Operation—Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021.” The emergency measures taken by the Chinese government in response to such resurgence of the COVID-19 pandemic in the nine months ended September 30, 2022 were more restrictive than those in the nine months ended September 30, 2021, which adversely affected the macroeconomic conditions and the road freight transportation industry in China, the number of truckers available to fulfill shipping orders, and the shippers’ demand for digital freight services. According to CIC, the monthly average Composite PMI in China from January 2022 to September 2022 dropped to 50.1 from the monthly average of 52.6 from January 2021 to September 2021 and freight volume for the road freight transportation industry experienced a year-over-year decrease of 4.4% across China during the nine months ended September 30, 2022. As we grew in size and became more mature in our digital freight business, we were able to more effectively leverage on economy of scale to improve profitability by providing wider and more in-depth services to customers, and keeping costs and expenses under control. We have also adopted robust measures to improve our profitability going forward. See “Business—Business Sustainability.”

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Revenue

During the Track Record Period, we generated revenue predominantly from our digital freight business, by providing freight transportation services and freight platform services. The following table sets forth a breakdown of our revenue by types of goods or services for the periods indicated:

| Type of goods or services | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|---------------------------------|---------------------------------|--------------|------------------|--------------|------------------|--------------|---|--------------|------------------|--------------|
| | 2019 | | 2020 | | 2021 | | 2021 | | 2022 | |
| | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 | % |
| | <i>(unaudited)</i> | | | | | | | | | |
| Freight transportation services | 3,259,740 | 91.6 | 4,377,922 | 93.9 | 5,928,657 | 94.1 | 4,410,042 | 94.3 | 4,464,966 | 94.8 |
| Freight platform services | 275,284 | 7.7 | 261,666 | 5.6 | 349,201 | 5.5 | 253,605 | 5.4 | 231,327 | 4.9 |
| Sale of goods | 17,625 | 0.5 | 13,179 | 0.3 | 9,530 | 0.2 | 6,858 | 0.2 | 7,345 | 0.2 |
| Others ⁽¹⁾ | 7,893 | 0.2 | 11,820 | 0.2 | 9,862 | 0.2 | 6,199 | 0.1 | 6,953 | 0.1 |
| Total | 3,560,542 | 100.0 | 4,664,587 | 100.0 | 6,297,250 | 100.0 | 4,676,704 | 100.0 | 4,710,591 | 100.0 |

Note:

- (1) Others primarily include referral services for the sale of second-hand trucks, advertisement services, rental income and other value-added services.

In terms of revenue breakdown by business lines, our digital freight business generally derives revenue from our freight transportation services and freight platform services, which constituted a substantial majority of our total revenue during the Track Record Period. Although during the Track Record Period, Online GTV contributed by our freight platform services was significantly higher than Online GTV contributed by our freight transportation services, we recorded higher revenue under freight transportation services than under freight platform services as we recognized revenue on a gross basis for freight transportation services and on a net basis for freight platform services. Our Truck Plus business primarily derives revenue from sales of goods such as truck parts, and to a lesser extent, from referral services for the sale of second-hand trucks, the revenue from which was recorded in the line of “Others”. Our Trucker Community did not generate revenue during the Track Record Period. In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, revenue from our digital freight business amounted to RMB3,535.0 million, RMB4,639.6 million, RMB6,277.9 million, RMB4,663.6 million and RMB4,696.3 million, respectively, and revenue from our Truck Plus business amounted to RMB17.8 million, RMB14.1 million, RMB9.7 million, RMB7.0 million and RMB7.4 million, respectively.

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During the Track Record Period, we had a nationwide customer base, and truckers on our digital freight platform fulfilled shipping orders that are transported across different provinces, autonomous regions and municipalities in China. The following table sets out a breakdown of the revenue of our digital freight business by regions in China, and the percentage of revenue contribution of each region, based on the principal place of business of the customers, instead of the origin or destination of the shipping orders.

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|---|---------------------------------|--------------|------------------|--------------|------------------|--------------|---|--------------|------------------|--------------|
| | 2019 | | 2020 | | 2021 | | 2021 | | 2022 | |
| | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 | % |
| | <i>(unaudited)</i> | | | | | | | | | |
| <i>Revenue by region, based on principal place of business of customers</i> | | | | | | | | | | |
| Inner Mongolia | 1,298,631 | 36.7 | 1,042,568 | 22.5 | 1,304,339 | 20.8 | 848,768 | 18.2 | 1,418,035 | 30.2 |
| Xinjiang | 422,631 | 12.0 | 636,687 | 13.7 | 1,297,689 | 20.7 | 991,453 | 21.3 | 810,228 | 17.3 |
| Shaanxi | 422,721 | 12.0 | 584,897 | 12.6 | 655,079 | 10.4 | 503,439 | 10.8 | 411,805 | 8.8 |
| Shanxi | 385,824 | 10.9 | 471,663 | 10.2 | 346,973 | 5.5 | 292,952 | 6.3 | 219,944 | 4.7 |
| Shandong | 66,355 | 1.9 | 230,559 | 5.0 | 333,047 | 5.3 | 244,948 | 5.3 | 158,784 | 3.4 |
| Shanghai | 31,442 | 0.9 | 145,884 | 3.1 | 298,894 | 4.8 | 227,846 | 4.9 | 220,629 | 4.7 |
| Hebei | 236,147 | 6.7 | 304,407 | 6.6 | 285,265 | 4.5 | 249,137 | 5.3 | 140,428 | 3.0 |
| Gansu | 121,884 | 3.4 | 270,547 | 5.8 | 280,606 | 4.5 | 216,398 | 4.6 | 229,990 | 4.9 |
| Ningxia | 68,882 | 1.9 | 50,858 | 1.1 | 182,512 | 2.9 | 133,035 | 2.9 | 116,352 | 2.5 |
| Jiangsu | 13,598 | 0.4 | 87,960 | 1.9 | 170,351 | 2.7 | 137,767 | 3.0 | 114,234 | 2.4 |
| Sichuan | 68,178 | 1.9 | 80,867 | 1.7 | 162,114 | 2.6 | 124,337 | 2.7 | 135,964 | 2.9 |
| Anhui | 8,080 | 0.2 | 47,173 | 1.0 | 137,016 | 2.2 | 100,406 | 2.2 | 86,393 | 1.8 |
| Liaoning | 9,754 | 0.3 | 148,780 | 3.2 | 134,009 | 2.1 | 94,214 | 2.0 | 64,959 | 1.4 |
| Tianjin | 149,125 | 4.2 | 153,818 | 3.3 | 84,654 | 1.3 | 55,868 | 1.2 | 38,054 | 0.8 |
| Beijing | 22,258 | 0.6 | 30,606 | 0.7 | 78,663 | 1.3 | 59,798 | 1.3 | 44,641 | 1.0 |
| Others ⁽¹⁾ | 209,515 | 5.9 | 352,316 | 7.6 | 526,648 | 8.4 | 383,280 | 8.2 | 485,853 | 10.4 |
| Digital Freight Business | | | | | | | | | | |
| Sub-total | 3,535,024 | 100.0 | 4,639,588 | 100.0 | 6,277,858 | 100.0 | 4,663,648 | 100.0 | 4,696,293 | 100.0 |

Note:

- (1) Others include Henan, Guangdong, Qinghai, Heilongjiang, Jiangxi, Guangxi, Hunan, Fujian, Zhejiang, Jilin, Yunnan, Tibet, Hubei, Guizhou, Hainan and Chongqing, each of which contributed to less than 1.3% of the revenue for our digital freight business in 2021.

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Freight transportation services

During the Track Record Period, we provided freight transportation services to shippers, and revenue from freight transportation services represents the contract amount charged to shippers for such services.

Freight transportation services were the major contributor to our revenue during the Track Record Period. In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, revenue from freight transportation services accounted for 91.6%, 93.9%, 94.1%, 94.3% and 94.8% of our total revenue during the corresponding periods, respectively.

Freight platform services

During the Track Record Period, we generated revenue from freight platform service fees paid by shippers for use of our digital freight platform to successfully complete shipping orders via such platform. As a freight platform service provider, we enter into shipping contract with the shipper and trucker separately to fulfill the shipping order. The revenue from freight platform services mainly represents the difference between the contract amount to be received from the shipper and the net freight cost, which is the contract amount to be paid to the trucker net of the government grants related to digital freight business. Such government grants are presented in the line of revenue in the amount of RMB631.6 million, RMB812.5 million, RMB1,180.4 million, RMB876.9 million and RMB845.9 million in 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, respectively. See “Business—Our Business Model and Service Offerings—Digital Freight Business.”

Freight platform services were the second largest contributor to our revenue during the Track Record Period. In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, revenue from freight platform services accounted for 7.7%, 5.6%, 5.5%, 5.4% and 4.9% of our total revenue during the corresponding periods, respectively.

Sale of goods

We generated revenue from sale of goods during the Track Record Period, which primarily comprised of revenue from sale of trucks and other related accessories in our Truck Plus solutions business. Our sale of goods revenue decreased during the Track Record Period as we decreased the size of our truck sales business, which generated a higher level of revenue with a lower profit margin than the sales of truck supply products. We intend to explore diversified monetization models and opportunities to develop our Truck Plus solutions business.

Others

During the Track Record Period, we also generated revenue from other sources, including, but not limited to, (i) the provision of other value-added services such as advertisement services; (ii) rental income, as we leased our temporary vacant buildings and trucks under operating lease arrangements to third parties; and (iii) referral services for the sale

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of second-hand trucks. In 2019, 2020, 2021 and the nine months ended September 30, 2022, the gross floor area of vacant buildings we leased out amounted to approximately 7,700 square meters, 4,500 square meters, 450 square meters, and 630 square meters, respectively. We started leasing small trucks with service function to our authorized stores under our Truck Plus business in 2019, to facilitate our provision of on-site maintenance services, and have maintained approximately 20 trucks used for such purpose since then.

Cost of Revenue

During the Track Record Period, our cost of revenue primarily consisted of (i) cost of freight transportation services, which mainly represented costs incurred with contracted truckers for freight transportation services, net of government grants which were awarded by the local government authorities to support our digital freight business, in an amount of RMB112.3 million, RMB168.7 million, RMB236.4 million, RMB173.5 million and RMB183.6 million in 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, respectively; (ii) cost of assistance from logistics cooperation partners, which mainly represented the costs we paid to independent logistics cooperation partners based on contractually agreed-upon percentages of revenue or net revenue for certain services provided by such logistics cooperation partners, such as loading and unloading of the freight during the transportation process, which we procured from such logistics cooperation partners; (iii) other cost of digital freight business provided, which mainly represented staff cost and cost incurred with third-party suppliers for digital freight business, such as location service cost, short message service cost, and payment channels service cost; and (iv) cost of inventories sold, which mainly represented cost for inventories such as trucks or other related accessories.

The table below sets forth the components of our cost of revenue in absolute amounts and as percentages of our cost of revenue for the periods indicated, respectively:

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|--|---------------------------------|--------------|------------------|--------------|------------------|--------------|---|--------------|------------------|--------------|
| | 2019 | | 2020 | | 2021 | | 2021 | | 2022 | |
| | <i>RMB'000</i> | % | <i>RMB'000</i> | % | <i>RMB'000</i> | % | <i>RMB'000</i> | % | <i>RMB'000</i> | % |
| Cost of freight transportation services | 3,205,653 | 95.8 | 4,318,987 | 99.0 | 5,852,945 | 99.2 | 4,354,213 | 99.4 | 4,412,938 | 99.1 |
| Cost of assistance from logistics cooperation partners | 103,858 | 3.1 | 17,205 | 0.4 | 15,373 | 0.3 | 7,883 | 0.2 | 13,705 | 0.3 |
| Other cost of digital freight business | 21,562 | 0.6 | 14,563 | 0.3 | 21,030 | 0.4 | 14,262 | 0.3 | 17,792 | 0.4 |
| Cost of inventories sold | 17,643 | 0.5 | 12,874 | 0.3 | 8,041 | 0.1 | 6,138 | 0.1 | 7,073 | 0.2 |
| Cost of Revenue | 3,348,716 | 100.0 | 4,363,629 | 100.0 | 5,897,389 | 100.0 | 4,382,496 | 100.0 | 4,451,508 | 100.0 |

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Cost of freight transportation services

Our cost of revenue of freight transportation services primarily consists of cash payments provided to truckers for the transportation services they provide. In addition to cash payment, a small portion of payment is made in the form of petroleum credit, which we purchase in bulk from our petroleum suppliers at a discount. In addition, the corresponding portion of government grants related to digital freight business is deducted from such cost of revenue of freight transportation services. The table below sets forth the breakdown of our cost of revenue of freight transportation services:

| | For the year ended December 31, | | | For the nine months ended September 30, | |
|---|---------------------------------|----------------|----------------|---|----------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | | | | <i>(unaudited)</i> | |
| Cash payment to truckers | 2,861,950 | 4,173,122 | 5,968,493 | 4,422,456 | 4,563,382 |
| Petroleum credit paid to truckers | 456,044 | 314,582 | 120,898 | 105,254 | 33,128 |
| Government grants deducted | (112,341) | (168,717) | (236,446) | (173,497) | (183,572) |
| Total cost of freight transportation services | 3,205,653 | 4,318,987 | 5,852,945 | 4,354,213 | 4,412,938 |

Cost of assistance from logistics cooperation partners

We have engaged certain logistics cooperation partners, which are individuals or corporations with working experience or transportation resources in road freight transportation industry, to manage our day-to-day contact with our customers and facilitate the provision of digital freight services. Pursuant to our agreements with the logistics cooperation partners, they are obligated to arrange temporary truckers on short notice, facilitate the arrangement of multiple pick-up and delivery points, and conduct other operations such as loading and unloading of freight during the transportation process. As the services provided by logistics cooperation partners cover labor-intensive components during the transportation process, we strategically outsource such components to them so that we can focus instead on the core aspects of our digital freight business that requires a higher level of expertise. We pay a fee to such logistics cooperation partners for the services they provide based on the contractually agreed-upon percentages of revenue or net revenue generated from the transportation process, and such fee is recorded as cost of assistance from logistics cooperation partners.

Starting from 2020, as an effort to improve our profit margin by reducing cost of assistance from logistics cooperation partners, we started to reduce the engagement of logistics cooperation partners and encouraged certain customers to arrange logistics cooperation services directly with logistics cooperation partners. As a result, cost of assistance from logistics cooperation partners decreased from RMB103.9 million in 2019 to RMB17.2 million in 2020, and further to RMB15.4 million in 2021. Cost of assistance from logistics cooperation partners increased from RMB7.9 million for the nine months ended September 30, 2021 to RMB13.7 million the nine months ended September 30, 2022 primarily because we increased

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our collaboration with Customer K, one of our top five customers in 2021 and the nine months ended September 30, 2022, which also provided logistics cooperation services to us for its own shipping orders. See “Business—Our Customers”.

During the Track Record Period, the increase of our cost of revenue was generally in line with the growth of our revenue.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of revenue. Our gross profit margin represents our gross profit as a percentage of our revenue. The table below sets forth our revenue, cost of revenue and gross profit for the years/periods indicated:

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|-----------------|---------------------------------|------------|----------------|------------|----------------|------------|---|------------|----------------|------------|
| | 2019 | | 2020 | | 2021 | | 2021 | | 2022 | |
| | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 | % |
| | <i>(unaudited)</i> | | | | | | | | | |
| Revenue | 3,560,542 | 100.0 | 4,664,587 | 100.0 | 6,297,250 | 100.0 | 4,676,704 | 100.0 | 4,710,591 | 100.0 |
| Cost of revenue | (3,348,716) | (94.1) | (4,363,629) | (93.5) | (5,897,389) | (93.7) | (4,382,496) | (93.7) | (4,451,508) | (94.5) |
| Gross profit | <u>211,826</u> | <u>5.9</u> | <u>300,958</u> | <u>6.5</u> | <u>399,861</u> | <u>6.3</u> | <u>294,208</u> | <u>6.3</u> | <u>259,083</u> | <u>5.5</u> |

The following table sets forth a breakdown of our gross profit and gross profit margin by types of goods and services for the periods indicated:

| Type of goods or services | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|---------------------------------|---------------------------------|--------------|----------------|--------------|----------------|--------------|---|--------------|----------------|------------|
| | 2019 | | 2020 | | 2021 | | 2021 | | 2022 | |
| | Gross Profit | Gross Profit | Gross Profit | Gross Profit | Gross Profit | Gross Profit | Gross Profit | Gross Profit | Gross Profit | |
| | Margin | Margin | Margin | Margin | Margin | Margin | Margin | Margin | Margin | |
| | (RMB'000) | (%) | (RMB'000) | (%) | (RMB'000) | (%) | (RMB'000) | (%) | (RMB'000) | (%) |
| | <i>(unaudited)</i> | | | | | | | | | |
| Freight transportation services | 35,073 | 1.1 | 53,512 | 1.2 | 69,520 | 1.2 | 52,076 | 1.2 | 46,423 | 1.0 |
| Freight platform services | 168,878 | 61.3 | 235,321 | 89.9 | 318,990 | 91.3 | 235,213 | 92.7 | 205,435 | 88.8 |
| Sale of goods | (18) | (0.1) | 305 | 2.3 | 1,489 | 15.6 | 720 | 10.5 | 272 | 3.7 |
| Others ⁽¹⁾ | 7,893 | 100.0 | 11,820 | 100.0 | 9,862 | 100.0 | 6,199 | 100.0 | 6,953 | 100.0 |
| Total | <u>211,826</u> | <u>5.9</u> | <u>300,958</u> | <u>6.5</u> | <u>399,861</u> | <u>6.3</u> | <u>294,208</u> | <u>6.3</u> | <u>259,083</u> | <u>5.5</u> |

Note:

- (1) Others primarily include referral services for the sale of second-hand trucks, advertisement services, rental income and other value-added services.

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In terms of breakdown by business lines, in 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, our digital freight business recorded gross profit of RMB204.0 million, RMB288.8 million, RMB388.5 million, RMB287.3 million and RMB251.9 million, respectively, and realized gross profit margin of 5.8%, 6.2%, 6.2%, 6.2% and 5.4%, respectively; in 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, our Truck Plus business recorded gross profit of RMB0.2 million, RMB1.2 million, RMB1.6 million, RMB0.9 million and RMB0.3 million, respectively, and realized gross profit margin of 0.9%, 8.5%, 17.0%, 12.2% and 4.1%, respectively.

The gross profit of our digital freight business, including gross profit of both our freight transportation services and freight platform services, increased from 2019 to 2021 as we expanded such business, with relatively stable gross profit margin. The gross profits of our freight transportation services and freight platform services decreased in the nine months ended September 30, 2022 in comparison to those in the nine months ended September 30, 2021. See “Financial Information—Period-to-Period Comparison of Results of Operations—Nine months ended September 30, 2022 Compared to Nine months ended September 30, 2021—Gross Profit and Gross Profit Margin.” According to CIC, the gross profit margins in terms of Online GTV of major companies involved in digital freight business ranged from 0.5% to 2.5% in 2021. According to CIC, it is common for digital freight platforms to record this level of gross profit margin as they generally seek to generate profits from massive transaction volume rather than higher margins. While certain companies involved in digital freight business reported higher gross profit margins than we did within such range, the scope of services included in their digital freight business was broader than ours and included certain value-added services that we did not provide, which may have contributed to their higher gross profit margins, according to CIC.

The gross profit of our Truck Plus business comprised of gross profit from sales of goods, such as truck parts, and to a lesser extent, gross profit from referral services for the sale of second-hand trucks, which was recorded in the line of “Others.” Our Truck Plus business contributed to a very small portion of our revenue and gross profit during the Track Record Period and experienced certain fluctuations, as we were still in the process of growing such business at scale and were experimenting various initiatives to explore the optimal business model. The gross profit margin of our Truck Plus business was relatively low in 2019 as we were still in the early stage of exploring business model for our Truck Plus business.

The gross profit margin for “Others” remained at 100.0% during the Track Record Period, as we generated revenue from the businesses under “Others,” which primarily consisted of income from advertisement services, rental income and income from other value-added services, without incurring corresponding costs of revenue, which were generally covered by the costs incurred for our digital freight business. For example, we provide advertisement services by placing advertisements on the Apps that we operate, so no additional costs has been incurred for such service.

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The following table sets out a breakdown of the gross profit of our digital freight business by regions in China, and the percentage of gross profit contribution of each region, based on the principal place of business of the customers, instead of the origin or destination of the shipping orders.

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|--|---------------------------------|--------------|----------------|--------------|----------------|--------------|---|--------------|----------------|--------------|
| | 2019 | | 2020 | | 2021 | | 2021 | | 2022 | |
| | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 | % |
| | <i>(unaudited)</i> | | | | | | | | | |
| <i>Gross profit by region, based on principal place of business of customers</i> | | | | | | | | | | |
| Xinjiang | 8,577 | 4.2 | 22,542 | 7.8 | 47,121 | 12.1 | 33,225 | 11.6 | 31,697 | 12.6 |
| Inner Mongolia | 44,507 | 21.8 | 29,336 | 10.2 | 30,964 | 8.0 | 20,202 | 7.0 | 25,219 | 10.0 |
| Shanghai | 7,930 | 3.9 | 20,963 | 7.3 | 25,679 | 6.6 | 19,852 | 6.9 | 12,020 | 4.8 |
| Anhui | 3,799 | 1.9 | 13,336 | 4.6 | 24,521 | 6.3 | 18,319 | 6.4 | 19,415 | 7.7 |
| Guangdong | 7,482 | 3.7 | 15,226 | 5.3 | 22,460 | 5.8 | 18,107 | 6.3 | 10,723 | 4.3 |
| Jiangsu | 6,482 | 3.2 | 12,583 | 4.4 | 20,063 | 5.2 | 14,938 | 5.2 | 14,345 | 5.7 |
| Shandong | 9,202 | 4.5 | 15,896 | 5.5 | 19,330 | 5.0 | 14,848 | 5.2 | 10,423 | 4.1 |
| Shaanxi | 11,922 | 5.8 | 17,186 | 6.0 | 19,098 | 4.9 | 14,570 | 5.1 | 10,177 | 4.0 |
| Beijing | 12,966 | 6.4 | 11,469 | 4.0 | 17,313 | 4.5 | 14,235 | 5.0 | 8,412 | 3.3 |
| Liaoning | 4,890 | 2.4 | 12,124 | 4.2 | 15,620 | 4.0 | 11,704 | 4.1 | 7,900 | 3.1 |
| Hebei | 16,939 | 8.3 | 12,707 | 4.4 | 13,309 | 3.4 | 10,362 | 3.6 | 8,775 | 3.5 |
| Sichuan | 6,050 | 3.0 | 14,833 | 5.1 | 13,187 | 3.4 | 8,250 | 2.9 | 14,222 | 5.7 |
| Zhejiang | 5,383 | 2.6 | 8,251 | 2.9 | 13,066 | 3.4 | 9,466 | 3.3 | 8,709 | 3.5 |
| Shanxi | 12,353 | 6.1 | 13,824 | 4.8 | 11,058 | 2.8 | 8,824 | 3.1 | 5,922 | 2.4 |
| Henan | 4,021 | 2.0 | 8,205 | 2.8 | 10,503 | 2.7 | 7,965 | 2.8 | 9,216 | 3.7 |
| Others ⁽¹⁾ | 41,448 | 20.3 | 60,351 | 20.9 | 85,217 | 21.9 | 62,421 | 21.7 | 54,685 | 21.7 |
| Digital Freight Business | | | | | | | | | | |
| Sub-total | <u>203,951</u> | <u>100.0</u> | <u>288,834</u> | <u>100.0</u> | <u>388,510</u> | <u>100.0</u> | <u>287,289</u> | <u>100.0</u> | <u>251,860</u> | <u>100.0</u> |

Note:

- (1) Others include Tianjin, Yunnan, Hubei, Fujian, Gansu, Ningxia, Heilongjiang, Hunan, Chongqing, Guangxi, Qinghai, Jiangxi, Jilin, Guizhou, Tibet and Hainan, each of which contributed to less than 2.7% of the gross profit of our digital freight business in 2021.

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Other Income and Gains

Our other income and gains primarily consists of other government grants and bank interest income. Other government grants represented the government grants other than those awarded to support our digital freight operation, which are recorded as a deduction of our specific costs and related expenses. See “—Significant Accounting Policies and Estimates—Significant Accounting Policies—Government Grants.” For example, governments grants awarded to us for our efforts in enhancement in technology or business model are generally recorded as other government grants, under other income and gains. There are no unfulfilled conditions or contingencies relating to these government grants.

In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, our other income and gains amounted to RMB8.0 million, RMB13.3 million, RMB25.8 million, RMB18.5 million and RMB22.6 million, respectively.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consists of staff costs, advertising and promotion expenses, travel expenses and office expenses, among others.

The table below sets forth a breakdown of our selling and marketing expenses in absolute amounts and as percentages of our total selling and marketing expenses for the periods indicated:

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|------------------------------------|---------------------------------|--------------|----------------|--------------|----------------|--------------|---|--------------|----------------|--------------|
| | 2019 | | 2020 | | 2021 | | 2021 | | 2022 | |
| | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 | % |
| | <i>(unaudited)</i> | | | | | | | | | |
| Staff costs | 66,971 | 61.5 | 75,294 | 58.1 | 88,778 | 57.8 | 67,388 | 58.8 | 73,192 | 66.9 |
| Share-based payments | 669 | 0.6 | 6,183 | 4.8 | 7,941 | 5.2 | 6,210 | 5.4 | 3,707 | 3.4 |
| Advertising and promotion expenses | 16,691 | 15.3 | 25,689 | 19.8 | 22,567 | 14.7 | 17,671 | 15.4 | 11,539 | 10.5 |
| Travel expenses | 10,288 | 9.4 | 9,604 | 7.4 | 14,819 | 9.6 | 10,827 | 9.4 | 11,188 | 10.2 |
| Office expenses | 5,525 | 5.1 | 5,265 | 4.1 | 8,990 | 5.9 | 5,786 | 5.0 | 4,306 | 3.9 |
| Others ⁽¹⁾ | 8,862 | 8.1 | 7,540 | 5.8 | 10,507 | 6.8 | 6,845 | 6.0 | 5,557 | 5.1 |
| Total | 109,006 | 100.0 | 129,575 | 100.0 | 153,602 | 100.0 | 114,727 | 100.0 | 109,489 | 100.0 |

Note:

(1) Others primarily include business hospitality expenses, and depreciation and amortization.

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Administrative Expenses

Our administrative expenses primarily consists of staff costs, share-based payments, depreciation and amortization and office expenses, among others.

The table below sets forth a breakdown of our administrative expenses in absolute amounts and as percentages of our total administrative expenses for the periods indicated:

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|-------------------------------|---------------------------------|--------------|---------------|--------------|---------------|--------------|---|--------------|---------------|--------------|
| | 2019 | | 2020 | | 2021 | | 2021 | | 2022 | |
| | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 | % |
| | <i>(unaudited)</i> | | | | | | | | | |
| Staff costs | 24,116 | 49.7 | 25,997 | 48.2 | 39,036 | 45.0 | 27,453 | 48.7 | 32,462 | 44.1 |
| Share-based payments | 291 | 0.6 | 4,770 | 8.8 | 9,045 | 10.4 | 4,682 | 8.3 | 7,949 | 10.8 |
| Depreciation and amortization | 8,725 | 18.0 | 10,694 | 19.8 | 10,341 | 11.9 | 8,054 | 14.3 | 7,422 | 10.1 |
| Office expenses | 6,868 | 14.2 | 6,071 | 11.4 | 9,917 | 11.4 | 7,738 | 13.7 | 5,493 | 7.5 |
| Others ⁽¹⁾ | 8,510 | 17.5 | 6,375 | 11.8 | 18,379 | 21.3 | 8,480 | 15.0 | 20,258 | 27.5 |
| Total | 48,510 | 100.0 | 53,907 | 100.0 | 86,718 | 100.0 | 56,407 | 100.0 | 73,584 | 100.0 |

Note:

- (1) Others primarily include listing expenses, consulting expenses, maintenance expenses, business hospitality expenses and travel expenses.

Our administrative expenses increased by 11.1% from RMB48.5 million in 2019 to RMB53.9 million in 2020 primarily attributable to an increase in staff costs related to administrative functions, as we expanded our administrative team and enhanced the compensation level to our administrative personnel as our business grew. Our administrative expenses increased by 60.9% from RMB53.9 million in 2020 to RMB86.7 million in 2021, which was primarily attributable to an increase in staff costs related to administrative functions as we expanded our administrative team and enhanced the compensation level to our administrative personnel, the incurrence of listing expenses in 2021, an increase in our office expenses in relation to the purchase of software services, and an increase in share-based payments from 2020 to 2021. Our administrative expenses increased by 30.5% from RMB56.4 million in the nine months ended September 30, 2021 to RMB73.6 million in the nine months ended September 30, 2022, which was primarily attributable to an increase in listing expenses in relation to the Global Offering and an increase in staff costs related to administrative functions, as we expanded our administrative team and recruited additional employees for administrative functions.

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Research and Development Expenses

Our research and development expenses primarily consist of staff costs, procurement expenses for cloud computing services, share-based payments and depreciation and amortization, among others.

The table below sets forth a breakdown of our research and development expenses in absolute amounts and as percentages of our total research and development expenses for the periods indicated:

| | For the year ended December 31, | | | | | | For the nine months ended September 30, | | | |
|---------------------------------------|---------------------------------|--------------|---------------|--------------|---------------|--------------|---|--------------|---------------|--------------|
| | 2019 | | 2020 | | 2021 | | 2021 | | 2022 | |
| | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 | % | RMB'000 | % |
| | <i>(unaudited)</i> | | | | | | | | | |
| Staff costs | 19,295 | 64.6 | 30,465 | 65.2 | 48,070 | 66.0 | 31,301 | 64.9 | 43,015 | 73.9 |
| Expenses for cloud computing services | 6,971 | 23.3 | 8,583 | 18.4 | 13,494 | 18.5 | 9,024 | 18.7 | 9,866 | 16.9 |
| Share-based payments | 536 | 1.9 | 4,312 | 9.2 | 5,177 | 7.1 | 4,111 | 8.5 | 1,970 | 3.4 |
| Depreciation and amortization | 2,250 | 7.5 | 2,666 | 5.7 | 3,145 | 4.3 | 2,183 | 4.5 | 1,964 | 3.4 |
| Others ⁽¹⁾ | 820 | 2.7 | 715 | 1.5 | 2,935 | 4.1 | 1,590 | 3.4 | 1,406 | 2.4 |
| Total | 29,872 | 100.0 | 46,741 | 100.0 | 72,821 | 100.0 | 48,209 | 100.0 | 58,221 | 100.0 |

Note:

(1) Others primarily include office expenses and travel expenses.

(Impairment)/Reversal of Impairment of Financial and Contract Assets, Net

Our impairment of financial and contract assets mainly consist of loss on account receivables and receivables from shippers for shipping fees resulted from the credit impairments of our customers. In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, we recorded impairment of financial and contract assets of RMB8.6 million, RMB7.9 million and RMB9.7 million and reversal of impairment of financial and contract assets of RMB1.1 million and RMB0.4 million, respectively.

Other Expenses

In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, our other expenses mainly consist of taxes and surcharges, net of government grants related to digital freight business, the amount of which is RMB172.1 million, RMB211.3 million, RMB355.0 million, RMB262.0 million and RMB256.2 million, respectively. In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, our other expenses amounted to RMB10.3 million, RMB33.6 million, RMB39.2 million, RMB21.9 million and RMB30.9 million, respectively.

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Impairment loss for investments in associates are recorded under other expenses. In 2019, we incurred impairment loss for investments in associates of RMB0.9 million; we did not incur any impairment loss for investments in associates in 2020, 2021 and the nine months ended September 30, 2021 and 2022. Our impairment loss for investments in associates in 2019 was due to our full impairment provision for investments in Anhui Jika Lubrication Technology Co., Ltd. and Xuzhou Boyang Logistics Co., Ltd., because these two associates suffered from financial difficulties which made it hard for them to generate revenue and cash flow. We did not make any impairment provisions for investments in Xinjiang Zhongya Log Digital Technology Co., Ltd., Qingkong Shoulu Supply Chain Management (Tianjin) Co., Ltd. or Wuhu Luge Logistics Technology Co., Ltd., even though such associates operated at a slight loss during the Track Record Period, since such associates were start-ups and were expected to make profits in the foreseeable future.

Finance Costs

Our finance costs mainly consist of interest on bank loans and other borrowings. In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, our finance costs amounted to RMB16.2 million, RMB6.7 million, RMB4.9 million, RMB2.5 million and RMB3.5 million, respectively.

Taxation

Our income tax expense primarily comprises our current and deferred income tax expense under the relevant PRC income tax rules and regulations. In 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, we had income tax expense of RMB89 thousand, RMB9.0 million, RMB7.2 million, RMB12.8 million and RMB1.5 million, respectively.

The significant increase in income tax expense in 2020 was because we started to generate net profit from 2020 and therefore, our recognized deferred tax assets for losses in previous years were transferred to income tax expense.

Our income tax expense in 2021 slightly decreased compared to the level in 2020, primarily because of the increase of additional deductible allowance for qualified research and development expenses in 2021.

Our Company and our subsidiaries are all incorporated in the PRC, and are subject to income tax at a statutory rate of 25% on the taxable income, pursuant to the EIT Law and the respective regulations. Enterprises that qualify as “high and new technology enterprises” under the EIT Law are entitled to a preferential enterprise income tax rate of 15%. Our Company is recognized as a high-tech enterprise and accordingly, is entitled to a preferential enterprise income tax rate of 15% during the Track Record Period. In addition, certain of our subsidiaries are qualified as small and micro enterprises and are entitled to a preferential enterprise income tax rate of 20% during the Track Record Period.

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PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATION

Nine Months Ended September 30, 2022 Compared to the Nine Months Ended September 30, 2021

Revenue

Our revenue increased by 0.7% from RMB4,676.7 million in the nine months ended September 30, 2021 to RMB4,710.6 million in the nine months ended September 30, 2022.

- *Revenue from freight transportation services.* Revenue from freight transportation services increased by 1.2% from RMB4,410.0 million in the nine months ended September 30, 2021 to RMB4,465.0 million in the nine months ended September 30, 2022. Such increase is primarily due to an increase in our average price per order for our freight transportation services, as a result of an increase in the average transportation fee paid to truckers due to the COVID-19 resurgence.
- *Revenue from freight platform services.* Revenue from freight platform services decreased by 8.8% from RMB253.6 million in the nine months ended September 30, 2021 to RMB231.3 million in the nine months ended September 30, 2022. Nearly half of the Online GTV for shipping orders under our freight platform services was generated in eastern China, which was more severely impacted by the COVID-19 resurgence and the resulted travel restrictions than western and central China in the nine months ended September 30, 2022, leading to a decrease in the number of shipping orders fulfilled under our freight platform services and a decrease in revenue for our freight platform business.

Cost of Revenue

Our cost of revenue increased by 1.6% from RMB4,382.5 million in the nine months ended September 30, 2021 to RMB4,451.5 million in the nine months ended September 30, 2022, which was generally in line with the growth of our revenue during the same period.

Gross Profit and Gross Profit Margin

As a result of the foregoing, we recorded a gross profit of RMB294.2 million in the nine months ended September 30, 2021, representing a gross profit margin of 6.3%, and a gross profit of RMB259.1 million in the nine months ended September 30, 2022, representing a gross profit margin of 5.5%. The decrease of our gross profit margin was due to the decrease in the gross profit margin of our freight transportation business and the decrease in the gross profit margin of our freight platform business.

- For our freight transportation business, we recorded a gross profit of RMB52.1 million in the nine months ended September 30, 2021, representing a gross profit margin of 1.2%; and a gross profit of RMB46.4 million in the nine months ended September 30, 2022, representing a gross profit margin of 1.0%. The gross profit margin of our freight transportation business decreased in the nine months ended

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September 30, 2022 compared to that in the nine months ended September 30, 2021 primarily due to the decrease in the proportion of petroleum credits we paid to truckers in comparison to cash which led to reduced value-added tax deduction claimed by us based on the value of petroleum credits provided to truckers.

- For our freight platform business, we recorded a gross profit of RMB235.2 million in the nine months ended September 30, 2021, representing a gross profit margin of 92.7%; and a gross profit of RMB205.4 million in the nine months ended September 30, 2022, representing a gross profit margin of 88.8%. Such decrease in gross profit margin was primarily due to an increase in other cost of digital freight business as we incurred additional cost to improve our digital freight platform to enhance user experience, and an increase in cost of assistance from logistics cooperation partners since we incurred cost of assistance from logistics cooperation partners attributable to a few major customers, such as Customer K, in the nine months ended September 30, 2022. See “Business—Our Customers.”

Other Income and Gains

Our other income and gains increased by 22.3%, from RMB18.5 million in the nine months ended September 30, 2021 to RMB22.6 million in the nine months ended September 30, 2022. Such increase was primarily attributable to increases in grants that local governments provided to high-tech companies.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 4.6%, from RMB114.7 million in the nine months ended September 30, 2021 to RMB109.5 million in the nine months ended September 30, 2022. The decrease was primarily attributable to a decrease in advertising and promotion expenses as we adopted more efficient measures for the selling and marketing of our services, and managed to control our office expenses.

Comparing to our total revenue in the corresponding periods, the percentage of selling and marketing expenses decreased from 2.5% in the nine months ended September 30, 2021 to 2.3% in the nine months ended September 30, 2022, primarily because (i) our offline selling and marketing activities were reduced as a result of the COVID-19 outbreak; and (ii) we were able to improve our efficiency in marketing and adopt more effective measures for customer acquisition.

Administrative Expenses

Our administrative expenses increased by 30.5%, from RMB56.4 million in the nine months ended September 30, 2021 to RMB73.6 million in the nine months ended September 30, 2022. The increase was primarily attributable to an increase in listing expenses in relation to the Global Offering and an increase in staff costs related to administrative functions, as we expanded our administrative team and recruited additional employees for administrative functions.

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Comparing to our total revenue in the corresponding periods, the percentage of administrative expenses remained relatively stable as it slightly increased from 1.2% in the nine months ended September 30, 2021 to 1.6% in the nine months ended September 30, 2022.

Research and Development Expenses

Our research and development expenses increased by 20.8%, from RMB48.2 million in the nine months ended September 30, 2021 to RMB58.2 million in the nine months ended September 30, 2022. The increase was primarily attributable to the increase in staff cost resulting from the expansion of our research and development team.

Comparing to our total revenue in the corresponding periods, the percentage of research and development expenses remained relatively stable, as it slightly increased from 1.0% in the nine months ended September 30, 2021 to 1.2% in the nine months ended September 30, 2022.

Reversal of Impairment of Financial and Contract Assets, Net

We recorded reversal of impairment of financial and contract assets of RMB1.1 million and RMB0.4 million in the nine months ended September 30, 2021 and 2022, respectively. Such decrease in reversal of impairment of financial and contract assets in the nine months ended September 30, 2022 in comparison to the nine months ended September 30, 2021 is primarily attributable the decrease in the recovery of accrued allowance for certain receivables in previous periods that were subsequently collected during the nine months ended September 30, 2022 in comparison to the nine months ended September 30, 2021.

Other Expenses

Our other expenses increased by 42.3%, from RMB21.9 million in the nine months ended September 30, 2021 to RMB30.9 million in the nine months ended September 30, 2022 primarily due to the increase in taxes and surcharges which resulted from the decrease in the refund percentage of certain tax surcharges in certain regions where we operated our digital freight business.

Finance Costs

Our finance costs increased by 37.8%, from RMB2.5 million in the nine months ended September 30, 2021 to RMB3.5 million in the nine months ended September 30, 2022, primarily attributable to the increase in interest on other borrowings.

Income Tax Expense

Our income tax expense decreased by 88.2% from RMB12.8 million in the nine months ended September 30, 2021 to RMB1.5 million in the nine months ended September 30, 2022, which was primarily attributable to the decrease of our profit before tax in the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021.

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Profit for the period

As a result of the above, we recorded profit for the period of RMB56.7 million in the nine months ended September 30, 2021, and profit for the period of RMB3.7 million in the nine months ended September 30, 2022. Our net profit for the nine months ended September 30, 2022 decreased substantially from that of the nine months ended September 30, 2021, primarily due to: (i) a decrease in our gross profit by 11.9% from RMB294.2 million in the nine months ended September 30, 2021 to RMB259.1 million in the nine months ended September 30, 2022, which was primarily attributable to (1) the resurgence of the COVID-19 pandemic in certain regions in China in 2022 which had an adverse impact on the business activities and the demand for digital freight services of some of the shippers; (2) an increase in other cost of digital freight business as we improved our platform to enhance user experience; and (3) an increase in cost of assistance from logistics cooperation partners attributable to a few major customers, such as Customer K; (ii) an increase in our administrative expenses by 30.5% from RMB56.4 million in the nine months ended September 30, 2021 to RMB73.6 million in the nine months ended September 30, 2022, which was primarily attributable to (1) an increase in listing expense in relation to the Global Offering; and (2) an increase in staff costs related to administrative functions, as we expanded our administrative team and recruited additional employees; (iii) an increase in our research and development expenses by 20.8% from RMB48.2 million in the nine months ended September 30, 2021 to RMB58.2 million in the nine months ended September 30, 2022, which was primarily attributable to an increase in staff cost for the expansion of our research and development team; and (iv) an increase in our other expenses by 42.3% from RMB21.9 million in the nine months ended September 30, 2021 to RMB30.9 million in the nine months ended September 30, 2022, primarily due to an increase in taxes and surcharges which resulted from the decrease in the refund percentage of certain tax surcharges in certain regions where we operated our digital freight business.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our revenue increased by 35.0% from RMB4,664.6 million in 2020 to RMB6,297.3 million in 2021. The increase was primarily driven by the general expansion of our business and the increase in our shipping orders. Such expansion is attributable to the increase in the demand for the products and services we provide, as we (i) expanded and diversified our customer base through multi-channel online-offline promotion campaigns; (ii) effectively retained our existing customers and acquired new customers, by launching products and services that address their needs; and (iii) recovered from the negative impact of COVID-19 on our operations in 2020. See “Financial Information—Impact of the COVID-19 Outbreak.”

- *Revenue from freight transportation services.* Revenue from freight transportation services increased by 35.4% from RMB4,377.9 million in 2020 to RMB5,928.7 million in 2021, primarily due to (i) an increase in our average price per order for our freight transportation services, as a result of an increase in average distance of transportation per order in 2021, as long-distance transportation reduced in 2020 due

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to the COVID-19 outbreak, and (ii) an increase in customer demand for our freight transportation services, as the shipping orders we received for our freight transportation services increased from 1.5 million in 2020 to 1.8 million in 2021.

- *Revenue from freight platform services.* Revenue from freight platform services increased by 33.5% from RMB261.7 million in 2020 to RMB349.2 million in 2021, primarily due to an increase in customer demand for our freight platform services, as the shipping orders we received for our freight platform services increased from 5.7 million in 2020 to 8.6 million in 2021.

Cost of Revenue

Our cost of revenue increased by 35.1% from RMB4,363.6 million in 2020 to RMB5,897.4 million in 2021, which was generally in line with the expansion of our business.

Gross Profit and Gross Profit Margin

As a result of the foregoing, we recorded a gross profit of RMB301.0 million in 2020, representing a gross profit margin of 6.5%, and a gross profit of RMB399.9 million in 2021, representing a gross profit margin of 6.3%. The decrease of our gross profit margin was due to the relative decrease of business volume of our freight platform services in comparison to that of our digital freight services, as our freight platform services generally record a higher level of gross profit margin in comparison to our freight transportation services.

- For our freight transportation business, we recorded a gross profit of RMB53.5 million in 2020, representing a gross profit margin of 1.2%; and a gross profit of RMB69.5 million in 2021, representing a gross profit margin of 1.2%. The gross profit margin of our business stayed relatively stable during the relevant period.
- For our freight platform business, we recorded a gross profit of RMB235.3 million in 2020, representing a gross profit margin of 89.9%; and a gross profit of RMB319.0 million in 2021, representing a gross profit margin of 91.3%. Such increase in gross profit margin is primarily due to our continued effort in reducing certain businesses related to logistics cooperation partners, which presented a lower level of gross profit margin due to the costs incurred for logistics cooperation partners.

Other Incomes and Gains

Our other income and gains increased by 94.2%, from RMB13.3 million in 2020 to RMB25.8 million in 2021. Such increase was primarily attributable to increases in (i) our other government grants related to income as we were well recognized by the local governments in areas such as technology enhancement, (ii) other income which was related to the investment income from the wealth management products we purchased in 2021 and (iii) bank interest income in 2021 as we increased our bank deposits with additional cash generated from operating and financing activities.

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Selling and Marketing Expenses

Our selling and marketing expenses increased by 18.5%, from RMB129.6 million in 2020 to RMB153.6 million in 2021. The increase was primarily attributable to the increase in staff costs resulting from the expansion of our selling and marketing team as we continued to increase our efforts in selling and marketing with the growth of our business.

Comparing to our total revenue in the corresponding periods, the percentage of selling and marketing expenses remained relatively stable, as it slightly decreased from 2.8% in 2020 to 2.4% in 2021. We strived to maintain a relatively stable level of selling and marketing expense in comparison to our revenue, as we relied on word of mouth among our customers instead of significant devotion of financial resources to sales and marketing activities.

Administrative Expenses

Our administrative expenses increased by 60.9%, from RMB53.9 million in 2020 to RMB86.7 million in 2021. The increase was primarily attributable to (i) an increase in staff costs related to administrative functions, as we expanded our administrative team and enhanced the compensation level to our administrative personnel as our business grew; (ii) the incurrence of listing expenses of RMB14.2 million in 2021; (iii) an increase in our office expenses in relation to the purchase of software services; and (iv) the increase of share-based payments from RMB4.8 million in 2020 to RMB9.0 million in 2021 in relation to the share incentive plan approved in November 2020 and the share incentive plan approved in September 2021. See Note 30 to the Accountants' Report in Appendix I to this prospectus for more details.

Comparing to our total revenue in the corresponding periods, the percentage of administrative expenses remained relatively stable as it slightly increased from 1.2% in 2020 to 1.4% in 2021.

Research and Development Expenses

Our research and development expenses increased by 55.8%, from RMB46.7 million in 2020 to RMB72.8 million in 2021. The increase was primarily attributable to the increase in staff cost resulting from the expansion of our research and development team, the increased expenses related to cloud services and software services incurred due to the expansion of our business, and our increased efforts in product development as we kept dedicated to upgrade our products and services to better address the needs of our customers.

Comparing to our total revenue in the corresponding periods, the percentage of research and development expenses remained relatively stable, as it slightly increased from 1.0% in 2020 to 1.2% in 2021.

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Impairment Losses on Financial and Contract Assets, Net

We recorded impairment of financial and contract assets of RMB7.9 million and RMB9.7 million in 2020 and 2021, respectively, primarily due to the increase in our accrued loss allowance for certain other receivables from shippers for shipping fees.

Other Expenses

Our other expenses as it increased by 16.8%, from RMB33.6 million in 2020 to RMB39.2 million in 2021 primarily due to the increase in taxes and surcharges of RMB6.3 million as we incurred a higher level of value-added tax due to the expansion of our digital freight business.

Finance Costs

Our finance costs decreased by 26.5%, from RMB6.7 million in 2020 to RMB4.9 million in 2021, primarily attributable to the significant decrease in interest on bank loans and other borrowings as we paid off certain bank loans with cash generated from operating and financing activities.

Income Tax Expense

Our income tax expense decreased by 20.1% from RMB9.0 million in 2020 to RMB7.2 million in 2021, which is primarily attributable to the increase of additional deductible allowance for qualified research and development expenses in 2021.

Profit for the Year

As a result of the above, we incurred profit for the year of RMB26.1 million in 2020, and recorded profit for the year of RMB50.7 million in 2021.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Revenue

Our revenue increased by 31.0% from RMB3,560.5 million in 2019 to RMB4,664.6 million in 2020. The increase was primarily driven by the general expansion of our business and the increase in our shipping orders. Such expansion is attributable to the increase in the demand for the products and services we provide, as we (i) expanded and diversified our customer base through multi-channel online-offline promotion campaigns; and (ii) effectively retained our existing customers by launching products and services that address their needs.

- *Revenue from freight transportation services.* Revenue from freight transportation services increased by 34.3% from RMB3,259.7 million in 2019 to RMB4,377.9 million in 2020, primarily due to an increase in customer demand for our freight transportation services, as the shipping orders we completed for our freight transportation services increased from 1.1 million in 2019 to 1.5 million in 2020. In

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2019, the business volume of our freight transportation services, in terms of both shipping orders and Online GTV, was relatively small in comparison with that of our freight platform services. Considering the significant potential for further expansion in the market of freight transportation business, we exerted significant resources in business development and expansion of our freight transportation service in 2020. Consequently, from 2019 to 2020, the growth rates of both revenue and Online GTV for our freight transportation services outperformed those for our freight platform services.

- *Revenue from freight platform services.* Revenue from freight platform services decreased by 4.9% from RMB275.3 million in 2019 to RMB261.7 million in 2020, primarily due to the reduction of the platform services fees charged from some customers as a result of a decrease of certain services such as loading and unloading of freight during the transportation process, which we procure from our logistics cooperation partners, despite the increase in shipping orders from 4.8 million in 2019 to 5.7 million in 2020.

Cost of Revenue

Our cost of revenue increased by 30.3% from RMB3,348.7 million in 2019 to RMB4,363.6 million in 2020, which was generally in line with the expansion of our business.

Gross Profit and Gross Profit Margin

As a result of the foregoing, we recorded a gross profit of RMB211.8 million in 2019, representing a gross profit margin of 5.9%, and a gross profit of RMB301.0 million in 2020, representing a gross profit margin of 6.5%. The increase in the gross profit margin was primarily due to the reduction of certain services related to logistics cooperation partners.

- For our freight transportation business, we recorded a gross profit of RMB35.1 million in 2019, representing a gross profit margin of 1.1%; and a gross profit of RMB53.5 million in 2020, representing a gross profit margin of 1.2%. Such increase in gross profit margin is primarily due to our enhanced ability in reducing cost, improving efficiency and maintaining competitiveness.
- For our freight platform business, we recorded a gross profit of RMB168.9 million in 2019, representing a gross profit margin of 61.3%; and a gross profit of RMB235.3 million in 2020, representing a gross profit margin of 89.9%. Such increase in gross profit margin is primarily due to our continued effort in reducing our collaboration with logistics cooperation partners, which led to a decrease in the cost of assistance from logistics cooperation partners by approximately RMB73.8 million from RMB88.1 million in 2019 to RMB14.3 million in 2020 mainly due to a decrease in the number of shipping orders involving logistics cooperation partners. For additional details on logistics cooperation partners, see “—Description of Selected Components of Consolidated Statements of Profit or Loss—Cost of Revenue—Cost of Assistance from Logistics Cooperation Partners.”

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Other Income and Gains

Our other income and gains increased by 65.1%, from RMB8.0 million in 2019 to RMB13.3 million in 2020. Such increase was primarily attributable to a significant increase in government grants in 2020 resulted from increasing policy support on innovation in our industry.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 18.9%, from RMB109.0 million in 2019 to RMB129.6 million in 2020. The increase was primarily attributable to the increase in staff costs resulting from (i) the expansion of our selling and marketing team as we continued to increase our efforts in selling and marketing with the growth of our business; and (ii) the increase in the compensation level we provide to our selling and marketing personnel as we strive to attract talents from the industry. In addition, such increase in our selling and marketing expenses was also attributable to the increase in our advertising and promotion expenses as we strived to enhance our brand awareness with the expansion of our business.

Comparing to our total revenue in the corresponding periods, the percentage of selling and marketing expenses slightly decreased from 3.1% in 2019 to 2.8% in 2020. We strived to maintain a relatively stable level of selling and marketing expense in comparison to our revenue, as we relied on word of mouth among our customers instead of significant devotion of financial resources to sales and marketing activities.

Administrative Expenses

Our administrative expenses increased by 11.1%, from RMB48.5 million in 2019 to RMB53.9 million in 2020. The increase was primarily attributable to an increase in staff costs related to administrative functions, as we expanded our administrative team and enhanced the compensation level to our administrative personnel as our business grew.

Comparing to our total revenue in the corresponding periods, the percentage of administrative expenses remained relatively stable, as it slightly decreased from 1.4% in 2019 to 1.2% in 2020.

Research and Development Expenses

Our research and development expenses increased by 56.5%, from RMB29.9 million in 2019 to RMB46.7 million in 2020. The increase was primarily attributable to the increase in staff cost resulting from the expansion of our research and development team from 124 members in 2019 to 138 members in 2020.

Comparing to our total revenue in the corresponding periods, the percentage of research and development expenses remained relatively stable, as it slightly increased from 0.8% in 2019 to 1.0% in 2020.

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Impairment Losses on Financial and Contract Assets, Net

Our impairment of financial and contract assets remained relatively stable in 2020 in comparison to the level in 2019, as it slightly decreased from RMB8.6 million in 2019 to RMB7.9 million in 2020.

Other Expenses

Our other expenses increased by 225.3%, from RMB10.3 million in 2019 to RMB33.6 million in 2020, primarily attributable to the expansion of the scale of our businesses and the increase in tax surcharges on one of our subsidiaries in Shaanxi Province, Shaanxi Zhongcheng. Due to the specific taxation and government grant policies issued by local government in Shaanxi Province to Shaanxi Zhongcheng under a policy notice letter, *the Notice of Government Grant Support for Shaanxi Zhongcheng's digital freight business*, our subsidiaries in Shaanxi Province are generally subject to a higher level of tax surcharges than those imposed on our subsidiaries operating in other geographical areas. In addition, the business volume of Shaanxi Zhongcheng expanded significantly in 2020 in comparison to 2019, which led to a correspondingly significant increase in relevant tax surcharges.

Finance Costs

Our finance costs decreased by 58.6%, from RMB16.2 million in 2019 to RMB6.7 million in 2020. Such decrease was primarily attributable to the significant decrease in interest on bank loans and other borrowings as we paid off bank loans and borrowings with cash generated from operating and financing activities.

Income Tax Expense

We had income tax expense of RMB89 thousand in 2019 and of RMB9.0 million in 2020. Such change is primarily attributable to our incurrence of profit before tax of RMB35.0 million in 2020, in comparison with our incurrence of loss before tax of RMB3.2 million in 2019.

Profit/Loss for the Year

As a result of the above, we incurred loss for the year of RMB3.3 million in 2019, and recorded profit for the year of RMB26.1 million in 2020.

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DISCUSSION OF CERTAIN 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 have been extracted from the Accountants' Report set out in the Appendix I to this prospectus:

| | As of December 31, | | | As of |
|--|--------------------|------------------|------------------|------------------|
| | 2019 | 2020 | 2021 | September 30, |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Total non-current assets | 115,882 | 106,063 | 103,995 | 106,305 |
| Total current assets | 1,705,006 | 2,200,748 | 2,559,107 | 1,901,110 |
| Total assets | 1,820,888 | 2,306,811 | 2,663,102 | 2,007,415 |
| | | | | |
| Total non-current liabilities | 1,698 | 1,355 | 717 | 739 |
| Total current liabilities | 1,631,661 | 2,002,202 | 2,126,950 | 1,453,875 |
| Total liabilities | 1,633,359 | 2,003,557 | 2,127,667 | 1,454,614 |
| | | | | |
| Equity attributable to owners of the parent | | | | |
| Share capital | 78,771 | 80,084 | 84,417 | 84,417 |
| Reserves | 108,758 | 223,170 | 451,018 | 468,384 |
| Total equity | 187,529 | 303,254 | 535,435 | 552,801 |
| | | | | |
| Total equity and liabilities | 1,820,888 | 2,306,811 | 2,663,102 | 2,007,415 |

Accumulated Loss

We had accumulated losses before and during the Track Record Period primarily because we incurred a high level of expenses as a percentage of revenue before the Track Record Period to gain more market share. In the three years prior to the Track Record Period, while we were not yet able to fully leverage our economy of scale, we incurred a significantly higher level of selling and marketing expenses, administrative expenses and research and development expenses as a percentage of our revenue, in comparison to the corresponding levels of such expenses during the Track Record Period, along with the significant expansion of the market size of digital freight business, to maintain and grow our market share during such period. We recorded net profit in 2020, 2021 and the nine months ended September 30, 2021 and 2022, and our accumulated losses decreased during this period. We expect our net profit in 2022, even after excluding the impact of the incurrence of listing expenses related to this Global Offering,

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to be significantly lower than that in 2021, primarily due to (i) an expected decrease in revenue resulted from a decrease in our Online GTV from RMB38.0 billion in 2021 to RMB36.6 billion in 2022, as a result of the adverse impact of the COVID-19 resurgence in 2022, which adversely affected the macroeconomic conditions and the road freight transportation industry in China, the number of truckers available to fulfill shipping orders and the shippers' demand for digital freight services, and continued to affect our business since the end of the Track Record Period and up to the Latest Practicable Date; (ii) an expected decrease in our gross profit margin resulted from (1) a decrease in the proportion of petroleum credits we paid to truckers in comparison to cash which led to reduced value-added tax deduction claimed by us based on the value of petroleum credits provided to truckers; (2) an expected increase in other cost of digital freight business as we improved our platform to enhance user experience; and (3) an expected increase in cost of assistance from logistics cooperation partners attributable to a few major customers, such as Customer K; and (iii) an expected increase in our other expense resulted from an expected increase in taxes and surcharges in certain regions where we operated our digital freight business. Due to the significant level of accumulated losses before 2020, we have not yet made up for such accumulated losses with the profit we generated since 2020.

Current Assets and Liabilities

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

| | As of December 31, | | | As of | As of |
|---|--------------------|------------------|------------------|------------------|--------------------|
| | 2019 | 2020 | 2021 | September 30, | January 31, |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | | | | | <i>(unaudited)</i> |
| Current Assets | | | | | |
| Inventories | 686 | 555 | 3,144 | 4,206 | 1,184 |
| Trade and notes receivables | 128,631 | 189,373 | 176,284 | 93,011 | 82,224 |
| Contract assets | 6,340 | 5,098 | 7,112 | 4,764 | 5,446 |
| Prepayments, other receivables and other assets | 1,215,133 | 1,583,208 | 1,638,719 | 1,176,325 | 1,101,266 |
| Financial assets at fair value through profit or loss ("FVTPL") | 358 | 358 | 5,010 | 110,000 | 60,000 |
| Pledged deposits | 3,473 | 502 | — | — | — |
| Restricted bank deposits | — | — | — | 4,068 | 4,063 |
| Cash and cash equivalents | 350,385 | 421,654 | 728,838 | 508,736 | 476,220 |
| Total current assets | 1,705,006 | 2,200,748 | 2,559,107 | 1,901,110 | 1,730,403 |

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| | As of December 31, | | | As of | As of |
|--|--------------------|------------------|------------------|-----------------------|--------------------------------------|
| | 2019 | 2020 | 2021 | September 30, 2022 | January 31, 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> <i>(unaudited)</i> |
| Current Liabilities | | | | | |
| Trade payables | 111,724 | 151,009 | 113,298 | 91,699 | 89,521 |
| Other payables and accruals | 1,409,675 | 1,776,352 | 1,896,712 | 1,324,221 | 1,125,083 |
| Contract liabilities | 8,612 | 11,148 | 10,259 | 12,413 | 9,754 |
| Interest-bearing bank and other borrowings | 95,162 | 57,776 | 92,194 | 11,819 | 40,200 |
| Lease liabilities | 2,282 | 2,093 | 2,839 | 2,771 | 797 |
| Tax payable | 4,206 | 3,824 | 11,648 | 10,952 | 7,316 |
| Total current liabilities | <u>1,631,661</u> | <u>2,002,202</u> | <u>2,126,950</u> | <u>1,453,875</u> | <u>1,272,671</u> |
| Net current assets | <u>73,345</u> | <u>198,546</u> | <u>432,157</u> | <u>447,235</u> | <u>457,732</u> |

We had net current asset positions of RMB73.3 million, RMB198.5 million and RMB432.2 million, RMB447.2 million and RMB457.7 million as of December 31, 2019, 2020 and 2021, September 30, 2022 and January 31, 2023, respectively. Our net current assets as of each of December 31, 2019, 2020 and 2021, September 30, 2022 and January 31, 2023 were primarily attributable to our large balance of prepayments, other receivables and other assets, partially offset by other payables and accruals.

Our net current assets slightly increased from RMB447.2 million as of September 30, 2022 to RMB457.7 million as of January 31, 2023, primarily due to decreases in other payables and accruals and interest-bearing bank, partially offset by decreases in cash and cash equivalents, prepayments, other receivables and other assets, and trade and notes receivables.

Our net current assets slightly increased from RMB432.2 million as of December 31, 2021 to RMB447.2 million as of September 30, 2022, primarily due to an increase in financial assets at fair value through profit or loss, and decreases in other payables and accruals and interest-bearing bank and other borrowings, partially offset by decreases in cash and cash equivalents, prepayments, other receivables and other assets, and trade and notes receivables.

Our net current assets increased from RMB198.5 million as of December 31, 2020 to RMB432.2 million as of December 31, 2021, primarily due to an increase in cash and cash equivalent.

Our net current assets increased from RMB73.3 million as of December 31, 2019 to RMB198.5 million as of December 31, 2020, primarily due to increases in prepayments, other receivables and other assets, cash and cash equivalents, and trade and notes receivables, and a decrease in interest-bearing bank and other borrowings, partially offset by an increase in other payables and accruals.

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Trade and Notes Receivables

Trade and notes receivables primarily consist of outstanding amounts due from our customers for the purchase of the products and services we provided in the ordinary course of our business.

We have two different types of arrangements with regard to credits periods granted to shippers on our platform, who are our customers.

- *Shippers without contractual credit periods:* For most shippers, there is no specific credit period stipulated in the contracts between such shippers and us. While such shippers are supposed to pay shipping fees to us after completion of delivery, the contracts between such shippers and us do not explicitly provide for a specific due date by which such shippers have to pay shipping fees to us. During the Track Record Period, over 99% of such receivables were settled within one year.
- *Shippers with contractual credit periods:* We have also granted credit periods to a small portion of shippers pursuant to contracts between such shippers and us, which allow shippers to pay shipping fees to us after we pays truckers. Such contractual credit periods range from seven to 90 days, and in most cases, from seven to 30 days. Approximately 1.4% of our customers were granted with contractual credit periods as of September 30, 2022.

We take into consideration a number of factors in determining the credit terms of a customer, including its cash flow conditions and creditworthiness. See “Business—Our Customers.” We seek to maintain strict control over our outstanding receivables, and overdue balances are reviewed regularly by our senior management.

The following table sets forth our trade and notes receivables as of the dates indicated:

| | As of December 31, | | | As of |
|------------------------------|---------------------------|----------------|----------------|----------------------|
| | 2019 | 2020 | 2021 | September 30, |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | 2022 |
| | | | | <i>RMB'000</i> |
| Trade receivables | 120,687 | 173,292 | 111,879 | 85,494 |
| Notes receivables | 8,331 | 16,515 | 65,663 | 7,760 |
| Subtotal | 129,018 | 189,807 | 177,542 | 93,254 |
| Less: expected credit losses | (387) | (434) | (1,258) | (243) |
| Total | 128,631 | 189,373 | 176,284 | 93,011 |

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Our trade and notes receivables balances decreased by 47.2% from RMB176.3 million as of December 31, 2021 to RMB93.0 million as of September 30, 2022, primarily as a result of the enhancement in the settlement of shipping fees with our customers. Our trade and notes receivables balances decreased by 6.9% from RMB189.4 million as of December 31, 2020 to RMB176.3 million as of December 31, 2021, primarily as a result of the enhancement in the settlement of shipping fees with our customers. Our trade and notes receivables balances increased by 47.2% from RMB128.6 million as of December 31, 2019 to RMB189.4 million as of December 31, 2020, which was generally in line with the increase of shipping orders with the expansion of our business.

Aging analysis of trade and notes receivables is as follows:

| | As of December 31, | | | As of |
|---------------------|--------------------|----------------|----------------|---------------|
| | 2019 | 2020 | 2021 | September 30, |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>2022</i> |
| Within 90 days | 109,980 | 174,988 | 165,544 | 89,631 |
| 90 days to one year | 17,773 | 13,626 | 9,466 | 3,085 |
| One to two years | 878 | 759 | 1,274 | 295 |
| Total | 128,631 | 189,373 | 176,284 | 93,011 |

As of December 31, 2019, 2020 and 2021 and September 30, 2022, the majority of our trade and notes receivables are due within one year.

The following table sets forth the turnover days of our trade receivables:

| | For the year ended December 31, | | | For the |
|--|---------------------------------|-------------|-------------|---------------------------|
| | 2019 | 2020 | 2021 | nine months |
| | <u>2019</u> | <u>2020</u> | <u>2021</u> | ended |
| Trade receivables turnover days | 11.4 | 11.3 | 8.2 | September 30, 2022 |
| | <u>11.4</u> | <u>11.3</u> | <u>8.2</u> | <u>5.7</u> |

- (1) Trade receivables turnover days for a period equals the average of the beginning and ending balances of trade receivables for that period divided by revenue for that period and multiplied by the number of days in that period.

Our trade receivables turnover days remained low and stable at 11.4 days, 11.3 days, 8.2 days and 5.7 days in 2019, 2020, 2021 and the nine months ended September 30, 2022, respectively, and were within the normal settlement period granted by the Company.

As of January 31, 2023, approximately RMB84.4 million, or 99.0% of our trade receivables as of September 30, 2022 had been subsequently settled.

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Prepayments, Other Receivables and Other Assets

Prepayments, other receivables and other assets primarily consist of (i) other receivables from shippers for shipping fees, which represent the transportation fees uncollected from shippers on behalf of truckers upon fulfillment of the shipping orders under the freight platform services, as the majority of shippers generally paid such transportation fees to us shortly, but not immediately, after they confirmed the fulfillment of shipping orders during the Track Record Period; and (ii) government grants receivables, which represent the government grants from local government authorities to support the Group's digital freight business.

The following table sets forth our prepayments, other receivables and other assets as of the dates indicated:

| | <u>As of December 31,</u> | | | <u>As of</u> |
|------------------------------|---------------------------|-------------------------|-------------------------|-------------------------|
| | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>September 30,</u> |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <u>2022</u> |
| | | | | <i>RMB'000</i> |
| Non-current: | | | | |
| Prepaid expenses | — | — | 2,814 | 2,665 |
| Current: | | | | |
| Other receivables from | | | | |
| shippers for shipping fees | 819,949 | 1,194,546 | 1,018,974 | 683,453 |
| Government grants | | | | |
| receivables | 266,309 | 328,122 | 581,520 | 441,350 |
| Advances to suppliers | 99,036 | 29,994 | 28,093 | 28,135 |
| Rental and business deposits | 7,138 | 5,828 | 4,805 | 9,314 |
| Due from related parties | 10,284 | 9,142 | 929 | 417 |
| Prepaid tax | 703 | — | — | 4,699 |
| Prepaid expenses | 2,845 | 3,227 | 1,168 | 288 |
| Others | 10,813 | 16,299 | 15,690 | 9,749 |
| | <u>1,217,077</u> | <u>1,587,158</u> | <u>1,651,179</u> | <u>1,177,405</u> |
| Subtotal | | | | |
| Less: expected credit | | | | |
| losses | <u>(1,944)</u> | <u>(3,950)</u> | <u>(12,460)</u> | <u>(1,080)</u> |
| Current — Subtotal | <u>1,215,133</u> | <u>1,583,208</u> | <u>1,638,719</u> | <u>1,176,325</u> |
| Total | <u><u>1,215,133</u></u> | <u><u>1,583,208</u></u> | <u><u>1,641,533</u></u> | <u><u>1,178,990</u></u> |

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Our prepayments, other receivables and other assets balances decreased by 28.2% from RMB1,641.5 million as of December 31, 2021 to RMB1,179.0 million as of September 30, 2022, primarily because (i) we enhanced the settlement of shipping fees with our customers, and (ii) we received a considerable portion of government grants receivables in early 2022. Our prepayments, other receivables and other assets balances increased by 3.7% from RMB1,583.2 million as of December 31, 2020 to RMB1,641.5 million as of December 31, 2021 and increased by 30.3% from RMB1,215.1 million as of December 31, 2019 to RMB1,583.2 million as of December 31, 2020. Such increases are primarily attributable to the increase in other receivables from shippers for shipping fees and government grants receivables, due to the increase of shipping orders with the expansion of our business. Even under our fast growth and expansion of business, the rate of increase of our prepayments, other receivables and other assets balances from December 31, 2020 to December 31, 2021 decelerated compared to preceding periods, as we enhanced our operating efficiency and achieve faster turnover of receivables.

Under freight platform services, as shippers select truckers to fulfill the shipping orders, we act as an agent and recognize platform service fee as our revenue, which represents the difference between the contract amount to be received from shippers and the contract amount to be paid to truckers. Therefore, under freight platform services, the amount to be received from shippers are comprised of two portions — (i) platform service fee to be paid by shippers, which is recognized “trade receivables”, and (ii) the amount to be collected by us from shippers on behalf of truckers (i.e., transportation fees owed to truckers), which is recognized as “other receivables from shippers for shipping fees”, as the majority of shippers generally paid such transportation fees to us shortly, but not immediately, after they confirmed the fulfillment of shipping orders during the Track Record Period. Correspondingly, transportation fees yet to be paid to truckers under freight platform services are recognized as “other payables to truckers for transportation fees”.

The credit period arrangements with regard to other receivables from shippers for shipping fees are similar to those of trade receivables. See “—Trade and Notes Receivables.”

For shipping orders that involved credit periods for shippers, we seek to maintain strict control over our outstanding receivables. We adopted comprehensive measures to manage the exposure to potential working capital mismatch, including close monitoring of relevant receivables, regular review of overdue balances by our senior management, and active communication with relevant shippers in case of any unusual delay of payment that went beyond the stipulated credit periods. We also conducted regular cash flow projections for shipping fee payments to keep relevant risk exposure under control. To further mitigate relevant risks, we generally engaged in factoring arrangements for the shipping orders that involved credit periods for shippers. For example, pursuant to relevant factoring services agreements entered into by us and the factoring service providers, the factoring service providers provided factoring financing to us and charged fees calculated based on the duration of the factoring financing.

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Our other receivables with contractual credit periods that were past due were fully impaired. As of December 31, 2019, 2020 and 2021 and September 30, 2022, our other receivables from shippers with contractual credit periods for shipping fees are as below:

| | As of December 31, | | | As of |
|----------------------------------|--------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | September |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | 30, 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Past due | — | — | 6,669 | — |
| Not past due (Within 90 days) | 21,491 | 27,765 | 96,469 | 87,451 |
| Subtotal | 21,491 | 27,765 | 103,138 | 87,451 |
| ECLs | (21) | (27) | (6,811) | (121) |
| Total | <u>21,470</u> | <u>27,738</u> | <u>96,327</u> | <u>87,330</u> |

As of December 31, 2019, 2020 and 2021 and September 30, 2022, the aging analysis of our other receivables from shippers without contractual credit periods for shipping fees is as follows:

| | As of December 31, | | | As of |
|-------------------|--------------------|------------------|----------------|----------------|
| | 2019 | 2020 | 2021 | September |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | 30, 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Within 90 days | 779,546 | 1,145,191 | 887,685 | 568,100 |
| 90 days to 1 year | 14,008 | 17,988 | 25,810 | 27,462 |
| 1 to 2 years | 4,904 | 2,218 | 435 | 440 |
| Over 2 years | — | 1,384 | 1,906 | — |
| Subtotal | 798,458 | 1,166,781 | 915,836 | 596,002 |
| ECLs | (1,923) | (3,021) | (3,383) | (959) |
| Total | <u>796,535</u> | <u>1,163,760</u> | <u>912,453</u> | <u>595,043</u> |

Expected credit losses are calculated as follows: an impairment analysis is performed at the end of each year/period of the Track Record Period using a provision matrix to measure expected credit losses (“ECLs”). The provision rates are based on aging for the customers. The calculation reflects the best estimated outcome based on reasonable and supportable information that is available at the end of each year/period of the Track Record Period about past events, current conditions and forecasts of future economic conditions.

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Over 99% of such receivables were settled within one year during the Track Record Period, for which a small amount of provision was made; for those receivables aged over one year but less than two years, provision was made based on certain ECL rates; and those receivables aged over two years were fully impaired.

As of January 31, 2023, approximately RMB681.1 million, or 99.8% of our other receivables from shippers for shipping fees as of September 30, 2022 had been subsequently settled.

Financial Assets at Fair Value through Profit or Loss (“FVTPL”)

Financial assets at fair value through profit or loss (“FVTPL”) primarily consist of low-risk wealth management products issued by some of the major banks in the PRC, such as China Everbright Bank and Ping An Bank. Such wealth management products generally have a term of less than a month.

The following table sets forth our financial assets at FVTPL as of the dates indicated:

| | As of December 31, | | | As of September 30, |
|--|--------------------|----------------|----------------|------------------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Other unlisted investments at fair value | 358 | 358 | 5,010 | 110,000 |

Our financial assets at FVTPL balances increased from RMB5.0 million as of December 31, 2021 to RMB110.0 million as of September 30, 2022, primarily attributable to the significant increase in our investments in certain wealth management products in the nine months ended September 30, 2022. Our financial assets at FVTPL balances increased significantly from RMB0.4 million as of December 31, 2020 to RMB5.0 million as of December 31, 2021, primarily attributable to the significant increase in our investments in certain wealth management products in 2021.

We have in place an internal investment policy regarding the supervision and approval process for our investments and we have implemented prudent investment strategies during the course of our business. We make our investment decisions on a case-by-case basis after due and careful consideration of a number of factors, including economic and market conditions, investment amount, duration of investment, expected returns and potential losses. Our investment process comprises (i) pre-investment assessment, (ii) investment decision making in accordance with internal investment policy and execution of the investment, (iii) post investment management and (iv) post-investment evaluation.

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Our investment team is led by our Board, and consists of our Directors, senior management and employees with relevant experience and specialized knowledge in investment. The team is primarily responsible for (i) identifying and assessing potential investment targets, (ii) executing investment transactions, (iii) preparing periodical analysis of our portfolio, (iv) reporting any red flags of material operational, financial, or other investment risk, and (v) conducting post-investment evaluation. The team monitors our investments from time to time, and reviews the results of our investments every months. The Board is responsible for leading and coordinating the work of our investment team, overseeing the investment process, and approving the final investment decisions.

In order to achieve target returns on our investments while maintaining proper internal governance, we have implemented a set of internal control measures for our investments, including the following requirements:

- (i) the scale of investments, individually or in the aggregate, shall be suitable to our scale of operation, leverage ratio and financing capability;
- (ii) the proposed investments and the methods involved in conducting such investments shall be assessed internally to ensure compliance with applicable laws and regulations;
- (iii) investments shall be reviewed and assessed on an ongoing basis after initiation; and
- (iv) the investment team shall actively monitor our portfolio and review the results of our investments on a regular basis.

After the Listing, we intend to continue to invest in financial assets at fair value through profit or loss strictly in accordance with our internal policies and the requirements under Chapter 14 of the Listing Rules.

Cash and Cash Equivalents

Our cash and cash equivalents balances decreased by 30.2% from RMB728.8 million as of December 31, 2021 to RMB508.7 million as of September 30, 2022, increased by 72.9% from RMB421.7 million as of December 31, 2020 to RMB728.8 million as of December 31, 2021 and increased by 20.3% from RMB350.4 million as of December 31, 2019 to RMB421.7 million as of December 31, 2020. See “—Liquidity and Capital Resources.”

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Trade Payables

Trade payables represent liabilities for goods and services provided to us prior to the end of a financial period which are unpaid, and primarily consist of unpaid transportation fees to truckers. Trade payables are unsecured and interest-free and are normally settled within one year.

Our trade payables balances decreased by 19.1% from RMB113.3 million as of December 31, 2021 to RMB91.7 million as of September 30, 2022, decreased by 25.0% from RMB151.0 million as of December 31, 2020 to RMB113.3 million as of December 31, 2021 and increased by 35.2% from RMB111.7 million as of December 31, 2019 to RMB151.0 million as of December 31, 2020. Such changes are primarily attributable to our increased efficiency in settlement of shipping orders as we have refined our shipping orders management since 2021.

As of December 31, 2019, 2020 and 2021 and September 30, 2022, all of our trade payables are due within one year.

The following table sets forth the turnover days of our trade payables:

| | For the year ended December 31, | | | As of |
|--------------------------------|--|-------------|-------------|----------------------|
| | 2019 | 2020 | 2021 | September 30, |
| | | | | 2022 |
| Trade payables turnover | | | | |
| days | <u>9.6</u> | <u>10.8</u> | <u>8.1</u> | <u>6.2</u> |

(1) Trade payables turnover days for a period equals the average of the beginning and ending balances of trade payables for that period divided by cost of revenue for that period and multiplied by the number of days in that period.

Our trade payable turnover days remained low and stable at 9.6 days, 10.8 days, 8.1 days and 6.2 days in 2019, 2020, 2021 and the nine months ended September 30, 2022, respectively, and were within the normal settlement period granted to the Group.

As of January 31, 2023, approximately RMB90.6 million, or 98.8% of our trade payables as of September 30, 2022 had been subsequently settled.

During the Track Record Period, we did not have any material default on our trade payables.

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Other Payables and Accruals

Our other payables and accruals primarily consist of (i) other payables to truckers for transportation fees, which represent transportation fees collected from shippers on behalf of and to be paid to truckers under freight platform services; and (ii) other taxes payable, which mainly include our VAT obligations to be paid.

The following table sets forth our other payables and accruals as of the dates indicated:

| | As of December 31, | | | As of |
|--|--------------------|------------------|------------------|------------------|
| | 2019 | 2020 | 2021 | September 30, |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Other payables to truckers for transportation fees | 865,813 | 1,218,071 | 932,477 | 639,524 |
| Other taxes payable | 404,920 | 432,255 | 786,090 | 370,414 |
| Advances from shippers | 48,446 | 57,821 | 78,225 | 155,889 |
| Due to related parties | 18,537 | 1,225 | 416 | 400 |
| Employee benefit payables | 20,842 | 20,112 | 28,241 | 31,822 |
| Deposits | 27,156 | 28,998 | 54,580 | 116,120 |
| Accrued expenses | 12,499 | 10,399 | 5,704 | 1,212 |
| Others | 11,462 | 7,471 | 10,979 | 8,840 |
| Total | 1,409,675 | 1,776,352 | 1,896,712 | 1,324,221 |

Our other payables and accruals balances decreased by 30.2% from RMB1,896.7 million as of December 31, 2021 to RMB1,324.2 million as of September 30, 2022, which was primarily attributable to more timely payment and settlement of transportation fees by us with truckers. Our other payables and accruals balances increased by 6.8% from RMB1,776.4 million as of December 31, 2020 to RMB1,896.7 million as of December 31, 2021, which was primarily attributable to the increase in our other taxes payable as a result of the expansion of our business. Our other payables and accruals increased by 26.0% from RMB1,409.7 million as of December 31, 2019 to RMB1,776.4 million as of December 31, 2020. Such increases were primarily attributable to the increase in other payables to truckers for transportation fees as we expanded our business and received more shipping orders for freight platform services.

“Other payables to truckers for transportation fees” refer to the transportation fees yet to be paid to truckers under freight platform services. Other payables to truckers increased from RMB865.8 million as of December 31, 2019 to RMB1,218.1 million as of December 31, 2020, primarily because of the expansion of our scale of business. Other payables to truckers decreased from RMB1,218.1 million as of December 31, 2020 to RMB932.5 million as of December 31, 2021, and further to RMB639.5 million as of September 30, 2022, primarily because we reduced the turnover period for the settlement of transportation fees with truckers.

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Most of the shippers that we serve do not have contractual credit periods, and we are supposed to pay transportation fees to truckers after we receive shipping fees from such shippers. Therefore, the aging analysis of the other payables to truckers for transportation fees is in line with the aging analysis of the other receivables from shippers for shipping fees, with almost all of the other payables to truckers for transportation fees aged within one year. As of January 31, 2023, approximately RMB638.3 million, or 99.8% of our other payables to truckers for transportation fees as of September 30, 2022 had been subsequently settled.

“Other tax payables” refer to value-added taxes and surcharges to be paid by us. Our other tax payables increased from RMB404.9 million as of December 31, 2019 to RMB432.3 million as of December 31, 2020, primarily because the tax to be paid by us increased as our scale of business expanded. Our other tax payables increase from RMB432.3 million as of December 31, 2020 to RMB786.1 million as of December 31, 2021, primarily because of the expansion of our scale of business and the unpaid tax for the fourth quarter of 2021 for certain subsidiaries of our Company. Our other tax payables decreased from RMB786.1 million as of December 31, 2021 to RMB370.4 million as of September 30, 2022, primarily because we paid off the tax payable incurred in the fourth quarter of 2021 for certain subsidiaries of the Company.

“Deposits” primarily refer to the deposit paid to us by freight brokers before the fulfillment of certain shipping orders. Deposits increased from RMB27.2 million as of December 31, 2019 to RMB29.0 million as of December 31, 2020, to RMB54.6 million as of December 31, 2021, and further to RMB116.1 million as of September 30, 2022, as we expanded cooperation with freight brokers along with the expansion of our scale of business.

During the Track Record Period, we did not have any material default on our other payables and accruals.

As of January 31, 2023, approximately RMB1,093.6 million, or 96.2% of our other payables as of September 30, 2022 had been subsequently settled.

Interest-bearing Bank and Other Borrowings

As of December 31, 2019, 2020 and 2021 and September 30, 2022, our interest-bearing bank and other borrowings amounted to RMB95.2 million, RMB57.8 million, RMB92.2 million and RMB11.8 million, respectively. See “—Indebtedness.”

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KEY FINANCIAL RATIOS

The following table sets out our key financial ratios for the periods indicated:

| | As at / For the year ended December 31, | | | As at / For the nine months ended September 30, | |
|--|--|------|------|---|--------------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | <i>(unaudited)</i> | | | | |
| Return on average assets ⁽¹⁾ (%) | N/M ⁽⁷⁾ | 1.3 | 2.0 | N/M ⁽⁸⁾ | N/M ⁽⁸⁾ |
| Return on average equity ⁽²⁾ (%) | N/M ⁽⁷⁾ | 10.6 | 12.1 | N/M ⁽⁸⁾ | N/M ⁽⁸⁾ |
| Gross profit margin ⁽³⁾ (%) | 5.9 | 6.5 | 6.3 | 6.3 | 5.5 |
| Net profit margin ⁽⁴⁾ (%) | N/M ⁽⁷⁾ | 0.6 | 0.8 | 1.2 | 0.1 |
| Current ratio ⁽⁵⁾ | 1.0 | 1.1 | 1.2 | 1.2 | 1.3 |
| Gearing ratio ⁽⁶⁾ (%) | 52.9 | 20.2 | 17.9 | 7.1 | 2.8 |

- (1) Return on average assets equals profit for the year attributable to the equity holders of the Company divided by average balance of total assets at the beginning and the end of that year and multiplied by 100%.
- (2) Return on average equity equals profit for the year attributable to the equity holders of the Company divided by average balance of total equity attributable to the equity holders of the Company at the beginning and the end of that year and multiplied by 100%.
- (3) Gross profit margin equals gross profit for the year/period divided by revenue for the year/period.
- (4) Net profit margin equals net profit for the year/period divided by revenue for the year/period.
- (5) Current ratio equals to total current assets divided by total current liabilities as of the end of the year/period.
- (6) Gearing ratio equals to net debts (including borrowings, lease liabilities) divided by the total equity as at the end of the year/period.
- (7) Not meaningful as net loss figures.
- (8) The figures for the nine months ended September 30, 2021 and 2022 are not meaningful as they are not comparable to the annual figures.

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LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we financed our operations primarily through cash generated from operating and financing activities. We expect to use a portion of the proceeds from the Global Offering to fund our working capital requirements.

As of December 31, 2019, 2020 and 2021 and September 30, 2022, we had cash and cash equivalents of RMB350.4 million, RMB421.7 million, RMB728.8 million and RMB508.7 million, respectively.

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

| | For the year ended December 31, | | | For the nine months ended September 30, | |
|--|------------------------------------|----------------|----------------|--|----------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | | | | <i>(unaudited)</i> | |
| Operating cash flows before changes in working capital | 36,865 | 80,448 | 105,032 | 93,335 | 27,130 |
| Total amount of changes in working capital | 31,132 | (23,602) | 23,558 | 14,503 | (43,111) |
| Interest received | 995 | 2,393 | 5,001 | 4,735 | 4,642 |
| Income tax paid | (8,043) | (4,032) | (3,187) | (1,776) | (10,383) |
| Net cash generated from/(used in) operating activities | 60,949 | 55,207 | 130,404 | 110,797 | (21,722) |
| Net cash used in investing activities | (22,519) | (11,303) | (7,910) | (147,866) | (113,808) |
| Net cash generated from/(used in) financing activities | 146,440 | 27,365 | 184,690 | 132,313 | (84,572) |
| Net increase/(decrease) in cash and cash equivalents | 184,870 | 71,269 | 307,184 | 95,244 | (220,102) |
| Cash and cash equivalents at beginning of year/period | 165,515 | 350,385 | 421,654 | 421,654 | 728,838 |
| Cash and cash equivalents at end of year/period | 350,385 | 421,654 | 728,838 | 516,898 | 508,736 |

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Net Cash Generated from/(used in) Operating Activities

Net cash generated from operating activities primarily comprises profit or loss before tax and non-cash and non-operating items, and adjusted by changes in working capital.

In the nine months ended September 30, 2022, net cash used in operating activities was RMB21.7 million, which was primarily attributable to profit before tax of RMB5.2 million, and adjusted by (i) non-cash and non-operating items, which primarily consisted of depreciation of property, plant and equipment of RMB9.1 million and equity-settled share-based payments expenses of RMB13.7 million, partially offset by net reversal of impairment of financial and contract assets of RMB0.4 million; and (ii) changes in working capital, which primarily resulted from a decrease in other payables and accruals of RMB571.5 million and a decrease in trade payables of RMB21.6 million, partially offset by a decrease in prepayments, other receivables and other assets of RMB468.2 million and a decrease in trade and notes receivables of RMB82.6 million. Such net operating cash outflow for the nine months ended September 30, 2022 is primarily due to a decrease in our net profit for such period as a result of the COVID-19 resurgence in China, and the change in working capital as we settled certain tax payables during this period. We expect to improve our net operating cash outflow positions by enhancing our profitability and effectively managing our working capital, through the following measures:

- (i) **Improving profitability:** we plan to continue to enhance our profitability through our dedicated efforts in revenue increase, operating leverage improvement and monetization. See “Business—Business Sustainability” for details.
- (ii) **Monitoring credit terms:** we seek to maintain stringent control over credit terms, as part of our efforts in improving our working capital management efficiency. We only grant credit period to a limited number of shippers, and we meticulously review the qualification of such shippers before granting such credit period. We plan to continue leveraging our industry leading position to negotiate more favorable contractual terms, including credit terms that are favorable to us, with our customers and suppliers.
- (iii) **Expediting the recovering cycle for receivables:** we have taken several steps to improve our timeliness and effectiveness in the collection of receivables, including (i) establishing a record system to monitor receivables and outstanding invoices, (ii) maintaining management account and aging analysis table for receivables; and (iii) formulating internal working schedules to follow up with relevant shippers in case of any unusual delay. As a result of our efforts in enhancing our collection of receivables, from December 31, 2021 to September 30, 2022, our trade receivables decreased from RMB111.9 million to RMB85.5 million, and our other receivables from shippers for shipping fees decreased from RMB1,019.0 million to RMB683.5 million. We plan to continue to implement such measures to closely monitor our receivables so that we can ensure timely payment by our customers.

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In 2021, net cash generated from operating activities was RMB130.4 million, which was primarily attributable to profit before tax of RMB57.9 million, and adjusted by (i) non-cash and non-operating items, which primarily consisted of equity-settled share-based payments expenses of RMB22.3 million and depreciation of property, plant and equipment of RMB13.4 million; and (ii) changes in working capital, which primarily resulted from an increase in other payables and accruals of RMB121.5 million, partially offset by an increase in prepayments, other receivables and other assets of RMB68.1 million and a decrease in trade payables of RMB37.7 million.

In 2020, net cash generated from operating activities was RMB55.2 million, which was primarily attributable to profit before tax of RMB35.0 million and adjusted by (i) non-cash and non-operating items, which primarily consisted of impairment of financial assets and contract assets of RMB7.9 million, equity-settled share-based payments expenses of RMB15.3 million and depreciation of property, plant and equipment of RMB12.4 million; and (ii) changes in working capital, which primarily resulted from an increase in prepayments, other receivables and other assets of RMB370.6 million, an increase in other payables and accruals of RMB367.6 million and an increase in trade and notes receivables of RMB66.9 million.

In 2019, net cash generated from operating activities was RMB60.9 million, which was primarily attributable to loss before tax of RMB3.2 million and adjusted by (i) non-cash and non-operating items, which primarily consisted of finance costs of RMB16.2 million; (ii) changes in working capital, which primarily resulted from an increase in other payables and accruals of RMB326.9 million, and an increase in prepayments and other receivables and other assets of RMB308.7 million.

See “—Discussion of Certain Selected Items from the Consolidated Statements of Financial Position” for primary reasons relating to the underlying causes for our operating cash flow changes.

Net Cash Used in Investing Activities

In the nine months ended September 30, 2022, net cash used in investing activities was RMB113.8 million, which was primarily attributable to purchase of FVTPL financial assets of RMB3,007.0 million, partially offset by maturity or disposal of FVTPL financial assets of RMB2,905.5 million.

In 2021, net cash used in investing activities was RMB7.9 million, which was primarily attributable to purchase of FVTPL financial assets of RMB2,306.0 million, partially offset by maturity or disposal of FVTPL financial assets of RMB2,305.2 million.

In 2020, net cash used in investing activities was RMB11.3 million, which was primarily attributable to purchase of FVTPL financial assets of RMB15.0 million and purchase of items of property, plant and equipment of RMB9.4 million, partially offset by maturity or disposal of FVTPL financial assets of RMB15.1 million.

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In 2019, net cash used in investing activities was RMB22.5 million, which was primarily attributable to purchase of FVTPL financial assets of RMB24.0 million and purchase of items of property, plant and equipment of RMB16.4 million, partially offset by maturity or disposal of FVTPL financial assets of RMB24.0 million.

Net Cash Generated from/(Used in) Financing Activities

In the nine months ended September 30, 2022, net cash used in financing activities was RMB84.6 million, which was primarily attributable to repayment of interest-bearing bank and other borrowings of RMB323.1 million, partially offset by proceeds from interest-bearing bank and other borrowings of RMB244.7 million.

In 2021, net cash generated from financing activities was RMB184.7 million, which was primarily attributable to proceeds from interest-bearing bank and other borrowings of RMB1,150.6 million and proceeds from issue of shares RMB165.0 million, partially offset by repayment of interest-bearing bank and other borrowings of RMB1,118.4 million.

In 2020, net cash generated from financing activities was RMB27.4 million, which was primarily attributable to proceeds from interest-bearing bank and other borrowings of RMB1,003.7 million and proceeds from issue of shares of RMB74.4 million, partially offset by repayment of interest-bearing bank and other borrowings of RMB1,041.0 million.

In 2019, net cash generated from financing activities was RMB146.4 million, which was primarily attributable to proceeds from interest-bearing bank and other borrowings of RMB1,426.2 million and proceeds from issue of shares of RMB219.2 million, partially offset by repayment of interest-bearing bank and other borrowings of RMB1,479.3 million.

INDEBTEDNESS

Set forth below is the breakdown of our indebtedness as of December 31, 2019, 2020 and 2021, September 30, 2022 and January 31, 2023:

| | As at December 31, | | | As at | As at |
|-------------------|--------------------|----------------|----------------|-----------------------|--------------------------------------|
| | 2019 | 2020 | 2021 | September 30, 2022 | January 31, 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> <i>(unaudited)</i> |
| Borrowings | 95,162 | 57,776 | 92,194 | 11,819 | 40,200 |
| Lease liabilities | 3,980 | 3,448 | 3,556 | 3,510 | 1,447 |
| Total | <u>99,142</u> | <u>61,224</u> | <u>95,750</u> | <u>15,329</u> | <u>41,647</u> |

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Borrowings

Our borrowings were RMB95.2 million, RMB57.8 million, RMB92.2 million, RMB11.8 million and RMB40.2 million as of December 31, 2019, 2020 and 2021, September 30, 2022 and January 31, 2023, respectively. Our borrowings were primarily interest-bearing bank loans and other borrowings. Our borrowings decreased from RMB95.2 million as of December 31, 2019 to RMB57.8 million as of December 31, 2020, primarily due to our repayment of loans with relatively high interest rates. Our borrowings increased from RMB57.8 million as of December 31, 2020 to RMB92.2 million as of December 31, 2021, primarily due to the additional loans we incurred. Our borrowings decreased from RMB92.2 million as of December 31, 2021 to RMB11.8 million as of September 30, 2022, primarily because we paid off certain loans we incurred. Our borrowings increased from RMB11.8 million as of September 30, 2022 to RMB40.2 million as of January 31, 2023, primarily due to the additional loans we incurred. See Note 27 of the Appendix I of this prospectus.

As of January 31, 2023, being the indebtedness date for the purpose of the indebtedness statement, we had a total indebtedness of RMB41.6 million, including other borrowings and lease liabilities. As of December 31, 2019 and 2020, the utilized banking facilities we had amounted to RMB72.0 million and RMB40.0 million, respectively; as of December 31, 2021 and September 30, 2022, none of our banking facilities was utilized. As of January 31, 2023, the utilized banking facilities we had amounted to RMB40.0 million.

Our Directors confirm that, as of the Latest Practicable Date, there was no material covenant which would impact our ability to undertake additional debt financing. Our Directors further confirm that we did not experience any unusual difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

As of December 31, 2019, 2020 and 2021, September 30, 2022 and January 31, 2023, our current and non-current lease liabilities were RMB4.0 million, RMB3.4 million, RMB3.6 million, RMB3.5 million and RMB1.4 million, respectively, primarily representing leasing of real properties.

Except as disclosed above, during the Track Record Period and up to January 31, 2023, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed or unguaranteed, secured or unsecured.

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CONTINGENT LIABILITIES

As of December 31, 2019, 2020 and 2021 and September 30, 2022, we did not have any material contingent liabilities.

CAPITAL EXPENDITURES

The following table sets out a breakdown of our capital expenditures for the periods indicated:

| | For the year ended December 31, | | | For the nine months ended September 30, | |
|---|------------------------------------|----------------|----------------|---|----------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Purchases of items of property, plant and equipment | 16,428 | 9,448 | 6,285 | 4,736 | 8,172 |
| Purchase of intangible assets | — | 403 | 1,292 | 375 | 673 |
| Total | 16,428 | 9,851 | 7,577 | 5,111 | 8,845 |

Our historical capital expenditures primarily consist of purchase of properties, plants and equipment and purchase of intangible assets. We funded our capital expenditure requirements during the Track Record Period mainly from cash generated from operating activities. Our capital expenditures were RMB16.4 million, RMB9.9 million, RMB7.6 million, RMB5.1 million and RMB8.8 million in 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022, respectively.

We plan to fund our planned capital expenditures using cash generated from operations and the proceeds received from the Global Offering. See “Future Plans and Use of Proceeds.” We may reallocate the fund to be utilized on capital expenditure based on our ongoing business needs.

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CONTRACTUAL OBLIGATIONS

Capital Commitments

We mainly have capital commitments with respect to purchase of property, plant and equipment. Significant capital expenditure contracted for at the end of the reporting period but not recognized as liabilities were as follows:

| | As of December 31, | | | As of |
|--|--------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | September 30, |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | 2022 |
| | | | | <i>RMB'000</i> |
| Purchase of property, plant and equipment | 1,929 | — | — | — |

Contract liabilities

Our contract liabilities mainly arise from the advance payments made by customers while the services are yet to be provided. The contract liabilities with regard to the remaining performance obligations are expected to be recognised as revenue within one year.

Set forth below is the breakdown of contract liabilities during the Track Record Period.

| | As of December 31, | | | As of |
|--|--------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | September 30, |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | 2022 |
| | | | | <i>RMB'000</i> |
| Short-term advances received from customers: | | | | |
| Freight platform services | 8,548 | 10,069 | 9,897 | 10,515 |
| Freight transportation services | 64 | 1,079 | 362 | 1,898 |
| Total contract liabilities | 8,612 | 11,148 | 10,259 | 12,413 |

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The following table shows the amounts of revenue recognised in 2019, 2020, 2021 and the nine months ended September 30, 2021 and 2022 that were included in the contract liabilities at the beginning of each of such year or period:

| | Year ended December 31, | | | Nine months ended September 30, | |
|--|-------------------------|----------------|----------------|------------------------------------|----------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | | | | <i>(unaudited)</i> | |
| <i>Revenue recognised that was included in contract liabilities at the beginning of the year/period:</i> | | | | | |
| Freight platform services | 6,196 | 8,548 | 10,069 | 10,069 | 9,897 |
| Freight transportation services | 94 | 64 | 1,079 | 1,079 | 362 |
| | 6,290 | 8,612 | 11,148 | 11,148 | 10,259 |

As of January 31, 2023, all the contract liabilities outstanding as of September 30, 2022 in an aggregate amount of RMB12.4 million had been subsequently recognized as revenue.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any material off-balance sheet commitments and arrangements.

MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance. As of the Latest Practicable Date, all the personal guarantees provided by our Controlling Shareholders, Mr. Feng and Mr. Du to our Group were all released upon maturity of respective loan or agreed by relevant banks in advance, and all loans, advances and balances due to the Controlling Shareholders were fully repaid. For further details, please refer to the paragraph headed "Financial Independence" in section "Relationship with our controlling shareholders". As of September 30, 2022, our outstanding balance with related parties primarily consists of prepayments, other receivables and other assets of RMB204 thousand with Wuhu Luge, RMB155 thousand with Xinjiang Zhongya and RMB58 thousand with Qingkong Shoulu, and other payables and accruals of RMB400 thousand with Qingkong Shoulu. Such balances are non-trade in nature and are expected to be settled prior to the Listing. As of September 30, 2022, we had no pledge nor guarantee provided by or to our related parties. See Note 36 of Appendix I to this prospectus for more details about our related party transactions during the Track Record Period.

FINANCIAL INFORMATION

FINANCIAL RISK DISCLOSURE

Our activities expose us to a variety of financial risks, such as interest rate risk, credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Risk management is carried out by our Directors.

Interest rate risk

Our exposure to risk for changes in market interest rates relates primarily to our interest-bearing bank and other borrowings. We do not use derivative financial instruments to hedge interest rate risk. We manage our interest rate risk by keeping a balanced portfolio of fixed and floating interest rates.

For financial instruments with fixed interest rates, the rates are determined at initial recognition and remain unchanged during the holding period. For those measured at amortized cost, the changes in market interest rates will not impact on the profits or losses or equity.

Financial instruments with floating interest rates including interest-bearing bank and other borrowings, rates of which shall be revalued before the maturity date, expose us to cash flow interest rate risk. The net exposure was RMB72,000,000, RMB40,000,000, nil and nil, as at December 31, 2019, 2020 and 2021, and September 30, 2022, respectively. If the related interest rate had been 50 basis points higher/lower, the profit before income tax for the year ended December 31, 2019, 2020 and 2021, and the nine months ended September 30, 2022 would have been RMB69,778, RMB55,472, nil and nil lower/higher, respectively.

The sensitivity analysis above is based on the presumption that static term structures of interest rate are kept, only fluctuations of interest rate within one year are forecasted, impacts related to tax are not taken into consideration and there is a reasonably possible change in interest rates with all other variables held constant. The results represent the impact, derived from re-measurements of financial assets, on our profit before tax. Such sensitivity analysis is made based on historical fluctuation, as it is made with change of average interest rate at 50 basis points, which are in line with the market trend and resembles the scale of adjustment of loan prime rate by the People's Bank of China since the adoption of such rate in August 2019 to December 2021.

Credit risk

We trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant.

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Liquidity risk

In the management of liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance the operations and mitigate the effects of fluctuations in cash flows. Our objective is to maintain a balance between continuity of funding and flexibility through the use of lease liabilities and interest-bearing bank and other borrowings.

DIVIDEND

During the Track Record Period, no dividend had been paid or declared by us.

Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board. There is no assurance that dividends of any amount will be declared or be distributed in any year. Although currently we do not have a formal dividend policy or a fixed dividend distribution ratio, our Board may declare dividends in the future after taking into account various factors including our future earnings and cash inflows, future plan for use of funds, long-term development of our business and other legal and regulatory restrictions.

We are a holding company incorporated under the laws of the PRC. The payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year determined according to PRC accounting principles. PRC laws also require foreign invested enterprises to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves until the aggregate amount of such reserves reach 50% of its registered capital, which are not available for distribution as cash dividends.

According to the PRC Company Law, a company with accumulated losses can distribute its after-tax profits of the current year only after it has made up the accumulated losses and drawn statutory and discretionary reserves. Based on the above, and considering that we incurred accumulated losses as of September 30, 2022, our PRC Legal Advisers are of the view that we are not able to pay any dividend before we have made up for such accumulated losses.

WORKING CAPITAL CONFIRMATION

The Directors are of the opinion that, taking into account of the following financial resources available to us described below, we have sufficient working capital to cover our costs, for at least the next 12 months from the date of this prospectus:

- our future operating cash flows in respective periods;
- cash and cash equivalent of RMB508.7 million as of September 30, 2022; and
- the estimated net proceeds from the Global Offering.

DISTRIBUTABLE RESERVES

As of September 30, 2022, our Company did not have any distributable reserves.

FINANCIAL INFORMATION

LISTING EXPENSES

Based on the mid-point Offer Price of HK\$3.2, the total estimated listing expenses in relation to the Global Offering (assuming that the Over-Allotment Option is not exercised and all discretionary incentive fees in the Global Offering are paid in full) is approximately HK\$62.3 million, including (i) underwriting-related expenses (including but not limited to commissions for Hong Kong Offer Shares and International Offer Shares and fees) of approximately HK\$4.4 million, and (ii) non-underwriting-related expenses of approximately HK\$57.9 million, which consist of fees and expenses of legal advisers and accountants of approximately HK\$44.6 million and other fees and expenses of approximately HK\$13.3 million. Listing expenses of approximately HK\$34.8 million were incurred and charged to our consolidated statements of profit or loss during the Track Record Period. We estimate that listing expenses of HK\$20.0 million will be further charged and incurred to our consolidated statements of profit or loss subsequent to the end of Track Record Period. The balance of approximately HK\$7.6 million, which mainly includes underwriting commission, is expected to be accounted for as a deduction from equity upon the completion of the Global Offering. Our listing expenses as a percentage of gross proceeds is 45.1%, assuming an Offer Price of HK\$3.2 per Offer Share, being the mid-point of the indicative price range of HK\$2.9 to HK\$3.5, and that the Over-allotment Option is not exercised.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

Please refer to Appendix II to this prospectus for details.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that up to the date of this prospectus, save as disclosed in this prospectus under “—Recent Development” and “—Impact of the COVID-19 Outbreak”, there has been no material adverse change in our financial, operational or trading positions or prospects since September 30, 2022, being the date of our consolidated financial statements as set out in the Accountants’ Report included in Appendix I to this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2022

We have prepared the following profit estimate for the year ended December 31, 2022:

Estimated consolidated profit attributable to
equity shareholders of the Company for the
year ended December 31, 2022⁽¹⁾ No less than RMB1.0 million

- (1) The basis on which the above estimate has been prepared is set out in Appendix III in this prospectus. Our Directors have prepared the estimated consolidated profit attributable to equity shareholders of the Company for the year ended December 31, 2022 based on (i) the audited consolidated results of our Group for the nine months ended September 30, 2022 and (ii) the unaudited consolidated results based on the management accounts of our Group for the three months ended December 31, 2022.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

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

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$75.9 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering, assuming an Offer Price of HK\$3.2 per H Share, being the mid-point of the indicative Offer Price range stated in this prospectus, and assuming no exercise of the Over-allotment Option.

We currently intend to apply these net proceeds for the following purposes:

- approximately 45.0%, or HK\$34.2 million, will be used to further upgrade and enhance our digital freight business, with a goal to address more in-depth demands from our customers under more diversified business scenarios and to relentlessly improve the user experience for our digital freight business. In particular:
 - (i) approximately 15.0%, or HK\$11.4 million, will be used for acquiring additional customers for our freight transportation services and freight platform services, with a goal to increase the accumulation of road freight transportation resources on our platform, promote the awareness of our brand and service offerings among potential customers, and expand our coverage of customers in new geographical areas and new industry segments. We planned the expansion of our digital freight business based on our historical growth during the period from 2019 to 2021, and on our belief that digital freight platforms are expected to gain greater popularity among shippers in China. During the period from 2019 to 2021, our digital freight business maintained rapid and sustainable growth, as the Online GTV of our digital freight business reached RMB23.4 billion, RMB27.9 billion and RMB38.0 billion for 2019, 2020, and 2021, respectively; meanwhile, the number of shippers that had completed shipping orders on our digital freight platform continued to grow rapidly, with 3,340, 4,327 and 5,934 shippers that had completed shipping orders on our digital freight platform during the corresponding periods, respectively. According to CIC, the market size of digital freight platforms in China is expected to increase from RMB430.0 billion in 2021 to RMB759.0 billion in 2026, representing a CAGR of 12.0%. The penetration rate of the FTL market is expected to increase from 10.7% in 2021 to 16.8% in 2026, which presents immense market opportunities for digital freight platforms. See “Industry Overview.” Specifically,
 - (a) for the expansion of our freight transportation business, we expect to contract with approximately 100, 100, 200, 200 and 300 new shippers of bulk cargo in each of the five years from 2023 to 2027, and a total of 500 new shippers of bulk cargo in the period from 2028 to 2031; in each of

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the corresponding periods, we plan to allocate approximately RMB550 thousand, RMB550 thousand, RMB1.1 million, RMB1.1 million, RMB1.5 million and RMB1.8 million, respectively, for our promotion, marketing and advertisements efforts to reach new customers; such promotion, marketing and advertisement efforts include:

- (1) *Offline trade fairs that target general customers in the road freight transportation industry:* We plan to promote our brand awareness and get connected to new customers by participating in offline trade fairs in the road freight transportation industry. We estimate that the total expenses for participating in each of such trade fairs to be approximately RMB50 thousand, which primarily includes expenses for signing up for exhibition venue, preparing exhibition materials and business travel of employees who participate in such trade fairs. We expect to participate in such trade fairs once each year in each of 2023, 2024 and 2025, twice each year in each of 2026 and 2027, and twice in total in the period from 2028 to 2031. We expect to incur expenses of RMB50 thousand, RMB50 thousand, RMB50 thousand, RMB100 thousand and RMB100 thousand in each of the five years from 2023 to 2027, respectively, and total expenses of RMB100 thousand in the period from 2028 to 2031.
- (2) *Online advertisements that target general customers in road freight transportation industry:* We plan to incur expenses for online advertisements on major websites (such as Toutiao, Tencent and Qihoo 360), short video platforms (such as Douyin and Kuaishou) and search engines (such as Baidu and Sogou), through which we hope to reach a broad range of customers in road freight transportation industry. We expect to incur such expenses of RMB200 thousand, RMB200 thousand, RMB450 thousand, RMB400 thousand, and RMB580 thousand in each of the five years from 2023 to 2027, respectively, and total expenses of RMB600 thousand in the period from 2028 to 2031.
- (3) *Offline trade fairs that target customers in specific key market segments:* We plan to increase our access to customers within certain key market segments of the road freight transportation industry, which we believe to possess growth potential and business opportunities for digital freight services. Examples of such key market segments include road freight transportation for agricultural products and port transportation. We estimate that the total expenses for participating in each of such trade fairs to be approximately RMB50 thousand, which primarily includes expenses for signing up for exhibition venue, preparing exhibition materials and business travel of employees who participate in such trade fairs. We expect to

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participate in such trade fairs four times each year in 2023 and 2024, eight times each year in 2025 and 2026, 12 times each year in 2027, and 15 times in total in the period from 2028 to 2031. We expect to incur expenses of RMB200 thousand, RMB200 thousand, RMB400 thousand, RMB400 thousand and RMB600 thousand in each of the five years from 2023 to 2027, respectively, and total expenses of RMB750 thousand in the period from 2028 to 2031.

- (4) *Offline advertisements that target customers in specific key market segments:* For the above-mentioned key market segments within the road freight transportation industry, we also expect to expand our brand awareness and acquire customers through offline advertisements, such as advertisements on industry-specific magazines and outdoor billboards in ports. We estimate that one advertisement spot on magazine or outdoor billboard will cost approximately RMB44 thousand to RMB50 thousand, and we expect to purchase two, two, four, four and five of such advertisement spots in each of the five years from 2023 to 2027, respectively, and seven of such advertisement spots in total in the period from 2028 to 2031. We expect to incur expenses of RMB100 thousand, RMB100 thousand, RMB200 thousand, RMB200 thousand and RMB220 thousand in each of the five years from 2023 to 2027, respectively, and total expenses of RMB350 thousand in the period from 2028 to 2031; and
- (b) for the expansion of our freight platform business, we expect to acquire approximately 400, 600, 1,000, 1,300 and 1,500 new customers in each of the five years from 2023 to 2027, and a total of 3,600 new customers in the period from 2028 to 2031; in each of the corresponding periods, we plan to allocate approximately RMB220 thousand, RMB330 thousand, RMB550 thousand, RMB650 thousand, RMB750 thousand and RMB863 thousand, respectively, for our promotion, marketing and advertisements efforts to grow our customer base; such promotion, marketing and advertisement efforts include:
- (1) *Discounts and rewards for new sizeable customers:* We plan to provide more attractive offers to sizeable customers that can bring us a greater volume of business, by offering them various discounts and rewards so that they can enjoy a more favourable margin. We expect to incur expenses for such discounts and rewards of RMB100 thousand, RMB100 thousand, RMB200 thousand, RMB300 thousand and RMB300 thousand in each of the five years from 2023 to 2027, respectively, and we expect to incur total expenses for such discount and reward of RMB300 thousand in the period from 2028 to 2031.

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- (2) *Regional offline conferences for customers:* We plan to host offline promotion conferences for potential customers in certain regions. We estimate that the total expenses for hosting one conference to be approximately RMB50 thousand, which primarily includes expenses for venue, travel, decoration and hospitality for conference participants. We expect to host two, two, five, five and four of such conferences in each of the five years from 2023 to 2027, respectively, and we expect to host four conferences in total in the period from 2028 to 2031. We expect to incur expenses of RMB100 thousand, RMB100 thousand, RMB250 thousand, RMB250 thousand and RMB200 thousand in each of the five years from 2023 to 2027, respectively, and we expect to incur total expenses of RMB200 thousand in the period from 2028 to 2031.
- (3) *Online and offline advertisements:* We plan to place advertisements on online channels such as social media and offline channels such as magazines in the digital freight industry. We expect to incur expenses of RMB20 thousand, RMB130 thousand, RMB100 thousand, RMB100 thousand and RMB250 thousand in each of the five years from 2023 to 2027, respectively, and we expect to incur expenses of RMB363 thousand in the period from 2028 to 2031.
- (ii) approximately 15.0%, or HK\$11.4 million, will be used for improving our penetration into our existing customer base, by leveraging our data-based tailor-made product development capacities, enhancing the functionalities and features of our existing service offerings and developing new service offerings to better address our customers' needs in digital freight transportation. Specifically,
- (a) we expect to attract approximately 90, 150, 180, 300 and 300 existing customers to upgrade their service in each of the five years from 2023 to 2027; in each of the corresponding periods, we plan to budget approximately RMB1.3 million, RMB2.0 million, RMB2.2 million, RMB2.3 million and RMB2.3 million, respectively, as marketing-related costs for these new service offering, based on our estimation that the marketing-related costs per existing customer would be approximately RMB14 thousand, RMB13 thousand, RMB12 thousand, RMB8 thousand and RMB8 thousand in each of the corresponding periods. Our marketing efforts to increase penetration into existing customer base include:
- (1) *Market research:* We plan to conduct market research to identify customer pain points, understand customer needs, and help develop suitable services for our customers. We expect to incur relevant

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expenses of RMB252 thousand, RMB390 thousand, RMB432 thousand, RMB600 thousand and RMB600 thousand in each of the five years from 2023 to 2027, respectively.

- (2) *Offline promotion meetings*: We plan to hold face-to-face meetings with our customers to explain our upgraded service plan, so that our customers would understand the value of and generate demands for such services. We expect to incur relevant expenses of RMB378 thousand, RMB585 thousand, RMB648 thousand, RMB438 thousand and RMB438 thousand in each of the five years from 2023 to 2027, respectively.
- (3) *Subsidies for upgraded services*: We plan to provide subsidies to encourage use of upgraded services. We expect to incur relevant expenses of RMB504 thousand, RMB780 thousand, RMB864 thousand, RMB959 thousand and RMB959 thousand in each of the five years from 2023 to 2027, respectively.
- (4) *Online media promotion*: We plan to use industry-specific online media to promote our upgraded services and attract new customers. We expect to incur relevant expenses of RMB126 thousand, RMB195 thousand, RMB216 thousand, RMB300 thousand and RMB300 thousand in each of the five years from 2023 to 2027, respectively.

Such estimation for marketing-related costs is based on the cost incurred in our historical marketing activities. We estimate that the investment payback period for such costs will be approximately one year. The investment payback period is calculated based on the net effect of estimated marketing-related costs to be paid in each of 2023 to 2027 and forecast revenue from upgraded services during the same period. Assumptions for such calculation include (i) an estimate of approximately 90, 150, 180, 300 and 300 existing customers who will upgrade their services in each of the five years from 2023 to 2027 and continue to use such upgraded services in the years following the upgrade of their services and (ii) the forecast revenue per customer calculated based on average revenue from upgraded services per customer from 2019 to 2021; and

- (iii) approximately 15.0%, or HK\$11.4 million, will be used for promoting our involvement of other participants in our ecosystem and exploring additional opportunities for synergistic development within our ecosystem, as we strive to help our customers coordinate with their business partners along the value chain, upgrade their model of road freight transportation and enhance the efficiency of their transactions with truckers, freight brokers and other

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participants in the ecosystem through our digitized service offerings. As we operate the largest community in the logistics industry in China and the largest community for truckers in China, according to CIC, we expect to continue to attract additional members to our ecosystem, so we can better take advantage of the economies of scale. Specifically,

- (a) we plan to involve more freight brokers in our ecosystem, as we believe that freight brokers play an important role in introducing more truckers to our platforms as we continue to expand the scale of our business, facilitating our coordination and communication with truckers and helping us obtain more business opportunities. In 2019, 2020, 2021 and the nine months ended September 30, 2022, we worked with 0.5 thousand, 1.5 thousand, 2.5 thousand and 2.4 thousand freight brokers, respectively, and the Online GTV of shipping orders fulfilled by truckers introduced by freight brokers was RMB3,495.2 million, RMB4,615.7 million, RMB5,622.2 million and RMB4,486.7 million, respectively. We expect to attract 100, 300, 500, 800 and 1,300 freight brokers to our ecosystem in each of the five years from 2023 to 2027, and a total of approximately 2,000 freight brokers in the period from 2028 to 2031, respectively; in each of the corresponding periods, we plan to budget approximately RMB0.3 million, RMB0.9 million, RMB1.5 million, RMB2.4 million, RMB2.3 million and RMB2.5 million, respectively, for the provision of subsidies to these freight brokers and the truckers introduced by them. We expect to provide the subsidies in the form of cash, vouchers or reward points, so as to attract more truckers to access, and become loyal users of, our platforms. During the Track Record Period, we provided cash subsidies to freight brokers who introduced new truckers to download and register on our *Haoyunbao* app and freight brokers received subsidies of approximately RMB10 to RMB30 for every new trucker introduced. Meanwhile, we provided cash subsidies to truckers who newly registered on our *Haoyunbao* app and each new trucker received subsidies of approximately RMB5 to RMB10. In 2019, 2020 and 2021 and the nine months ended September 30, 2022, such subsidies provided for the promotion of our *Haoyunbao* app (including the subsidies we provided to freight brokers for introducing new truckers and the subsidies we provided to newly registered truckers for registering on our *Haoyunbao* app) amounted to RMB1.5 million, RMB4.8 million, RMB2.2 million and RMB20.6 thousand, respectively. The decrease in the amount of subsidies provided to freight brokers and new truckers in 2021 and the nine months ended September 30, 2022 was primarily attributable to the temporary reduction in our marketing efforts to attract truckers through freight brokers to our platform, as the number of active truckers accumulated on our platform was sufficient for fulfilling shipping orders during such period. In the future, as we continue to

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expand our business scale, we expect the demand for transportation resources on our digital freight platform to grow in the long term, and we expect to continue to work with freight brokers to meet such increase in demand.

- approximately 15.0%, or HK\$11.4 million, will be used to further expand our Trucker Community and Truck Plus solutions. In particular:
 - (i) approximately 7.5%, or HK\$5.7 million, will be used for exploring and improving the commercialization of Trucker Community, including attracting registered members and enhancing commercialization opportunities through Truck Plus, as we expect to further strengthen the brand power of Trucker Community, promote the loyalty of its users, and explore additional opportunities for synergies among our business divisions and within our ecosystem. With over 3.1 million registered users as of September 30, 2022, our Trucker Community is the largest community in the logistics industry in China, and the largest community for truckers in China according to CIC. As communities with a large-scale and loyal base of truckers are likely to be more active in terms of online communication activities, we believe the scale of our community serves to effectively attract additional truckers. Specifically,
 - (a) we plan to allocate approximately RMB35 thousand, RMB150 thousand, RMB300 thousand, RMB400 thousand and RMB250 thousand in each of the five years from 2023 to 2027, respectively, for the enhancement of offline service networks and online operations of Trucker Community to attract registered members through the following means:
 - (1) *Video production and display*: We plan to produce and display on multiple short video platforms and social media platforms videos that reflect work and life of truckers. We estimate the expenses for the production and display of each of such videos to be approximately RMB5,000. We expect to produce and display one, five, five, six and four of such videos in each of the five years from 2023 to 2027, respectively, and we expect to incur relevant expenses of RMB5,000, RMB25 thousand, RMB25 thousand, RMB30 thousand and RMB20 thousand in each of the five years from 2023 to 2027, respectively.
 - (2) *Online and offline celebration for “I-Love-Truckers’ Day”*: We hosted “I-Love-Truckers’ Day” on May 2 of each year during the Track Record Period, and we expect to continue hosting such celebration on the same day of each year in the future. In 2023, we expect to host “I-Love-Truckers’ Day” online, considering the potential resurgence of the COVID-19 outbreak, and we expect to incur expenses of RMB25 thousand. In 2024, 2025, 2026 and 2027,

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we expect to resume our offline celebration of “*I-Love-Trucker’s Day*” in multiple cities across China, and we expect to incur expenses of RMB85 thousand, RMB195 thousand, RMB220 thousand and RMB180 thousand for each of the four years from 2024 to 2027, respectively.

- (3) *Distribution of stickers and souvenirs*: We plan to distribute to truckers stickers of Trucker Community which they can use to decorate their trucks, and souvenirs to promote the brand awareness of Trucker Community among truckers. We estimate that the expense for such stickers and souvenirs for each trucker to be approximately RMB5.0. We expect to provide our stickers and souvenirs to 1,000, 8,000, 16,000, 30,000 and 10,000 truckers in each of the five years from 2023 to 2027, respectively, and we expect to incur expenses of RMB5,000, RMB40 thousand, RMB80 thousand, RMB150 thousand and RMB50 thousand in each of the five years from 2023 to 2027, respectively.

By encouraging truckers from our offline community to recommend our products to their acquaintances, our Trucker Community could convert these truckers’ personal network of truckers into our users. We plan to explore various measures to enhance the offline service network we provide to truckers, including leveraging our cooperation with practitioners within the logistics industry. For online operations of Trucker Community, we plan to launch activities and initiate topics on social platforms such as our Trucker Community App, WeChat and Douyin to attract truckers; and

- (b) we plan to allocate approximately RMB100 thousand, RMB690 thousand, RMB990 thousand, RMB1.0 million and RMB1.0 million, respectively, in each of the five years from 2023 to 2027 for marketing initiatives for the products provided through our Truck Plus solutions, including online customer acquisition initiatives such as customer referral, online advertisement and targeted promotions, and offline customer acquisition initiatives such as door-to-door visit by our sales representatives and participation in trade fairs. In 2019, 2020, 2021 and the nine months ended September 30, 2022, the amount of marketing initiatives we spent on Truck Plus was approximately RMB16.5 thousand, RMB373.3 thousand, RMB680.1 thousand and RMB950.0 thousand, respectively;
- (ii) approximately 5.0%, or HK\$3.8 million, will be used for fostering and maintaining the nationwide service network of authorized stores for Truck Plus solutions, as we strive to capitalize on our established online and offline network of Truck Community and to provide aftermarket services of premium qualities to truckers nationwide covering the full life-cycle of trucks ranging

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from purchase to maintenance. We generated revenue from Truck Maintenance Solutions by selling truck supply products to authorized stores, such as engine oil, which we procure in bulk from our suppliers at a discount. Under our partnership with the authorized stores, we are responsible for the procurement of such truck supply products and the authorized stores are responsible for the sales of such truck supply products to truckers. Since we started to cooperate with such authorized stores for our Truck Maintenance business in 2020, the average amount of our investment in each of such Truck Maintenance authorized store was approximately RMB1,800, RMB1,000 and RMB700 in 2020, 2021 and the nine months ended September 30, 2022, respectively. Such investment is mainly used for the decoration of the authorized stores to emphasize our Truck Plus brand image. We believe that the market for truck sales and aftermarket services in China has a significant growth potential. According to CIC, the overall size of the market for truck sales and aftermarket services in China is expected to increase from RMB3.8 trillion in 2021 to RMB5.3 trillion in 2026. See “Industry Overview.” Our revenue generated from Truck Maintenance solutions under Truck Plus business also showed a trend of growth during the period from 2019 to 2021. In 2019, 2020 and 2021, and the nine months ended September 30, 2021 and 2022, revenue generated from Truck Maintenance solutions amounted to approximately RMB1.6 million, RMB4.0 million, RMB8.7 million, RMB6.1 million and RMB7.3 million, respectively. By the end of 2031, we expect to have approximately 3,150 new authorized stores for our Truck Maintenance solutions in approximately 260 cities. Specifically,

- (a) we expect to open 150, 200, 300 and 500 new authorized stores for our Truck Maintenance solutions, respectively, in each of the four years from 2023 to 2026, and a total of 2,000 new authorized stores for our Truck Maintenance solutions in the period from 2027 to 2031; in each of the corresponding periods, we plan to budget approximately RMB90 thousand, RMB120 thousand, RMB150 thousand, RMB250 thousand and RMB571 thousand for the upgrading of these authorized stores and training of staffs, in order to improve the standardization of the products and services provided by these stores. Under our partnership with these authorized stores, we facilitates the procurement of truck supply products and our authorized stores are responsible for the sales of truck supply products to truckers. We also expect to upgrade such authorized stores to premium stores to increase the revenue and gross profit generated from them. See “Business—Business Sustainability—Increasing Monetization.” For further details of our relationship with our authorized stores, please refer to the section headed “Business—Our Business Model and Service Offerings—Truck Plus Solutions—Truck Maintenance Solutions”;

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- (b) we plan to hold 2, 4, 5, 5 and 6 omnichannel marketing activities, respectively, in each of the five years from 2023 to 2027 to promote our Truck Maintenance solutions; in each of the corresponding periods, we plan to budget approximately RMB140 thousand, RMB400 thousand, RMB500 thousand, RMB500 thousand and RMB600 thousand as marketing-related costs for our Truck Maintenance business, based on our estimation that the costs of each such marketing activity would range between approximately RMB70 thousand and approximately RMB100 thousand; and
 - (iii) approximately 2.5%, or HK\$1.9 million, will be used for strengthening the supply chain system that supports our Truck Plus solutions, as we strive to expand and strengthen the extent of our collaborations with renowned truck manufacturers, and to enhance the portfolio of product and service offerings we provide to customers under our Truck Plus solutions. Specifically,
 - (a) we plan to lease 2 warehouses in each of the five years from 2023 to 2027. In each of the four years between 2023 and 2026, we plan to budget approximately RMB360 thousand, and in 2027, we plan to budget approximately RMB221 thousand as lease expenses and logistics fees. As we expect to enhance support for our Truck Maintenance solutions by strengthening our supply chain capabilities, we plan to lease warehouses to store truck supply products, such as engine oil, which we procure in bulk at a discount and are directly supplied to authorized stores. By leasing warehouses ourselves, we can take greater control of the truck aftermarket supply chain so as to enhance quality control and operating efficiency.
- approximately 20.0%, or HK\$15.2 million, will be used to enhance our research and development efforts and to strengthen our technological capabilities. In particular:
 - (i) approximately 15.0%, or HK\$11.4 million, will be used for reinforcing our technological strengths in big data. By the end of 2025, we plan to recruit approximately 57 research and development employees in order for us to provide comprehensive solutions that accurately address the needs of customers, build an operations platform for truck aftermarket services which integrates diversified functionalities and improve our big data analysis capabilities to provide users with high-quality services. See “Business—Strategies.” To carry out such strategies and plans, we need manpower to carry out various research and development projects in the relevant fields. We also need to purchase advanced equipment, software and applications from qualified suppliers for the efficient capture, storage, processing, analysis, and application of big data, in order to upgrade the service capacity, scalability and adaptability of the underlying data infrastructure that supports our businesses, so as to provide our customers with enhanced experience. Specifically,

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- (a) by the end of 2025, we expect to hire 19, 27 and 11 new R&D employees for the projects of intelligent dispatch, intelligent risk management and intelligent analysis and recommendation algorithm, respectively, and we plan to allocate RMB2.9 million, RMB4.1 million and RMB3.1 million in the corresponding projects for the hiring of new employees and purchase of advanced equipment. Specifically,
1. The project of intelligent dispatch aims to automatically assign the most suitable truckers to our customers based on intelligent scheduling algorithms. The investment in this project would be mainly used for adding more data collection points as well as improving data monitoring, storage, calculation and modeling;
 2. The project of intelligent risk management aims to build an intelligent risk management system based on big data, with the goal of identifying potentially risky data within a large amount of data anywhere, anytime; and
 3. The project of intelligent analysis and recommendation algorithm aims to leverage big data and deep learning algorithms to improve data-drive user profile for intelligent recommendation and targeted marketing, so as to improve our close rate and operational efficiency under each business scenario; and
- (ii) approximately 5.0%, or HK\$3.8 million, will be used for improving our existing research and development capacities in the high-tech fields, such as smart driving technologies, as we expect to further explore the commercial value of such capacities by applying such technological breakthroughs under various offline scenarios, such as the enhancement of safety in the driving process for truckers. Specifically,
- (a) we plan to hire 4 and 6 new employees in 2023 and 2024, respectively, and allocate RMB2.1 million and RMB1.2 million in the corresponding periods for the hiring of new employees and purchase of advanced equipment to develop the credit risk model. We plan to recruit additional professional research and development personnel for utilizing the relevant technologies to enhance their application in our digital freight transportation system and building our internal teams for independent research and development, so as to support the sustainable development of our digital freight platform.

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- approximately 10.0%, or HK\$7.6 million, will be used for recruiting additional sales, marketing and operational personnel so that our reserve of talents is commensurate with the growth of our business. As of December 31, 2021, we already had a total of 630 sales and operation staffs, who provided strong support for our sales, marketing and operation. We plan to further expand such team to support the expansion of our business. Specifically,
 - (a) to provide support for our digital freight business, we plan to hire approximately 10, 15, 17 and 17 sales, marketing and operational personnel in each of the four years from 2023 to 2026 and allocate approximately RMB0.9 million, RMB1.4 million, RMB1.3 million and RMB1.3 million in the corresponding periods, respectively, for such hiring;
 - (b) to provide support for our operation of Trucker Community, we plan to hire approximately 5, 6, 6 and 6 sales, marketing and operational personnel in each of the four years from 2023 to 2026 and allocate approximately RMB400 thousand, RMB480 thousand, RMB480 thousand and RMB480 thousand in the corresponding periods, respectively, for such hiring.
- approximately 10.0%, or HK\$7.6 million, will be used for working capital and other general corporate purposes.

If the Offer Price is set at HK\$3.5 per H Share, being the high end of the indicative Offer Price range, the net proceeds from the Global Offering will increase to approximately HK\$88.8 million. If the Offer Price is set at HK\$2.9 per H Share, being the low end of the indicative Offer Price range, the net proceeds from the Global Offering will decrease to approximately HK\$63.1 million. The above allocation of the net proceeds from the Global Offering will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the indicative Offer Price range stated in this prospectus.

If the Over-allotment Option is exercised in full, the net proceeds that we will receive will be approximately HK\$96.0 million, assuming an Offer Price of HK\$3.2 per H Share (being the mid-point of the indicative Offer Price range). In the event that the Over-allotment Option is exercised, we intend to apply the additional net proceeds to the above purposes in the proportions stated above.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we will only deposit such proceeds as short-term interest-bearing deposits with licensed banks and/or authorized financial institution as defined under the PRC laws in the PRC. If there is any material change to the above proposed use of proceeds, we will issue an appropriate announcement as required under the Listing Rules.

UNDERWRITING

HONG KONG UNDERWRITERS

Haitong International Securities Company Limited
CLSA Limited
Valuable Capital Limited
SDHG International Securities Limited
Sinomax Securities Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis on the terms and conditions set out in the prospectus, the **GREEN** Application Form relating thereto and the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement. If, for any reason, the Offer Price is not agreed between the Overall Coordinator (for itself and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 4,322,000 Hong Kong Offer Shares and the International Offering of initially 38,889,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed “Structure of the Global Offering” as well as to the Over-allotment Option in the case of the International Offering.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong on the terms and conditions set out in this prospectus, the **GREEN** Application Form and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (i) the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares to be offered as mentioned in this prospectus pursuant to the Global Offering (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) and the 484,220,924 H Shares to be converted from Domestic Shares on the Main Board of the Stock Exchange and such approval not having been withdrawn and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their

UNDERWRITING

respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the **GREEN** Application Form and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination with immediate effect by written notice from the Overall Coordinator and the Sole Sponsor if at any time prior to 8:00 a.m. on the Listing Date:

- (a) there develops, occurs, exists or comes into effect:
 - (i) any new law or any change or development involving a prospective change or any event or circumstance or series of events or circumstances resulting or likely to result in or representing a change or development involving a prospective change in any existing law or in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof) or any other jurisdiction relevant to any member of the Group or its business operations (collectively, the “**Relevant Jurisdictions**”, and each, a “**Relevant Jurisdiction**”); or
 - (ii) any change, or any development involving a prospective change or development (whether or not permanent), or any event or circumstance or series of events or circumstances resulting or likely to result in or representing a change or development, or involving a prospective change or development, in any local, national, regional or international financial, political, military, industrial, legal, fiscal, economic, regulatory, credit, market or currency matters or conditions or exchange control or any monetary or trading settlement system (including, but not limited to, a change in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a change in the system under which the value of the Hong Kong dollar is linked to the U.S. dollar or revaluation of Hong Kong dollar or Renminbi against any foreign currencies or a change in any other currency exchange rates) in or affecting any of the Relevant Jurisdictions; or

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- (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange, the New York Stock Exchange, or in the NASDAQ Global Market; or
- (iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent government authority), New York (imposed at Federal or New York State level or other competent government authority), London or any other Relevant Jurisdictions (declared by the relevant authorities) or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdiction; or
- (v) any change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a change in the system under which the value of the Hong Kong currency is linked to the U.S. dollar, or a material devaluation of the U.S. dollar, Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions or affecting an investment in the Offer Shares; or
- (vi) any imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdiction; or
- (vii) any valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (viii) any event or circumstance, or series of events or circumstances (either national or international), in the nature of force majeure in or affecting directly or indirectly any of the Relevant Jurisdictions including, without limiting the generality thereof, any act of God, act of government, declaration of a national or international emergency or war, act of war, outbreak or escalation of hostilities (whether or not war is declared), calamity, economic sanction, strike, labour dispute, crisis, riot, civil commotion, public disorder, labour dispute, epidemic (including, without limitation, Severe Acute Respiratory Syndrome (SARS), swine or avian flu, Influenza A (H5N1), H1N1, swine or avian influenza (H7N9), COVID-19 or such related/mutated forms), pandemic, outbreak of infectious disease, lockdown, lockout or severe or extended

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interruption in transport, earthquake, act of terrorism (whether or not responsibility has been claimed), flooding, explosion, volcanic eruption, ice-storm, tsunami or fire; or

- (ix) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus, the **GREEN** Application Form, preliminary offering memorandum or final offering memorandum (or to any other document used in connection with the contemplated offer, subscription and sale of the Offer Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC without the prior written consent of the Sole Sponsor and the Overall Coordinator (such consent shall not be unreasonably withheld or delayed); or
- (x) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material misstatement in any of the this prospectus, the **GREEN** Application Form and the formal notice to be issued in connection with the Hong Kong Public Offering pursuant to the Listing Rules (collectively, the “**Hong Kong Public Offering Documents**”); or
- (xi) any change, development or event involving a prospective change in, or actual materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or
- (xii) an order or a petition is presented for the winding up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (xiii) any contravention or breach by any member of the Group or any Director of the Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the PRC Company Law or other applicable laws; or
- (xiv) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

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- (xv) any non-compliance of this prospectus (or any other document used in connection with the contemplated offer, subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or any other applicable laws; or
- (xvi) any litigation, claim or other legal or regulatory proceeding being threatened or instigated against (i) any member of our Group; (ii) any of our Controlling Shareholders; or (iii) any executive Director; or
- (xvii) any public, administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organisation or other non-governmental regulatory authority (including but not limited to the Stock Exchange and the SFC), or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign or supranational in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of our Group or any Director or any of the supervisors of our Company or any of our Controlling Shareholders; or
- (xviii) any of the chairman of our Board, the chief executive officer of our Company, or any executive Director vacating his or her office; or
- (xix) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not subject of any insurance or claim against any person); or
- (xx) any of the chairman of the Board, the chief executive officer of our Company or any Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company;

which, individually or in the aggregate, in the sole and absolute opinion of the Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and the Sole Sponsor:

- (A) has or will or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, properties, results of operations, position, condition or performance, financial, operational, trading or otherwise, of our Company or our Group as a whole; or

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- (B) has or will or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or
 - (C) makes or will or may make it inadvisable or inexpedient or impracticable for any part of the Hong Kong Public Offering or the International Offering to proceed as envisaged or to market the Global Offering or to deliver the Offer Shares on the terms and in the manner as contemplated by this prospectus, the **GREEN** Application Form, the formal notice to be issued in connection with the Hong Kong Public Offering pursuant to the Listing Rules, the preliminary offering memorandum or the final offering memorandum; or
 - (D) has or will or may have the effect of (i) making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable or impracticable of performance in accordance with its terms or (ii) preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (b) there has come to the notice of the Sole Sponsor and the Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters):
- (i) that any statement contained in any of the Hong Kong Public Offering Documents, the application proof prospectuses of our Company, the post-hearing information pack of our Company and/or in any notices, announcements, advertisements, communications, marketing or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) (collectively, the “**Offering Related Documents**”) (but excluding information relating to the Underwriters) was, when it was issued, or has become, untrue, incorrect or inaccurate in any material respect or misleading, or that any forecast, estimate, expression of opinion, intention or expectation expressed or contained in any of the Offering Related Documents is not fair and honest and not made on reasonable grounds or, where appropriate, not based on reasonable assumptions with reference to the facts and circumstances then subsisting, when taken as a whole; or
 - (ii) that any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from, or material misstatement in, any of the Offering Related Documents; or
 - (iii) any material contravention or breach by any member of our Group or any Director of any applicable laws; or

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- (iv) that there is a breach of, or any matter, event or circumstance rendering or which may render, any of the representations, warranties, agreements and undertakings given by any of our Company or our Controlling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, untrue, incorrect, incomplete in any material respect or misleading; or
- (v) that there is a material breach of any provision of, or any obligation imposed upon any party to, the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than obligations imposed upon any of the Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Capital Market Intermediaries, the Hong Kong Underwriters or the International Underwriters); or
- (vi) there is an event, act or omission which gives or is likely to give rise to any material liability of any of our Company or our Controlling Shareholders pursuant to the indemnities given by any of our Company or our Controlling Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable; or
- (vii) that there is any material adverse change, or any development involving a prospective material adverse change or development, in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, properties, results of operations, position, condition or performance, financial, operational, trading or otherwise, of our Group, taken as a whole; or
- (viii) that a significant portion of the orders in the bookbuilding process at the time when the International Underwriting Agreement is entered into have been withdrawn, terminated, cancelled or otherwise not fulfilled; or
- (ix) that the investment commitments by any Cornerstone Investor(s) after signing of the Cornerstone Investment Agreement(s) with such Cornerstone Investor(s) have been withdrawn, terminated, cancelled or otherwise not fulfilled; or
- (x) any of the experts specified in this prospectus or other person whose consent is required for the issue of this prospectus or any of the Hong Kong Public Offering Documents with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears has withdrawn its consent to being named in, or to the issue of, the Hong Kong Prospectus or any of the Hong Kong Public Offering Documents; or
- (xi) that the approval by the Listing Committee of the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering (including any additional H Shares that may be issued pursuant to the exercise

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of the Over-allotment Option) is refused, not granted or qualified (other than by customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or

- (xii) that our Company withdraws this prospectus, the **GREEN** Application Form (and/or any other document issued or used in connection with the Global Offering) or the Global Offering.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that we will not, at any time within six months from the Listing Date, issue further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement or form the subject of any arrangement to such an issue (whether or not such issue of Shares or securities of our Company will be completed within six months from the Listing Date), except for the Offer Shares to be issued pursuant to the Global Offering (including pursuant to the Over-allotment Option (as defined in the Prospectus)) or under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange and our Company that, except pursuant to the Global Offering (including the exercise of the Over-allotment Option), they will not (and will procure that any other registered holder (if any) of the Shares in which any of them has a beneficial interest will not) without the prior written consent of the Stock Exchange or unless otherwise in compliance with the Listing Rules:

- (i) in the period six months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which any of them is shown by this prospectus to be the beneficial owner (the “**Relevant Shares**”); and
- (ii) in the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, the Relevant Shares to such extent that, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they would cease to be a group of controlling shareholders of our Company for the purpose of the Listing Rules.

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Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, our Controlling Shareholders have further undertaken to each of the Stock Exchange and our Company that, within the period commencing on the Listing Date and ending on the date which is 12 months from the Listing Date, they will:

- (a) when they pledge or charge any Shares legally and/or beneficially owned by them in favor of an authorized institution relying on Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and
- (b) when they receive indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Stock Exchange as soon as we have been informed of the matters referred to in paragraph (a) and (b) above (if any) by our Controlling Shareholders and subject to the then applicable requirements of the Listing Rules disclose such matters by way of an announcement.

Undertakings to the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to each of the Sole Sponsor, the Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters that, except for the issue, offer or sale of the Offer Shares by our Company pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option), not to, and to procure each other member of our Group not to, without the prior written consent of the Sole Sponsor and the Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date falling six months after the Listing Date (the “**First Six-Month Period**”):

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants

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or other rights to purchase, any Shares or other securities of our Company or any interest in any of the foregoing) or deposit any Shares or other securities of our Company with a depository in connection with the issue of depository receipts; or

- (ii) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of any Shares or any other securities of our Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any interest in any of the foregoing); or
- (iii) enter into any transaction with the same economic effect as any transaction set out in paragraph (i) or (ii) above; or
- (iv) offer or agree or contract to effect any transaction set out in paragraphs (i), (ii) or (iii) above or publicly announce any intention to do so,

in each case, whether any of the transactions set out in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period). In the event that, during the six-month period commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), our Company enters into any of the transactions set out in paragraphs (i), (ii) or (iii) above or offers or agrees or contracts to, or publicly announces an intention to, enter into any such transactions, our Company will take all reasonable steps to ensure compliance with applicable legal and regulatory requirements relating to the avoidance of creating a disorderly or false market in the Shares or other securities of our Company.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders undertakes to each of the Sole Sponsor, the Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters that, without the prior written consent of the Sole Sponsor and the Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) that and unless in compliance with the Listing Rules:

- (a) save for any pledge or charge of Shares or other securities of our Company (in respect of which it is shown in this prospectus as the beneficial owner or as having any deemed or other interest) or any interest in any of the foregoing (including without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other securities of our Company) by him or it as security in favor of

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an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, during the First Six-Month Period, he or it will not and will procure that none of its affiliates will:

- (i) offer, pledge, charge, sell, offer, contract or agree to sell, pledge, assign, mortgage, charge, hypothecate, lend, grant or sell (or agree to grant or sell) any option, warrant, contract or right to subscribe for or purchase, grant or purchase (or agree to grant or purchase) any option, warrant, contract or right to sell, lend or otherwise transfer or dispose of, make any short sale, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including but not limited to any securities convertible into or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company), directly or indirectly held by him or it as of the date hereof;
- (ii) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company) directly or indirectly held by him or it as of the date hereof;
- (iii) enter into any transaction with the same economic effect as any transaction set out in paragraphs (i) or (ii); or
- (iv) publicly disclose that it will or may enter into any transaction set out in paragraphs (i), (ii) or (iii),

whether any of the transaction set out in paragraphs (i), (ii) or (iii) is to be settled by delivery of such capital or securities of our Company, in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period);

- (b) during the Second Six-Month Period, he or it will not enter into any transaction described in paragraphs (i), (ii) or (iii) or offer, agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such transaction, he or it will cease to be a Controlling Shareholder; and until the expiry of the Second Six-Month Period, in the event that he or it enters into any such transactions specified in paragraphs (i), (ii) or (iii) or offers, agrees or contracts to, or publicly announces an intention to enter into any such transaction, he or it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company; and

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- (c) at any time after the date hereof up to and including the date falling 12 months after the Listing Date, he or it shall:
- (i) if and when he or it pledges or charges any Shares or other securities of our Company (or any interests therein) beneficially owned by him or it, immediately inform our Company, the Sole Sponsor and the Overall Coordinator in writing of such pledge or charge together with the number of Shares or other securities (or interests therein) so pledged or charged; and
 - (ii) if and when he or it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or other securities (or interests therein) of our Company will be disposed of, immediately inform our Company, the Sole Sponsor and the Overall Coordinator in writing of such indications.

Hong Kong Underwriters' interests in our Company

Except for their respective obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters has any shareholding interest in the Company or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any securities of our Company.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

Commissions and Expenses

According to the Hong Kong Underwriting Agreement, the Capital Market Intermediaries will receive an underwriting commission of 2.2% of the aggregate Offer Price payable for the Hong Kong Offer Shares offered under the Hong Kong Public Offering (excluding any International Offer Shares reallocated to and from the Hong Kong Public Offering). For unsubscribed Hong Kong Offer Shares reallocated to the International Offering and International Offer Shares reallocated to the Hong Kong Public Offering, if any, our Company will pay an underwriting commission to the International Underwriters at the rate applicable to the International Offering as set out in the International Underwriting Agreement, and no underwriting commission will be paid to the Hong Kong Underwriters for such reallocated Offer Shares. In addition, our Company may, at its sole and absolute discretion, also pay to the Capital Market Intermediaries (in such proportions as our Company may solely determine) an incentive fee of up to 1% of the aggregate Offer Price in respect of the Hong Kong Offer Shares.

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Assuming discretionary fees will be fully paid, the aggregate amount of fees payable by us to all syndicate members will be 3.2% of the gross proceeds from the Global Offering, of which 68.75% will be fixed and 31.25% will be discretionary.

Indemnity

We have agreed to indemnify, among others, the Sole Sponsor, the Overall Coordinator, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach or alleged breach by us of the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, our Company expects to enter into the International Underwriting Agreement on the Price Determination Date with the International Underwriters. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. See “Structure of the Global Offering—The International Offering” in this prospectus.

Over-allotment Option

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Overall Coordinator (for itself and on behalf of the International Underwriters) from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, pursuant to which the Company may be required to issue up to an aggregate of 6,481,000 H Shares, representing not more than 15.00% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any. See “Structure of the Global Offering—The International Offering—Over-allotment Option” in this prospectus.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

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ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the H Shares, those activities could include acting as agents for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the H Shares, and entering into over-the-counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the H Shares (which financing may be secured by the H Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares, which may have a negative impact on the trading price of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

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All such activities may occur both during and after the end of the stabilizing period described in “Structure of the Global Offering” in this prospectus. Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to us and our affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (i) the Hong Kong Public Offering of initially 4,322,000 Offer Shares (subject to reallocation) in Hong Kong as described in the paragraph headed “The Hong Kong Public Offering” below; and
- (ii) the International Offering of an aggregate of initially 38,889,000 Offer Shares (subject to reallocation and the Over-allotment Option) outside the United States in offshore transactions in accordance with Regulation S, as described in the paragraph headed “The International Offering” below. At any time from the Listing Date until 30 days after the last day for the lodging of applications in the Hong Kong Public Offering, the Overall Coordinator (on behalf of the International Underwriters), has an option to require the Company to issue and allot up to an aggregate of 6,481,000 additional H Shares, representing approximately 15.00% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price to, among other things, cover over-allocations in the International Offering, if any.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 3.10% of the enlarged registered share capital of the Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 3.55% of the enlarged registered share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the section headed “Structure of the Global Offering—The International Offering—Over-allotment Option” below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the paragraph headed “The Hong Kong Public Offering—Reallocation and clawback” below.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

The Company is initially offering 4,322,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10.00% of the total number of Offer Shares initially available under the Global Offering. The Hong Kong Offer Shares will represent approximately 0.31% of the Company’s enlarged registered share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

STRUCTURE OF THE GLOBAL OFFERING

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed “Conditions of the Global Offering” below.

Allocation

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of the Hong Kong Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes (with any odd board lots being allocated to pool A): pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy, Stock Exchange trading fee and Accounting and Financial Reporting Council transaction levy payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy, Stock Exchange trading fee and Accounting and Financial Reporting Council transaction levy payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly.

For the purpose of the immediate preceding paragraph only, the “price” for the Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of the Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 2,161,000 Hong Kong Offer Shares (being 50.00% of the 4,322,000 Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

STRUCTURE OF THE GLOBAL OFFERING

Reallocation and clawback

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if the International Offering is fully subscribed or oversubscribed and certain prescribed total demand levels are reached under the Hong Kong Public Offering.

If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times and (c) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 12,964,000 Offer Shares (in the case of (a)), 17,285,000 Offer Shares (in the case of (b)) and 21,606,000 Offer Shares (in the case of (c)), representing approximately 30.00%, approximately 40.00% and approximately 50.00% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Overall Coordinator deem appropriate.

In addition, the Overall Coordinator may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done in the circumstance that the International Offer Shares are undersubscribed or other than pursuant to the clawback mechanism above, the total number of Offer Shares available under the Hong Kong Public Offering following such reallocation shall be not more than 8,644,000 Offer Shares (representing approximately 20.00% of the total number of Offer Shares initially available under the Global Offering), and the final Offer Price shall be fixed at the low-end of the indicative Offer Price Range (i.e., HK\$2.9 per Offer Share) stated in this prospectus.

If the Hong Kong Public Offering is not fully subscribed, the Overall Coordinator may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Overall Coordinator deem appropriate.

The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Overall Coordinator.

STRUCTURE OF THE GLOBAL OFFERING

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he has been or will be placed or allocated international Offer Shares under the International Offering.

The Listing is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$3.5 per Offer Share in addition to the brokerage, the SFC transaction levy, the Stock Exchange trading fee and Accounting and Financial Reporting Council transaction levy payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing of the Global Offering" below, is less than the maximum Offer Price of HK\$3.5 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy, the Stock Exchange trading fee and Accounting and Financial Reporting Council transaction levy attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

References in this prospectus to applications, the **GREEN** Application Form, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of an initial offering of 38,889,000 International Offer Shares representing approximately 90.00% of the Offer Shares under the Global Offering, assuming that the Over-allotment Option is not exercised, and approximately 2.79% of the Company's enlarged registered share capital immediately after the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of the International Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such International Offer Shares in Hong Kong and other jurisdictions outside the United States only in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in

STRUCTURE OF THE GLOBAL OFFERING

shares and other securities. Allocation of the International Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the paragraph headed “Pricing of the Global Offering” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and our Shareholders as a whole.

The Overall Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered the International Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Overall Coordinator so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of the Hong Kong Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of the Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback mechanism described in the paragraph headed “The Hong Kong Public Offering—Reallocation and clawback” above or the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, the Company is expected to grant an Over-allotment Option to the International Underwriters exercisable by the Overall Coordinator on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Overall Coordinator have the right, exercisable at any time from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require the Company to issue and allot up to an aggregate of 6,481,000 additional Offer Shares, representing approximately 15.00% of the initial number of Offer Shares to be offered in the Global Offering, at the same price per Offer Share under the International Offering to cover over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 0.46% of the Company’s enlarged registered share capital immediately following the completion of the Global Offering. In the event that the Over-allotment Option is exercised, an announcement will be made.

STRUCTURE OF THE GLOBAL OFFERING

STABILIZATION

Stabilization is a usual practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for them, on behalf of the International Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the H Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of H Shares than the International Underwriters are required to purchase in the Global Offering. “Covered” short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional H Shares or purchasing H Shares in the open market. In determining the source of the H Shares to close out the covered short position, the Stabilizing Manager will consider, among others, the price of the H Shares in the open market as compared to the price at which they may purchase additional H Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the H Shares while the Global Offering is in progress. Any market purchases of the H Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering.

The number of the H Shares that may be over-allocated will not exceed the number of the H Shares that may be sold under the Over-allotment Option, namely, 6,481,000 H Shares, which is approximately 15.00% of the number of Offer Shares initially available under the Global Offering assuming that the Over-allotment Option is not exercised, in the event that the whole or part of the Over-allotment Option is exercised.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

- (a) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the H Shares;

STRUCTURE OF THE GLOBAL OFFERING

- (b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any deduction in the market price;
- (c) subscribing, or agreeing to subscribe, for the H Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;
- (d) purchasing, or agreeing to purchase, the H Shares for the sole purpose of preventing or minimizing any reduction in the market price;
- (e) selling the H Shares to liquidate a long position held as a result of those purchases; and
- (f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the H Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the H Shares. The size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the H Shares.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the H Shares for longer than the stabilizing period, which begins on the day on which trading of the H Shares commences on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on Saturday, April 1, 2023. As a result, demand for the H Shares and their market price may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the H Shares. As a result, the price of the H Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of the H Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the H Shares by the Stabilizing Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the H Shares by applicants.

STRUCTURE OF THE GLOBAL OFFERING

In order to effect stabilization actions, the Stabilizing Manager will arrange cover of up to an aggregate of 6,481,000 H Shares, representing up to approximately 15.00% of the initial Offer Shares, through delayed delivery arrangements with investors who have been allocated Offer Shares in the International Offering. The delayed delivery arrangements (if specifically agreed to by an investor) relate only to the delay in the delivery of the Offer Shares to such investor and the Offer Price for the Offer Shares allocated to such investor will be fully paid prior to Listing, accordingly there will be no delayed settlement of payment of the Offer Shares. Both the size of such cover and the extent to which the Over-allotment Option can be exercised will depend on whether arrangements can be made with investors such that a sufficient number of H Shares can be delivered on a delayed basis. If no investor in the International Offering agrees to the delayed delivery arrangements, no stabilizing actions will be undertaken by the Stabilizing Manager and the Over-allotment Option will not be exercised.

A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring the International Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of the International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Thursday, March 2, 2023, and in any event on or before Friday, March 3, 2023, by agreement between the Overall Coordinator (for itself and on behalf of the Underwriters) and the Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will be not more than HK\$3.5 per Offer Share and is expected to be not less than HK\$2.9 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Applicants under the Hong Kong Public Offering must pay, on application, the maximum Offer Price of HK\$3.5 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and Accounting and Financial Reporting Council transaction levy of 0.00015% payable on each Offer Share. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in the prospectus.**

STRUCTURE OF THE GLOBAL OFFERING

REDUCTION IN OFFER PRICE RANGE AND/OR NUMBER OF OFFER SHARES

The Overall Coordinator (for itself and on behalf of the Underwriters), may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of the Company, reduce the number of Offer Shares offered in the Global Offering and/or the Offer Price below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be posted on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.logory.com) notices of the reduction. As soon as practicable after such reduction of the number of Offer Shares and/or the Offer Price, the Company will also issue a supplemental prospectus updating investors of such reduction together with (a) an update of all financial and other information in connection with such change, among other things, the changes to the Global Offering, change in the Offer Price, offer period and the impact of such change on the sufficiency of working capital and use of proceeds; and (b) where appropriate, the period under which the Hong Kong Public Offering is open for acceptance, and give potential investors who have applied for the Offer Shares to confirm their applications. In the event that the Company has not obtain a confirmation from the potential investors confirming their desire to proceed with their applications, their applications will be rejected. In the absence of the publication of any such notice and supplemental prospectus so published, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus.

Irrespective of whether the number of Offer Shares and/or the Offer Price range is reduced, the level of indications of interest in the Global Offering, the results of applications and the basis of allotment of the Hong Kong Offer Shares available under the Hong Kong Public Offering, are expected to be posted on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.logory.com).

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements and the respective Underwriting Agreements are summarized in the section headed “Underwriting” in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (a) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including the additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option); and 484,220,924 H Shares to be converted from Domestic Shares pursuant to the Conversion of Domestic Shares into H Shares;
- (b) the Offer Price having been fixed on or around the Price Determination Date;
- (c) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company on the websites of the Stock Exchange at www.hkexnews.hk and www.logory.com, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares—13. Refund of Application Monies” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

H Share certificates will only become valid at 8:00 a.m. on Thursday, March 9, 2023 provided that the Global Offering has become unconditional in all respects and the right of termination described in the section headed “Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination” has not been exercised.

STRUCTURE OF THE GLOBAL OFFERING

ADMISSION OF THE H SHARES INTO CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and the Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, March 9, 2023, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, March 9, 2023. The H Shares will be traded in board lots of 1,000 H Shares each and the stock code of the H Shares will be 2482.

HOW TO APPLY FOR HONG KONG OFFER SHARES

IMPORTANT NOTICE TO INVESTORS:

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the “*HKEXnews > New Listings > New Listing Information*” section, and our website at www.logory.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are the procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

1. HOW TO APPLY

We will not provide any printed application forms for use by the public.

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- (1) apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp) or at www.hkeipo.hk; or

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (2) apply through the **CCASS eIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
- (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
 - (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Overall Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

Eligibility for the Application

You can apply for the Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are a firm, the application must be in the individual members' names.

The number of joint applicants may not exceed four.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any of its subsidiaries;
- a Director, supervisor or chief executive officer of the Company and/or any of its subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above;
- a core connected person (as defined in the Listing Rules) of the Company or will become a core connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

Items Required for the Application

If you apply for the Hong Kong Offer Shares online through the **HK eIPO White Form** service, you must:

- (a) have a valid Hong Kong identity card number/passport number (for individual applicant) or Hong Kong business registration number/certificate of incorporation number (for body corporate applicant);
- (b) have a Hong Kong address; and
- (c) provide a valid e-mail address and a contact telephone number.

If you are applying for the Hong Kong Offer Shares online by instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

HOW TO APPLY FOR HONG KONG OFFER SHARES

3. TERMS AND CONDITIONS OF AN APPLICATION

By applying through the application channels specified in this prospectus, you:

- (i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Overall Coordinator (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Special Regulations and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of the Company, the Overall Coordinator, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, affiliates and advisors, and any other persons or parties involved in the Global Offering and the **HK eIPO White Form** Service Provider, is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to our Company, our H Share Registrar, receiving bank(s), the Overall Coordinator, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters and/or their respective directors, officers, employees, partners, agents, affiliates and advisors, and any other persons or parties involved in the Global Offering, any personal data which they may require about you and the person(s) for whose benefit you have made the application;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Overall Coordinator, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Underwriters nor any of their respective directors, officers, employees, partners, agents, affiliates and advisors, and any other persons or parties involved in the Global Offering, will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the **GREEN** Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S, and are not a U.S. person (as defined in Regulation S);
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any H Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the H Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, the Overall Coordinator, the Sole Global Coordinator and the Sole Sponsor will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider; and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as their agent.

For the avoidance of doubt, we and all other parties involved in the preparation of this prospectus acknowledge that each applicant and CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

4. MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 1,000 Hong Kong Offer Shares and in one of the numbers set out in the table below. You are required to pay the amount next to the number you select.

| No. of Hong Kong Offer Shares applied for | Amount payable on application HK\$ | No. of Hong Kong Offer Shares applied for | Amount payable on application HK\$ | No. of Hong Kong Offer Shares applied for | Amount payable on application HK\$ | No. of Hong Kong Offer Shares applied for | Amount payable on application HK\$ |
|--|---|--|---|--|---|--|---|
| 1,000 | 3,535.30 | 20,000 | 70,705.96 | 100,000 | 353,529.76 | 800,000 | 2,828,238.00 |
| 2,000 | 7,070.60 | 25,000 | 88,382.43 | 150,000 | 530,294.63 | 900,000 | 3,181,767.76 |
| 3,000 | 10,605.89 | 30,000 | 106,058.93 | 200,000 | 707,059.50 | 1,000,000 | 3,535,297.50 |
| 4,000 | 14,141.19 | 35,000 | 123,735.41 | 250,000 | 883,824.38 | 1,500,000 | 5,302,946.26 |
| 5,000 | 17,676.49 | 40,000 | 141,411.90 | 300,000 | 1,060,589.26 | 2,161,000 ⁽¹⁾ | 7,639,777.90 |
| 6,000 | 21,211.79 | 45,000 | 159,088.39 | 350,000 | 1,237,354.13 | | |
| 7,000 | 24,747.08 | 50,000 | 176,764.88 | 400,000 | 1,414,119.00 | | |
| 8,000 | 28,282.38 | 60,000 | 212,117.86 | 450,000 | 1,590,883.88 | | |
| 9,000 | 31,817.68 | 70,000 | 247,470.83 | 500,000 | 1,767,648.76 | | |
| 10,000 | 35,352.98 | 80,000 | 282,823.80 | 600,000 | 2,121,178.50 | | |
| 15,000 | 53,029.47 | 90,000 | 318,176.78 | 700,000 | 2,474,708.26 | | |

Note:

- (1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Applicants who meet the criteria in “2. Who can apply” in this section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the **IPO App** or the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are in the **IPO App** or on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the **IPO App** or the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application to the **HK eIPO White Form** Service Provider in the **IPO App** or at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, February 27, 2023 until 11:30 a.m. on Thursday, March 2, 2023 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, March 2, 2023 or such later time under “10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists” in this section.

No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

6. APPLYING THROUGH THE CCASS EIPO SERVICE

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor, the Overall Coordinator, the Sole Global Coordinator and the H Share Registrar.

Applying through the CCASS EIPO Service

Where you have applied through the **CCASS EIPO** service (either indirectly through a broker or custodian or directly) and an application is made by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus; and
- (ii) HKSCC Nominees will do the following things on your behalf:
 - **agree** that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - **agree** to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - **undertake** and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering;
 - (if the **electronic application instructions** are given for your benefit) **declare** that only one set of **electronic application instructions** has been given for your benefit;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (if you are an agent for another person) **declare** that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- **confirm** that you understand that our Company, the Directors, the Overall Coordinator and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- **authorize** our Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send H Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- **confirm** that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- **agree** that none of the Company, the Overall Coordinator, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, their respective directors, officers, employees, partners, agents, affiliates and advisors, and any other persons or parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- **agree** to disclose your personal data to our Company, our H Share Registrar, receiving bank(s), Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters and/or its respective directors, officers, employees, partners, agents, affiliates and advisors, and any other persons or parties involved in the Global Offering;
- **agree** (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- **agree** that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong

HOW TO APPLY FOR HONG KONG OFFER SHARES

Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- **agree** that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- **agree** to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for the Hong Kong Offer Shares;
- **agree** with the Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the PRC Company Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Special Regulations and the Articles of Association;
- **agree** with the Company, for itself and for the benefit of each of the Shareholder and each Director, supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each of the Shareholder and each Director, supervisor, manager and other senior officer of the Company, with each CCASS Participant giving **electronic application instructions**):
 - (a) to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or any other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (b) that any award made in such arbitration shall be final and conclusive; and
- (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;
- **agree** with the Company (for the Company itself and for the benefit of each Shareholder of the Company) that the H Shares are freely transferable by their holders;
- **authorize** the Company to enter into a contract on its behalf with each director and officer of the Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association; and
- **agree** that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Applying through the CCASS EIPO Service

By applying through the **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and Accounting and Financial Reporting Council transaction levy by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy, the Stock Exchange trading fee and Accounting and Financial Reporting Council transaction levy) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Inputting Electronic Application Instructions^(Note)

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Monday, February 27, 2023—9:00 a.m. to 8:30 p.m.
- Tuesday, February 28, 2023—8:00 a.m. to 8:30 p.m.
- Wednesday, March 1, 2023—8:00 a.m. to 8:30 p.m.
- Thursday, March 2, 2023—8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, February 27, 2023 until 12:00 noon on Thursday, March 2, 2023 (24 hours daily, except on Thursday, March 2, 2023, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, March 2, 2023, the last application day or such later time as described in “10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists” in this section.

Note: These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

If you are instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Personal Data

The following Personal Information Collection Statement applies to any personal data held by us, the H Share Registrar, the receiving bank, the Overall Coordinator, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, their respective directors, officers, employees, partners, agents, affiliates and advisors, and any other persons or parties involved in the Global Offering about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through the **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of us and our H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to us or our agents and the H Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of us or our H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the despatch of H Share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform us and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;

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- registering new issues or transfers into or out of the names of the holders of our Shares including, where applicable, HKSCC Nominees;
- maintaining or updating our register of members;
- verifying identities of the holders of our Shares;
- establishing benefit entitlements of holders of our Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from us and our subsidiaries;
- compiling statistical information and profiles of the holder of our Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable us and the H Share Registrar to discharge our or their obligations to holders of our Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of personal data

Personal data held by us and our H Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but we and our H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our appointed agents such as financial advisors, receiving bank and overseas principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to us or the H Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Retention of personal data

We and our H Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

Access to and correction of personal data

Holders of the Hong Kong Offer Shares have the right to ascertain whether we or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. We and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to us, at our registered address disclosed in the section headed “Corporate Information” in this prospectus or as notified from time to time, for the attention of the secretary, or our H Share Registrar for the attention of the privacy compliance officer.

7. WARNING FOR ELECTRONIC APPLICATIONS

The application for the Hong Kong Offer Shares by the **CCASS eIPO** service (directly or indirectly through your broker or custodian) is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Overall Coordinator, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters and the **HK eIPO White Form** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **CCASS eIPO** service or person applying through the **HK eIPO White Form** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems.

In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, March 2, 2023.

HOW TO APPLY FOR HONG KONG OFFER SHARES

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee and apply through the **HK eIPO White Form** service, in the box marked “For Nominees”, you must include an account number or some other identification code for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner when you fill in the application details. If you do not include this information, the application will be treated as being made for your own benefit.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your broker or custodian) or through the **HK eIPO White Form** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.

For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your behalf to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

The H Share Registrar would record all applications into its system and identify suspected multiple applications with identical names, identification document numbers and reference numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications issued by the Federation of Share Registrars Limited.

With regard to the announcement of results of allocations under the section headed “Results of Applications Made by Giving **Electronic Application Instructions** to HKSCC via CCASS”, the list of identification document number(s) may not be a complete list of successful applicants, only successful applicants whose identification document numbers are provided to HKSCC by CCASS Participants are disclosed. Applicants who applied for the Offer Shares through their brokers can consult their brokers to enquire about their application results.

Since applications are subject to personal information collection statements, beneficial owner identification codes displayed are redacted. Applicants with beneficial names only but not identification document numbers are not disclosed due to personal privacy issue.

If an unlisted company makes an application and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

HOW TO APPLY FOR HONG KONG OFFER SHARES

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the registered share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK\$3.5 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and Accounting and Financial Reporting Council transaction levy of 0.00015%. This means that for one board lot of 1,000 Hong Kong Offer Shares, you will pay HK\$3,535.30.

You must pay the maximum Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and Accounting and Financial Reporting Council transaction levy in full upon application for the Hong Kong Offer Shares.

You may submit an application through the **HK eIPO White Form** service or the **CCASS EIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. If you make an **electronic application instruction** for more than 1,000 Hong Kong Offer Shares, the number of Hong Kong Offer Shares you apply for must be in one of the specified numbers set out in the section headed “4. Minimum Application Amount and Permitted Numbers”, or as otherwise specified in the **IPO App** or on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC), and Accounting and Financial Reporting Council transaction levy will be paid to Hong Kong Exchanges and Clearing Limited who shall collect such levy on behalf of the Accounting and Financial Reporting Council.

For further details on the Offer Price, see the section headed “Structure of the Global Offering—Pricing of the Global Offering” in this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, March 2, 2023. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, March 2, 2023 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event on our website at www.logory.com and the website of the Stock Exchange at www.hkexnews.hk.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, March 8, 2023 on the websites of the Company (www.logory.com) and of the Stock Exchange (www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration/certificate of incorporation numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the websites of the Company at www.logory.com and of the Stock Exchange at www.hkexnews.hk by no later than 8:00 a.m. on Wednesday, March 8, 2023;
- from “IPO Results” function in the **IPO App** or the designated results of allocations website at www.tricor.com.hk/ipo/result or www.hkeipo.hk/IPOResult with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Wednesday, March 8, 2023 to 12:00 midnight on Tuesday, March 14, 2023; or

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- from the results allocation telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, March 8, 2023 to Monday, March 13, 2023 (excluding Saturday, Sunday and public holiday in Hong Kong).

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED THE OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

If your application is revoked:

By applying through the **CCASS EIPO** service or through the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

- if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person’s responsibility for this prospectus; or

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- if any supplement to this prospectus is issued, in which case we will notify applicants who have already submitted an application that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

If our Company or its agents exercise their discretion to reject your application:

The Company, the Overall Coordinator, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and our and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** or on the designated website at www.hkeipo.hk;
- your payment is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- the Company, the Overall Coordinator or the Sole Global Coordinator believes or believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$3.5 per Offer Share (excluding brokerage, SFC transaction levy, the Stock Exchange trading fee and Accounting and Financial Reporting Council transaction levy thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed “Structure of the Global Offering—Conditions of the Global Offering” in this prospectus, or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, the Stock Exchange trading fee and Accounting and Financial Reporting Council transaction levy, will be refunded, without interest.

Any refund of your application monies will be made on or before Wednesday, March 8, 2023.

14. DESPATCH/COLLECTION OF H SHARE CERTIFICATES/e-AUTO REFUND PAYMENT INSTRUCTIONS/REFUND CHEQUE(S)

You will receive one H Share certificate for all the Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made via the **CCASS EIPO** service where the H Share certificates will be deposited into CCASS as described below).

The Company will not issue temporary document of title in respect of the Offer Shares. The Company will not issue receipt for sums paid on application.

Subject to arrangement on despatch/collection of H Share certificates and refund cheque(s) as mentioned below, any refund cheque(s) and H Share certificate(s) are expected to be posted on or before Wednesday, March 8, 2023. The right is reserved to retain any H Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier order(s).

H Share certificates will only become valid at 8:00 a.m. on Thursday, March 9, 2023, provided that the Global Offering has become unconditional in all respects at or before that time.

Investors who trade H Shares on the basis of publicly available allocation details or prior to the receipt of the H Share certificates or prior to the H Share certificates becoming valid do so entirely at their own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Personal Collection

(i) If You Apply through the HK eIPO White Form Service

If you apply for 1,000,000 or more Hong Kong Offer Shares through the **HK eIPO White Form** service, and your application is wholly or partially successful, you may collect refund cheque(s) (where applicable) and/or your H Share certificate(s) from the H Share Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, March 8, 2023, or such other place or date as notified by the Company.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for 1,000,000 or less Hong Kong Offer Shares through the **HK eIPO White Form** service, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, March 8, 2023 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) in favour of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at your own risk.

(ii) If You Apply through CCASS EIPO Service

Allocation of the Hong Kong Offer Shares

For the purposes of allocating the Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Deposit of H Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, March 8, 2023, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "11. Publication of Results" above on Wednesday, March 8, 2023. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, March 8, 2023 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you can also check the number of the Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of the Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, March 8, 2023. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of the Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy, the Stock Exchange trading fee and Accounting and Financial Reporting Council transaction levy without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, March 8, 2023.

HOW TO APPLY FOR HONG KONG OFFER SHARES

15. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our H Shares and we comply with the stock admission requirements of HKSCC, our H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report on Logory Logistics Technology Co., Ltd., prepared for the purpose of incorporation in this document received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.



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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF LOGORY LOGISTICS TECHNOLOGY CO., LTD. AND HAITONG INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Logory Logistics Technology Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-3 to I-102, which comprises the consolidated statements of profit or loss and comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2019, 2020 and 2021, and the nine months ended 30 September 2022 (the “Relevant Periods”), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2019, 2020 and 2021 and 30 September 2022 and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-3 to I-102 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 27 February 2023 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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 set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors 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.

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' judgement, 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 set out in note 2.1 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 purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2019, 2020 and 2021 and 30 September 2022 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the nine months ended 30 September 2021 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review 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 HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange 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-3 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

Certified Public Accountants

Hong Kong

27 February 2023

I HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

| | Notes | Year ended 31 December | | | Nine months ended 30 September | |
|---|-------|------------------------|---------------|---------------|--------------------------------|--------------|
| | | 2019 | 2020 | 2021 | 2021 | 2022 |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | | | (unaudited) |
| REVENUE | 5 | 3,560,542 | 4,664,587 | 6,297,250 | 4,676,704 | 4,710,591 |
| Cost of revenue | 6 | (3,348,716) | (4,363,629) | (5,897,389) | (4,382,496) | (4,451,508) |
| GROSS PROFIT | | 211,826 | 300,958 | 399,861 | 294,208 | 259,083 |
| Other income and gains | 5 | 8,040 | 13,277 | 25,782 | 18,484 | 22,597 |
| Selling and marketing expenses | 6 | (109,006) | (129,575) | (153,602) | (114,727) | (109,489) |
| Administrative expenses | 6 | (48,510) | (53,907) | (86,718) | (56,407) | (73,584) |
| Research and development expenses | 6 | (29,872) | (46,741) | (72,821) | (48,209) | (58,221) |
| (Impairment)/reversal of impairment of financial and contract assets, net | 6 | (8,598) | (7,896) | (9,659) | 1,077 | 412 |
| Other expenses | 6 | (10,324) | (33,586) | (39,222) | (21,710) | (30,900) |
| Finance costs | 7 | (16,186) | (6,697) | (4,925) | (2,533) | (3,490) |
| Share of losses of associates | | (579) | (786) | (778) | (614) | (1,195) |
| (LOSS)/PROFIT BEFORE TAX | | (3,209) | 35,047 | 57,918 | 69,569 | 5,213 |
| Income tax expense | 10 | (89) | (8,977) | (7,174) | (12,849) | (1,514) |
| (LOSS)/PROFIT FOR THE YEAR/PERIOD | | <u>(3,298)</u> | <u>26,070</u> | <u>50,744</u> | <u>56,720</u> | <u>3,699</u> |
| Attributable to: | | | | | | |
| Owners of the parent | | (3,516) | 26,070 | 50,744 | 56,720 | 3,699 |
| Non-controlling interests | | 218 | — | — | — | — |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | | | | |
| Basic and diluted | 12 | <u>—</u> | <u>0.02</u> | <u>0.04</u> | <u>0.04</u> | <u>—</u> |

| Notes | Year ended 31 December | | | Nine months ended 30 September | |
|--|------------------------|---------------|---------------|-----------------------------------|--------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | (unaudited) | |
| (LOSS)/PROFIT FOR THE YEAR/PERIOD | (3,298) | 26,070 | 50,744 | 56,720 | 3,699 |
| OTHER COMPREHENSIVE INCOME | | | | | |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods: | | | | | |
| Equity investments designated at fair value through other comprehensive income: | | | | | |
| Changes in fair value | — | — | 120 | — | — |
| Income tax effect | — | — | (30) | — | — |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX | — | — | 90 | — | — |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD | <u>(3,298)</u> | <u>26,070</u> | <u>50,834</u> | <u>56,720</u> | <u>3,699</u> |
| Attributable to: | | | | | |
| Owners of the parent | (3,516) | 26,070 | 50,834 | 56,720 | 3,699 |
| Non-controlling interests | <u>218</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | <i>Notes</i> | As at 31 December | | | As at |
|--|--------------|-------------------|------------------|------------------|------------------|
| | | 2019 | 2020 | 2021 | 30 September |
| | | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | 2022 |
| | | | | <i>RMB'000</i> | |
| NON-CURRENT ASSETS | | | | | |
| Property, plant and equipment | 13 | 84,300 | 80,119 | 71,209 | 68,046 |
| Right-of-use assets | 14 | 9,415 | 8,472 | 9,323 | 7,773 |
| Intangible assets | 15 | 2,079 | 1,194 | 1,542 | 1,835 |
| Investments in associates | 16 | 5,421 | 6,236 | 6,258 | 9,663 |
| Equity investments designated at fair value through other comprehensive income | 17 | 1,000 | 1,000 | — | — |
| Prepayments, other receivables and other assets | 21 | — | — | 2,814 | 2,665 |
| Deferred tax assets | 28 | 13,667 | 9,042 | 12,849 | 16,323 |
| Total non-current assets | | <u>115,882</u> | <u>106,063</u> | <u>103,995</u> | <u>106,305</u> |
| CURRENT ASSETS | | | | | |
| Inventories | 18 | 686 | 555 | 3,144 | 4,206 |
| Trade and notes receivables | 19 | 128,631 | 189,373 | 176,284 | 93,011 |
| Contract assets | 20 | 6,340 | 5,098 | 7,112 | 4,764 |
| Prepayments, other receivables and other assets | 21 | 1,215,133 | 1,583,208 | 1,638,719 | 1,176,325 |
| Financial assets at fair value through profit or loss (“FVTPL”) | 22 | 358 | 358 | 5,010 | 110,000 |
| Pledged deposits | 23 | 3,473 | 502 | — | — |
| Restricted bank deposits | 23 | — | — | — | 4,068 |
| Cash and cash equivalents | 23 | 350,385 | 421,654 | 728,838 | 508,736 |
| Total current assets | | <u>1,705,006</u> | <u>2,200,748</u> | <u>2,559,107</u> | <u>1,901,110</u> |

| | Notes | As at 31 December | | | As at |
|--|-------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | 2019 | 2020 | 2021 | 30 September |
| | | RMB'000 | RMB'000 | RMB'000 | 2022 |
| | | | | RMB'000 | |
| CURRENT LIABILITIES | | | | | |
| Trade payables | 24 | 111,724 | 151,009 | 113,298 | 91,699 |
| Other payables and accruals | 25 | 1,409,675 | 1,776,352 | 1,896,712 | 1,324,221 |
| Contract liabilities | 26 | 8,612 | 11,148 | 10,259 | 12,413 |
| Interest-bearing bank and other borrowings | 27 | 95,162 | 57,776 | 92,194 | 11,819 |
| Lease liabilities | 14 | 2,282 | 2,093 | 2,839 | 2,771 |
| Tax payable | | 4,206 | 3,824 | 11,648 | 10,952 |
| Total current liabilities | | <u>1,631,661</u> | <u>2,002,202</u> | <u>2,126,950</u> | <u>1,453,875</u> |
| NET CURRENT ASSETS | | <u>73,345</u> | <u>198,546</u> | <u>432,157</u> | <u>447,235</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | | | |
| | | <u>189,227</u> | <u>304,609</u> | <u>536,152</u> | <u>553,540</u> |
| NON-CURRENT LIABILITIES | | | | | |
| Lease liabilities | 14 | <u>1,698</u> | <u>1,355</u> | <u>717</u> | <u>739</u> |
| Total non-current liabilities | | <u>1,698</u> | <u>1,355</u> | <u>717</u> | <u>739</u> |
| NET ASSETS | | <u><u>187,529</u></u> | <u><u>303,254</u></u> | <u><u>535,435</u></u> | <u><u>552,801</u></u> |
| EQUITY | | | | | |
| Equity attributable to owners of the parent | | | | | |
| Share capital | 29 | 78,771 | 80,084 | 84,417 | 84,417 |
| Reserves | 31 | <u>108,758</u> | <u>223,170</u> | <u>451,018</u> | <u>468,384</u> |
| TOTAL EQUITY | | <u><u>187,529</u></u> | <u><u>303,254</u></u> | <u><u>535,435</u></u> | <u><u>552,801</u></u> |

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Attributable to owners of the parent | | | | | | | Non-controlling interests | Total equity |
|--|--------------------------------------|-----------------|------------------------------|---------------------------|----------------|--------------------|----------------|---------------------------|----------------|
| | Share capital | Capital reserve | Share-based payments reserve | Statutory surplus reserve | Other reserve | Accumulated losses | Total | | |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | | |
| | <i>Note 29</i> | <i>Note 31</i> | <i>Note 30</i> | <i>Note 31</i> | <i>Note 31</i> | | | | |
| As at 1 January 2019 | 66,956 | 48,044 | 78,403 | 625 | — | (221,368) | (27,340) | (2,306) | (29,646) |
| Issue of shares | 11,815 | 207,355 | — | — | — | — | 219,170 | — | 219,170 |
| Total comprehensive income for the year | — | — | — | — | — | (3,516) | (3,516) | 218 | (3,298) |
| Equity-settled share-based payments | — | — | 1,503 | — | — | — | 1,503 | — | 1,503 |
| Acquisition of non-controlling interests | — | — | — | — | (2,288) | — | (2,288) | 2,088 | (200) |
| At 31 December 2019 | <u>78,771</u> | <u>255,399</u> | <u>79,906</u> | <u>625</u> | <u>(2,288)</u> | <u>(224,884)</u> | <u>187,529</u> | <u>—</u> | <u>187,529</u> |
| As at 1 January 2020 | 78,771 | 255,399 | 79,906 | 625 | (2,288) | (224,884) | 187,529 | — | 187,529 |
| Issue of shares | 1,313 | 73,039 | — | — | — | — | 74,352 | — | 74,352 |
| Total comprehensive income for the year | — | — | — | — | — | 26,070 | 26,070 | — | 26,070 |
| Equity-settled share-based payments | — | — | 15,303 | — | — | — | 15,303 | — | 15,303 |
| At 31 December 2020 | <u>80,084</u> | <u>328,438</u> | <u>95,209</u> | <u>625</u> | <u>(2,288)</u> | <u>(198,814)</u> | <u>303,254</u> | <u>—</u> | <u>303,254</u> |

| | Attributable to owners of the parent | | | | | | | | | |
|---|--------------------------------------|-----------------|------------------------------|---------------------------|---|----------------|--------------------|----------------|---------------------------|----------------|
| | Share capital | Capital reserve | Share-based payments reserve | Statutory surplus reserve | Fair value reserve of financial assets at fair value through other comprehensive income | Other reserve | Accumulated losses | Total | Non-controlling interests | Total equity |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | <i>Note 29</i> | <i>Note 31</i> | <i>Note 30</i> | <i>Note 31</i> | <i>Note 31</i> | <i>Note 31</i> | | | | |
| As at 1 January 2021 | 80,084 | 328,438 | 95,209 | 625 | — | (2,288) | (198,814) | 303,254 | — | 303,254 |
| Issue of shares | 4,333 | 160,667 | — | — | — | — | — | 165,000 | — | 165,000 |
| Total comprehensive income for the year | — | — | — | — | 90 | — | 50,744 | 50,834 | — | 50,834 |
| Equity-settled share-based payments | — | — | 22,347 | — | — | — | — | 22,347 | — | 22,347 |
| Other comprehensive income that has been reclassified to accumulated losses | — | — | — | — | (90) | — | 90 | — | — | — |
| Acquisition of non-controlling interests | — | — | — | — | — | (6,000) | — | (6,000) | — | (6,000) |
| At 31 December 2021 | <u>84,417</u> | <u>489,105</u> | <u>117,556</u> | <u>625</u> | <u>—</u> | <u>(8,288)</u> | <u>(147,980)</u> | <u>535,435</u> | <u>—</u> | <u>535,435</u> |

| | Attributable to owners of the parent | | | | | | | | Total equity |
|---|--------------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|--------------------|----------------|---------------------------|----------------|
| | Share capital | Capital reserve | Share-based payments reserve | Statutory surplus reserve | Other reserve | Accumulated losses | Total | Non-controlling interests | |
| | <i>RMB'000</i> <i>Note 29</i> | <i>RMB'000</i> <i>Note 31</i> | <i>RMB'000</i> <i>Note 30</i> | <i>RMB'000</i> <i>Note 31</i> | <i>RMB'000</i> <i>Note 31</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | |
| As at 1 January 2022 | 84,417 | 489,105 | 117,556 | 625 | (8,288) | (147,980) | 535,435 | — | 535,435 |
| Total comprehensive income for the period | — | — | — | — | — | 3,699 | 3,699 | — | 3,699 |
| Equity-settled share-based payments | — | — | 13,667 | — | — | — | 13,667 | — | 13,667 |
| At 30 September 2022 | 84,417 | 489,105 | 131,223 | 625 | (8,288) | (144,281) | 552,801 | — | 552,801 |
| As at 1 January 2021 | 80,084 | 328,438 | 95,209 | 625 | (2,288) | (198,814) | 303,254 | — | 303,254 |
| Issue of shares | 4,333 | 160,667 | — | — | — | — | 165,000 | — | 165,000 |
| Total comprehensive income for the period (unaudited) | — | — | — | — | — | 56,720 | 56,720 | — | 56,720 |
| Equity-settled share-based payments (unaudited) | — | — | 15,060 | — | — | — | 15,060 | — | 15,060 |
| Acquisition of non-controlling interests (unaudited) | — | — | — | — | (6,000) | — | (6,000) | — | (6,000) |
| At 30 September 2021 (unaudited) | 84,417 | 489,105 | 110,269 | 625 | (8,288) | (142,094) | 534,034 | — | 534,034 |

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year ended 31 December | | | Nine months ended 30 September | |
|--|------------------------|----------------|----------------|-----------------------------------|----------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | | | | <i>(unaudited)</i> | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| (Loss)/profit before tax | (3,209) | 35,047 | 57,918 | 69,569 | 5,213 |
| Adjustments for: | | | | | |
| Finance costs | 16,186 | 6,697 | 4,925 | 2,533 | 3,490 |
| Interest income | (995) | (2,393) | (5,001) | (4,735) | (4,642) |
| Investment income arising from financial investments | (46) | (50) | (4,179) | (1,709) | (3,488) |
| Changes in fair value of FVTPL | — | — | 358 | — | — |
| Share of losses of associates | 579 | 786 | 778 | 614 | 1,195 |
| Equity-settled share-based payments expenses | 1,503 | 15,303 | 22,347 | 15,060 | 13,667 |
| Loss on disposal of items of property, plant and equipment, net | 25 | 211 | 494 | — | 197 |
| Loss on revision of lease terms | — | — | — | — | 8 |
| Depreciation of property, plant and equipment | 8,540 | 12,393 | 13,431 | 10,066 | 9,065 |
| Depreciation of right-of-use assets | 3,483 | 3,315 | 3,060 | 2,309 | 2,203 |
| Amortisation of intangible assets | 1,281 | 1,243 | 782 | 705 | 303 |
| Impairment/(reversal of impairment) of financial and contract assets, net | 8,598 | 7,896 | 9,659 | (1,077) | (412) |
| Impairment of investments in associates | 920 | — | — | — | — |
| Impairment of inventories | — | — | 460 | — | 331 |
| (Increase)/decrease in inventories | (146) | 131 | (3,049) | (426) | (1,393) |
| (Increase)/decrease in trade and notes receivables | (27,625) | (66,873) | 13,331 | (49,851) | 82,641 |
| (Increase)/decrease in contract assets | (4,946) | 1,272 | (2,061) | (452) | 2,397 |
| (Increase)/decrease in prepayments, other receivables and other assets | (308,743) | (370,573) | (68,059) | (72,849) | 468,237 |
| (Increase)/decrease in pledged deposits | (1,476) | 2,971 | 502 | 502 | — |
| Increase in restricted bank deposits | — | — | — | — | (4,068) |

| | Year ended 31 December | | | Nine months ended 30 September | |
|--|------------------------|----------------|----------------|-----------------------------------|----------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | | | | <i>(unaudited)</i> | |
| Increase/(decrease) in trade payables | 44,861 | 39,285 | (37,711) | 45,337 | (21,599) |
| Increase/(decrease) in other payables and accruals | 326,885 | 367,649 | 121,494 | 87,774 | (571,480) |
| Increase/(decrease) in contract liabilities | 2,322 | 2,536 | (889) | 4,468 | 2,154 |
| Cash generated from/(used in) operations | 67,997 | 56,846 | 128,590 | 107,838 | (15,981) |
| Interest received | 995 | 2,393 | 5,001 | 4,735 | 4,642 |
| Income tax paid | (8,043) | (4,032) | (3,187) | (1,776) | (10,383) |
| Net cash flows from/(used in) operating activities | 60,949 | 55,207 | 130,404 | 110,797 | (21,722) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Purchases of items of property, plant and equipment | (16,428) | (9,448) | (6,285) | (4,736) | (8,172) |
| Purchase of intangible assets | — | (403) | (1,292) | (375) | (673) |
| Investments in associates | (6,000) | (1,600) | (800) | (800) | (4,600) |
| Purchase of FVTPL financial assets | (24,000) | (15,010) | (2,306,008) | (1,461,011) | (3,007,000) |
| Purchase of equity investments designated at fair value through other comprehensive income | (1,000) | — | — | — | — |
| Proceeds from disposal of equity investments designated at fair value through other comprehensive income | — | — | 1,000 | — | — |
| Proceeds from disposal of items of property, plant and equipment | 863 | 98 | 298 | 344 | 1,139 |
| Maturity or disposal of FVTPL financial assets | 24,046 | 15,060 | 2,305,177 | 1,318,712 | 2,905,498 |
| Net cash flows used in investing activities | (22,519) | (11,303) | (7,910) | (147,866) | (113,808) |

| | Year ended 31 December | | | Nine months ended 30 September | |
|--|------------------------|-------------|-------------|--------------------------------|-----------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | <i>(unaudited)</i> | |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Proceeds from issue of shares | 219,170 | 74,352 | 165,000 | 165,000 | — |
| Proceeds from interest-bearing bank and other borrowings | 1,426,200 | 1,003,653 | 1,150,640 | 857,550 | 244,686 |
| Repayment of interest-bearing bank and other borrowings | (1,479,264) | (1,041,039) | (1,118,387) | (879,757) | (323,148) |
| Interest paid | (16,186) | (6,697) | (2,760) | (2,533) | (5,403) |
| Acquisition of non-controlling interests | (200) | — | (6,000) | (6,000) | — |
| Principal portion of lease payments | (3,280) | (2,904) | (3,803) | (1,947) | (707) |
| Net cash flows from/(used in) financing activities | 146,440 | 27,365 | 184,690 | 132,313 | (84,572) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 184,870 | 71,269 | 307,184 | 95,244 | (220,102) |
| Cash and cash equivalents at beginning of year/period | 165,515 | 350,385 | 421,654 | 421,654 | 728,838 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD | 350,385 | 421,654 | 728,838 | 516,898 | 508,736 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | | | |
| Cash and bank balances | 353,858 | 422,156 | 728,838 | 516,898 | 512,804 |
| Less: Pledged deposits | (3,473) | (502) | — | — | — |
| Restricted bank deposits | — | — | — | — | (4,068) |
| CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AND STATEMENTS OF CASH FLOWS | 350,385 | 421,654 | 728,838 | 516,898 | 508,736 |

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

| | Notes | As at 31 December | | | As at |
|--|-------|-------------------|---------|---------|--------------|
| | | | | | 30 September |
| | | 2019 | 2020 | 2021 | 2022 |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| NON-CURRENT ASSETS | | | | | |
| Property, plant and equipment | 13 | 68,724 | 64,657 | 60,973 | 61,111 |
| Right-of-use assets | 14 | 4,722 | 4,354 | 7,205 | 6,434 |
| Intangible assets | | 2,079 | 1,194 | 1,249 | 1,588 |
| Investments in subsidiaries | | 214,815 | 290,300 | 373,600 | 374,600 |
| Investments in associates | | 5,421 | 6,236 | 6,258 | 9,663 |
| Prepayments, other receivables and other assets | 21 | — | — | 2,814 | 2,605 |
| Deferred tax assets | | 3,319 | 405 | 1,061 | 4,573 |
| Total non-current assets | | 299,080 | 367,146 | 453,160 | 460,574 |
| CURRENT ASSETS | | | | | |
| Trade and notes receivables | | 3,647 | 1,411 | 4,987 | 342 |
| Prepayments, other receivables and other assets | 21 | 219,493 | 255,416 | 233,519 | 235,881 |
| FVTPL | | 358 | 358 | 5,010 | 110,000 |
| Pledged deposits | 23 | 3,473 | 502 | — | — |
| Cash and cash equivalents | 23 | 93,789 | 103,635 | 421,819 | 134,333 |
| Total current assets | | 320,760 | 361,322 | 665,335 | 480,556 |
| CURRENT LIABILITIES | | | | | |
| Trade payables | | 330 | 221 | 1,912 | 569 |
| Other payables and accruals | 25 | 220,982 | 229,625 | 421,702 | 248,283 |
| Contract liabilities | 26 | 7,967 | 8,871 | 9,170 | 9,460 |
| Interest-bearing bank and other borrowings | 27 | 43,000 | 30,000 | — | — |
| Lease liabilities | | 135 | — | 1,870 | 1,869 |
| Tax payable | | 112 | 229 | 3,845 | 126 |
| Total current liabilities | | 272,526 | 268,946 | 438,499 | 260,307 |

| | <i>Notes</i> | As at 31 December | | | As at |
|--|--------------|-------------------|----------------|----------------|-------------------------------|
| | | 2019 | 2020 | 2021 | 30 September |
| | | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>2022</i> <i>RMB'000</i> |
| NET CURRENT ASSETS | | 48,234 | 92,376 | 226,836 | 220,249 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 347,314 | 459,522 | 679,996 | 680,823 |
| NON-CURRENT LIABILITIES | | | | | |
| Lease liabilities | | — | — | — | 339 |
| Total non-current liabilities | | — | — | — | 339 |
| NET ASSETS | | 347,314 | 459,522 | 679,996 | 680,484 |
| EQUITY | | | | | |
| Share capital | 29 | 78,771 | 80,084 | 84,417 | 84,417 |
| Reserves | 31 | 268,543 | 379,438 | 595,579 | 596,067 |
| TOTAL EQUITY | | 347,314 | 459,522 | 679,996 | 680,484 |

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a joint stock company with limited liability established in the People's Republic of China ("PRC"). The registered office of the Company is located at No. 2700 Chuang Xin Avenue, High-tech District, Hefei, Anhui Province, China.

During the Relevant Periods, the Company and its subsidiaries are principally engaged in digital freight businesses including freight transportation services and freight platform services.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of the principal subsidiaries are set out below:

| Name of subsidiaries | Notes | Place and date of incorporation/ registration and place of operations | Nominal value of registered share capital | Percentage of effective equity interest attributable to the Company | Principal activities |
|--|-------------------|---|--|---|-------------------------------|
| <u>Directly held:</u> | | | | | |
| Hubei Log Logistics Co., Ltd. ("Hubei Log") (湖北路歌物流有限公司) | (e) | PRC 3 November 2014 | RMB12,000,000 | 100% | Digital freight businesses |
| Anhui Jinwang Express Logistics Technology Co., Ltd. ("Anhui Jinwang Express") (安徽金網運通物流科技有限公司) | (e) | PRC 12 August 2016 | RMB50,000,000 | 100% | Digital freight businesses |
| Anhui Yuntongda Logistics Technology Co., Ltd. ("Anhui Yuntongda") (安徽運通達物流科技有限公司) | (a) (b) (d) | PRC 7 September 2017 | RMB50,000,000 | 100% | Digital freight businesses |
| Shaanxi Zhongcheng Technology Logistics Co., Ltd. ("Shaanxi Zhongcheng") (陝西眾誠科技物流有限公司) | (a) (b) | PRC 3 April 2018 | RMB10,000,000 | 100% | Digital freight businesses |
| Anhui Qiantong Logistics Technology Co., Ltd. ("Anhui Qiantong") (安徽乾通物流科技有限公司) | (c) | PRC 13 April 2018 | RMB50,000,000 | 100% | Digital freight businesses |
| Fujian Huilian Logistics Technology Co., Ltd. ("Fujian Huilian") (福建慧連物流科技有限公司) | (a) | PRC 25 May 2018 | RMB50,000,000 | 100% | Digital freight businesses |
| Sichuan Quanwang Express Logistics Technology Co., Ltd. ("Sichuan Quanwang Express") (四川全網運通物流科技有限公司) | (e) | PRC 12 July 2018 | RMB10,000,000 | 100% | Digital freight businesses |
| Ma'anshan Cloud Net Logistics Technology Co., Ltd. ("Ma'anshan Cloud Net") (馬鞍山雲網物流科技有限公司) | (a) | PRC 11 January 2019 | RMB30,000,000 | 100% | Digital freight businesses |
| Anhui Log Transportation Co., Ltd. ("Anhui Log") (安徽路歌運輸有限公司) | (b) (d) | PRC 2 March 2020 | RMB50,000,000 | 100% | Digital freight businesses |
| Huainan Log Logistics Co., Ltd. ("Huainan Log") (淮南路歌物流運輸有限公司) | (e) | PRC 2 March 2022 | RMB30,000,000 | 100% | Digital freight businesses |

| Name of subsidiaries | Notes | Place and date of incorporation/ registration and place of operations | Nominal value of registered share capital | Percentage of effective equity interest attributable to the Company | Principal activities |
|--|-------|---|--|---|---------------------------------------|
| <u>Indirectly held:</u> | | | | | |
| Fujian Jinwang Express Logistics Technology Co., Ltd. ("Fujian Jinwang Express") (福建金網運通物流科技有限公司) | (e) | PRC 10 August 2018 | RMB50,000,000 | 100% | Digital freight businesses |
| Anqing Jinwang Express Transportation Co., Ltd. ("Anqing Jinwang Express") (安慶金網運通運輸有限公司) | (d) | PRC 25 December 2018 | RMB50,000,000 | 100% | Digital freight businesses |
| Hefei Huika Automobile Service Co., Ltd. ("Hefei Huika") (合肥惠卡汽車服務有限公司) | (e) | PRC 23 April 2018 | RMB2,000,000 | 100% | Sales of trucks and accessories |

The English names of all group companies registered in the PRC represent the best efforts made by management of the Company to translate the Chinese names of these companies as they do not have official English names.

Notes:

- (a) The statutory financial statements of these entities for the year ended 31 December 2019 prepared in accordance with PRC GAAP and regulations were audited by Beijingyongkun Certified Public Accountants LLP (北京永坤會計師事務所(普通合夥)), a certified public accounting firm registered in the PRC.
- (b) The statutory financial statements of these entities for the year ended 31 December 2020 prepared in accordance with PRC GAAP and regulations were audited by Beijingyongkun Certified Public Accountants LLP (北京永坤會計師事務所(普通合夥)), a certified public accounting firm registered in the PRC.
- (c) The statutory financial statements of these entities for the year ended 31 December 2020 prepared in accordance with PRC GAAP and regulations were audited by Beijingninghong Certified Public Accountants LLP (北京寧鴻會計師事務所(普通合夥)), a certified public accounting firm registered in the PRC.
- (d) The statutory financial statements of these entities for the year ended 31 December 2021 prepared in accordance with PRC GAAP and regulations were audited by Beijingzhongzhehuaren Certified Public Accountants LLP (北京中責華任會計師事務所(普通合夥)), a certified public accounting firm registered in the PRC.
- (e) No statutory audited financial statements of these entities have been prepared for the years ended 31 December 2019, 2020 and 2021.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all standards and interpretations approved by the International Accounting Standards Board (the “IASB”). All IFRSs effective for the accounting period commencing from 1 January 2022 together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for certain financial instruments that are measured at fair value, as explained in the accounting policies set out below.

Basis of consolidation

The Historical Financial Information includes the financial information of the Group for the Relevant Periods. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group 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 (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in this Historical Financial Information.

| | |
|-----------------------|---|
| Amendments to IAS 8 | <i>Definition of Accounting Estimates¹</i> |
| Amendments to IAS 12 | <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction¹</i> |
| IFRS 17 | <i>Insurance Contracts^{1,3}</i> |
| Amendments to IFRS 17 | <i>Insurance Contracts^{1,3}</i> |
| Amendment to IFRS 17 | <i>Initial Application of IFRS 17 and IFRS 9 — Comparative Information¹</i> |
| Amendments to IAS 1 | <i>Classification of Liabilities as Current or Non-current¹</i> |
| Amendments to IAS 1 | <i>Disclosure of Accounting Policies¹</i> |
| Amendments to IAS 1 | <i>Non-current Liabilities with Covenants²</i> |
| Amendments to IFRS 16 | <i>Lease Liability in a Sale and Leaseback²</i> |

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group has expected that these standards will not have significant effect on the Group's financial performance and financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Fair value measurement

The Group measures its equity investments, wealth management products and notes receivables which are managed in the business model of both collecting contractual cash flows and selling the financial assets at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and 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 of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate 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); and
 - (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 parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

| | |
|-----------------------------------|---|
| Buildings | 3% to 5% |
| Furniture, fixtures and equipment | 3% to 33 $\frac{1}{3}$ % |
| Motor vehicles | 19% |
| Leasehold improvements | Over the shorter of the lease terms and 5 years |

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Patents and licences

Patents and licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years. The useful lives are estimated both based on authorization period of the patents and licences and the period over which the Group expects to obtain economic benefits from the patents and licences.

Software

Purchased software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of 5 to 10 years. The useful life is estimated both based on contract terms of the purchased software and the period over which the Group expects to obtain economic benefits from the purchased software.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a 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.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

| | |
|-----------------------------|--------------|
| Prepaid land lease payments | 50 years |
| Office premises | 2 to 8 years |

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of equipment and office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. 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. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments) ("FVOCI-debt")

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments) ("FVOCI-equity")

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

FVTPL

FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as FVTPL are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each of the Relevant Periods, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the end of each of the Relevant Periods with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

In certain cases, the Group may consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 — Financial assets that are credit-impaired at the end of each of the Relevant Periods (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, interest-bearing bank and other borrowings and lease liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income or as a reduction of specific costs and expenses on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed. Government grants related to digital freight businesses are recognised as a reduction of freight costs or related expenses.

For freight transportation services, government grants related to digital freight businesses are recognised as a reduction of freight costs in accordance with the agreed purpose, which are considered to compensate the costs incurred with contracted freight transportation services for freight transportation.

For freight platform services, government grants related to digital freight businesses are recognised as a reduction from the consideration paid to the trucker in accordance with the agreed purpose. Because the revenue from freight platform services is recognised on a net basis at the point of fulfilment of the shipping order, the government grants are indirectly reflected as net revenue of freight platform services.

Government grants related to digital freight businesses in accordance with the agreed purpose to compensate taxes and surcharges are recognised as a reduction of taxes and surcharge expenses.

Government grants other than above are recognised in other income and gains. Further details are contained in notes 5 and 6 to the Historical Financial Information.

Revenue recognition*Revenue from contracts with customers*

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Freight transportation services

The Group provides freight transportation services to shippers. Revenue from freight transportation services represents the contract amount charged to shippers for these services. Costs incurred with contracted truckers for freight transportation are recorded in cost of revenue.

The primary performance obligation of the Group under the contracts with shippers is to transport the shippers' freight. The Group has the responsibility for transportation of the freight from the origin to the destination, once the shipper places the transportation service request and the Group accepts the service request, a transportation service order is set up between the shipper and the Group. The transaction price for each transportation request is generally fixed and readily determinable at inception.

The Group contracts with truckers separately, to deliver the transportation services. Contracted truckers are mainly individual drivers. Judgement is required in determining whether the Group is the principal or agent in transactions with shippers. The Group is at its own discretion for acceptance of transportation requests and release the transportation requests to the truckers on the Group's own behalf to deliver the services. The Group also oversees the transportation process during the transit period. Therefore, the Group effectively controls the service before it is transferred to the shipper. The Group is primarily responsible for fulfilling the contract with the shipper and is legally liable for loss or damage to shippers' goods in transit period according to the contract. The Group also has the pricing discretion and negotiates separately the prices charged to shippers and amounts paid to truckers. Accordingly, the Group is the principal in these transactions. The Group recognises revenue over time using an output method of progress as shippers receive the benefits of the Group's services as the freights are shipped from the origin to the destination.

(b) Freight platform services

The Group provides freight platform services to the shippers registered on its platform. The platform provides the access to the shippers so they can select the appropriate truckers, coordinate with the truckers and negotiate freight price to complete the freight transportation request. As a freight platform service provider, the Group enters into shipping contract with the shipper and trucker separately to fulfill the shipping order.

The Group concludes that it acts as an agent in the provision of transportation services as the Group does not have the ability to fully control the related services. Specifically, the Group cannot fully direct truckers to perform the transportation service on the Group's behalf. The platform service fee recognised by the Group is the difference between the contract amount to be received from the shipper and the contract amount to be paid to the trucker, which are both fixed at the time a transaction is entered into. The revenue is recognised on a net basis at the point of fulfilment of the shipping order.

The Group also earns freight platform service fee by allowing the users to use its software products and the nature of the Group's performance obligation in granting a license is considered to be a right to access the Group's software products. The Group accounts the grant of license as a performance obligation satisfied over the contracted period on a straight-line basis. The Group also charges additional fees to its users on the basis of the number times of the additional functions used, such as short messaging service and location service in the software products. The additional fees are recognised at the point of fulfilment of such services.

(c) Sale of goods

Revenue from the sale of goods, mainly including trucks and other related accessories is recognised at the point in time when control of the asset is transferred to the customers, generally on delivery of the goods.

(d) Other value-added services

The Group collects service fees from other value-added services, such as advertising services. Revenue from these services are recognised at the point in time when the relevant services are rendered.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company operates share award schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. Further details of the fair value are given in note 30 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each of the Relevant Periods until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits***Pension scheme***

The employees of the Company and its subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

All the borrowing costs of the Group are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the Historical Financial Information.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information:

Principal versus agent

In freight transportation services and freight platform services, judgement is required in determining whether the Group is the principal or agent in transactions with shippers. When determining whether the Group is acting as the principal or agent in offering services to the shippers, the Group needs to first identify who controls the transportation services before they are transferred to the shippers. Further details are contained in note 2.3 Revenue recognition to the Historical Financial Information.

Government grants

Government grants shall not be recognised until there is reasonable assurance that: (i) the entity will comply with the conditions attaching to them; and (ii) the grants will be received. The conditions of the government grants awarded by the local government authorities to the Group generally include the achievement of income target and financial contribution target. The judgement is required to determine whether the Group will comply with the conditions attached to the government grants and should be recognised.

When the government grant relates to an expense item, it is recognised as income or as a reduction of specific costs and expenses on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed. Based on the analysis of the digital freight business model and nature of the government grants, the Group makes its accounting policy choice to account the government grant related to freight digital businesses on a net basis, i.e., as a reduction of specific costs and expense. Further details are contained in notes 5 and 6 to the Historical Financial Information.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary difference can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 28 to the Historical Financial Information.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade and notes receivables

The Group uses a provision matrix to calculate ECLs for trade and notes receivables. The provision rates are based on their recoverability and ageing analysis.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade and notes receivables is disclosed in note 19.

4. OPERATING SEGMENT INFORMATION

No operating segment information is presented as the Group's revenue and reported results during each of the Relevant Periods, and the Group's total assets as at the end of each of the Relevant Periods were derived from one single operating segment, i.e., provision of digital freight businesses and related services.

Geographical information

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

Information about major customers

No revenue from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for each of the Relevant Periods and the nine months ended 30 September 2021.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

| | Year ended 31 December | | | Nine months ended 30 September | |
|--|------------------------|------------------|------------------|-----------------------------------|------------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| <i>Revenue from contracts with customers</i> | 3,558,771 | 4,663,194 | 6,296,608 | 4,676,115 | 4,710,431 |
| <i>Revenue from other sources</i> | | | | | |
| Rental income | 1,771 | 1,393 | 642 | 589 | 160 |
| | <u>3,560,542</u> | <u>4,664,587</u> | <u>6,297,250</u> | <u>4,676,704</u> | <u>4,710,591</u> |

Revenue from contracts with customers

(i) Disaggregated revenue information

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|------------------------|------------------|------------------|-----------------------------------|------------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 (unaudited) | RMB'000 |
| <i>Types of goods or services</i> | | | | | |
| Freight transportation services | 3,259,740 | 4,377,922 | 5,928,657 | 4,410,042 | 4,464,966 |
| Freight platform services* | 275,284 | 261,666 | 349,201 | 253,605 | 231,327 |
| Sale of goods | 17,625 | 13,179 | 9,530 | 6,858 | 7,345 |
| Other value-added services | 6,122 | 10,427 | 9,220 | 5,610 | 6,793 |
| Total revenue from contracts with customers | <u>3,558,771</u> | <u>4,663,194</u> | <u>6,296,608</u> | <u>4,676,115</u> | <u>4,710,431</u> |

* The revenue from freight platform services mainly represents the difference between the contract amount to be received from the shipper and the net freight cost, which is the contract amount to be paid to the trucker net of the government grants related to digital freight businesses. Such government grants are presented in the line of revenue with the amounts of RMB631,627,035, RMB812,480,753, RMB1,180,357,209, RMB845,878,753 and RMB876,920,618 for each of the Relevant Periods and the nine months ended 30 September 2021, respectively.

Geographical markets

All of the Group's revenue was generated from customers located in Mainland China during the Relevant Periods and the nine months ended 30 September 2021.

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|------------------------|------------------|------------------|-----------------------------------|------------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 (unaudited) | RMB'000 |
| <i>Timing of revenue recognition</i> | | | | | |
| Services transferred over time | 3,260,518 | 4,378,271 | 5,928,772 | 4,410,142 | 4,465,014 |
| Services and goods transferred at a point in time | <u>298,253</u> | <u>284,923</u> | <u>367,836</u> | <u>265,973</u> | <u>245,417</u> |
| Total revenue from contracts with customers | <u>3,558,771</u> | <u>4,663,194</u> | <u>6,296,608</u> | <u>4,676,115</u> | <u>4,710,431</u> |

The following table shows the amounts of revenue recognised in the Relevant Periods and the nine months ended 30 September 2021 that were included in the contract liabilities at the beginning of each of the Relevant Periods:

| | Year ended 31 December | | | Nine months ended 30 September | |
|--|------------------------|----------------|----------------|--------------------------------------|----------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> <i>(unaudited)</i> | <i>RMB'000</i> |
| <i>Revenue recognised that was included in contract liabilities at the beginning of the year/period:</i> | | | | | |
| Freight platform services | 6,196 | 8,548 | 10,069 | 10,069 | 9,897 |
| Freight transportation services | 94 | 64 | 1,079 | 1,079 | 362 |
| | <u>6,290</u> | <u>8,612</u> | <u>11,148</u> | <u>11,148</u> | <u>10,259</u> |

(ii) *Performance obligations*

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

Freight transportation services

The performance obligation is satisfied over time as services are rendered and payment is generally due upon delivery of the shipments and issuance of the invoice to the customers.

Freight platform services

The main performance obligation is satisfied at the point in time as services are rendered and payment is generally due upon fulfilment of the shipping order by a trucker and issuance of the invoice to the customers.

Sale of goods

The performance obligation is satisfied upon delivery of the trucks and other goods and payment is generally due upon delivery of goods.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of each of the Relevant Periods:

| | As at 31 December | | | As at |
|---|-------------------|----------------|----------------|------------------------|
| | 2019 | 2020 | 2021 | 30 September |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | 2022 <i>RMB'000</i> |
| Amounts expected to be recognised as revenue: | | | | |
| Within one year | 8,612 | 11,148 | 10,259 | 12,413 |
| | <u>8,612</u> | <u>11,148</u> | <u>10,259</u> | <u>12,413</u> |

All the amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

An analysis of other income and gains is as follows:

| | Year ended 31 December | | | Nine months ended | |
|-------------------------------|------------------------|----------------|----------------|--------------------|----------------|
| | 2019 | 2020 | 2021 | 30 September | |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | | | | <i>(unaudited)</i> | |
| Other income and gains | | | | | |
| Bank interest income | 995 | 2,393 | 5,001 | 4,735 | 4,642 |
| Other government grants* | | | | | |
| — related to income | 6,496 | 10,477 | 15,975 | 11,584 | 14,176 |
| Others | 549 | 407 | 4,806 | 2,165 | 3,779 |
| | <u>8,040</u> | <u>13,277</u> | <u>25,782</u> | <u>18,484</u> | <u>22,597</u> |

* The government grants other than those related to digital freight businesses are recognised in other income and gains. There are no unfulfilled conditions or contingencies relating to these government grants.

6. (LOSS)/PROFIT BEFORE TAX

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

| | Notes | Year ended 31 December | | | Nine months ended 30 September | |
|---|-------|------------------------|-----------|-----------|-----------------------------------|-------------|
| | | 2019 | 2020 | 2021 | 2021 | 2022 |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | | | (unaudited) |
| Cost of freight transportation services | (i) | 3,205,653 | 4,318,987 | 5,852,945 | 4,354,213 | 4,412,938 |
| Cost of assistance from logistics cooperation partners | (ii) | 103,858 | 17,205 | 15,373 | 7,883 | 13,705 |
| Other cost of digital freight businesses | (iii) | 21,562 | 14,563 | 21,030 | 14,262 | 17,792 |
| Cost of inventories sold | | 17,643 | 12,874 | 8,041 | 6,138 | 7,073 |
| Cost of revenue | | 3,348,716 | 4,363,629 | 5,897,389 | 4,382,496 | 4,451,508 |
| Taxes and surcharges | (iv) | 6,780 | 29,912 | 36,244 | 20,429 | 29,268 |
| Depreciation of property, plant and equipment | | 8,540 | 12,393 | 13,431 | 10,066 | 9,065 |
| Depreciation of right-of-use assets | | 3,483 | 3,315 | 3,060 | 2,309 | 2,203 |
| Amortisation of intangible assets | | 1,281 | 1,243 | 782 | 705 | 303 |
| Impairment/(reversal of impairment) of trade and notes receivables | | 9,651 | 6,131 | (242) | (924) | 632 |
| Impairment/(reversal of impairment) of contract assets | | 74 | (30) | 47 | 1 | (49) |
| (Reversal of Impairment)/impairment of financial assets included in prepayments, other receivables and other assets | | (1,127) | 1,795 | 9,854 | (154) | (995) |
| Impairment of investments in associates | | 920 | — | — | — | — |
| Impairment of inventories | | — | — | 460 | — | 331 |
| Employee benefit expense (excluding directors', supervisors' and chief executive's remuneration (note 8)): | | | | | | |
| Salaries, bonuses, allowances and benefits in kind | | 95,987 | 117,291 | 142,537 | 105,765 | 119,130 |
| Pension scheme contributions and social welfare | (v) | 11,020 | 10,991 | 27,951 | 17,952 | 24,808 |
| Equity-settled share-based payments expenses | | 1,497 | 14,121 | 19,292 | 13,889 | 10,273 |
| Lease payments not included in the measurement of lease liabilities | | 2,352 | 1,347 | 1,300 | 912 | 753 |
| Loss on disposal of items of property, plant and equipment | | 25 | 211 | 481 | — | 197 |
| Loss on disposal of items of intangible assets | | — | — | 13 | — | — |
| Auditor's remuneration | | 1,313 | 1,696 | 85 | — | 16 |

- (i) Cost of freight transportation services provided mainly represents costs incurred with contracted truckers for freight transportation, net of the government grants related to digital freight businesses, the amounts of which are RMB112,341,450, RMB168,716,911, RMB236,445,960, RMB183,572,354 and RMB173,496,529 for each of the Relevant Periods and the nine months ended 30 September 2021, respectively.
- (ii) The portion of the Group's day-to-day contact with its shippers is through its network of independent logistics cooperation partners. The logistics cooperation partners could arrange temporary truckers on short notice, multiple pick-up and delivery points and drop-and-hook operations. Costs to logistics cooperation partners are directly related to the freight transportation and freight platform services, and then are recognised as costs of the Group.
- (iii) Other cost of digital freight businesses provided mainly represents staff cost and cost incurred with third party suppliers for the digital freight businesses, such as location service cost, short message service cost, and payment channels service cost.
- (iv) It mainly represents taxes and surcharges, net of the government grants related to digital freight businesses, the amounts of which are RMB172,055,122, RMB211,349,605, RMB354,992,886, RMB256,228,113 and RMB262,048,182 for each of the Relevant Periods and the nine months ended 30 September 2021.
- (v) As at the end of each of the Relevant Periods, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years.

7. FINANCE COSTS

An analysis of finance costs is as follows:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|------------------------|--------------|--------------|-----------------------------------|--------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Interest on bank loans and other borrowings | 15,892 | 6,483 | 4,765 | 2,414 | 3,373 |
| Interest on lease liabilities | 294 | 214 | 160 | 119 | 117 |
| | <u>16,186</u> | <u>6,697</u> | <u>4,925</u> | <u>2,533</u> | <u>3,490</u> |

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION

The aggregate amounts of remuneration of the directors, supervisors and chief executive officer for the Relevant Periods and the nine months ended 30 September 2021 are as follows.

| | Year ended 31 December | | | Nine months ended 30 September | |
|--|------------------------|----------------|----------------|--------------------------------------|----------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> <i>(unaudited)</i> | <i>RMB'000</i> |
| Salaries, bonuses, allowances and benefits in kind | 2,095 | 2,584 | 3,300 | 2,205 | 3,840 |
| Pension scheme contributions and social welfare | 159 | 147 | 312 | 219 | 240 |
| Equity-settled share-based payment expenses | — | 1,144 | 2,872 | 1,114 | 3,354 |
| | <u>2,254</u> | <u>3,875</u> | <u>6,484</u> | <u>3,538</u> | <u>7,434</u> |

- (a) The remuneration of each director, supervisor and chief executive officer for the Relevant Periods and the nine months ended 30 September 2021 is set out below:

Year ended 31 December 2019

| | Salaries, bonuses, allowances and benefits in kind | Pension scheme contributions and social welfare | Equity-settled share-based payment expense | Total remuneration |
|-------------------------------|--|---|--|-----------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Executive directors: | | | | |
| Mr. Feng Lei ¹ | 724 | 64 | — | 788 |
| Mr. Du Bing ² | 698 | 69 | — | 767 |
| Non-executive directors: | | | | |
| Mr. Liu Junjie | — | — | — | — |
| Mr. Dai Dingyi ³ | 99 | — | — | 99 |
| Mr. Wang Wei ⁴ | — | — | — | — |
| Mr. Qi Lei ⁵ | — | — | — | — |
| Supervisors: | | | | |
| Mrs. Shi Shujing ⁶ | 92 | 12 | — | 104 |
| Mr. Qi Hao ⁷ | 482 | 14 | — | 496 |
| Mr. Fan Hua ⁸ | — | — | — | — |
| | <u>2,095</u> | <u>159</u> | <u>—</u> | <u>2,254</u> |

Year ended 31 December 2020

| | Salaries, bonuses, allowances and benefits in kind | Pension scheme contributions and social welfare | Equity-settled share-based payment expense | Total remuneration |
|-------------------------------|---|--|---|-------------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Executive directors: | | | | |
| Mr. Feng Lei ¹ | 953 | 64 | — | 1,017 |
| Mr. Du Bing ² | 919 | 53 | — | 972 |
| Non-executive directors: | | | | |
| Mr. Liu Junjie | — | — | — | — |
| Mr. Wang Wei ⁴ | — | — | — | — |
| Mr. Qi Lei ⁵ | — | — | — | — |
| Supervisors: | | | | |
| Mrs. Shi Shujing ⁶ | 97 | 8 | — | 105 |
| Mr. Qi Hao ⁷ | 615 | 22 | 1,144 | 1,781 |
| Mr. Fan Hua ⁸ | — | — | — | — |
| | 2,584 | 147 | 1,144 | 3,875 |

Year ended 31 December 2021

| | Salaries, bonuses, allowances and benefits in kind | Pension scheme contributions and social welfare | Equity-settled share-based payment expense | Total remuneration |
|--------------------------------------|---|--|---|-------------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Executive directors: | | | | |
| Mr. Feng Lei ¹ | 1,059 | 84 | — | 1,143 |
| Mr. Du Bing ² | 968 | 84 | — | 1,052 |
| Mr. Ye Sheng ⁹ | 295 | 21 | 1,612 | 1,928 |
| Mrs. Wang Yao ¹⁰ | 161 | 14 | 371 | 546 |
| Non-executive directors: | | | | |
| Mr. Liu Junjie | — | — | — | — |
| Mr. Chen Zhijie ¹¹ | — | — | — | — |
| Independent non-executive directors: | | | | |
| Mr. Liu Xiaofeng ¹² | — | — | — | — |
| Mr. Dai Dingyi ³ | 19 | — | — | 19 |
| Mr. Li Dong ¹³ | — | — | — | — |
| Supervisors: | | | | |
| Mrs. Shi Shujing ⁶ | 75 | 22 | — | 97 |
| Mr. Qi Hao ⁷ | 618 | 68 | 848 | 1,534 |
| Mr. Fan Hua ⁸ | — | — | — | — |
| Mr. Wang Yang ¹⁴ | — | — | — | — |
| Mrs. Liang Xiaojia ¹⁵ | 105 | 19 | 41 | 165 |
| | 3,300 | 312 | 2,872 | 6,484 |

Nine months ended 30 September 2022

| | Salaries, bonuses, allowances and benefits in kind | Pension scheme contributions and social welfare | Equity-settled share-based payment expense | Total remuneration |
|--------------------------------------|---|--|---|-------------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Executive directors: | | | | |
| Mr. Feng Lei ¹ | 977 | 48 | — | 1,025 |
| Mr. Du Bing ² | 893 | 48 | — | 941 |
| Mr. Ye Sheng ⁹ | 783 | 48 | 2,472 | 3,303 |
| Mrs. Wang Yao ¹⁰ | 780 | 48 | 766 | 1,594 |
| Non-executive directors: | | | | |
| Mr. Liu Junjie | — | — | — | — |
| Mr. Chen Zhijie ¹¹ | — | — | — | — |
| Independent non-executive directors: | | | | |
| Mr. Liu Xiaofeng ¹² | — | — | — | — |
| Mr. Dai Dingyi ³ | 81 | — | — | 81 |
| Mr. Li Dong ¹³ | — | — | — | — |
| Supervisors: | | | | |
| Mr. Fan Hua ⁸ | — | — | — | — |
| Mr. Wang Yang ¹⁴ | — | — | — | — |
| Mrs. Liang Xiaojia ¹⁵ | 326 | 48 | 116 | 490 |
| | 3,840 | 240 | 3,354 | 7,434 |

Nine months ended 30 September 2021 (unaudited)

| | Salaries, bonuses, allowances and benefits in kind | Pension scheme contributions and social welfare | Equity-settled share-based payment expense | Total remuneration |
|----------------------------------|---|--|---|-------------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Executive directors: | | | | |
| Mr. Feng Lei ¹ | 781 | 60 | — | 841 |
| Mr. Du Bing ² | 735 | 72 | — | 807 |
| Mr. Ye Sheng ⁹ | 62 | 3 | 256 | 321 |
| Non-executive directors: | | | | |
| Mr. Liu Junjie | — | — | — | — |
| Mr. Wang Wei ⁴ | — | — | — | — |
| Mr. Qi Lei ⁵ | — | — | — | — |
| Mr. Chen Zhijie ¹¹ | — | — | — | — |
| Supervisors: | | | | |
| Mrs. Shi Shujing ⁶ | 75 | 22 | — | 97 |
| Mr. Qi Hao ⁷ | 552 | 62 | 858 | 1,472 |
| Mr. Fan Hua ⁸ | — | — | — | — |
| Mr. Wang Yang ¹⁴ | — | — | — | — |
| Mrs. Liang Xiaojia ¹⁵ | — | — | — | — |
| | <u>2,205</u> | <u>219</u> | <u>1,114</u> | <u>3,538</u> |

- 1 Mr. Feng Lei was appointed as an executive director and the chief executive officer on 10 June 2010, and resigned as the chief executive officer on 9 September 2021.
- 2 Mr. Du Bing was appointed as the chief executive officer on 10 September 2021.
- 3 Mr. Dai Dingyi resigned as a non-executive director on 25 March 2019 and appointed as an independent non-executive director on 28 October 2021.
- 4 Mr. Wang Wei was appointed as a non-executive director on 25 March 2019 and resigned on 9 September 2021.
- 5 Mr. Qi Lei was appointed as a non-executive director on 25 March 2019 and resigned on 9 September 2021.
- 6 Mrs. Shi Shujing resigned as a supervisor on 9 September 2021.
- 7 Mr. Qi Hao resigned as a supervisor on 28 October 2021.
- 8 Mr. Fan Hua was appointed as a supervisor on 25 March 2019.
- 9 Mr. Ye Sheng was appointed as an executive director on 10 September 2021.
- 10 Mrs. Wang Yao was appointed as an executive director on 28 October 2021.

- 11 Mr. Chen Zhijie was appointed as a non-executive director on 10 September 2021.
- 12 Mr. Liu Xiaofeng was appointed as an independent non-executive director on 28 October 2021.
- 13 Mr. Li Dong was appointed as an independent non-executive director on 28 October 2021.
- 14 Mr. Wang Yang was appointed as a supervisor on 10 September 2021.
- 15 Mrs. Liang Xiaojia was appointed as a supervisor on 30 September 2021.

There was no arrangement under which a director, a supervisor or the chief executive officer waived or agreed to waive any remuneration during the Relevant Periods and the nine months ended 30 September 2021.

9. FIVE HIGHEST PAID EMPLOYEES

The five individuals with the highest emoluments in the Group for the Relevant Periods and the nine months ended 30 September 2021 include two, one, three, two and three directors disclosed above, respectively, details of whose remuneration is set out above in note 8. Details of the remuneration of the remaining three, four, two, three and two highest paid employees who are not a director, supervisor or chief executive of the Company for the Relevant Periods and the nine months ended 30 September 2021 are as follows:

| | Year ended 31 December | | | Nine months ended 30 September | |
|--|------------------------|----------------|----------------|-----------------------------------|----------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Salaries, bonuses, allowances and benefits in kind | 3,222 | 4,650 | 1,675 | 2,399 | 2,255 |
| Pension scheme contributions and social welfare | 96 | 156 | 197 | 106 | 198 |
| Equity-settled share-based payment expenses | 9 | 69 | 3,896 | 157 | 4,825 |
| | <u>3,327</u> | <u>4,875</u> | <u>5,768</u> | <u>2,662</u> | <u>7,278</u> |

The number of non-director, non-supervisor and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---------------------------------|------------------------|------|------|-----------------------------------|------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | | | | <i>(unaudited)</i> | |
| Nil to RMB1,000,000 | 1 | — | — | — | — |
| RMB1,000,001 to RMB2,000,000 | 2 | 4 | — | 2 | 2 |
| RMB2,000,001 to RMB3,000,000 | — | — | 1 | — | — |
| RMB3,000,001 to RMB4,000,000 | — | — | 1 | — | — |
| RMB4,000,001 to RMB5,000,000 | — | — | — | — | — |
| RMB5,000,001 to RMB6,000,000 | — | — | — | — | 1 |
| | 3 | 4 | 2 | 2 | 3 |

10. INCOME TAX EXPENSE

The Company and its subsidiaries are all incorporated in Mainland China which are subject to income tax at a rate of 25% on the taxable income pursuant to the Enterprise Income Tax Law of the PRC and the respective regulations, except for:

- (i) The Company is recognised as a high-tech enterprise and accordingly is entitled to a preferential enterprise income tax rate of 15% during the Relevant Periods and the nine months ended 30 September 2021.
- (ii) Certain of the subsidiaries are qualified as small and micro enterprises and are entitled to a preferential enterprise income tax rate of 20% during the Relevant Periods and the nine months ended 30 September 2021.

The income tax expense of the Group during the Relevant Periods and the nine months ended 30 September 2021 are analysed as follows:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|------------------------|----------------|----------------|-----------------------------------|----------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | | | | <i>(unaudited)</i> | |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Current | 5,502 | 4,352 | 10,981 | 10,115 | 4,988 |
| Deferred tax | (5,413) | 4,625 | (3,807) | 2,734 | (3,474) |
| Total tax charge for the year/period | 89 | 8,977 | 7,174 | 12,849 | 1,514 |

A reconciliation of the tax expense applicable to (loss)/profit before tax at the statutory rate of 25% in Mainland China to the tax expense at the effective tax rate is as follows:

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|------------------------|---------|----------|-----------------------------------|---------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| (Loss)/profit before tax | (3,209) | 35,047 | 57,918 | 69,569 | 5,213 |
| Tax at the statutory tax rate of 25% in Mainland China | (802) | 8,762 | 14,480 | 17,392 | 1,303 |
| Effect of tax rate differences in the Company and certain subsidiaries | 1,309 | (2,008) | (2,376) | (2,427) | 2,298 |
| Losses attributable to associates | 145 | 196 | 194 | 153 | 299 |
| Expenses not deductible for tax* | 3,564 | 7,694 | 6,639 | 4,291 | 3,876 |
| Additional deductible allowance for qualified research and development expenses | (5,485) | (7,834) | (12,528) | (8,153) | (7,602) |
| Utilisation of previously unrecognised tax losses and temporary differences | — | — | — | — | (56) |
| Unrecognised tax losses and temporary differences | 1,358 | 2,167 | 765 | 1,593 | 1,396 |
| Tax charge at the Group's effective tax rate | 89 | 8,977 | 7,174 | 12,849 | 1,514 |

* The items of expenses not deductible for tax were mainly comprised of the share-based payments expenses, business development expenses in excess of the deductible thresholds and other expenses which cannot be deducted on the tax basis.

11. DIVIDENDS

No dividend has been paid or declared by the Company in respect of the Relevant Periods.

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

The calculation of the basic earnings per share amounts is based on the (loss)/profit for the year/period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the year. The newly issued shares are calculated in accordance with the conditions stated in the issuance agreement, starting from the consideration receivable date (usually the issuance date).

| | Year ended 31 December | | | Nine months ended 30 September | |
|--|------------------------|-----------|-----------|-----------------------------------|-----------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 (unaudited) | RMB'000 |
| (Loss)/earnings | | | | | |
| (Loss)/profit attributable to ordinary equity holders of the Company | (3,516) | 26,070 | 50,744 | 56,720 | 3,699 |
| Shares | | | | | |
| Weighted average number of ordinary shares in issue during the year/period (in thousand) (i) | 1,205,438 | 1,262,125 | 1,343,932 | 1,342,333 | 1,350,665 |
| Earnings per share attributable to ordinary equity holders of the Company (RMB yuan per share) | | | | | |
| — Basic and Diluted (ii) | — | 0.02 | 0.04 | 0.04 | — |

(i) The weighted average number of ordinary shares during the years ended 31 December 2019, 2020, 2021 and the nine months ended 30 September 2021 and 2022, respectively, was adjusted retrospectively to reflect the approval of the subdivision of shares on a one-for-sixteen basis in October 2021.

(ii) The Group had no potentially dilutive ordinary shares in issue during the Relevant Periods.

13. PROPERTY, PLANT AND EQUIPMENT

The Group

31 December 2019

| | Buildings | Furniture, fixtures and equipment | Motor vehicles | Leasehold improvements | Total |
|--|------------------|--|---------------------------|-----------------------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| At 1 January 2019 | | | | | |
| Cost | 67,699 | 12,629 | 1,234 | 9,103 | 90,665 |
| Accumulated depreciation | (6,957) | (3,596) | (185) | (909) | (11,647) |
| Net carrying amount | <u>60,742</u> | <u>9,033</u> | <u>1,049</u> | <u>8,194</u> | <u>79,018</u> |
| At 1 January 2019, net of accumulated depreciation | | | | | |
| Additions | — | 8,407 | 2,377 | 3,926 | 14,710 |
| Disposals | — | (888) | — | — | (888) |
| Depreciation provided during the year | (2,234) | (3,485) | (313) | (2,508) | (8,540) |
| At 31 December 2019, net of accumulated depreciation | <u>58,508</u> | <u>13,067</u> | <u>3,113</u> | <u>9,612</u> | <u>84,300</u> |
| At 31 December 2019: | | | | | |
| Cost | 67,699 | 19,733 | 3,611 | 13,029 | 104,072 |
| Accumulated depreciation | (9,191) | (6,666) | (498) | (3,417) | (19,772) |
| Net carrying amount | <u>58,508</u> | <u>13,067</u> | <u>3,113</u> | <u>9,612</u> | <u>84,300</u> |

31 December 2020

| | Buildings | Furniture, fixtures and equipment | Motor vehicles | Leasehold improvements | Total |
|--|------------------|--|---------------------------|-----------------------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| At 1 January 2020 | | | | | |
| Cost | 67,699 | 19,733 | 3,611 | 13,029 | 104,072 |
| Accumulated depreciation | (9,191) | (6,666) | (498) | (3,417) | (19,772) |
| Net carrying amount | <u>58,508</u> | <u>13,067</u> | <u>3,113</u> | <u>9,612</u> | <u>84,300</u> |
| At 1 January 2020, net of accumulated depreciation | | | | | |
| Cost | 58,508 | 13,067 | 3,113 | 9,612 | 84,300 |
| Additions | — | 2,499 | 1,226 | 4,796 | 8,521 |
| Disposals | — | (309) | — | — | (309) |
| Depreciation provided during the year | (2,229) | (4,643) | (767) | (4,754) | (12,393) |
| At 31 December 2020, net of accumulated depreciation | <u>56,279</u> | <u>10,614</u> | <u>3,572</u> | <u>9,654</u> | <u>80,119</u> |
| At 31 December 2020: | | | | | |
| Cost | 67,699 | 21,769 | 4,837 | 17,825 | 112,130 |
| Accumulated depreciation | (11,420) | (11,155) | (1,265) | (8,171) | (32,011) |
| Net carrying amount | <u>56,279</u> | <u>10,614</u> | <u>3,572</u> | <u>9,654</u> | <u>80,119</u> |

31 December 2021

| | Buildings | Furniture, fixtures and equipment | Motor vehicles | Leasehold improvements | Total |
|--|------------------|--|---------------------------|-----------------------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| At 1 January 2021 | | | | | |
| Cost | 67,699 | 21,769 | 4,837 | 17,825 | 112,130 |
| Accumulated depreciation | (11,420) | (11,155) | (1,265) | (8,171) | (32,011) |
| Net carrying amount | <u>56,279</u> | <u>10,614</u> | <u>3,572</u> | <u>9,654</u> | <u>80,119</u> |
| At 1 January 2021, net of accumulated depreciation | | | | | |
| At 1 January 2021, net of accumulated depreciation | 56,279 | 10,614 | 3,572 | 9,654 | 80,119 |
| Additions | 247 | 3,109 | 342 | 1,602 | 5,300 |
| Disposals | — | (274) | (505) | — | (779) |
| Depreciation provided during the year | (2,205) | (5,197) | (915) | (5,114) | (13,431) |
| At 31 December 2021, net of accumulated depreciation | <u>54,321</u> | <u>8,252</u> | <u>2,494</u> | <u>6,142</u> | <u>71,209</u> |
| At 31 December 2021: | | | | | |
| Cost | 67,946 | 24,393 | 4,429 | 19,427 | 116,195 |
| Accumulated depreciation | (13,625) | (16,141) | (1,935) | (13,285) | (44,986) |
| Net carrying amount | <u>54,321</u> | <u>8,252</u> | <u>2,494</u> | <u>6,142</u> | <u>71,209</u> |

30 September 2022

| | Buildings | Furniture, fixtures and equipment | Motor vehicles | Leasehold improvements | Total |
|---|------------------|--|---------------------------|-----------------------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| At 1 January 2022 | | | | | |
| Cost | 67,946 | 24,393 | 4,429 | 19,427 | 116,195 |
| Accumulated depreciation | (13,625) | (16,141) | (1,935) | (13,285) | (44,986) |
| Net carrying amount | <u>54,321</u> | <u>8,252</u> | <u>2,494</u> | <u>6,142</u> | <u>71,209</u> |
| At 1 January 2022, net of accumulated depreciation | | | | | |
| At 1 January 2022, net of accumulated depreciation | 54,321 | 8,252 | 2,494 | 6,142 | 71,209 |
| Additions | — | 2,652 | 764 | 3,822 | 7,238 |
| Disposals | — | (704) | (632) | — | (1,336) |
| Depreciation provided during the period | (1,664) | (3,196) | (715) | (3,490) | (9,065) |
| At 30 September 2022, net of accumulated depreciation | <u>52,657</u> | <u>7,004</u> | <u>1,911</u> | <u>6,474</u> | <u>68,046</u> |
| At 30 September 2022: | | | | | |
| Cost | 67,946 | 26,106 | 3,772 | 23,249 | 121,073 |
| Accumulated depreciation | (15,289) | (19,102) | (1,861) | (16,775) | (53,027) |
| Net carrying amount | <u>52,657</u> | <u>7,004</u> | <u>1,911</u> | <u>6,474</u> | <u>68,046</u> |

Certain of the Group's property, plant and equipment with carrying amounts of approximately RMB52,424,614, RMB54,593,544, RMB48,564,027 and RMB47,116,306 as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, have been pledged to secure bank and other borrowings granted to the Group (note 27).

The Company

31 December 2019

| | Buildings | Furniture, fixtures and equipment | Motor vehicles | Leasehold improvements | Total |
|--|------------------|--|---------------------------|-----------------------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| At 1 January 2019 | | | | | |
| Cost | 62,874 | 11,337 | 1,234 | 275 | 75,720 |
| Accumulated depreciation | (6,758) | (3,364) | (185) | (275) | (10,582) |
| Net carrying amount | <u>56,116</u> | <u>7,973</u> | <u>1,049</u> | <u>—</u> | <u>65,138</u> |
| At 1 January 2019, net of accumulated depreciation | | | | | |
| Additions | — | 6,765 | 190 | 2,965 | 9,920 |
| Disposals | — | (887) | — | — | (887) |
| Depreciation provided during the year | (1,993) | (2,956) | (256) | (242) | (5,447) |
| At 31 December 2019, net of accumulated depreciation | <u>54,123</u> | <u>10,895</u> | <u>983</u> | <u>2,723</u> | <u>68,724</u> |
| At 31 December 2019: | | | | | |
| Cost | 62,874 | 16,803 | 1,424 | 3,240 | 84,341 |
| Accumulated depreciation | (8,751) | (5,908) | (441) | (517) | (15,617) |
| Net carrying amount | <u>54,123</u> | <u>10,895</u> | <u>983</u> | <u>2,723</u> | <u>68,724</u> |

31 December 2020

| | Buildings | Furniture, fixtures and equipment | Motor vehicles | Leasehold improvements | Total |
|---|------------------|--|---------------------------|-----------------------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| At 1 January 2020 | | | | | |
| Cost | 62,874 | 16,803 | 1,424 | 3,240 | 84,341 |
| Accumulated depreciation | (8,751) | (5,908) | (441) | (517) | (15,617) |
| Net carrying amount | <u>54,123</u> | <u>10,895</u> | <u>983</u> | <u>2,723</u> | <u>68,724</u> |
| At 1 January 2020, net of accumulated depreciation | | | | | |
| Additions | — | 2,101 | 605 | 965 | 3,671 |
| Disposals | — | (218) | — | — | (218) |
| Depreciation provided during the year | (1,992) | (3,850) | (288) | (1,390) | (7,520) |
| At 31 December 2020, net of accumulated depreciation | <u>52,131</u> | <u>8,928</u> | <u>1,300</u> | <u>2,298</u> | <u>64,657</u> |
| At 31 December 2020: | | | | | |
| Cost | 62,874 | 18,575 | 2,029 | 4,205 | 87,683 |
| Accumulated depreciation | (10,743) | (9,647) | (729) | (1,907) | (23,026) |
| Net carrying amount | <u>52,131</u> | <u>8,928</u> | <u>1,300</u> | <u>2,298</u> | <u>64,657</u> |

31 December 2021

| | Buildings | Furniture, fixtures and equipment | Motor vehicles | Leasehold improvements | Total |
|---|------------------|--|---------------------------|-----------------------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| At 1 January 2021 | | | | | |
| Cost | 62,874 | 18,575 | 2,029 | 4,205 | 87,683 |
| Accumulated depreciation | (10,743) | (9,647) | (729) | (1,907) | (23,026) |
| Net carrying amount | <u>52,131</u> | <u>8,928</u> | <u>1,300</u> | <u>2,298</u> | <u>64,657</u> |
| At 1 January 2021, net of accumulated depreciation | | | | | |
| Additions | 247 | 2,765 | 342 | 1,470 | 4,824 |
| Disposals | — | (247) | (15) | — | (262) |
| Depreciation provided during the year | (1,996) | (4,357) | (396) | (1,497) | (8,246) |
| At 31 December 2021, net of accumulated depreciation | <u>50,382</u> | <u>7,089</u> | <u>1,231</u> | <u>2,271</u> | <u>60,973</u> |
| At 31 December 2021: | | | | | |
| Cost | 63,121 | 20,886 | 2,346 | 5,675 | 92,028 |
| Accumulated depreciation | (12,739) | (13,797) | (1,115) | (3,404) | (31,055) |
| Net carrying amount | <u>50,382</u> | <u>7,089</u> | <u>1,231</u> | <u>2,271</u> | <u>60,973</u> |

30 September 2022

| | Buildings | Furniture, fixtures and equipment | Motor vehicles | Leasehold improvements | Total |
|---|------------------|--|---------------------------|-----------------------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| At 1 January 2022 | | | | | |
| Cost | 63,121 | 20,886 | 2,346 | 5,675 | 92,028 |
| Accumulated depreciation | (12,739) | (13,797) | (1,115) | (3,404) | (31,055) |
| Net carrying amount | <u>50,382</u> | <u>7,089</u> | <u>1,231</u> | <u>2,271</u> | <u>60,973</u> |
| At 1 January 2022, net of accumulated depreciation | | | | | |
| Additions | — | 2,569 | 545 | 3,735 | 6,849 |
| Disposals | — | (704) | (11) | — | (715) |
| Depreciation provided during the period | (1,494) | (2,691) | (378) | (1,433) | (5,996) |
| At 30 September 2022, net of accumulated depreciation | <u>48,888</u> | <u>6,263</u> | <u>1,387</u> | <u>4,573</u> | <u>61,111</u> |
| At 30 September 2022: | | | | | |
| Cost | 63,121 | 22,514 | 2,673 | 9,410 | 97,718 |
| Accumulated depreciation | (14,233) | (16,251) | (1,286) | (4,837) | (36,607) |
| Net carrying amount | <u>48,888</u> | <u>6,263</u> | <u>1,387</u> | <u>4,573</u> | <u>61,111</u> |

Certain of the Company's property, plant and equipment with carrying amounts of approximately RMB52,424,614, RMB50,494,320, RMB48,564,027 and RMB47,116,306 as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, have been pledged to secure bank and other borrowings granted to the Company (note 27).

14. LEASES

As a lessee

The Group has lease contracts for office premises in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of office premises generally have lease terms between 2 and 8 years. Other rental agreements generally have lease terms of 12 months or less and are individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) *Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during the Relevant Periods are as follows:

The Group

| | Office premises | Prepaid land lease payments | Total |
|--|----------------------------|--|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| As at 1 January 2019 | 7,376 | 4,535 | 11,911 |
| Additions | 987 | — | 987 |
| Depreciation provided during the year | (3,376) | (107) | (3,483) |
| As at 31 December 2019 | 4,987 | 4,428 | 9,415 |
| Additions | 2,372 | — | 2,372 |
| Depreciation provided during the year | (3,208) | (107) | (3,315) |
| As at 31 December 2020 | 4,151 | 4,321 | 8,472 |
| Additions | 3,911 | — | 3,911 |
| Depreciation provided during the year | (2,953) | (107) | (3,060) |
| As at 31 December 2021 | 5,109 | 4,214 | 9,323 |
| Additions | 738 | — | 738 |
| Revision of a lease term arising from a change in the non-cancellable period of a lease | (85) | — | (85) |
| Depreciation provided during the period | (2,123) | (80) | (2,203) |
| As at 30 September 2022 | <u>3,639</u> | <u>4,134</u> | <u>7,773</u> |

The prepaid land lease payments of the Group with carrying amounts of RMB4,428,780, RMB4,322,277, RMB4,215,773, and RMB4,135,896 as at 31 December 2019, 2020 and 2021 and 30 September, 2022, respectively, have been pledged to secure bank and other borrowings granted to the Group (note 27).

The Company

| | Office premises | Prepaid land lease payments | Total |
|---|----------------------------|--|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| As at 1 January 2019 | 695 | 4,535 | 5,230 |
| Additions | 367 | — | 367 |
| Depreciation provided during the year | (768) | (107) | (875) |
| | <u>294</u> | <u>4,428</u> | <u>4,722</u> |
| As at 31 December 2019 | 294 | 4,428 | 4,722 |
| Depreciation provided during the year | (261) | (107) | (368) |
| | <u>33</u> | <u>4,321</u> | <u>4,354</u> |
| As at 31 December 2020 | 33 | 4,321 | 4,354 |
| Additions | 3,455 | — | 3,455 |
| Depreciation provided during the year | (497) | (107) | (604) |
| | <u>2,991</u> | <u>4,214</u> | <u>7,205</u> |
| As at 31 December 2021 | 2,991 | 4,214 | 7,205 |
| Additions | 567 | — | 567 |
| Depreciation provided during the period | (1,258) | (80) | (1,338) |
| | <u>2,300</u> | <u>4,134</u> | <u>6,434</u> |
| As at 30 September 2022 | <u>2,300</u> | <u>4,134</u> | <u>6,434</u> |

The prepaid land lease payments of the Company with carrying amounts of RMB4,428,780, RMB4,322,277, RMB4,215,773 and RMB4,135,896 as at 31 December 2019, 2020 and 2021 and 30 September, 2022, respectively, have been pledged to secure bank and other borrowings granted to the Company (note 27).

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the Relevant Periods are as follows:

| | As at 31 December | | | As at |
|---|-------------------|--------------|--------------|-----------------|
| | 2019 | 2020 | 2021 | 30 September |
| | RMB'000 | RMB'000 | RMB'000 | 2022 RMB'000 |
| Carrying amount at beginning of the year/period | 6,273 | 3,980 | 3,448 | 3,556 |
| New leases | 987 | 2,372 | 3,911 | 738 |
| Accretion of interest recognised during the year/period | 294 | 214 | 160 | 117 |
| Revision of a lease term arising from a change in the non-cancellable period of a lease | — | — | — | (77) |
| Payments | (3,574) | (3,118) | (3,963) | (824) |
| Carrying amount at end of the year/period | <u>3,980</u> | <u>3,448</u> | <u>3,556</u> | <u>3,510</u> |
| Analysed into: | | | | |
| Current portion | 2,282 | 2,093 | 2,839 | 2,771 |
| Non-current portion | <u>1,698</u> | <u>1,355</u> | <u>717</u> | <u>739</u> |

The maturity analysis of lease liabilities is disclosed in note 39 to the Historical Financial Information.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

| | Year ended 31 December | | | Nine months ended | |
|---|------------------------|--------------|--------------|-------------------|--------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | (unaudited) | |
| Interest on lease liabilities | 294 | 214 | 160 | 119 | 117 |
| Depreciation charge of right-of-use assets | 3,483 | 3,315 | 3,060 | 2,309 | 2,203 |
| Expenses relating to short-term leases and leases of low-value assets | <u>2,352</u> | <u>1,347</u> | <u>1,419</u> | <u>912</u> | <u>753</u> |
| Total amount recognised in profit or loss | <u>6,129</u> | <u>4,876</u> | <u>4,639</u> | <u>3,340</u> | <u>3,073</u> |

(d) The total cash outflow for leases is disclosed in note 32 to the Historical Financial Information.

As a lessor

The Group leases its temporary vacant buildings and trucks under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group was RMB1,770,702, RMB1,393,183, RMB642,875, RMB159,940 and RMB589,384 for each of the Relevant Periods and the nine months ended 30 September 2021, respectively, details of which are included in note 5 to the Historical Financial Information.

At the end of each of the Relevant Periods, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

| | As at 31 December | | | As at |
|--|-------------------|--------------|------------|--------------|
| | 2019 | 2020 | 2021 | 30 September |
| | RMB'000 | RMB'000 | RMB'000 | 2022 |
| | | | | RMB'000 |
| Within one year | 1,393 | 1,105 | 267 | 25 |
| After one year but within two years | 1,105 | 253 | 40 | — |
| After two years but within three years | 253 | 40 | — | — |
| After three years but within four years | 40 | — | — | — |
| | <u>2,791</u> | <u>1,398</u> | <u>307</u> | <u>25</u> |

15. INTANGIBLE ASSETS

31 December 2019

| | Software | Patents and licences | Total |
|---|-----------------|---------------------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| At 1 January 2019 | | | |
| Cost | 498 | 11,500 | 11,998 |
| Accumulated amortisation | (63) | (8,575) | (8,638) |
| Net carrying amount | <u>435</u> | <u>2,925</u> | <u>3,360</u> |
| At 1 January 2019, net of accumulated amortisation | 435 | 2,925 | 3,360 |
| Amortisation provided during the year | (131) | (1,150) | (1,281) |
| At 31 December 2019, net of accumulated amortisation | <u>304</u> | <u>1,775</u> | <u>2,079</u> |
| At 31 December 2019: | | | |
| Cost | 498 | 11,500 | 11,998 |
| Accumulated amortisation | (194) | (9,725) | (9,919) |
| Net carrying amount | <u>304</u> | <u>1,775</u> | <u>2,079</u> |

31 December 2020

| | Software | Patents and licences | Total |
|---|-----------------|---------------------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| At 1 January 2020 | | | |
| Cost | 498 | 11,500 | 11,998 |
| Accumulated amortisation | (194) | (9,725) | (9,919) |
| Net carrying amount | <u>304</u> | <u>1,775</u> | <u>2,079</u> |
| At 1 January 2020, net of accumulated amortisation | 304 | 1,775 | 2,079 |
| Additions | 358 | — | 358 |
| Amortisation provided during the year | (93) | (1,150) | (1,243) |
| At 31 December 2020, net of accumulated amortisation | <u>569</u> | <u>625</u> | <u>1,194</u> |
| At 31 December 2020: | | | |
| Cost | 856 | 11,500 | 12,356 |
| Accumulated amortisation | (287) | (10,875) | (11,162) |
| Net carrying amount | <u>569</u> | <u>625</u> | <u>1,194</u> |

31 December 2021

| | Software | Patents and licences | Total |
|---|-----------------|---------------------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| At 1 January 2021 | | | |
| Cost | 856 | 11,500 | 12,356 |
| Accumulated amortisation | (287) | (10,875) | (11,162) |
| Net carrying amount | <u>569</u> | <u>625</u> | <u>1,194</u> |
| At 1 January 2021, net of accumulated amortisation | 569 | 625 | 1,194 |
| Additions | 1,143 | — | 1,143 |
| Disposals | (13) | — | (13) |
| Amortisation provided during the year | (157) | (625) | (782) |
| At 31 December 2021, net of accumulated amortisation | <u>1,542</u> | <u>—</u> | <u>1,542</u> |
| At 31 December 2021: | | | |
| Cost | 1,939 | 11,500 | 13,439 |
| Accumulated amortisation | (397) | (11,500) | (11,897) |
| Net carrying amount | <u>1,542</u> | <u>—</u> | <u>1,542</u> |

30 September 2022

| | Software | Patents and licences | Total |
|--|-----------------|---------------------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| At 1 January 2022 | | | |
| Cost | 1,939 | 11,500 | 13,439 |
| Accumulated amortisation | (397) | (11,500) | (11,897) |
| Net carrying amount | <u>1,542</u> | <u>—</u> | <u>1,542</u> |
| At 1 January 2022, net of accumulated amortisation | 1,542 | — | 1,542 |
| Additions | 596 | — | 596 |
| Amortisation provided during the period | (303) | — | (303) |
| At 30 September 2022, net of accumulated amortisation | <u>1,835</u> | <u>—</u> | <u>1,835</u> |
| At 30 September 2022: | | | |
| Cost | 2,535 | 11,500 | 14,035 |
| Accumulated amortisation | (700) | (11,500) | (12,200) |
| Net carrying amount | <u>1,835</u> | <u>—</u> | <u>1,835</u> |

16. INVESTMENTS IN ASSOCIATES

| | As at 31 December | | | As at 30 September |
|---------------------|--------------------------|----------------|----------------|-------------------------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Share of net assets | <u>5,421</u> | <u>6,236</u> | <u>6,258</u> | <u>9,663</u> |

The Group's receivable and payable balances and transactions with the associates are disclosed in note 36 to the Historical Financial Information.

(a) Particulars of the Group's associates are as follows:

| Name | Place and date of incorporation and place of business | Nominal value of registered share capital | Percentage of ownership interest attributable to the Group | | | | Principal activities |
|---|---|---|--|------|------|------|--|
| | | | 30 September | | | | |
| | | | 2019 | 2020 | 2021 | 2022 | |
| Xinjiang Zhongya Log Digital Technology Co., Ltd. ("Xinjiang Zhongya") 新疆中亞路歌數字科技有限公司 | PRC 18 January 2022 | RMB10,000,000 | — | — | — | 46% | Freight transportation |
| Qingkong Shoulu Supply Chain Management (Tianjin) Co., Ltd. ("Qingkong Shoulu") 清控首路供應鏈管理(天津)有限公司 | PRC 4 January 2019 | RMB20,000,000 | 30% | 30% | 30% | 30% | Supply chain management and freight transportation |
| Anhui Jika Lubrication Technology Co., Ltd. ("Anhui Jika") 安徽吉卡潤滑科技有限公司 | PRC 17 November 2017 | RMB5,000,000 | 40% | 40% | 40% | 40% | Lubricant production and sales |
| Xuzhou Boyang Logistics Co., Ltd. ("Xuzhou Boyang") 徐州柏陽物流有限公司 | PRC 19 June 2018 | RMB2,000,000 | 40% | — | — | — | Freight transportation |
| Wuhu Luge Logistics Technology Co., Ltd. ("Wuhu Luge") 蕪湖路歌物流科技有限公司 | PRC 8 September 2020 | RMB10,000,000 | — | 40% | 24% | 24% | Freight transportation |

The Group's shareholdings in the all associates comprise equity shares held by the Company, except for Anhui Jika and Xuzhou Boyang, the shareholdings in which are held through a wholly-owned subsidiary of the Company.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

| | As at 31 December | | | As at |
|--|-------------------|---------|---------|--------------|
| | 2019 | 2020 | 2021 | 30 September |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Share of the associates' losses for the year/period | (579) | (786) | (778) | (1,195) |
| Aggregate carrying amount of the Group's investments in the associates | 5,421 | 6,236 | 6,258 | 9,663 |

The associates have been accounted for using the equity method in this Historical Financial Information.

The Group assessed at the end of each of the Relevant Periods whether there is any indication that investments in associates may be impaired. If any such indication exists (e.g., continuous loss-making), the Group estimated the recoverable amount of the investment. Based on the assessment results, the Group made an impairment provision of RMB920,000, nil, nil, nil and nil during the Relevant Periods and the nine months ended 30 September 2021, respectively.

17. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | As at 31 December | | | As at |
|--|-------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 30 September |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | 2022 |
| | | | | <i>RMB'000</i> |
| Unlisted equity investments, at fair value: | | | | |
| Wuhan Xiaoxiang Zhiyun Technology Co., Ltd. (“Wuhan Xiaoxiang”) (武漢小象智雲科技有限公司) | 1,000 | 1,000 | — | — |
| | 1,000 | 1,000 | — | — |

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

There was no dividend received from equity investments designated at fair value through other comprehensive income during the Relevant Periods.

Wuhan Xiaoxiang was established in 2018 and invested by the Group in 2019. Wuhan Xiaoxiang had no significant operations during the years ended 31 December 2019 and 2020, so no material revenue, costs and expenses were incurred. Based on the financial performance of Wuhan Xiaoxiang, the Group assessed that the fair value is approximate to the investment cost of RMB1,000,000, therefore the Group did not adjust the fair values of Wuhan Xiaoxiang as at 31 December 2019 and 2020 respectively.

In December 2021, the Group sold its equity interest in Wuhan Xiaoxiang as this investment no longer coincided with the Group's investment strategy. The fair value on the date of sale was RMB1,120,000 and the accumulated gain recognised in other comprehensive income of RMB120,000 was transferred to accumulated losses.

18. INVENTORIES

| | As at 31 December | | | As at |
|-------|-------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 30 September |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | 2022 |
| | | | | <i>RMB'000</i> |
| Goods | 686 | 555 | 3,144 | 4,206 |

19. TRADE AND NOTES RECEIVABLES

| | As at 31 December | | | As at |
|-------------------|-------------------|---------|---------|--------------|
| | 2019 | 2020 | 2021 | 30 September |
| | RMB'000 | RMB'000 | RMB'000 | 2022 |
| Trade receivables | 120,687 | 173,292 | 111,879 | 85,494 |
| Notes receivables | 8,331 | 16,515 | 65,663 | 7,760 |
| | 129,018 | 189,807 | 177,542 | 93,254 |
| Less: ECLs | (387) | (434) | (1,258) | (243) |
| | 128,631 | 189,373 | 176,284 | 93,011 |

The Group's trading terms are normally due upon delivery and issuance of the invoice, except for a small number of customers with credit terms, of which is generally 7 to 90 days, depending on the specific payment terms in each contract. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no single significant amount concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

As of the end of each of the Relevant Periods, included in the Group's notes receivables are amounts of RMB650,000, RMB2,045,000, RMB1,183,269 and RMB7,000,000, respectively, which are classified as debt investments at fair value through other comprehensive income, because they are managed in the business model of both collecting contractual cash flows and selling the financial assets. Further details are contained in note 37 to the Historical Financial Information.

As of the end of each of the Relevant Periods, included in the Group's trade receivables are amounts due from the Group's associate of RMB86,319, nil, nil and nil, respectively, which are repayable on credit terms similar to those offered to the other customers of the Group.

As of the end of each of the Relevant Periods, the Group has pledged trade receivables of approximately RMB851,413, RMB181,883, RMB658,463 and nil to secure loans from other financial institution. Further details are contained in note 27 to the Historical Financial Information.

An ageing analysis of the trade and notes receivables as at the end of each of the Relevant Periods, based on the transaction date and net of ECLs, is as follows:

| | As at 31 December | | | As at |
|-------------------|-------------------|---------|---------|--------------|
| | 2019 | 2020 | 2021 | 30 September |
| | RMB'000 | RMB'000 | RMB'000 | 2022 |
| Within 90 days | 109,980 | 174,988 | 165,544 | 89,631 |
| 90 days to 1 year | 17,773 | 13,626 | 9,466 | 3,085 |
| 1 to 2 years | 878 | 759 | 1,274 | 295 |
| | 128,631 | 189,373 | 176,284 | 93,011 |

As of the end of each of the Relevant Periods, ECLs for trade and notes receivables based on the individually or collectively assessment are as follows:

| | As at 31 December | | | As at |
|--|-------------------|---------|---------|--------------|
| | 2019 | 2020 | 2021 | 30 September |
| | RMB'000 | RMB'000 | RMB'000 | 2022 |
| | | | | RMB'000 |
| Individually determined to be impaired | — | — | 462 | — |
| Less: ECLs | — | — | (462) | — |
| | — | — | — | — |
| Collectively determined to be impaired | 129,018 | 189,807 | 177,080 | 93,254 |
| Less: ECLs | (387) | (434) | (796) | (243) |
| | 128,631 | 189,373 | 176,284 | 93,011 |
| | 128,631 | 189,373 | 176,284 | 93,011 |

The movements in the expected credit losses for trade and notes receivables are as follows:

| | As at 31 December | | | As at |
|--|-------------------|---------|---------|--------------|
| | 2019 | 2020 | 2021 | 30 September |
| | RMB'000 | RMB'000 | RMB'000 | 2022 |
| | | | | RMB'000 |
| At the beginning of the year/period | 109 | 387 | 434 | 1,258 |
| ECLs | 9,651 | 6,131 | (242) | 632 |
| Amounts written off as uncollectible | (9,373) | (6,084) | — | (1,647) |
| Recoveries of trade receivables previously written off | — | — | 1,066 | — |
| At the end of the year/period | 387 | 434 | 1,258 | 243 |

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on ageing for the customers. The calculation reflects the best estimated outcome based on the reasonable and supportable information that is available at the end of each of the Relevant Periods about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables based on the collectively assessment using a provision matrix:

As at 31 December 2019

| | Ageing | | | Total |
|---------------------------------|---------------|--------------|--------------|---------|
| | Within 1 year | 1 to 2 years | Over 2 years | |
| Gross carrying amount (RMB'000) | 119,535 | 1,151 | 1 | 120,687 |
| Expected credit loss (RMB'000) | 113 | 273 | 1 | 387 |
| Expected credit loss rate | 0.09% | 23.72% | 100.00% | 0.32% |

As at 31 December 2020

| | Ageing | | | Total |
|---------------------------------|---------------|--------------|--------------|---------|
| | Within 1 year | 1 to 2 years | Over 2 years | |
| Gross carrying amount (RMB'000) | 172,263 | 994 | 35 | 173,292 |
| Expected credit loss (RMB'000) | 164 | 235 | 35 | 434 |
| Expected credit loss rate | 0.10% | 23.64% | 100.00% | 0.25% |

As at 31 December 2021

| | Ageing | | | Total |
|---------------------------------|---------------|--------------|--------------|---------|
| | Within 1 year | 1 to 2 years | Over 2 years | |
| Gross carrying amount (RMB'000) | 109,528 | 1,814 | 75 | 111,417 |
| Expected credit loss (RMB'000) | 181 | 540 | 75 | 796 |
| Expected credit loss rate | 0.17% | 29.77% | 100.00% | 0.71% |

As at 30 September 2022

| | Ageing | | | Total |
|---------------------------------|---------------|--------------|--------------|--------|
| | Within 1 year | 1 to 2 years | Over 2 years | |
| Gross carrying amount (RMB'000) | 85,074 | 420 | — | 85,494 |
| Expected credit loss (RMB'000) | 118 | 125 | — | 243 |
| Expected credit loss rate | 0.14% | 29.76% | — | 0.28% |

For notes receivables, based on historical data and management's analysis, loss on collection is not material and hence no provision is considered.

20. CONTRACT ASSETS

| | As at 31 December | | | As at |
|---------------------------------|-------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 30 September |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Contract assets arising from: | | | | |
| Freight transportation services | 6,425 | 5,153 | 7,214 | 4,817 |
| Less: ECLs | (85) | (55) | (102) | (53) |
| At the end of the year/period | <u>6,340</u> | <u>5,098</u> | <u>7,112</u> | <u>4,764</u> |

Contract assets are initially recognised for revenue earned from the provision of freight transportation services as the receipt of consideration is conditional upon delivery of the shipments to the customers. Upon delivery of the shipments to the customers, the amounts recognised as contract assets are reclassified to trade receivables.

The expected timing of recovery or settlement for contract assets as at the end of each of the Relevant Periods is as follows:

| | As at 31 December | | | As at |
|-----------------|-------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 30 September |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Within one year | <u>6,340</u> | <u>5,098</u> | <u>7,112</u> | <u>4,764</u> |

The movements of the expected credit losses of contract assets are as follows:

| | As at 31 December | | | As at |
|-------------------------------------|-------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 30 September |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| At the beginning of the year/period | 11 | 85 | 55 | 102 |
| ECLs | 74 | (30) | 47 | (49) |
| At the end of the year/period | <u>85</u> | <u>55</u> | <u>102</u> | <u>53</u> |

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on ageing for the customers. The calculation reflects the best estimated outcome based on reasonable and supportable information that is available at the end of each of the Relevant Periods about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

| | As at 31 December | | | As at |
|---------------------------|-------------------|---------|---------|--------------|
| | | | | 30 September |
| | 2019 | 2020 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Gross carrying amount | 6,425 | 5,153 | 7,214 | 4,817 |
| ECLs | 85 | 55 | 102 | 53 |
| Expected credit loss rate | 1.32% | 1.07% | 1.41% | 1.10% |

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

| | As at 31 December | | | As at |
|---|-------------------|-----------|-----------|--------------|
| | | | | 30 September |
| | 2019 | 2020 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Non-current: | | | | |
| Prepaid expenses | — | — | 2,814 | 2,665 |
| Current: | | | | |
| Other receivables from shippers for shipping fees (i) | 819,949 | 1,194,546 | 1,018,974 | 683,453 |
| Government grants receivables (ii) | 266,309 | 328,122 | 581,520 | 441,350 |
| Advances to suppliers | 99,036 | 29,994 | 28,093 | 28,135 |
| Rental and business deposits | 7,138 | 5,828 | 4,805 | 9,314 |
| Due from related parties | 10,284 | 9,142 | 929 | 417 |
| Prepaid tax | 703 | — | — | 4,699 |
| Prepaid expenses | 2,845 | 3,227 | 1,168 | 288 |
| Others | 10,813 | 16,299 | 15,690 | 9,749 |
| | 1,217,077 | 1,587,158 | 1,651,179 | 1,177,405 |
| Less: ECLs | (1,944) | (3,950) | (12,460) | (1,080) |
| | 1,215,133 | 1,583,208 | 1,638,719 | 1,176,325 |
| | 1,215,133 | 1,583,208 | 1,641,533 | 1,178,990 |

(i) Other receivables from shippers for shipping fees mainly represent the shipping fees uncollected from shippers upon fulfilment of the shipping orders under the freight platform services.

(ii) Government grants receivables represent the government grants from local government authorities to support the Group's digital freight businesses.

As of the end of each of the Relevant Periods, the Group has pledged other receivables of approximately RMB14,628,815, RMB3,125,084, RMB32,240,275 and RMB10,807,343 to secure loans from other financial institution. Further details are contained in note 27 to the Historical Financial Information.

Other receivables of the Group are unsecured, non-interest-bearing and have no fixed terms of repayment.

The movements in the credit loss for the financial assets included in prepayments, other receivables and other assets are as follows:

| | As at 31 December | | | As at |
|---|-------------------|--------------|---------------|--------------|
| | 2019 | 2020 | 2021 | 30 September |
| | RMB'000 | RMB'000 | RMB'000 | 2022 |
| | | | | RMB'000 |
| At the beginning of the year/period | 712 | 1,944 | 3,950 | 12,460 |
| ECLs | (1,127) | 1,795 | 9,854 | (995) |
| Amounts written off as uncollectible | — | — | (1,344) | (10,385) |
| Recoveries of other receivables previously written off | 2,359 | 211 | — | — |
| At the end of the year/period | <u>1,944</u> | <u>3,950</u> | <u>12,460</u> | <u>1,080</u> |

Government grants receivables, rental and business deposits, and due from related parties included in the above balances relate to receivables for which there was no recent history of default and past due amounts. At the end of each of the Relevant Periods, the above balances were classified in stage 1 and the loss allowance was assessed to be minimal.

The allowance for ECLs of other receivables was mainly credit impairment losses for receivables from shippers for shipping fees. Long ageing amounts were regarded as credit-impaired at the end of each Relevant Periods and classified in stage 3, for which the loss allowance was provided with an amount equal to lifetime ECLs. At the end of each of the Relevant Periods, the gross amounts of other receivables at stage 3 were nil, RMB1,384,067, RMB8,574,719 and nil, respectively.

The Company

| | As at 31 December | | | As at |
|------------------------------|-------------------|---------|---------|--------------|
| | 2019 | 2020 | 2021 | 30 September |
| | RMB'000 | RMB'000 | RMB'000 | 2022 |
| | | | | RMB'000 |
| Non-current: | | | | |
| Prepaid expenses | — | — | 2,814 | 2,605 |
| Current: | | | | |
| Due from subsidiaries | 205,356 | 242,679 | 217,739 | 212,162 |
| Rental and business deposits | 2,904 | 1,974 | 1,740 | 6,655 |
| Advances to suppliers | 1,917 | 2,658 | 9,453 | 10,819 |
| Due from related parties | 1,119 | 538 | 221 | 359 |
| Prepaid expenses | 2,845 | 3,227 | 1,168 | 288 |
| Prepaid tax | 703 | — | — | 975 |
| Others | 4,649 | 4,340 | 3,198 | 4,623 |
| | 219,493 | 255,416 | 233,519 | 235,881 |
| Less: ECLs | — | — | — | — |
| | 219,493 | 255,416 | 233,519 | 235,881 |
| | 219,493 | 255,416 | 236,333 | 238,486 |

Other receivables of the Company are unsecured, non-interest-bearing and have no fixed terms of repayment.

The movements in the credit loss for the financial assets included in prepayments, other receivables and other assets are as follows:

| | As at 31 December | | | As at |
|--------------------------------------|-------------------|---------|---------|--------------|
| | 2019 | 2020 | 2021 | 30 September |
| | RMB'000 | RMB'000 | RMB'000 | 2022 |
| | | | | RMB'000 |
| At the beginning of the year/period | — | — | — | — |
| ECLs | — | — | — | 1,245 |
| Amounts written off as uncollectible | — | — | — | (1,245) |
| At the end of the year/period | — | — | — | — |

Due from subsidiaries, rental and business deposits, and due from related parties included in the above balances relate to receivables for which there was no recent history of default and past due amounts. At the end of each of the Relevant Periods, the above balances were classified in stage 1 and the loss allowance was assessed to be minimal.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | As at 31 December | | | As at |
|---|-------------------|---------|---------|--------------|
| | 2019 | 2020 | 2021 | 30 September |
| | RMB'000 | RMB'000 | RMB'000 | 2022 |
| Other unlisted investments, at fair value | 358 | 358 | 5,010 | 110,000 |

The above unlisted investments of RMB110,000,000 as at 30 September 2022 were mainly wealth management products issued by banks. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

The Group

| | As at 31 December | | | As at |
|-------------------------------|-------------------|---------|---------|--------------|
| | 2019 | 2020 | 2021 | 30 September |
| | RMB'000 | RMB'000 | RMB'000 | 2022 |
| Cash and bank balances | 353,858 | 422,156 | 728,838 | 512,804 |
| Less: Pledged deposits (i) | 3,473 | 502 | — | — |
| Restricted bank deposits (ii) | — | — | — | 4,068 |
| Cash and cash equivalents | 350,385 | 421,654 | 728,838 | 508,736 |

As at the end of each of the Relevant Periods, all the cash and bank balances of the Group are denominated in RMB. Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

(i) It represents pledged deposits in commercial banks to secure interest-bearing bank and other borrowings. None of these deposits are either past due or impaired. The pledged bank deposits will be released upon repayment of the relevant borrowings.

(ii) It represents the balance of a guarantee deposit required by the court under pending litigation.

The Company

| | As at 31 December | | | As at |
|----------------------------|-------------------|---------|---------|--------------|
| | 2019 | 2020 | 2021 | 30 September |
| | RMB'000 | RMB'000 | RMB'000 | 2022 |
| Cash and bank balances | 97,262 | 104,137 | 421,819 | 134,333 |
| Less: Pledged deposits (i) | 3,473 | 502 | — | — |
| Cash and cash equivalents | 93,789 | 103,635 | 421,819 | 134,333 |

As at the end of each of the Relevant Periods, all the cash and bank balances of the Company are denominated in RMB. Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and deposits are deposited with creditworthy banks with no recent history of default.

- (i) It represents pledged deposits in commercial banks to secure interest-bearing bank and other borrowings. None of these deposits are either past due or impaired. The pledged bank deposits will be released upon the repayment of relevant borrowings.

24. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

| | As at 31 December | | | As at |
|---------------|-------------------|---------|---------|--------------|
| | 2019 | 2020 | 2021 | 30 September |
| | RMB'000 | RMB'000 | RMB'000 | 2022 |
| | | | | RMB'000 |
| Within 1 year | 111,724 | 151,009 | 113,298 | 91,699 |

Trade payables are unsecured and interest-free and are normally settled within 1 year.

25. OTHER PAYABLES AND ACCRUALS

The Group

| | As at 31 December | | | As at |
|--|-------------------|-----------|-----------|--------------|
| | 2019 | 2020 | 2021 | 30 September |
| | RMB'000 | RMB'000 | RMB'000 | 2022 |
| | | | | RMB'000 |
| Other payables to truckers for transportation fees (i) | 865,813 | 1,218,071 | 932,477 | 639,524 |
| Other taxes payable | 404,920 | 432,255 | 786,090 | 370,414 |
| Advances from shippers (ii) | 48,446 | 57,821 | 78,225 | 155,889 |
| Due to related parties (iii) | 18,537 | 1,225 | 416 | 400 |
| Employee benefit payables | 20,842 | 20,112 | 28,241 | 31,822 |
| Deposits | 27,156 | 28,998 | 54,580 | 116,120 |
| Accrued expenses | 12,499 | 10,399 | 5,704 | 1,212 |
| Others | 11,462 | 7,471 | 10,979 | 8,840 |
| | 1,409,675 | 1,776,352 | 1,896,712 | 1,324,221 |

- (i) Other payables to truckers for transportation fees represent transportation fees collected from shippers but yet to be paid to truckers under freight platform services.

- (ii) Mainly representing the refundable prepayments from shippers for future shipping arrangements under freight transportation services and freight platform services. Upon signing of the contract, the amounts which will be recognised as revenue will be reclassified to contract liabilities.

- (iii) Shangrong (Shanghai) Commercial Factoring Co., Ltd. (“商融(上海)商業保理有限公司”) (“Shangrong Factoring”), which is a related party of the Group, provided reverse factoring services to the Group. Through the above arrangement, in digital freight businesses, Shangrong Factoring directly paid the consideration to truckers, then the Group repaid the consideration with interest rate of 8.50% per annum to Shangrong Factoring with credit terms of 7-90 days, which resulted in the conversion of the Group's payables to truckers for transportation fees into borrowings from Shangrong Factoring. As at 31 December 2019, included in the Group's other payables due to related parties were amounts of RMB16,922,074, which were related to the above reverse factoring services.

Except for the Group's payables due to Shangrong Factoring as at 31 December 2019, other payables and accruals of the Group are non-interest-bearing. All the other payables and accruals of the Group are unsecured.

The Company

| | As at 31 December | | | As at |
|---------------------------|-------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 30 September |
| | RMB'000 | RMB'000 | RMB'000 | 2022 |
| | | | | RMB'000 |
| Due to subsidiaries | 162,759 | 197,286 | 388,176 | 226,298 |
| Employee benefit payables | 17,191 | 14,115 | 14,615 | 12,471 |
| Accrued expenses | 12,499 | 10,399 | 5,704 | 1,212 |
| Due to related parties | 18,537 | 1,225 | 416 | 400 |
| Other taxes payable | 3,729 | 661 | 4,126 | 3,536 |
| Others | 6,267 | 5,939 | 8,665 | 4,366 |
| | <u>220,982</u> | <u>229,625</u> | <u>421,702</u> | <u>248,283</u> |

Except for the Company's payables due to Shangrong Factoring as at 31 December 2019, other payables and accruals of the Group are non-interest-bearing. All the other payables and accruals of the Company are unsecured.

26. CONTRACT LIABILITIES

The Group

| | As at 31 December | | | As at |
|---|-------------------|---------------|---------------|---------------|
| | 2019 | 2020 | 2021 | 30 September |
| | RMB'000 | RMB'000 | RMB'000 | 2022 |
| | | | | RMB'000 |
| Short-term advances received from customers: | | | | |
| Freight platform services | 8,548 | 10,069 | 9,897 | 10,515 |
| Freight transportation services | 64 | 1,079 | 362 | 1,898 |
| | <u>8,612</u> | <u>11,148</u> | <u>10,259</u> | <u>12,413</u> |

Contract liabilities of the Group mainly arise from the advance payments made by customers while the services are yet to be provided.

The above contract liabilities with regard to the remaining performance obligations are expected to be recognised as revenue within one year.

The Company

| | As at 31 December | | | As at |
|--|-------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 30 September |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Short-term advances received from customers: | | | | |
| Freight platform services | 7,967 | 8,871 | 9,170 | 9,460 |
| Total contract liabilities | <u>7,967</u> | <u>8,871</u> | <u>9,170</u> | <u>9,460</u> |

Contract liabilities of the Company mainly arise from the advance payments made by customers while the services are yet to be provided.

The above contract liabilities with regard to the remaining performance obligations are expected to be recognised as revenue within one year.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

The Group

| | <u>Effective interest rate</u> | <u>Maturity</u> | <u>31 December 2019</u> |
|---------------------------------|------------------------------------|-----------------|------------------------------|
| | (%) | | RMB'000 |
| Bank loans — secured (i) | 5.22%-5.66% | 2020 | 43,000 |
| Bank loans — unsecured | 4.35% | 2020 | 29,000 |
| Other borrowings — secured (ii) | 10.80% | 2020 | 15,480 |
| Other borrowings — unsecured | 2.87% | 2020 | 7,682 |
| | | | <u>95,162</u> |
| | | | <u>95,162</u> |
| | <u>Effective interest rate</u> | <u>Maturity</u> | <u>31 December 2020</u> |
| | (%) | | RMB'000 |
| Bank loans — secured (i) (iii) | 4.35%-5.00% | 2021 | 30,000 |
| Bank loans — unsecured | 4.62% | 2021 | 10,000 |
| Other borrowings — secured (ii) | 9.00% | 2021 | 3,307 |
| Other borrowings — unsecured | 4.13%-4.20% | 2021 | 14,469 |
| | | | <u>57,776</u> |
| | | | <u>57,776</u> |
| | <u>Effective interest rate</u> | <u>Maturity</u> | <u>31 December 2021</u> |
| | (%) | | RMB'000 |
| Other borrowings — secured (ii) | 9.00% | 2022 | 35,063 |
| Other borrowings — unsecured | 1.70%-3.40% | 2022 | 57,131 |
| | | | <u>92,194</u> |
| | | | <u>92,194</u> |
| | <u>Effective interest rate</u> | <u>Maturity</u> | <u>30 September 2022</u> |
| | (%) | | RMB'000 |
| Other borrowings — secured | 8.00% | 2022 | 11,059 |
| Other borrowings — unsecured | 1.35%-2.40% | 2022 | 760 |
| | | | <u>11,819</u> |
| | | | <u>11,819</u> |

As at the end of each of the Relevant Periods, all the bank and other borrowings are repayable within one year and denominated in RMB.

Certain of the Group's bank and other borrowings are secured by the pledges of the following assets with carrying values at the end of each of the Relevant Periods as follows:

| | As at 31 December | | | As at |
|----------------------------------|-------------------|---------------|---------------|---------------|
| | 2019 | 2020 | 2021 | 30 September |
| | RMB'000 | RMB'000 | RMB'000 | 2022 |
| Property, plant and equipment | 52,425 | 54,594 | 48,564 | 47,116 |
| Other receivables | 14,629 | 3,125 | 32,240 | 10,807 |
| Right-of-use assets-prepaid land | | | | |
| lease payments | 4,428 | 4,321 | 4,215 | 4,136 |
| Trade receivables | 851 | 182 | 658 | — |
| Pledged deposits | 3,473 | 502 | — | — |
| | <u>75,806</u> | <u>62,724</u> | <u>85,677</u> | <u>62,059</u> |

- (i) The shareholders, Mr. Feng Lei and Mr. Du Bing, together with their spouses, had guaranteed certain of the Group's bank and other borrowings amounting to RMB43,000,000 and RMB20,000,000 as at 31 December 2019 and 2020, respectively.
- (ii) The shareholders, Mr. Feng Lei and Mr. Du Bing, had guaranteed certain of the Group's bank and other borrowings amounting to RMB15,480,227, RMB3,307,049 and RMB448 as at 31 December 2019, 2020 and 2021, respectively.
- (iii) Anhui Province Science and Technology Financing Guarantee Co., Ltd. (安徽省科技融資擔保有限公司) and the shareholders, Mr. Feng Lei and Mr. Du Bing, had guaranteed certain of the Group's bank and other borrowings amounting to RMB10,000,000 as at 31 December 2020.

The Group has no pledge nor guarantee provided by or to its related parties as at 30 September 2022.

The Company

| | Effective interest rate | Maturity | 31 December 2019 |
|-------------------------------|----------------------------|----------|---------------------|
| | (%) | | |
| Bank loans — secured (i) | 5.22%-5.66% | 2020 | 43,000 |
| | | | <u>43,000</u> |
| | | | |
| | Effective interest rate | Maturity | 31 December 2020 |
| | (%) | | |
| Bank loans — secured (i) (ii) | 4.35%-5.00% | 2021 | 30,000 |
| | | | <u>30,000</u> |

As at 31 December 2021 and 30 September 2022, the Company has no interest-bearing bank and other borrowings.

As at 31 December 2019 and 2020, all the bank and other borrowings are repayable within one year and denominated in RMB.

Certain of the Company's bank and other borrowings are secured by the pledges of the following assets with carrying values at the end of each of the Relevant Periods as follows:

| | As at 31 December | | | As at |
|----------------------------------|-------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 30 September |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Property, plant and equipment | 52,425 | 50,494 | 48,564 | 47,116 |
| Right-of-use assets-prepaid land | | | | |
| lease payments | 4,428 | 4,321 | 4,215 | 4,136 |
| Pledged deposits | 3,473 | 502 | — | — |
| | <u>60,326</u> | <u>55,317</u> | <u>52,779</u> | <u>51,252</u> |

- (i) The shareholders, Mr. Feng Lei and Mr. Du Bing, together with their spouses, had guaranteed certain of the Company's bank and other borrowings amounting to RMB43,000,000 and RMB20,000,000 as at 31 December 2019 and 2020, respectively.
- (ii) Anhui Province Science and Technology Financing Guarantee Co., Ltd. (安徽省科技融資擔保有限公司) and the shareholders, Mr. Feng Lei and Mr. Du Bing, had guaranteed certain of the Company's bank and other borrowings amounting to RMB10,000,000 as at 31 December 2020.

The Company has no pledge nor guarantee provided by or to its related parties as at 30 September 2022.

28. DEFERRED TAX

The movements in deferred tax assets during the Relevant Periods are as follows:

| | Provision for impairment losses | Tax losses | Others | Total |
|---|--|---------------------|-------------------|----------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| At 1 January 2019 | 1,483 | 6,405 | 366 | 8,254 |
| Deferred tax credited to profit or loss during the year | <u>2,378</u> | <u>1,908</u> | <u>1,127</u> | <u>5,413</u> |
| At 31 December 2019 and 1 January 2020 | 3,861 | 8,313 | 1,493 | 13,667 |
| Deferred tax credited/(charged) to profit or loss during the year | <u>1,906</u> | <u>(5,404)</u> | <u>(1,127)</u> | <u>(4,625)</u> |
| At 31 December 2020 and 1 January 2021 | 5,767 | 2,909 | 366 | 9,042 |
| Deferred tax credited to profit or loss during the year | <u>2,391</u> | <u>924</u> | <u>492</u> | <u>3,807</u> |
| At 31 December 2021 and 1 January 2022 | 8,158 | 3,833 | 858 | 12,849 |
| Deferred tax credited/(charged) to profit or loss during the period | <u>12</u> | <u>4,084</u> | <u>(622)</u> | <u>3,474</u> |
| At 30 September 2022 | <u><u>8,170</u></u> | <u><u>7,917</u></u> | <u><u>236</u></u> | <u><u>16,323</u></u> |

Deferred tax assets have not been recognised in respect of the following items:

| | As at 31 December | | | As at 30 September |
|----------------------------------|--------------------------|----------------------|----------------------|-------------------------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Tax losses | 4,296 | 12,796 | 15,851 | 21,710 |
| Deductible temporary differences | <u>2,148</u> | <u>2,316</u> | <u>2,318</u> | <u>114</u> |
| | <u><u>6,444</u></u> | <u><u>15,112</u></u> | <u><u>18,169</u></u> | <u><u>21,824</u></u> |

Certain subsidiaries of the Group had tax losses of RMB4,295,357, RMB12,796,922, RMB15,850,897 and RMB21,709,676 as at the end of each of the Relevant Periods that will expire in one to five years for offsetting against their future taxable profits. Deferred tax assets have not been recognised in respect of these losses and temporary differences as they are not considered probable that taxable profits will be available against which the tax losses and temporary differences can be utilised.

29. SHARE CAPITAL

Ordinary shares

| | As at 31 December | | | As at |
|-----------------------|-------------------|-------------------|-------------------|-------------------|
| | 2019 | 2020 | 2021 | 30 September |
| | RMB | RMB | RMB | 2022 |
| Issued and fully paid | 78,771,294 | 80,084,149 | 84,416,569 | 84,416,569 |
| | <u>78,771,294</u> | <u>80,084,149</u> | <u>84,416,569</u> | <u>84,416,569</u> |

The movements in the Company's share capital during the Relevant Periods are as follows:

| | Number of shares in issue | Share capital |
|---|------------------------------|-------------------|
| | | RMB |
| At 1 January 2019 | 66,955,600 | 66,955,600 |
| New shares issued | 11,815,694 | 11,815,694 |
| At 31 December 2019 and 1 January 2020 | 78,771,294 | 78,771,294 |
| New shares issued | 1,312,855 | 1,312,855 |
| At 31 December 2020 and 1 January 2021 | 80,084,149 | 80,084,149 |
| New shares issued | 4,332,420 | 4,332,420 |
| At 31 December 2021 and 30 September 2022 | <u>84,416,569</u> | <u>84,416,569</u> |

30. EQUITY-SETTLED SHARE-BASED PAYMENTS

Below is recognised in profit or loss under share-based payments arrangement:

| | Year ended 31 December | | | Nine months ended | |
|--|------------------------|---------------|---------------|-------------------|---------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| The amount of services rendered by the employees in exchange for share-based payments during the year/period | 1,503 | 15,303 | 22,347 | 15,060 | 13,667 |
| | <u>1,503</u> | <u>15,303</u> | <u>22,347</u> | <u>15,060</u> | <u>13,667</u> |

2019 Logory Logistics Share Incentive Plan

On 31 October 2019, the Company's board of directors approved a share incentive plan (the "2019 Logory Logistics Share Incentive Plan"), for the purpose of attracting and retaining the employees and directors who are considered essential to the success of the Company and the Group.

Pursuant to the 2019 Logory Logistics Share Incentive Plan, the Company grants employees awards, including new options (the “Logory Logistics Options”) to purchase ordinary shares of the Company and restricted shares (the “2019 Logory Logistics RSs”). Vesting of the above awards requires the employees to remain in service for the period from the date of grant to the date of vesting, and meet the performance assessment requirements, along with a condition requiring an initial public offering (“IPO”) of the Company, which was a performance vesting condition.

Logory Logistics Options granted are generally subject to a vesting schedule from 19 months to 55 months and were classified as an equity award. Depending on the nature and the purpose of the grant, Logory Logistics Options generally vest 25% upon the later of the 19th month of the grant date or the date of IPO occurred, as provided in the grant agreement, and 25% every year from the 19th month of the grant date thereafter. No outstanding Logory Logistics Options will be exercisable after the expiry of a maximum of 12 months from the date of vesting or when the employees cease to remain in service. The exercise price per option is RMB2.50.

2019 Logory Logistics RSs granted to the senior management of the Company are subject to a vesting schedule of 12 months upon the date of IPO and were classified as an equity award. The grant price per share is RMB2.50.

Modification Plan of Logory Logistics Options

On 30 November, 2020, the Company’s board of directors approved a modification plan of Logory Logistics Options (the “Modification Plan”). Pursuant to the Modification Plan, all the Logory Logistics Options should be converted into restricted shares with the same conditions under corresponding Logory Logistics Option awards other than extending the remaining vesting schedule. IFRS 2 requires the entity to continue to recognise an expense for the grant date fair value of the unmodified award over its original vesting period, even where the vesting period of the modified award is longer. Therefore, except for extending the vesting schedule, the modification involved neither changes to the other vesting condition nor the amount of awards granted under the original plan, as such, no additional expenses need to be recognised on the modification date.

2020 Logory Logistics Share Incentive Plan

On 30 November 2020, the Company’s board of directors approved a share incentive plan (the “2020 Logory Logistics Share Incentive Plan”), for the purpose of attracting and retaining the employees and directors who are considered essential to the success of the Company and the Group.

Pursuant to the 2020 Logory Logistics Share Incentive Plan, the Company grants employees restricted shares (the “2020 Logory Logistics RSs”). Vesting of the above 2020 Logory Logistics RSs requires the employees to remain in service for the period from the date of grant to the date of vesting, and meet the performance assessment requirements, along with a condition requiring an initial public offering (“IPO”) of the Company, which was deemed as a performance vesting condition.

2020 Logory Logistics RSs granted are generally subject to a vesting schedule from 2 years to 5 years and were classified as an equity award. Depending on the nature and the purpose of the grant, 2020 Logory Logistics RSs generally vest 25% upon the later of the second year of the grant date or the 12th months upon the date of IPO, as provided in the grant agreement, and 25% every year from the second year of the grant date thereafter. The grant price per share is RMB2.50.

2021 Logory Logistics Share Incentive Plan

On 13 September 2021, the Company’s board of directors approved a share incentive plan (the “2021 Logory Logistics Share Incentive Plan”), for the purpose of attracting and retaining the employees and directors who are considered essential to the success of the Company and the Group.

Pursuant to the 2021 Logory Logistics Share Incentive Plan, the Company grants employees restricted shares (the “2021 Logory Logistics RSs”). Vesting of the above 2021 Logory Logistics RSs requires the employees to remain in service for the period from the date of grant to the date of vesting, and meet the performance assessment requirements, along with a condition requiring an initial public offering (“IPO”) of the Company, which was deemed as a performance vesting condition.

2021 Logory Logistics RSs granted to the senior management of the Company are subject to a vesting schedule of 12 months upon the date of IPO and were classified as an equity award. The grant price per share is RMB2.50.

2021 Logory Logistics RSs granted to the employees except for the senior management are generally subject to a vesting schedule from 2 years to 5 years and were classified as an equity award. Depending on the nature and the purpose of the grant, 2021 Logory Logistics RSs generally vest 25% upon the later of the second year of the grant date or the 12th months upon the date of IPO, as provided in the grant agreement, and 25% every year from the second year of the grant date thereafter. The grant price per share is RMB2.50.

Logory Logistics Options

The following table summarises the activity of Logory Logistics Options granted by the Company for the Relevant Periods and the nine months ended 30 September 2021:

| | <u>Number of share options</u> | <u>Exercise price</u> <i>RMB</i> | <u>Weighted average remaining contractual life</u> <i>Year</i> | <u>Weighted average grant date fair value</u> <i>RMB</i> |
|---|------------------------------------|---|---|---|
| As at 1 January 2019 | — | — | — | — |
| Granted | 1,903,400 | 2.50 | 4.08 | 18.34 |
| Forfeited | — | — | — | — |
| As at 31 December 2019 and 1 January 2020 | <u>1,903,400</u> | 2.50 | 3.92 | 18.34 |
| Forfeited | (23,600) | 2.50 | — | 18.34 |
| Modified as Logory Logistics RSs | (1,879,800) | 2.50 | — | 18.34 |
| As at 31 December 2020, 30 September 2021, 31 December 2021 and 30 September 2022 | <u>—</u> | — | — | — |

The fair value of Logory Logistics Options granted was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

| | <u>2019</u> |
|--|-------------|
| Dividend yield (%) | 0.00 |
| Expected volatility (%) | 33.49~36.55 |
| Risk-free interest rate (%) | 2.91~3.14 |
| Weighted average share price (RMB per share) | 20.61 |

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The Group recognised share-based payment expenses of Logory Logistics Options for the Relevant Periods and the nine months ended 30 September 2021 of RMB1,502,760, RMB8,265,182, nil, nil and nil, respectively.

Logory Logistics RSs

The following table summarises the activity of Logory Logistics RSs granted by the Company for the Relevant Periods and the nine months ended 30 September 2021:

| | Number of restricted shares | Weighted average grant date fair value |
|---|--|---|
| | | <i>RMB</i> |
| As at 1 January 2019 | — | — |
| Granted | 1,200,000 | 18.11 |
| As at 31 December 2019 and 1 January 2020 | <u>1,200,000</u> | 18.11 |
| Modified from Logory Logistics Options | 1,879,800 | 18.34 |
| Granted | 497,015 | 35.58 |
| As at 31 December 2020 and 1 January 2021 | <u>3,576,815</u> | 20.66 |
| Granted | 702,000 | 44.72 |
| Forfeited | (264,000) | 19.21 |
| As at 31 December 2021 and 1 January 2022 | <u>4,014,815</u> | 24.96 |
| Granted | 40,000 | 44.72 |
| Forfeited | (118,300) | 31.58 |
| As at 30 September 2022 | <u>3,936,515</u> | 24.96 |
| As at 1 January 2021 | 3,576,815 | 20.66 |
| Granted | 702,000 | 44.72 |
| Forfeited | (264,000) | 19.21 |
| At 30 September 2021 (unaudited) | <u>4,014,815</u> | 24.96 |

Restricted shares granted are measured by reference to the fair value of the Company's ordinary shares on the grant date. The fair value is computed based on the share price from the independent recent round financing occurred around the grant date or the fair value of the Company valued by income approach, deducted by the grant price.

The Group recognised share-based payment expenses of Logory Logistics RSs for the Relevant Periods and the nine months ended 30 September 2021 of nil, RMB7,037,805, RMB22,346,611, RMB13,666,589 and RMB15,060,220, respectively.

31. RESERVES

The amounts of the Group's reserves and the movements therein are presented in the consolidated statements of changes in equity in the Historical Financial Information.

(i) Capital reserve

The share premium represents the difference between the par value of the shares issued and the consideration received.

(ii) Statutory surplus reserve

In accordance with the Company Law of the People's Republic of China, the companies in the PRC are required to allocate 10% of the statutory after tax profits to the statutory reserve until the cumulative total of the reserve reaches 50% of the companies registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the companies. The statutory reserve is not available for dividend distribution to shareholders of the PRC companies.

(iii) Other reserve

The other reserve of the Group represents the excess of the consideration over the carrying amount of the non-controlling interests acquired.

(iv) Fair value reserve of financial assets at fair value through other comprehensive income

Fair value reserve of financial assets at fair value through other comprehensive income mainly represents the fair value changes of equity instruments at fair value through other comprehensive income.

(v) A summary of the Company's reserves as at the end of each of the Relevant Periods are as follows:

| | Capital reserve | Share-based payments reserve | Statutory surplus reserve | Accumulated losses | Total reserves |
|--|----------------------------|---|--|-------------------------------|---------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| At 1 January 2019 | 48,044 | 78,403 | 625 | (76,607) | 50,465 |
| Issue of shares | 207,355 | — | — | — | 207,355 |
| Equity-settled share-based payments | — | 1,503 | — | — | 1,503 |
| Total comprehensive income for the year | — | — | — | 9,220 | 9,220 |
| At 31 December 2019 and 1 January 2020 | 255,399 | 79,906 | 625 | (67,387) | 268,543 |
| Issue of shares | 73,039 | — | — | — | 73,039 |
| Equity-settled share-based payments | — | 15,303 | — | — | 15,303 |
| Total comprehensive income for the year | — | — | — | 22,553 | 22,553 |

| | Capital reserve | Share-based payments reserve | Statutory surplus reserve | Accumulated losses | Total reserves |
|--|----------------------------|---|--|-------------------------------|---------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| At 31 December 2020 and 1 January 2021 | 328,438 | 95,209 | 625 | (44,834) | 379,438 |
| Issue of shares | 160,667 | — | — | — | 160,667 |
| Equity-settled share-based payments | — | 22,347 | — | — | 22,347 |
| Total comprehensive income for the year | — | — | — | 33,127 | 33,127 |
| At 31 December 2021 and 1 January 2022 | 489,105 | 117,556 | 625 | (11,707) | 595,579 |
| Equity-settled share-based payments | — | 13,667 | — | — | 13,667 |
| Total comprehensive income for the period | — | — | — | (13,179) | (13,179) |
| At 30 September 2022 | <u>489,105</u> | <u>131,223</u> | <u>625</u> | <u>(24,886)</u> | <u>596,067</u> |
| At 1 January 2021 | 328,438 | 95,209 | 625 | (44,834) | 379,438 |
| Issue of shares | 160,667 | — | — | — | 160,667 |
| Equity-settled share-based payments (unaudited) | — | 15,060 | — | — | 15,060 |
| Total comprehensive income for the period (unaudited) | — | — | — | 25,673 | 25,673 |
| At 30 September 2021 (unaudited) | <u>489,105</u> | <u>110,269</u> | <u>625</u> | <u>(19,161)</u> | <u>580,838</u> |

32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(i) Major non-cash transactions

During the Relevant Periods, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB986,588, RMB2,372,345, RMB3,911,415 and RMB737,734 for the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022, respectively, in respect of lease arrangements for offices.

(ii) Changes in liabilities arising from financing activities

Interest-bearing bank and other borrowings

| | Year ended 31 December | | | Nine months ended 30 September | |
|---|------------------------|---------------|---------------|-----------------------------------|---------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | (unaudited) | |
| At beginning of the year/period | 148,226 | 95,162 | 57,776 | 57,776 | 92,194 |
| Changes (used in)/from financing cash flows | (68,956) | (43,869) | 29,653 | (24,621) | (83,748) |
| Interest accrued | 15,892 | 6,483 | 4,765 | 2,414 | 3,373 |
| At end of the year/period | <u>95,162</u> | <u>57,776</u> | <u>92,194</u> | <u>35,569</u> | <u>11,819</u> |

Lease liabilities

| | Year ended 31 December | | | Nine months ended 30 September | |
|-----------------------------------|------------------------|--------------|--------------|-----------------------------------|--------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | (unaudited) | |
| At beginning of the year/period | 6,273 | 3,980 | 3,448 | 3,448 | 3,556 |
| Changes from financing cash flows | (3,574) | (3,118) | (3,963) | (2,066) | (824) |
| New leases | 987 | 2,372 | 3,911 | 1,087 | 738 |
| Revision of lease terms | — | — | — | — | (77) |
| Interest accrued | 294 | 214 | 160 | 119 | 117 |
| At end of the year/period | <u>3,980</u> | <u>3,448</u> | <u>3,556</u> | <u>2,588</u> | <u>3,510</u> |

(iii) Total cash outflow for leases

The total cash outflow for leases included in the statements of cash flows is as follows:

| | Year ended 31 December | | | Nine months ended 30 September | |
|-----------------------------|------------------------|----------------|----------------|-----------------------------------|----------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | | | | <i>(unaudited)</i> | |
| Within operating activities | 2,118 | 1,209 | 1,495 | 1,453 | 1,217 |
| Within financing activities | 3,574 | 3,118 | 3,963 | 2,066 | 824 |
| | <u>5,692</u> | <u>4,327</u> | <u>5,458</u> | <u>3,519</u> | <u>2,041</u> |

33. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank and other borrowings are contained in note 27 to the Historical Financial Information.

34. CONTINGENT LIABILITIES

As at 31 December 2019, 2020 and 2021 and 30 September 2022, neither the Group nor the Company had any significant contingent liabilities.

35. COMMITMENTS

The Group had the following capital commitments at the end of the years/period:

| | As at 31 December | | | As at 30 September |
|---|-------------------|----------------|----------------|-----------------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Contracted for but not yet incurred Purchase of property, plant and equipment | <u>1,929</u> | <u>—</u> | <u>—</u> | <u>—</u> |

36. RELATED PARTY TRANSACTIONS

Details of the Group's related parties that had transactions and/or balances with the Group during the Relevant Periods are as follows:

| Company | Relationship with the Group |
|---|--|
| Mr. Feng Lei | Shareholder with significant influence over the Group |
| Mr. Du Bing | Shareholder with significant influence over the Group |
| Ms. Liu Fei | Close family member of a shareholder with significant influence over the Group |
| Shangrong Factoring | An entity controlled by a shareholder with significant influence over the Group |
| Ant Blockchain Technology (Shanghai) Co., Ltd. ("Ant Blockchain") 螞蟻區塊鏈科技(上海)有限公司 | An entity controlled by a shareholder with significant influence over the Group |
| Nanjing Luge Information Technology Co., Ltd. ("Nanjing Luge Information") 南京路歌信息技術有限公司 | An entity controlled by a shareholder with significant influence over the Group |
| Nanjing Luge Investment Management Center LLP ("Nanjing Luge Investment") 南京路歌投資管理中心(有限合夥) | An entity controlled by a shareholder with significant influence over the Group |
| Ganzhou Yanjing Hotel Management Co., Ltd. ("Ganzhou Yanjing") 贛州燕京酒店管理有限公司 | An entity controlled by a close family member of a shareholder with significant influence over the Group |
| Haitong UniTrust International Leasing Co., Ltd. ("Haitong UniTrust") 海通恆信國際租賃有限公司 | Parent of a shareholder with significant influence over the Group |
| Anhui Jika | An associate of the Group |
| Qingkong Shoulu | An associate of the Group |
| Wuhu Luge | An associate of the Group |
| Xinjiang Zhongya | An associate of the Group |

- (i) The Group had the following transactions with related parties during the Relevant Periods and the nine months ended 30 September 2021:

| | Notes | Year ended 31 December | | | Nine months ended 30 September | |
|---------------------------------|-------|------------------------|---------|---------|-----------------------------------|-------------|
| | | 2019 | 2020 | 2021 | 2021 | 2022 |
| | | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | | | (unaudited) |
| Provision of services | | | | | | |
| Qingkong Shoulu | (a) | 722 | 3,199 | 288 | 287 | 183 |
| Anhui Jika | (a) | 9 | — | — | — | — |
| Shangrong Factoring | (a) | 1,639 | 1,247 | — | — | — |
| Xinjiang Zhongya | (a) | — | — | — | — | 221 |
| Wuhu Luge | (a) | — | — | — | — | 305 |
| Purchases of goods or services: | | | | | | |
| Anhui Jika | (b) | 3,347 | — | — | — | — |
| Ant Blockchain | (b) | — | 116 | 113 | 112 | — |
| Borrowings from: | | | | | | |
| Haitong UniTrust | (c) | 710,319 | 249,157 | — | — | — |
| Shangrong Factoring | (d) | 520,657 | 179,825 | — | — | — |
| Repayments to: | | | | | | |
| Haitong UniTrust | (c) | 774,670 | 264,638 | — | — | — |
| Shangrong Factoring | (d) | 529,122 | 196,747 | — | — | — |
| Interest expenses to: | | | | | | |
| Haitong UniTrust | (c) | 6,629 | 556 | — | — | — |
| Shangrong Factoring | (d) | 3,958 | 1,617 | — | — | — |

Notes:

- (a) The provision of services to related parties was made according to the published prices and conditions offered to the major customers of the Group.
- (b) The purchases from a related party were made according to the published prices and conditions offered by the related party to its major customers.
- (c) Haitong UniTrust provided secured factoring services to the Group. The interest rate of factoring financing was 10.80% per annum, pledged by trade receivables and other receivables of the Group.
- (d) Shangrong Factoring provided unsecured reverse factoring services to the Group. The interest rate of factoring financing was 8.50% per annum. Further details are contained in note 25 Other payables and accruals to the Historical Financial Information.

(ii) **Guarantees:**

The shareholders, Mr. Feng Lei and Mr. Du Bing, had guaranteed certain of the Group's bank and other borrowings amounting to RMB15,480,227, RMB13,307,049, RMB448 and nil as at the end of each of the Relevant Periods, respectively.

The shareholders, Mr. Feng Lei and Mr. Du Bing, together with their spouses, had guaranteed certain of the Group's bank and other borrowings amounting to RMB43,000,000 and RMB20,000,000 as at 31 December 2019 and 2020, respectively.

(iii) Outstanding balances with related parties:

(a) Trade and notes receivables

| | As at 31 December | | | As at |
|-----------------|-------------------|----------|----------|--------------|
| | 2019 | 2020 | 2021 | 30 September |
| | RMB'000 | RMB'000 | RMB'000 | 2022 |
| | | | | RMB'000 |
| Qingkong Shoulu | 86 | — | — | — |
| | 86 | — | — | — |
| | <u>86</u> | <u>—</u> | <u>—</u> | <u>—</u> |

(b) Prepayments, other receivables and other assets

| | As at 31 December | | | As at |
|-------------------------|-------------------|--------------|------------|--------------|
| | 2019 | 2020 | 2021 | 30 September |
| | RMB'000 | RMB'000 | RMB'000 | 2022 |
| | | | | RMB'000 |
| Feng Lei | 375 | — | — | — |
| Du Bing | 353 | — | — | — |
| Ganzhou Yanjing | 250 | 250 | — | — |
| Liu Fei | 130 | 130 | — | — |
| Nanjing Luge Investment | 11 | 19 | — | — |
| Qingkong Shoulu | 9,165 | 8,604 | 708 | 58 |
| Wuhu Luge | — | 139 | 221 | 204 |
| Xinjiang Zhongya | — | — | — | 155 |
| | 10,284 | 9,142 | 929 | 417 |
| | <u>10,284</u> | <u>9,142</u> | <u>929</u> | <u>417</u> |

As at 30 September 2022, the outstanding balances with related parties are non-trade in nature and are expected to be settled prior to the Listing.

(c) Other payables and accruals

| | As at 31 December | | | As at |
|--------------------------|-------------------|--------------|------------|--------------|
| | 2019 | 2020 | 2021 | 30 September |
| | RMB'000 | RMB'000 | RMB'000 | 2022 |
| | | | | RMB'000 |
| Shangrong Factoring | 16,922 | — | — | — |
| Nanjing Luge Information | 1,615 | 825 | — | — |
| Qingkong Shoulu | — | 400 | 400 | 400 |
| Ant Blockchain | — | — | 16 | — |
| | 18,537 | 1,225 | 416 | 400 |
| | <u>18,537</u> | <u>1,225</u> | <u>416</u> | <u>400</u> |

As at 30 September 2022, the outstanding balance with the related party is non-trade in nature and is expected to be settled prior to the Listing.

(d) Interest-bearing bank and other borrowings

| | As at 31 December | | | As at |
|------------------|-------------------|---------|---------|--------------|
| | 2019 | 2020 | 2021 | 30 September |
| | RMB'000 | RMB'000 | RMB'000 | 2022 |
| Haitong UniTrust | 15,480 | — | — | — |
| | 15,480 | — | — | — |

Except for interest-bearing bank and other borrowings and payables due to Shangrong Factoring, all the other balances with related parties are unsecured, interest-free and repayable on demand.

(iv) Compensation of key management personnel of the Group:

| | Year ended 31 December | | | Nine months ended | |
|---|------------------------|---------|---------|-------------------|---------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | (unaudited) | |
| Salaries, bonuses, allowances and benefits in kind | 2,393 | 3,384 | 4,325 | 3,475 | 3,236 |
| Pension scheme contributions and social welfare | 176 | 175 | 369 | 300 | 192 |
| Equity-settled share-based payment expenses | 194 | 2,312 | 6,580 | 2,452 | 7,543 |
| Total compensation paid to key management personnel | 2,763 | 5,871 | 11,274 | 6,227 | 10,971 |

Further details of directors' and the chief executive's emoluments are included in note 8 to the Historical Financial Information.

*(v) Transactions between the Company and its subsidiaries**(a) Transactions with subsidiaries*

| | Year ended 31 December | | | Nine months ended | |
|---|------------------------|---------|---------|-------------------|---------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| | | | | (unaudited) | |
| Platform service fees charged from subsidiaries | 140,561 | 174,795 | 229,563 | 162,878 | 122,656 |

(b) *Outstanding balances with subsidiaries*

| | As at 31 December | | | As at |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2019 | 2020 | 2021 | 30 September |
| | RMB'000 | RMB'000 | RMB'000 | 2022 |
| Prepayments, other receivables and other assets | 205,356 | 242,679 | 217,739 | 212,162 |
| Other payables and accruals | 162,759 | 197,286 | 388,176 | 226,298 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets

| | As at 31 December | | | As at |
|--|-------------------|------------------|------------------|------------------|
| | 2019 | 2020 | 2021 | 30 September |
| | RMB'000 | RMB'000 | RMB'000 | 2022 |
| <i>Financial assets at amortised cost</i> | | | | |
| Trade and notes receivables | 128,631 | 189,373 | 175,101 | 86,011 |
| Financial assets included in prepayments, other receivables and other assets | 846,240 | 1,221,052 | 1,027,938 | 701,853 |
| Pledged deposits | 3,473 | 502 | — | — |
| Restricted bank deposits | — | — | — | 4,068 |
| Cash and cash equivalents | 350,385 | 421,654 | 728,838 | 508,736 |
| | <u>1,328,729</u> | <u>1,832,581</u> | <u>1,931,877</u> | <u>1,300,668</u> |
| <i>FVTPL</i> | <u>358</u> | <u>358</u> | <u>5,010</u> | <u>110,000</u> |
| <i>FVOCI</i> | | | | |
| Notes receivables | 650 | 2,045 | 1,183 | 7,000 |
| Equity investments designated at fair value through other comprehensive income | 1,000 | 1,000 | — | — |
| | <u>1,650</u> | <u>3,045</u> | <u>1,183</u> | <u>7,000</u> |
| | <u>1,330,737</u> | <u>1,835,984</u> | <u>1,938,070</u> | <u>1,417,668</u> |

Financial liabilities

| | As at 31 December | | | As at |
|---|-------------------|------------------|------------------|----------------|
| | 2019 | 2020 | 2021 | 30 September |
| | RMB'000 | RMB'000 | RMB'000 | 2022 |
| | | | | RMB'000 |
| <i>Financial liabilities at amortised cost</i> | | | | |
| Trade payables | 111,724 | 151,009 | 113,298 | 91,699 |
| Financial liabilities included in other payables and accruals | 935,467 | 1,266,164 | 1,004,156 | 766,096 |
| Interest-bearing bank and other borrowings | 95,162 | 57,776 | 92,194 | 11,819 |
| | <u>1,142,353</u> | <u>1,474,949</u> | <u>1,209,648</u> | <u>869,614</u> |

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The Group's finance team is responsible for determining the policies and procedures for the fair value management of financial instruments. The finance team reports directly to the chief financial officer. At each reporting date, the finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and notes receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals, and interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The valuations of the financial assets at fair value through profit or loss or other comprehensive income were based on information known to the Group and market conditions existing at the end of each of the Relevant Periods. The fair values were determined by using appropriate valuation techniques. Valuation techniques of notes receivables, unlisted wealth management products, and unlisted equity investments were the discounted cash flow model, recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same and making use of available and supportable market data as much as possible.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

31 December 2019

| | Fair value measurement using | | | Total |
|--------------|---|--|--|-------|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | |
| FVTPL | — | — | 358 | 358 |
| FVOCI-debt | — | 650 | — | 650 |
| FVOCI-equity | — | — | 1,000 | 1,000 |

31 December 2020

| | Fair value measurement using | | | Total |
|--------------|---|--|--|-------|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | |
| FVTPL | — | — | 358 | 358 |
| FVOCI-debt | — | 2,045 | — | 2,045 |
| FVOCI-equity | — | — | 1,000 | 1,000 |

31 December 2021

| | Fair value measurement using | | | Total |
|------------|---|--|--|-------|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | |
| | — | — | — | |
| FVTPL | — | 5,010 | — | 5,010 |
| FVOCI-debt | — | 1,183 | — | 1,183 |

30 September 2022

| | Fair value measurement using | | | Total |
|------------|---|--|--|---------|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | |
| | — | — | — | |
| FVTPL | 110,000 | — | — | 110,000 |
| FVOCI-debt | — | 7,000 | — | 7,000 |

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at the end of each of the Relevant Periods:

| Description | Fair value at 31 December | | | Valuation technique | Unobservable input | Range of inputs at 31 December | | | Relationship of unobservable inputs to fair value |
|-------------|---------------------------|---------|---------|-------------------------|---|--------------------------------|------|------|---|
| | 2019 | 2020 | 2021 | | | 2019 | 2020 | 2021 | |
| | RMB'000 | RMB'000 | RMB'000 | | | 2019 | 2020 | 2021 | |
| FVTPL | 358 | 358 | — | Market comparable model | Discount for lack of marketability ("DLOM") | 30% | 30% | — | The higher the DLOM, the lower the fair value |
| FVOCI | 1,000 | 1,000 | — | Market comparable model | DLOM | 30% | 30% | — | The higher the DLOM, the lower the fair value |

The following table demonstrates the sensitivity to a reasonably possible change in fair value of financial instruments categorised within Level 3 of the Group's profit before tax or the Group's other comprehensive income without considering income tax:

| | <u>Increase/(decrease) in fair value</u> | <u>Increase/(decrease) in profit before tax</u> | <u>Increase/(decrease) in other comprehensive income without considering income tax</u> |
|------------------|--|---|---|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| 31 December 2020 | 10% | 36 | 100 |
| | (10%) | (36) | (100) |
| 31 December 2019 | 10% | 36 | 100 |
| | (10%) | (36) | (100) |

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, pledged deposits, restricted bank deposits and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables, trade payables, financial assets included in prepayments, other receivables, and other assets, and financial liabilities included in other payables and accruals, which mainly arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(i) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings and payables due to Shangrong Factoring. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest rate risk by keeping a balanced portfolio of fixed and floating interest rates.

For financial instruments with fixed interest rates, the rates are determined at initial recognition and remain unchanged during the holding period. For those measured at amortised cost, the changes in market interest rates will not impact on the profits or losses or equity.

Financial instruments with floating interest rates including interest-bearing bank and other borrowings, rates of which shall be revalued before the maturity date, expose the Group to cash flow interest rate risk. The net exposure was RMB72,000,000, RMB40,000,000, nil and nil as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively. If the related interest rate had been 50 basis points higher/lower, the profit before income tax for the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022 would have been RMB69,778, RMB55,472, nil and nil lower/higher, respectively.

The sensitivity analysis above is based on the presumption that static term structures of interest rate are kept, only fluctuations of interest rate within one year are forecasted, impacts related to tax are not taken into consideration and there is a reasonably possible change in interest rates with all other variables held constant. The results represent the impact, derived from re-measurements of financial instruments, on the Group's profit before tax.

(ii) **Credit risk**

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year/period-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year/period-end and staging classification as at 31 December 2019, 2020 and 2021 and 30 September 2022. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2019

| | 12-month | Lifetime ECLs | | | Total |
|--|------------------|---------------|----------|---------------------|------------------|
| | ECLs | | | | |
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Contract assets | — | — | — | 6,425 | 6,425 |
| Trade and notes receivables | — | — | — | 129,018 | 129,018 |
| Financial assets included in prepayments, other receivables and other assets | 843,280 | 4,904 | — | — | 848,184 |
| Pledged deposits | 3,473 | — | — | — | 3,473 |
| Cash and cash equivalents | 350,385 | — | — | — | 350,385 |
| | <u>1,197,138</u> | <u>4,904</u> | <u>—</u> | <u>135,443</u> | <u>1,337,485</u> |

As at 31 December 2020

| | 12-month | Lifetime ECLs | | | Total |
|--|------------------|---------------|--------------|---------------------|------------------|
| | ECLs | | | | |
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Contract assets | — | — | — | 5,153 | 5,153 |
| Trade and notes receivables | — | — | — | 189,807 | 189,807 |
| Financial assets included in prepayments, other receivables and other assets | 1,221,400 | 2,218 | 1,384 | — | 1,225,002 |
| Pledged deposits | 502 | — | — | — | 502 |
| Cash and cash equivalents | 421,654 | — | — | — | 421,654 |
| | <u>1,643,556</u> | <u>2,218</u> | <u>1,384</u> | <u>194,960</u> | <u>1,842,118</u> |

As at 31 December 2021

| | 12-month ECLs | | Lifetime ECLs | | Total |
|--|------------------|------------|---------------|---------------------|------------------|
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | |
| Contract assets | — | — | — | 7,214 | 7,214 |
| Trade and notes receivables | — | — | — | 177,542 | 177,542 |
| Financial assets included in prepayments, other receivables and other assets | 1,031,388 | 435 | 8,575 | — | 1,040,398 |
| Cash and cash equivalents | 728,838 | — | — | — | 728,838 |
| | <u>1,760,226</u> | <u>435</u> | <u>8,575</u> | <u>184,756</u> | <u>1,953,992</u> |

As at 30 September 2022

| | 12-month ECLs | | Lifetime ECLs | | Total |
|--|------------------|------------|---------------|---------------------|------------------|
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | |
| Contract assets | — | — | — | 4,817 | 4,817 |
| Trade and notes receivables | — | — | — | 93,254 | 93,254 |
| Financial assets included in prepayments, other receivables and other assets | 702,493 | 440 | — | — | 702,933 |
| Restricted bank deposits | 4,068 | — | — | — | 4,068 |
| Cash and cash equivalents | 508,736 | — | — | — | 508,736 |
| | <u>1,215,297</u> | <u>440</u> | <u>—</u> | <u>98,071</u> | <u>1,313,808</u> |

(iii) Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of lease liabilities and interest-bearing bank and other borrowings.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on contractual undiscounted payments, is as follows:

At 31 December 2019

| | Less than 1 year | 1 to 2 years | Over 2 years | Total |
|--|-----------------------------|---------------------|---------------------|------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Trade payables | 111,724 | — | — | 111,724 |
| Financial liabilities included in other payables and accruals | 935,467 | — | — | 935,467 |
| Lease liabilities | 2,452 | 1,456 | 307 | 4,215 |
| Interest-bearing bank and other borrowings | 97,219 | — | — | 97,219 |
| | <u>1,146,862</u> | <u>1,456</u> | <u>307</u> | <u>1,148,625</u> |

At 31 December 2020

| | Less than 1 year | 1 to 2 years | Over 2 years | Total |
|--|-----------------------------|---------------------|---------------------|------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Trade payables | 151,009 | — | — | 151,009 |
| Financial liabilities included in other payables and accruals | 1,266,164 | — | — | 1,266,164 |
| Lease liabilities | 2,222 | 1,035 | 422 | 3,679 |
| Interest-bearing bank and other borrowings | 59,159 | — | — | 59,159 |
| | <u>1,478,554</u> | <u>1,035</u> | <u>422</u> | <u>1,480,011</u> |

At 31 December 2021

| | Less than 1 year | 1 to 2 years | Over 2 years | Total |
|--|-----------------------------|---------------------|---------------------|------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Trade payables | 113,298 | — | — | 113,298 |
| Financial liabilities included in other payables and accruals | 1,004,156 | — | — | 1,004,156 |
| Lease liabilities | 2,968 | 438 | 336 | 3,742 |
| Interest-bearing bank and other borrowings | 93,597 | — | — | 93,597 |
| | <u>1,214,019</u> | <u>438</u> | <u>336</u> | <u>1,214,793</u> |

At 30 September 2022

| | Less than 1 year | 1 to 2 years | Over 2 years | Total |
|--|-----------------------------|---------------------|---------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Trade payables | 91,699 | — | — | 91,699 |
| Financial liabilities included in other payables and accruals | 766,096 | — | — | 766,096 |
| Lease liabilities | 2,900 | 404 | 389 | 3,693 |
| Interest-bearing bank and other borrowings | 12,764 | — | — | 12,764 |
| | <u>873,459</u> | <u>404</u> | <u>389</u> | <u>874,252</u> |

(iv) 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 Relevant Periods.

The current asset-current liability ratios as at the end of each of the Relevant Periods are as follows:

| | As at 31 December | | | As at 30 September |
|---|--------------------------|----------------|----------------|-------------------------------|
| | 2019 | 2020 | 2021 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Total current assets | 1,705,006 | 2,200,748 | 2,559,107 | 1,901,110 |
| Total current liabilities | 1,631,661 | 2,002,202 | 2,126,950 | 1,453,875 |
| Current asset-current liability ratios* | <u>96%</u> | <u>91%</u> | <u>83%</u> | <u>76%</u> |

* The current asset-current liability ratio is calculated by dividing the total current liabilities by total current assets and multiplying the product by 100%.

40. EVENT AFTER THE RELEVANT PERIODS

As approved by the Company's board of directors in October 2021, the ordinary shares of the Company will be subdivided on a one-for-sixteen basis, and the nominal value of the shares was changed from RMB1.0 each to RMB0.0625 each ("Share Subdivision"). Immediately after such Share Subdivision, the registered share capital of the Company will become RMB84,416,569 with 1,350,665,104 shares of nominal value RMB0.0625 each, all of which were fully paid up. The completion of the Share Subdivision is subject to the completion of the Listing and all necessary consents, approvals, authorisations and permissions required to be obtained for the Share Subdivision have been obtained, in accordance with the applicable PRC laws, regulations and rules.

Except for the event above, the Group did not have any other significant events after the end of the Relevant Periods which need to be disclosed.

41. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 September 2022.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company has been prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on our consolidated net tangible assets attributable to the owners of the parent as of 30 September 2022 as if it had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed as of 30 September 2022 or any future date.

| | Audited | | Unaudited pro | Unaudited pro forma | |
|--|-------------------------|----------------------|-------------------------|-------------------------------|---------------|
| | Consolidated net | | forma adjusted | adjusted consolidated | |
| | tangible assets | | consolidated net | net tangible assets | |
| | attributable to | Estimated net | tangible assets | attributable to equity | |
| | owners of the | proceeds from | attributable to | holders of the Company | |
| | Company as at | the Global | owners of the | per share | |
| | 30 September | Offering | Company | | |
| | 2022 | | | RMB | HK\$ |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>Note 3</i> | <i>Note 4</i> |
| | <i>Note 1</i> | <i>Note 2</i> | | | |
| Based on an offer price of HK\$2.9 per H Share | 550,966 | 85,601 | 636,567 | 0.46 | 0.53 |
| Based on an offer price of HK\$3.5 per H Share | 550,966 | 108,051 | 659,017 | 0.47 | 0.54 |

Notes:

1. The consolidated net tangible assets attributable to owners of the parent as of 30 September 2022 is arrived at after deducting intangible assets of RMB1,835 thousand from the consolidated net assets attributable to owners of the parent of RMB552,801 thousand as at 30 September 2022, as shown in the Accountants' Report set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Global Offering are based on the Estimated Offer Price of HK\$2.9 per H Share and HK\$3.5 per H Share, being the low and high ends of the stated offer price range, after deduction of the underwriting fees and other related expenses payable by the Company (excluding listing expenses of RMB30,403 thousand which have been charged to profit or loss during the Track Record Period) and do not take into account any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK\$1 to RMB0.87474, which was the exchange rate set by the PBOC prevailing on 17 February 2023. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or at any other rates or at all.
3. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is calculated based on 1,393,876,104 Shares to be in issue, comprising of 866,444,180 Domestic Shares and 527,431,924 H Shares, immediately following the completion of the Global Offering and does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option. The shares have been adjusted retrospectively to reflect the approval of the subdivision of shares on a one-for-sixteen basis in October 2021.
4. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is converted into Hong Kong dollars at an exchange rate of HK\$1 to RMB0.87474. No representation is made that the RMB amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.
5. No adjustment has been made to reflect any trading results or other transactions entered into subsequent to 30 September 2022.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

The following is the text of a report received from Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.



Ernst & Young
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Quarry Bay, Hong Kong

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To the Directors of Logory Logistics Technology Co., Ltd.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Logory Logistics Technology Co., Ltd. (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 30 September 2022 and related notes as set out on pages II-1 to II-2 of the prospectus dated 27 February 2023 issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in pages II-1 to II-2.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group’s financial position as at 30 September 2022 as if the transaction had taken place at 30 September 2022. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the nine months ended 30 September 2022, on which an accountants’ report has been published.

Directors’ responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline (“AG”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma 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:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Certified Public Accountants

Hong Kong

27 February 2023

The estimated consolidated profit attributable to owners of our Company for the year ended December 31, 2022 is set out in the paragraph headed “Profit estimate for the year ended December 31, 2022” under the section headed “Summary” and “Financial Information” in this prospectus.

A. BASES

Our Directors have prepared the estimate of the consolidated profit attributable to owners of our Company for the year ended December 31, 2022 (the “Profit Estimate”) on the basis of (i) the audited consolidated results of our Group for the nine months ended September 30, 2022; and (ii) the unaudited consolidated results of our Group for the three months ended December 31, 2022 based on the management accounts of our Group.

The Profit Estimate has been prepared on the basis of the accounting policies consistent in all material respects with those currently adopted by our Group as summarised in the Accountants’ Report as set out in Appendix I to this prospectus.

B. PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2022

On the basis set out in Appendix III to this prospectus, and in the absence of unforeseen circumstances, we estimate that our unaudited consolidated profit attributable to owners of our Company for the year ended December 31, 2022 is as follows:

| | |
|--|---------------------------------|
| Estimated consolidated profit attributable to owners of our Company | Not less than RMB1.0 million |
|--|---------------------------------|

C. LETTER FROM THE REPORTING ACCOUNTANTS



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

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Fax 傳真: +852 2868 4432
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February 27, 2023

The Board of Directors,

Logory Logistics Technology Co., Ltd.
No. 2700 Chuangxin Avenue
High-tech District
Hefei, Anhui Province
China

Haitong International Capital Limited
Suites 3001-3006 and 3015-3016
One International Finance Centre
No. 1 Harbour View Street
Central
Hong Kong

Dear Sirs,

LOGORY LOGISTICS TECHNOLOGY CO., LTD. (“THE COMPANY”)**Profit estimate for year ended 31 December 2022**

We refer to the estimate of the consolidated profit attributable to equity holders of the Company for the year ended 31 December 2022 (“the Profit Estimate”) set forth in the section headed “Financial Information” in the prospectus of the Company dated February 27, 2023 (“the Prospectus”).

Directors’ responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as “the Group”) for the nine months ended 30 September 2022 and the unaudited consolidated results based on the management accounts of the Group for the three months ended 31 December 2022.

The Company’s directors are solely responsible for the Profit Estimate.

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 *Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness* and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Appendix III of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated February 27, 2023, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,

Certified Public Accountants
Hong Kong

D. LETTER FROM THE SOLE SPONSOR ON PROFIT ESTIMATE**Haitong International Capital Limited**

Suites 3001-3006 and 3015-3016

One International Finance Centre

No. 1 Harbour View Street

Central, Hong Kong

The Board of Directors

Logory Logistics Technology Co., Ltd.

合肥維天運通信息科技股份有限公司

February 27, 2023

Dear Sirs,

We refer to the estimate of the consolidated profit attributable to equity holders of Logory Logistics Technology Co., Ltd. (the “Company”) for the year ended December 31, 2022 (the “Profit Estimate”) set forth in the section headed “Financial Information—Profit estimate for the year ended December 31, 2022” in the prospectus of the Company dated February 27, 2023 (the “Prospectus”).

The Profit Estimate, for which you as the Directors of the Company are solely responsible for, has been prepared by the Directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the nine months ended September 30, 2022 and the unaudited consolidated results based on the management accounts of the Group for the three months ended December 31, 2022.

We have discussed with you as the Directors of the Company the bases and assumptions upon which the Profit Estimate has been made, we have also considered, and relied upon, the letter dated February 27, 2023 addressed to you and us from Ernst & Young, the reporting accountant of the Company (the “Reporting Accountant”), regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by the Reporting Accountant, we are of the opinion that the Profit Estimate, for which you as the Directors of the Company are solely responsible for, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of

Haitong International Capital Limited**Ronny Chan***Managing Director*

TAXATION ON HOLDERS OF SECURITIES

The following is a summary of certain PRC taxation consequences of the ownership of H Shares by an investor who purchases such H Shares in connection with the Global Offering and holds the H Shares as capital assets. This summary does not purport to address all potential taxation consequences of investment in the H Shares, and does not take into account the specific circumstances of any particular investor, some of which may be subject to special rules. This summary is based on the tax laws of the PRC in effect as of the date of this prospectus, all of which are subject to change (or changes in interpretation) and may have retroactive effect.

This section does not address any aspect of PRC or Hong Kong taxation other than income tax, capital gains tax, stamp duty and estate duty. Prospective investors are urged to consult their respective tax advisors regarding the PRC, Hong Kong and other taxation consequences arising from the ownership and disposal of H Shares.

Dividend Tax*Individual Investors*

According to the Individual Income Tax Law of the People's Republic of China (中華人民共和國個人所得稅法) (the "IIT Law") which was adopted and implemented by the National People's Congress on September 10, 1980, and latest amended on August 31, 2018, and the Regulations for the Implementation of the Individual Income Tax Law of the People's Republic of China (中華人民共和國個人所得稅法實施條例) which was promulgated by the State Council on January 28, 1994, and latest amended on December 18, 2018, dividends paid by PRC companies to individual shareholders are generally subject to individual income tax at a uniform rate of 20%.

According to the Notice on Certain Policies Regarding Individual Income Tax (Cai Shui Zi [1994] No. 020) (關於個人所得稅若干政策問題的通知(財稅字[1994]020號)) issued on May 13, 1994 by the MOF and the SAT, overseas individuals are, as an interim measure, exempted from the individual income tax for the dividends and bonuses received from foreign-invested enterprises.

According to the Notice on Issues Concerning the Administration of Individual Income Tax Collection Following the Annulment of Document Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知(國稅函[2011]348號)) issued on June 28, 2011 by the SAT, as for the income from dividends and bonuses obtained by foreign resident individual shareholders from the shares issued in Hong Kong by domestic non-foreign invested enterprises, the individual income tax shall be withheld by withholding agents according to the item of "income from interest, dividends and bonuses". Where a domestic non-foreign invested enterprise issues shares in Hong Kong, its foreign resident individual shareholders can enjoy relevant tax incentives in accordance with tax treaties signed between their countries of residence and China as well as the provisions of tax

arrangements between Mainland and Hong Kong (Macau). A domestic non-foreign invested enterprise that issues shares in Hong Kong may, for the purpose of distributing dividends and bonuses, withhold individual income tax at the rate of 10% in general, and the application procedure is not required. For situations where the tax rate for dividend is not 10%, the following regulations shall apply: where an individual who has earned the dividends is the resident of a country with which the conventional tax rate is lower than 10%, such individual can apply for refund according to the Announcement of the SAT on Issuing the Measures for Non-resident Taxpayers' Enjoyment of Treaty Benefits (Announcement No. 35, 2019 of the SAT) (國家稅務總局關於發佈《非居民納稅人享受協定待遇管理辦法》的公告); where an individual who has earned the dividends is the resident of a country with which the conventional tax rate is higher than 10% and lower than 20%, the withholding agent shall withhold the individual income tax in accordance with the actual conventional tax rate when distributing dividends and bonuses, and the application procedure is not required; where an individual who has earned the dividends is the resident of a country which has not signed a tax treaty with China or is under other situations, the withholding agent shall withhold the individual income tax at the rate of 20% when distributing dividends and bonuses.

According to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on 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), which was signed on August 21, 2006, the Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company if the Hong Kong resident is the beneficial owner of the equity and certain other conditions are met.

Enterprise Investors

According to the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法) (the "EIT Law") which was adopted by the National People's Congress on March 16, 2007, implemented on January 1, 2008, and latest amended on December 29, 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法實施條例) which was promulgated by the State Council on December 6, 2007, implemented on January 1, 2008, and amended on April 23, 2019, a nonresident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends and bonuses received from a PRC resident enterprise), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for nonresident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the nonresident enterprise when such payment is made or due.

According to the Circular of the State Taxation Administration on the Withholding and Remitting of Enterprise Income Tax on the Dividend Distributed by Chinese Resident Enterprise to Overseas H-Share Non-resident Enterprise (Guo Shui Han [2008] No. 897) (國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知(國稅函[2008]897號)) issued by the SAT and taking effect on November 6, 2008, where a Chinese resident enterprise distributes dividends for the year of 2008 or any year thereafter to its H-share holders which are overseas non-resident enterprises, it shall withhold the enterprise income tax thereon at the uniform rate of 10%. After receiving the dividends, a non-resident enterprise shareholder may, by itself or through an authorized agent or withholding agent, submit an application to the competent tax authority for enjoying any treatment under a relevant tax agreement (arrangement), and provide proof that it is an actual beneficial owner satisfying the requirements of the tax agreement (arrangement). If the application is justified upon verification, the competent tax authority shall refund the difference between the tax paid and the tax payable calculated at the tax rate under the tax agreement (arrangement).

According to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on 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), the Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company if the Hong Kong resident is the beneficial owner of the equity and certain other conditions are met.

Taxation Treaty

Non-resident investors residing in jurisdictions which have entered into treaties or arrangements for the avoidance of double taxation with the PRC are entitled to a reduction of the Chinese enterprise income tax imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties or Arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States.

Capital Gains Tax

Income Tax

Individual Investors

According to the IIT Law, gains from the transfer of personal property are subject to the income tax at a rate of 20%. Pursuant to the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (Cai Shui Zi [1998] No. 61) (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) jointly issued by the MOF and the SAT on March 30, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. The SAT has not expressly stated whether it will continue to exempt tax on income of individuals from transfer of the shares of listed enterprises in the IIT Law, which latest amended and implemented on January 1, 2019 and its implementation provisions.

However, According to the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (Cai Shui [2009] No. 167) (關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知) jointly issued by the MOF, the SAT and CSRC on December 31, 2009, and taking effect on January 1, 2010, individuals' income from the transfer of listed shares obtained from the public offering of listed companies and transfer market on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction as defined in the Supplementary Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (Cai Shui [2010] No. 70) (關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知) jointly issued and implemented by such departments on November 10, 2010.

As of the Latest Practicable Date, no provisions have expressly provided that individual income tax shall be levied from non-Chinese resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges.

Enterprise Investors

In accordance with the EIT Law and its implementation provisions, a non-resident enterprise is generally subject to a 10% corporate income tax on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or place in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not connected with such establishment or premise. Such income tax for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. The withholding tax may be reduced pursuant to special arrangements or relevant agreements signed between the PRC and the jurisdictions where the non-resident enterprises are located.

Stamp Duty

Pursuant to the Provisional Regulations of the PRC on Stamp Duty (中華人民共和國印花稅暫行條例), which was issued by the State Council on August 6, 1988 and implemented on October 1, 1988 and latest amended on January 8, 2011, and the Implementation Provisions of Provisional Regulations of the PRC on Stamp Duty (中華人民共和國印花稅暫行條例施行細則), which was promulgated by the MOF on September 29, 1988 and implemented on October 1, 1988, PRC stamp duty only applies to specific taxable document executed or received within the PRC, having legally binding force in the PRC and protected under the PRC laws, thus the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

Estate Duty

As of the date of this prospectus, no estate duty has been levied in the PRC under the PRC laws.

Taxation Policy of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect

On October 31, 2014 and November 5, 2016, the MOF, the SAT and the CSRC jointly issued the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transaction in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No. 81) (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知) and the Notice on the Relevant Taxation Policies for the Pilot Program of the Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No. 127) (關於深港股票市場交易互聯互通機制試點有關稅收政策的通知). According to such Notices, Mainland enterprise investors' income from transfer price difference, dividends and bonuses of investment in stocks listed on the HKEx through the Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect shall be included into the total income and shall be subject to the enterprise income tax. Income of mainland resident enterprises obtained from dividends and bonuses by holding H shares for over twelve months consecutively shall be exempted from enterprise income tax according to the law. Enterprises of H shares shall not withhold income tax of dividends and bonuses for mainland enterprise investors. The taxes payable shall be declared and paid by enterprises on their own.

For dividends and bonuses obtained by individual mainland investors from investment in H shares listed on the HKEx through the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, enterprises of H shares shall submit applications to China Securities Depository and Clearing Corporation Limited ("CSDC") so as to get the register of individual mainland investors and withhold the individual income tax at the tax rate of 20%. For taxes withheld abroad, individual investors may apply to competent taxation authorities of the CSDC for tax credit upon the strength of valid tax withholding vouchers. For

dividends and bonuses obtained by mainland securities investment funds from investment in stocks listed on the HKEx through the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, individual income tax shall be calculated and levied in accordance with the above provisions.

On December 4, 2019, the MOF, the SAT and the CSRC jointly issued the Announcement on the Continued Implementation of the Individual Income Tax Policies on the Interconnection Mechanisms for Transactions in the Shanghai and Hong Kong Stock Markets and for Transactions in the Shenzhen and Hong Kong Stock Markets (Announcement 93, 2019 of the MOF) (關於繼續執行滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告), which stipulates that from December 5, 2019 to December 31, 2022, the transfer price difference income that an individual investor from mainland China obtains by investing in stocks listed on the Stock Exchange of Hong Kong through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and by trading in Hong Kong fund shares through mutual recognition of funds will continue to be temporarily exempted from individual income tax.

MAIN PRC TAXES OF THE COMPANY

Please refer to “Regulatory Overview” of the prospectus.

FOREIGN EXCHANGE

The lawful currency of the PRC is the Renminbi, which is currently subject to foreign exchange control and is not freely convertible into foreign currencies. The SAFE, under the authority of PBOC, is responsible for administration of all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Regulations on Foreign Exchange Control of the PRC (中華人民共和國外匯管理條例) (the “Foreign Exchange Control Regulations”), which was issued by the State Council on January 29, 1996 and implemented on April 1, 1996, classifies all international payments and transfers into current items and capital items. Most of the current items are not subject to the approval of foreign exchange administration agencies, while capital items are subject to such approval. Pursuant to the Foreign Exchange Control Regulations amended on January 14, 1997 and August 1, 2008, the PRC will not impose restriction on international current payments and transfers.

According to the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定), which was promulgated by the PBOC on June 20, 1996, it removes other restrictions on convertibility of foreign exchange under current items, while retaining existing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》), which was issued by the PBOC and implemented on July 21, 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

On August 5, 2008, the State Council promulgated the revised Foreign Exchange Control Regulations, which have made substantial changes to the foreign exchange supervision system of the PRC. First, it has adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities; second, it has improved the RMB exchange rate formation mechanism based on market supply and demand; third, in the event that international revenues and expenditure occur or may occur a material imbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard and control measures on international revenues and expenditure; fourth, it has enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to the SAFE to enhance its supervisory and administrative powers.

PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at the designated foreign exchange bank, on the strength of valid transaction receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange bank, or effect exchange and payment at the designated foreign exchange bank.

According to the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (Guo Fa [2014] No. 50) (《國務院關於取消和調整一批行政審批項目等事項的決定》) which was promulgated by the State Council on October 23, 2014, it decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

According to the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing (Hui Fa [2014] No. 54) (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) issued by the SAFE and implemented on December 26, 2014, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the local branch office of State Administration of Foreign Exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents.

According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (Hui Fa [2015] No. 13) (《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》), which was issued by the SAFE on February 13, 2015 and came into effect on June 1, 2015, it has canceled two of the administrative examination and approval items, being the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment, instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice of the State Administration of Foreign Exchange of the PRC on Revolutionizing and Regulating Capital Account Settlement Management Policies (Hui Fa [2016] No. 16) (《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》) which was promulgated by the SAFE and implemented on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjust of the SAFE in due time in accordance with international revenue and expenditure situations.

On January 26, 2017, the Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (Hui Fa [2017] No. 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》) was promulgated by the SAFE and implemented to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization, allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas

lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

On October 23, 2019, the SAFE issued the Notice on Further Facilitating Cross-Board Trade and Investment (Hui fa [2019] No. 28) (《關於進一步促進跨境貿易投資便利化的通知》), which canceled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item by item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

This appendix sets forth summaries of certain aspects of PRC laws and regulations which are relevant to the operations and business of the Company. Laws and regulations relating to taxation in the PRC are discussed separately in “Appendix IV—Taxation and Foreign Exchange” to this prospectus. For discussion of laws and regulations which are relevant to business of the Company, please refer to “Regulatory Overview” in this prospectus.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (中華人民共和國憲法) (the “Constitution”) and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is the signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (中華人民共和國立法法), the National People’s Congress (the “NPC”) and its Standing Committee are empowered to exercise the legislative power of the State. The NPC shall develop and amend the basic laws on state authorities, civil matters, criminal matters, and others matters. The Standing Committee of the NPC shall develop and amend laws other than those developed by the NPC; and when the NPC is not in session, partially supplement and amend laws developed by the NPC, provided that the basic principles in such laws are not violated.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people’s congress and its standing committee of a province, autonomous region, and municipality directly under the Central Government may, according to the specific circumstances and actual needs of the administrative region, develop local regulations, provided that such regulations do not contravene the Constitution, laws, and administrative regulations.

The people’s congress and its standing committee of a districted city may, according to the city’s specific circumstances and actual needs, develop local regulations on urban and rural development and administration, environmental protection, and historical culture protection, among others, provided that they do not contravene the Constitution, laws, administrative regulations, and the local regulations of the province or autonomous region where the city is located, unless a law provides otherwise for the development of local regulations by a districted city.

The people’s congress of an ethnic autonomous area shall have the power to develop autonomous regulations and separate regulations based on the political, economic, and cultural characteristics of the local ethnicities.

The ministries and commissions of the State Council, the People's Bank of China, the National Audit Office, and other divisions with administrative functions directly under the State Council may, in accordance with the laws and the administrative regulations, decisions, and orders of the State Council, develop rules within their respective power. The matters prescribed in State Council departmental rules shall be matters for the enforcement of laws or the administrative regulations, decisions, and orders of the State Council. The people's government of a province, an autonomous region, a municipality directly under the Central Government, a districted city, and an autonomous prefecture may develop rules in accordance with laws, administrative regulations, and the local regulations of the province, autonomous region, and municipality directly under the Central Government.

Pursuant to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law (全國人民代表大會常務委員會關於加強法律解釋工作的決議) passed on June 10, 1981. In cases where the limits of articles of laws and decrees need to be further defined or additional stipulations need to be made, the Standing Committee of the NPC shall provide interpretations or make stipulations by means of decrees. Interpretation of questions involving the specific application of laws and decrees in court trials shall be provided by the Supreme People's Court. Interpretation of questions involving the specific application of laws and decrees in the procuratorial work of the procuratorates shall be provided by the Supreme People's Procuratorate. Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be provided by the State Council and the competent departments. In cases where the limits of locally enacted rules and regulations need to be further defined or additional stipulations need to be made, the standing committees of the people's congresses of the provinces, autonomous regions, and municipalities directly under the Central Government which have formulated these rules and regulations shall provide the interpretations or make the stipulations. Interpretation of questions involving the specific application of local rules and regulations shall be provided by the competent departments under the people's governments of the provinces, autonomous regions, and municipalities directly under the Central Government.

THE PRC JUDICIAL SYSTEM

Under the Constitution, the Organic Law of the People's Courts of the PRC (《中華人民共和國人民法院組織法》) and the Organic Law of the People's Procuratorates of the PRC (《中華人民共和國人民檢察院組織法》), the people's courts of the PRC are classified into the Supreme People's Court, the local people's courts at all levels, and special people's courts. The local people's courts at all levels are divided into three levels, namely, the primary people's courts, the intermediate people's courts and the higher people's courts. The primary people's courts may set up certain people's tribunals based on the status of the region, population and cases. The Supreme People's Court is the highest judicial organ and shall supervise the judicial work of the local people's courts at all levels and special people's courts, and people's courts at higher levels shall supervise the judicial work of people's courts at lower levels. The people's procuratorates of the PRC are classified into the Supreme People's Procuratorate, local people's procuratorates at all levels, and special people's procuratorates such as the

military procuratorates. The Supreme People's Procuratorate is the highest organ of legal supervision. The Supreme People's Procuratorate shall direct the work of the local people's procuratorates at all levels and special people's procuratorates, and people's procuratorates at higher levels shall direct the work of people's procuratorates at lower levels.

The people's courts employ a two-tier appellate system, i.e., judgments or rulings of the second instance at the people's courts are final. A party may appeal against the judgment or ruling of the first instance of a local people's courts. The people's procuratorate may present a protest to the people's courts at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's courts are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court and those of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court or the people's courts at the next higher level finds any definite errors in a legally effective final judgment or ruling of the people's court at a lower level, or if the chief judge of a people's court at any level finds any definite errors in a legally effective final judgment or ruling of such court, the case can be retried according to judicial supervision procedures.

The Civil Procedure Law of the PRC (中華人民共和國民事訴訟法) (the "PRC Civil Procedure Law") prescribes the conditions for instituting a civil action, the jurisdiction of the people's court, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law. A civil case is generally heard by the court located in the defendant's place of domicile, and Parties to a contract may, by a written agreement, choose the people's court at the place of domicile of the defendant, at the place where the contract is performed or signed, at the place of domicile of the plaintiff, at the place where the subject matter is located or at any other place actually connected to the dispute to have jurisdiction over the dispute, but the provisions of this Law regarding hierarchical jurisdiction and exclusive jurisdiction shall not be violated.

A foreign individual, a person without nationality, a foreign enterprise and a foreign organization is given the same litigation rights and obligations as a citizen, a legal person or other organizations of the PRC when initiating actions or defending against litigations at a people's court. Should a foreign court limit the litigation rights of PRC citizens, the legal person and other organizations, the PRC court may apply the same limitations to the citizens, enterprises and organizations of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a people's court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a people's court and

a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. A people's court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC.

All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within two years subject to application for postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgment which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgment against such party.

Where a party requests for enforcement of an effective judgment or ruling made by a people's court, but the opposite party or his property is not within the territory of the People's Republic of China, the party may directly apply to the foreign court with jurisdiction for recognition and enforcement of the judgment or ruling, or the people's court may, in accordance with the provisions of international treaties to which the PRC is a signatory or in which the PRC is a participant or according to the principle of reciprocity, request for recognition and enforcement by the foreign court. Similarly, for an effective judgment or ruling made by a foreign court that requires recognition and enforcement by a people's court of the PRC, a party may directly apply to an intermediate people's court of the PRC with jurisdiction for recognition and enforcement of the judgment or ruling, or the foreign court may, in accordance with the provisions of international treaties to which its country and the PRC are signatories or in which its country is a participant or according to the principle of reciprocity, request for recognition and enforcement by the people's court. If the judgment or ruling violates the basic principles of the laws of the PRC or the sovereignty, security or public interest of the PRC, the people's court shall not grant recognition and enforcement.

THE COMPANY LAW, THE SPECIAL REGULATIONS AND THE MANDATORY PROVISIONS

On December 29, 1993, the Standing Committee of the NPC considered and adopted the Company Law of the PRC (《中華人民共和國公司法》) (the "Company Law"), which came into effect on July 1, 1994 and was successively amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018. The latest revised Company Law of the PRC was implemented on October 26, 2018.

On August 4, 1994, the State Council promulgated the Special Provisions of the State Council On the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) (the "Special Regulations"), which includes provisions in respect of the overseas share offering and listing of joint stock limited companies.

On September 29, 1994, the former State Council Securities Commission (國務院證券委員會) and the former State Commission for Restructuring the Economic Systems (國家經濟體制改革委員會) jointly promulgated the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (《到境外上市公司章程必備條款》) (the “Mandatory Provisions”), which prescribes that the relevant provisions should be incorporated in the articles of association of joint stock limited companies to be listed on overseas stock exchanges. Accordingly, the Mandatory Provisions have been incorporated in the Articles of Association.

CIRCULAR ISSUED BY THE STATE COUNCIL IN CONNECTION WITH THE ADJUSTMENTS IN REGULATIONS CONCERNING COMPANIES REGISTERED IN THE PRC AND LISTED OVERSEAS

On October 17, 2019, the State Council promulgated Reply on Adjustment of the Notice Period for General Meeting and Other Matters Applicable to Overseas Listed Company (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批復》), pursuant to which the State Council agreed that companies registered in PRC and listed overseas shall comply with the Company Law with respect to the notice period, shareholders right to formulate proposals and the procedures for convening a general meeting, and that relevant procedures set forth in Article 20 to Article 22 of the Special Regulations shall no longer apply.

Set out below is a summary of the major provisions of the Company Law, the Special Regulations and the Mandatory Provisions:

General

A “joint stock limited company” refers to a corporate legal person incorporated in PRC under the Company Law with independent legal person properties and entitlements to such legal person properties. The liability of the company for its own debts is limited to all the properties it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.

Incorporation

A company may be established by promotion or subscription. A company shall have a minimum of two but no more than 200 people as its promoters, and over half of the promoters must be resident within the PRC. For companies established by promotion, the registered capital is the total share capital subscribed for by all the promoters registered with the company’s registration authorities. No share offering shall be made before the shares subscribed for by the promoters are fully paid up. For companies established by subscription, the registered capital is the total paid-up share capital as registered with the company’s registration authorities. If laws, administrative regulations and State Council decisions provide otherwise on paid-in registered capital and the minimum registered capital, the company should follow such provisions.

For companies incorporated by promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreement. After the promoters have subscribed for the capital contribution under the articles of association, a board of directors and a supervisory board shall be elected and the board of directors shall apply for registration of establishment by filing the articles of association with relevant company registration authorities, and other documents as required by the law or administrative regulations.

For companies incorporated by subscription, not less than 35% of their total number of shares must be subscribed for by the promoters, unless otherwise provided by the laws or administrative regulations. A promoter offering shares to the public must publish a prospectus and prepare a subscription letter. Such promoter shall be underwritten by security companies established under PRC law and underwriting agreements shall be entered into. Such promoter shall also enter into agreements with banks in relation to the receipt of subscription monies. After the subscription monies for the share issue have been paid in full, a capital verification institution established under PRC law must be engaged to conduct a capital verification and furnish a certificate thereof. The promoters shall preside over and convene an inauguration meeting within 30 days from the date of the full payment of subscription monies. The inauguration meeting shall be formed by the promoters and subscribers. Where the shares issued remain undersubscribed by the deadline stipulated in the prospectus, or where the promoter fails to convene an inauguration meeting within 30 days of the subscription monies for the shares issued being fully paid up, the subscribers may demand that the promoters refund the subscription monies so paid together with the interest at bank rates of a deposit for the same period. Within 30 days after the conclusion of the inauguration meeting, the board of directors shall apply to the company registration authority for registration of the establishment of the company.

A company's promoter shall assume the following liabilities: (1) the debts and expenses incurred in the incorporation process jointly and severally if the company cannot be incorporated; (2) the subscription monies paid by the subscribers together with interest at bank rates of deposit for the same period jointly and severally if the company cannot be incorporated; and (3) the compensation of any damages suffered by the company in the course of its establishment as a result of the promoters' fault.

Share Capital

Shareholders may make a capital contribution in currencies, or non-monetary assets such as in kind or intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by the laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation on the value of the assets should be carried out; the assets should be verified; and the value shall not be overestimated or underestimated.

The issuance of shares shall be conducted in a fair and equitable manner. The same class of shares shall carry equal rights. For shares issued at the same time and within the same class, the conditions and price per share must be the same; for the shares subscribed by an entity or an individual, the price per share paid must be the same. The share offering price may be equal to or greater than the nominal value of the share, but may not be less than the nominal value.

A company must obtain the approval of the CSRC to offer its shares to the overseas public. According to the Special Regulations and the Mandatory Provisions, the shares issued to foreign investors and listed overseas by a company shall be in registered form, denominated in Renminbi and subscribed for in foreign currency. Shares issued to foreign investors (including the investors from the territories of Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan) and listed in Hong Kong are classified as H Shares, and those shares issued to investors within the PRC, except these regions mentioned above, are known as domestic shares. Under the Special Regulations, upon approval of CSRC, a company may agree with the underwriters, in the underwriting agreement, to retain not more than 15% of the aggregate number of such overseas listed foreign shares proposed to be issued in addition to the number of underwritten shares. The issuance of the retained shares is deemed to be a part of this issuance.

Pursuant to the requirements under the Company Law, a company issuing registered shares shall prepare a register of shareholders which sets forth the following matters: (1) the name and domicile of each shareholder; (2) the number of shares held by each shareholder; (3) the serial numbers of shares held by each shareholder; and (4) the date on which each shareholder acquired the shares.

Increase in Share Capital

Where a company is issuing new shares, resolutions shall be passed at shareholder's general meeting in respect of the class and amount of the new shares, the issue price of the new shares, the commencement and end dates for the issue of the new shares and the class and amount of the new shares proposed to be issued to existing shareholders.

When a company launches a public issue of new shares to the public upon the approval by the CSRC, a new prospectus and a financial accounting report must be published and a subscription form must be prepared. After the new share issued by the company has been paid up, the change must be registered with the company registration authorities and a public announcement must be made accordingly. Where an increase in registered capital of a company is made by means of an issue of new shares, the subscription of new shares by shareholders shall be made in accordance with the relevant provisions on the payment of subscription monies for the establishment of a company.

Reduction of Share Capital

A company may reduce share capital in accordance with the following procedures prescribed by the Company Law: (1) the company shall prepare balance sheet and inventory of assets; (2) the reduction of registered capital must be approved by shareholders in general meeting; (3) the company shall inform its creditors of the reduction in registered capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed; (4) the creditors of the company shall, within 30 days from the date they receive the written notice, or within 45 days from the date the announcement is made in the case of those who have not received such written notice, have the right to claim full repayment of their debts or provision of a corresponding guarantee from the company; and (5) the company must register with the company registration authority for such alteration.

Repurchase of Shares

According to the Company Law, a company shall not repurchase its own shares except under any of the following circumstances: (1) reducing the registered capital of the company; (2) merging with another company holding shares of this company; (3) using for employee stock ownership plan or equity incentives; (4) purchasing the company's own shares upon request of its shareholders who vote against the resolution regarding the merger or division of the company in a general meeting; (5) utilizing the shares for conversion of listed corporate bonds which are convertible into shares; and (6) where it is necessary for the listed company to safeguard the value of the company and the interests of its shareholders. The acquisition by a company of its own shares in circumstances as set out in items (1) and (2) above shall be subject to a resolution of the general meeting; the acquisition by a company of its own shares in circumstances as set out in items (3), (5) and (6) above may be approved by way of a resolution at a board meeting with two-third or more of the directors present in accordance with the provisions of the company's articles of association or the authorization of the shareholders' general meeting.

After acquiring its own shares pursuant to the provisions above, a company shall, under the circumstance set forth in item (1), cancel them within 10 days after the purchase; while under the circumstance set forth in either item (2) or (4), transfer or cancel them within six months; and while under the circumstance set forth in item (3), (5) or (6), aggregately hold not more than 10% of the total shares that have been issued by the company, and transfer or cancel them within three years.

A listed company acquiring its own shares shall perform the obligation of information disclosure in accordance with the Securities Law of the PRC (“**the Securities Law**”). A listed company purchasing its own shares under any of the circumstances set forth in items (3), (5) and (6) shall carry out trading in a public and centralized manner.

A company shall not accept its own shares as the subject of pledge.

Transfer of Shares

Shares held by shareholders may be transferred legally.

Pursuant to the Company Law, shares held by promoters may not be transferred within one year of the establishment of the company. Shares of the company issued prior to the public issue of shares may not be transferred within one year of the date of the company’s listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and any changes in such shareholdings. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company every year. They shall not transfer the shares they hold in the company within one year of the date of the company’s listing and trading on a stock exchange, nor within six months after they leave their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

Shareholders

Under the Company Law and the Mandatory Provisions, the rights of a shareholder include: (1) the right to transfer his or her shares legally; (2) the right to attend in person or appoint a proxy to attend shareholders’ general meetings, and to exercise the voting right; (3) the right to inspect the company’s articles of association, shareholders’ registers, records of debentures, minutes of shareholders’ general meetings, board resolutions, resolution of the board of supervisors, financial and accounting reports and put forward proposals or raise questions about the business operations of the company; (4) the right to receive dividends in respect of the number of shares held; (5) to participate in distribution of residual properties of the company in proportion to their shareholdings upon the liquidation of the company and (6) any other shareholders’ rights as specified by laws, administrative regulations, other normative documents and the articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by him/her, not to abuse shareholders' right to damage the interests of the company or other shareholders of the company; not to abuse the independent status of the company as a legal person and the limited liability to damage the interests of the creditors of the company and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of a company, which exercises the following powers: (1) to decide on the company's operational policies and investment plans; (2) to elect or replace the directors, supervisors who are not representatives of the employees and decide on matters relating to the remuneration of directors and supervisors; (3) to consider and approve reports of the board of directors; (4) to consider and approve reports of the board of supervisors; (5) to consider and approve the company's proposed annual financial budget and final accounts; (6) to consider and approve the company's proposals for profit distribution and for recovery of losses; (7) to decide on any increase or reduction in the company's registered capital; (8) to decide on the issue of bonds by the company; (9) to decide on issues regarding to merger, division, dissolution, liquidation or change of the form of the company and other matters; (10) to amend the articles of association of the company; and (11) other powers specified in the articles of association of the company.

The shareholders' general meeting shall be held once a year within six months after the end of the previous financial year. An extraordinary shareholders' general meeting shall be held within two months after the occurrence of any of the following circumstances: (1) when the number of directors is less than the number provided for in the Company Law or less than two-thirds of the number specified in the company's articles of association; (2) when the losses of the company which are not made up reach one-third of the company's total paid up share capital; (3) when shareholders individually or in aggregate holding 10% or more of the company's shares request to convene an extraordinary general meeting; (4) when deemed necessary by the board of directors; (5) when the board of supervisors proposes convening it; or (6) other matters as required by the company's articles of association.

A shareholders' general meeting shall be convened by the board of directors, and presided over by the chairman of the board of directors. If the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the vice-chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by half or more than half of directors shall preside over the meeting. Where the board of directors is incapable of performing or not performing its duties to convene the general meeting, the supervisory board shall convene and preside over shareholders' general meeting in a timely manner. If the supervisory board fails to convene and preside over

shareholders' general meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over shareholders' general meeting.

In accordance with the Company Law, a notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days prior to the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. For the issuance of bearer share certificates, the time and venue of and matters to be considered at the meeting shall be announced 30 days prior to the meeting. A single shareholder who holds, or several shareholders who jointly hold, more than three percent of the shares of the company may submit an interim proposal in writing to the board of directors within 10 days before the general meeting. The board of directors shall notify other shareholders within two days upon receipt of the proposal, and submit the interim proposal to the general meeting for deliberation. The contents of the interim proposal shall fall within the scope of powers of the general meeting, and the proposal shall provide clear agenda and specific matters for a resolution is to be made. A general meeting shall not make any resolution in respect of any matter not set out in the notices. Holders of bearer share certificates who intend to attend a general meeting shall deposit their share certificates with the company during the time from five days before the meeting to the conclusion of the meeting.

Under the Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, save that the company's shares held by the company are not entitled to any voting rights.

An accumulative voting system may be adopted for the election of directors and supervisors at the general meeting pursuant to the provisions of the articles of association or a resolution of the general meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the shareholder's general meeting, and shareholders may consolidate their votes when casting a vote.

Under the Company Law, resolutions of the general meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of matters relating to merger, division or dissolution of a company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by more than two-thirds of the voting rights held by the shareholders present at the meeting. Where the Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by a company and the other matters must be approved by way of resolution of the shareholder's general meeting, the board of directors shall convene a shareholder's general meeting promptly to vote on such matters by the shareholder's general meeting.

Minutes shall be prepared in respect of matters considered at the shareholder's general meeting and the chairperson and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

According to the Mandatory Provisions, the increase or reduction of share capital, the issuance of any class of shares, warrants or other similar securities and bonds, the division, merger, dissolution and liquidation of company, the amendments to the articles of association and any other matters, which, as resolved by way of an ordinary resolution of the shareholder's general meeting, may have a material impact on company and require adoption by way of a special resolution, must be approved through special resolutions by no less than two-thirds of the voting rights held by shareholders (including proxies thereof) present at the shareholder's general meeting.

The Mandatory Provisions require a special resolution to be passed at the general meeting and a class meeting to be held in the event of a variation or derogation of the class rights of a shareholder class. For this purpose, holders of domestic shares and H shares are deemed to be shareholders of different classes.

Board of Directors

A company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board of directors may include staff representatives, who shall be democratically elected by a company's staff at a staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may serve consecutive terms if re-elected after his expiration of term. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations, and the articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors' results in the number of directors being less than the quorum.

Under the Company Law, the board of directors shall be responsible for the shareholders' general meeting and exercises the following powers: (1) to convene the shareholders' general meeting and report on its work to the shareholders' general meetings; (2) to implement the resolution of the shareholders' general meeting; (3) to decide on a company's operational plans and investment proposals; (4) to formulate the company's proposed annual financial budget and final accounts; (5) to formulate the company's proposals for profit distribution and for recovery of losses; (6) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds; (7) to prepare plans for the merger, division, dissolution or change of the form of a company; (8) to decide on the company's internal management structure; (9) to decide to appoint or dismiss the company's manager, and based

on the manager's recommendation, to decide to appoint or dismiss deputy manager and financial officers of a company and to decide on their remuneration; (10) to formulate a company's basic management system; and (11) any other power given under the articles of association.

Meetings of the board of directors shall be convened at least twice each year, and the notice of each meeting shall be given to all directors and supervisors at least 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the board of supervisors. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the board meeting. The board of directors may otherwise determine the means and the period of notice for convening an interim board meeting.

Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors. Each director shall have one vote for a resolution to be approved by the board. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director to attend the meeting on his behalf by a written power of attorney specifying the scope of the authorization.

The board of directors shall keep minutes of resolutions passed at board meetings. The minutes shall be signed by the directors present at the meeting. The directors shall be responsible for the resolutions of the board of directors. If a resolution of the board of directors violates the laws, administrative regulations, the company's articles of association or resolutions of the general meeting as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of that liability.

According to the provisions of the Company Law, the following persons shall not serve as a director of a company: (1) persons without civil capacity or with restricted civil capacity; (2) persons who have committed the offense of corruption, bribery, taking of property, misappropriation of property or destruction of the socialist market economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation; (3) persons who are former directors, factory managers or managers of a company or enterprise which has become bankrupt and been liquidated and who are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise; (4) persons who were legal representatives of a company or enterprise which had its business license revoked or business operation shut down due to violation of the law and who are personally liable, where less than three years have elapsed since the date of the

revocation of the business license; and (5) persons who have a relatively large amount of debt due and outstanding. Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

In addition, the Mandatory Provisions further provide other circumstances under which a person is disqualified from acting as a director of a company, including: (1) the person is under investigation by the judicial authorities after a claim has been brought for violating the criminal law, pending conclusion of the case; (2) the person is not eligible for enterprise leadership under the laws and administrative regulations; (3) the person is not a natural person; and (4) no more than five years have lapsed since the person was found guilty of violating relevant securities regulations and involved in fraud or dishonesty as adjudged by relevant regulatory authorities.

Pursuant to the Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of Board resolutions. The vice chairman shall assist the chairman to perform his/her duties.

Supervisory Board

A company shall have a supervisory board composed of not less than three members. The supervisory board shall consist of representatives of the shareholders and an appropriate proportion of representatives of the company's staff, of which the proportion of representatives of the company's staff shall not be less than one-third, and the actual proportion shall be determined in the articles of association. Representatives of the company's staff at the supervisory board shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise.

The supervisory board shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory board shall be elected by more than half of all the supervisors. Directors and senior management members shall not act concurrently as supervisors.

According to the Reply of the Overseas Listing Department of CSRC and the Production System Department of the State Commission for Restructuring the Economic System on Opinions Concerning the Supplement and Amendment to Articles of Association by Companies to Be Listed in Hong Kong (《中國證監會海外上市部、國家體改委生產體制司關於到香港上市公司對公司章程作補充修改的意見的函》), the chairman of the supervisory board shall be selected by more than two-thirds of the supervisors.

The chairman of the supervisory board shall convene and preside over supervisory board meetings; where the chairman of the supervisory board is unable or fails to perform his/her duties, the vice chairman of the supervisory board shall convene and preside over supervisory board meetings; where the vice chairman of the supervisory board is unable or fails to perform his/her duties, a supervisor elected by more than half of the supervisors shall convene and preside over the meetings of the supervisory board.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if re-elected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisor results in the number of supervisors being less than the quorum.

The supervisory board shall exercises the following powers: (1) to examine the company's financial affairs; (2) to supervise the directors and senior management in their performance of duties and to propose the removal of any director or senior management who violates the laws, administrative regulations, articles of association or the resolutions of the shareholders' general meeting; (3) to require any director or senior management whose act is detrimental to the company's interests to rectify such act; (4) to propose the convening of extraordinary shareholders' general meetings and, in the event that the board of directors fails to perform the duties of convening and presiding general meetings, to convene and preside over general meetings; (5) to propose any bills to shareholders' general meetings; (6) to bring proceedings against any directors or senior management personnel in accordance with the relevant provisions of the Company Law; and (7) other powers specified in the articles of association.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board. The supervisory board may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

Managers and Other Senior Management

Pursuant to the relevant provisions of the Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. Meanwhile, pursuant to the relevant provisions of the Mandatory Provisions, the manager shall be accountable to the Board of Directors and exercise the following powers: (1) taking charge of the management of the production and business operations of the company, organizing the implementation of resolutions of the board of directors; (2) organizing the implementation of the company's annual business and investment plans; (3) drafting plans for the establishment of the company's internal management structure; (4) drafting the basic administration system of the company; (5) formulating the company's basic regulations and rules; (6) proposing to hire or dismiss the

company's vice manager(s) and the person in charge of finance; (7) deciding on the hiring or dismissal of the persons-in-charge other than those who shall be decided by the board of directors; and (8) other powers conferred by the articles of association and the board of directors.

The manager shall be present at meetings of the board of directors. However, the manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

According to the Company Law, senior management refers to the manager, deputy manager, financial officer, secretary to the board of a listed company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management are required under the Company Law to comply with the relevant laws, administrative regulations and the articles of association, and carry out their duties of loyalty and diligence. Directors, supervisors and senior management are prohibited from abusing their power in accepting bribes or other unlawful income and from misappropriating the company's property.

Meanwhile, directors and senior management are prohibited from: (1) misappropriation of company funds; (2) deposit of company funds into accounts under their own name or the name of other individuals; (3) loaning company funds to others or providing guarantees in favor of others supported by the company properties in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors; (4) entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting; (5) using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefit or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting; (6) accepting for their own benefit commissions from other parties dealing with the company; (7) unauthorized divulgence of confidential information of the company; or (8) other acts in violation of their duty of loyalty to the company. Income generated by directors or senior management in violation of aforementioned regulations shall be returned to the company.

A director, supervisor or senior management who contravenes law, administrative regulation or articles of association in the performance of his/her duties resulting in any loss to the company shall be personally liable to the company.

Where the attendance of a director, supervisor, or senior management is requested by the shareholders' general meeting, such director, supervisor, or other senior management shall attend the meeting as requested and answer enquiries of shareholders. Directors and senior management shall furnish with all truthfulness facts and information to the supervisory board without obstructing the discharge of duties by the supervisory board.

Where a director or senior management contravenes law, administrative regulation or articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate no less than 1% of the company's shares consecutively for at least 180 days may request in writing that the supervisory board institute litigation at a people's court on its behalf. Where the supervisor violates the laws or administrative regulations or the articles of association in the discharge of its duties resulting in any loss to the company, such shareholder(s) may request in writing that the board of directors institute litigation at a people's court on its behalf. If the supervisory board or the board of directors refuses to institute litigation after receiving the abovementioned written request from the shareholder(s), or fails to institute litigation within 30 days of the date of receiving the request, or in case of emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interests, such shareholder(s) shall have the power to institute litigation directly at a people's court in its own name for the company's benefit. For other parties who infringe the lawful interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at a people's court in accordance with the procedure described above. Where a director or senior management contravenes any laws, administrative regulations or the articles of association in infringement of shareholders' interests, a shareholder may also institute litigation at a people's court.

The Special Regulations and the Mandatory Provisions provide that a company's directors, supervisors, managers and other senior management shall have duty of fiduciary towards the company. They are required to faithfully perform their duties, to protect the interests of the company and not to use their positions in the company for their own benefits.

Finance and Accounting

According to the Company Law, a company shall establish its own financial and accounting systems in accordance with laws, administrative regulations and the provisions of the financial department in charge under the State Council. At the end of each financial year, a company shall prepare a financial report which shall be audited by an accounting firm in accordance with the laws. The company's financial reports shall be made available for shareholders' inspection at the company 20 days before the convening of an annual shareholders' general meeting. A company incorporated by public subscription must publish its financial statements.

When distributing current year's after-tax profits, the company shall set aside 10% of its profits for the company's statutory common reserve, except where the reserve has reached 50% of the company's registered capital. When the company's statutory common reserve is not sufficient to make up for the company's losses of the previous years, current year profits shall be used to make up for the losses before allocations are set aside for the statutory surplus reserve. After a company has made an allocation to its statutory common reserve from its after-tax profits, subject to a resolution of the shareholders' meeting or shareholders' general meeting, the company may make an allocation to a discretionary common reserve from its after-tax profits. After the company has made up for its losses and make allocations to its statutory common reserve, the remaining profits could be available for distribution to shareholder in proportion to the number of shares held by the shareholders except as otherwise provided in the articles of association of such company limited by shares.

Profits distributed to shareholders by a resolution of a shareholders' general meeting or the board of directors before losses have been made good and allocations have been made to the statutory common reserve fund in violation of the requirements described above must be returned to the company. The company shall not be entitled to any distribution of profits in respect of shares held by it.

The premium of a company from the issuance of stocks at a price above the par value of the stocks, and other incomes listed in the capital reserve under provisions of the treasury department of the State Council shall be listed as the company's capital reserve. The company's common reserves shall be used for making up losses, expanding the production and business scale or increasing the capital of the company, but the capital common reserve shall not be used for making up the company's losses. When the statutory common reserve is changed to capital, the remainder of the common reserve shall not be less than 25% of the registered capital prior to the increase.

The company shall have no accounting books other than the statutory accounting books. The company's assets shall not be deposited in any accounts opened in the name of an individual.

Appointment and Retirement of Accounting Firm

Pursuant to the Company Law, the engagement or dismissal of an accounting firm responsible for the company's auditing shall be determined by shareholders' meeting or shareholders' general meeting or the board of directors in accordance with the articles of association. The accounting firm should be allowed to make representations when the general meeting or the board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of data.

The Special Regulations require a company to engage an independent qualified accounting firm to audit the company's annual report and to review and check other financial reports of the company. The accounting firm's term of office shall commence from the end of the shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

Profit Distribution

According to the Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve fund is provided. Meanwhile, the Special Regulations require that any dividend and other distribution to shareholders of H Shares shall be declared and calculated in RMB and paid in foreign currency.

Under the Mandatory Provisions, a company shall make foreign currency payments to shareholders through receiving agents.

Amendments to the Articles of Association

Pursuant to the Company Law, the resolution of a shareholders' general meeting regarding any amendment to the articles of association requires affirmative votes by at least two-thirds of the votes held by shareholders attending the meeting. Pursuant to the Mandatory Provisions, the company may amend its articles of association according to the laws, administrative regulations and the Articles of Association. The amendment to articles of association involving content of the Mandatory Provisions will only be effective upon approval of the department in charge of company examination and approval and the securities regulatory department of the State Council authorized by the State Council, while the amendment to articles of association involving matters of company registration must be registered with the relevant authority in accordance with laws.

Dissolution and Liquidation

According to the Company Law, a company shall be dissolved in any of the following events: (1) the term of its operation set down in its articles of association has expired or events of dissolution specified in its articles of association have occurred; (2) the shareholders have resolved at a shareholders' general meeting to dissolve the company; (3) the company is dissolved by reason of its merger or division; (4) the business license of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws; or (5) the company is dissolved by a people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of the company, on the grounds that the operation and management of the company has suffered serious difficulties that cannot be resolved through other means, rendering ongoing existence of the company a cause for significant losses to the shareholders.

In the event of paragraph (1) above, the company may carry on its existence by amending its articles of association. The amendments to the articles of association in accordance with the provisions described above shall require the approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting. Where the company is dissolved under the circumstances set forth in paragraph (1), (2), (4) or (5) above, it should establish a liquidation committee within 15 days of the date on which the dissolution matter occurs. The liquidation committee shall be composed of directors or any other person determined by a shareholders' general meeting. If a liquidation committee is not established within the prescribed period, the company's creditors may file an application with a people's court to appoint relevant personnel to form a liquidation committee to administer the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee may exercise the following powers during the liquidation period: (1) to handle the company's assets and to prepare the balance sheet and inventory of assets; (2) to notify creditors through notice or issue public announcement; (3) to deal with the outstanding business related to the liquidation; (4) to pay any tax overdue as well as tax expenses arising from the liquidation process; (5) to settle the company's claims and liabilities; (6) to handle the company's remaining assets after its debts have been paid off; and (7) to represent the company in civil lawsuits.

The liquidation committee shall notify the creditors within 10 days of its establishment and publish an announcement on newspapers within 60 days. A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification. A creditor shall report all matters relevant to his claimed creditor's rights and furnish relevant evidence. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any settlement to creditors during the period of the claim.

Upon disposal of the company's property and preparation of the balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' general meeting or a people's court for endorsement. The remaining part of the company's assets, after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue to exist during the liquidation period, although it cannot conduct operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration by the people's court, the liquidation committee shall hand over the administration of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report and submit it to the shareholders' general meeting or the people's court for verification, and to the company registration authority for the cancellation of company registration, and an announcement of its termination shall be published. Members of the liquidation committee shall be faithful in the discharge of their duties and shall perform their liquidation duties in compliance with laws. Members of the liquidation committee shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's properties. Members of the liquidation committee who have caused the company or its creditors to suffer from any loss due to intentional fault or gross negligence, should be liable for making compensations to the company or its creditors.

In addition, liquidation of a company declared bankrupt according to laws shall be processed in accordance with the laws on corporate bankruptcy.

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After the people's court declares that such certificate(s) will no longer be valid, the shareholder may apply to the company for the issue of a replacement certificate(s).

The Mandatory Provisions provide for a separate procedure regarding loss of H share certificates, details of which are set out in the articles of association.

Merger and Division

According to the Company Law, in the event of merger, the parties to the merger shall enter into a merger agreement and prepare balance sheet and inventory of assets. The companies shall, within ten days as of making the decision of merger, notify the creditors, and shall make a public announcement in a newspaper within thirty days. The creditors may, within thirty days as of the receipt of the notice or within forty-five days as of the issuance of the public announcement if it fails to receive a notice, require the company to clear off its debts or to provide corresponding guarantees. In the case of a merger, the credits and debts of the parties involved shall be succeeded by the company that survives the merger or by the newly established company.

In a division, the asset of the company shall be split in an appropriate manner. The liabilities of the company which have accrued prior to the division shall be jointly borne by the separated companies, unless it is otherwise prescribed by the company and the creditors before the division with regard to the clearance of debts in written agreement.

Where the merger or division of the company involves changes in its registered particulars, such changes shall be filed with competent company registration authorities pursuant to the law. Where the company is dissolved, the company shall apply for cancellation of its registration in accordance with the laws. Where a new company is established, the company shall apply for registration of incorporation in accordance with the laws.

Securities Law and Regulations

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information of companies. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC was the regulatory body of the Securities Committee and responsible for the drafting of regulatory provisions of securities markets, supervising securities firms, regulating public offering of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis. In 1998, the State Council dissolved the Securities Committee of the State Council and assigned its function to the CSRC.

The PRC Securities Law (中華人民共和國證券法) became effective on July 1, 1999, and was revised on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014, and December 28, 2019, respectively, and the last amended Securities Law came into effect on March 1, 2020. The PRC Securities Law comprehensively regulates activities in the PRC securities market. It was the first national securities law in the PRC, and is divided into 14 chapters and 226 articles comprehensively regulating activities in the PRC securities market, including the issue and trading of securities, takeovers by listed companies, and the duties and responsibilities of securities exchanges, securities companies, securities depository and clearing institution and securities regulatory authorities. Article 224 of the PRC Securities Law provides that a domestic enterprise issuing securities overseas directly or indirectly or listing their securities overseas shall comply with the relevant provisions of the State Council. Currently, the issue and trading of foreign issued shares (including H Shares) are still governed by the rules and regulations promulgated by the State Council and the CSRC.

Overseas Listing

The shares of a company shall only be listed overseas after obtaining approval from the securities regulatory authority of the State Council and the listing must be arranged in accordance with procedures specified by the State Council.

According to the Regulatory Guidelines for the Application Documents and Examination Procedures for the Overseas Share Issuance and Listing by Joint Stock Companies (《關於股份有限公司境外發行股票和上市申報文件及審核程序的監管指引》) promulgated by CSRC, the approval documents for overseas stock issuance and listing by the company granted by CSRC shall be valid for a period of 12 months.

Suspension and Termination of Listing

Under the Securities Law, where a security listed and traded on a stock exchange falls under any of the delisting circumstances prescribed by the stock exchange, the stock exchange shall delist the security according to its business rules. Where a stock exchange decides to delist a security on the stock exchange, it shall announce the delisting in a timely manner, and file a report with the securities regulatory agency of the State Council for recordation.

Arbitration and Enforcement of Arbitral Awards

The Arbitration Law of the PRC (2017 Revised) (《中華人民共和國仲裁法(2017修正)》) (the “PRC Arbitration Law”) was enacted by the Standing Committee of the NPC on August 31, 1994, which became effective on September 1, 1995 and the latest version was amended on September 1, 2017. It is applicable to contract disputes and other property disputes where the parties have entered into a written agreement to refer the matter to arbitrate before an arbitration committee constituted in accordance with the PRC Arbitration Law. An arbitration committee may, before the promulgation of arbitration rules by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have reached the arbitration agreement, a People’s Court will refuse to handle a legal proceeding initiated by one of the parties at such People’s Court, unless the arbitration agreement is invalid.

The Hong Kong Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of a company listed in Hong Kong and, in the case of the Hong Kong Listing Rules, also in contracts between the company and each of the director and supervisor, to the effect that whenever any disputes or claims arises from any right or obligation provided in the articles of association, the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company between (1) holders of H Shares and the Company; (2) holders of H Shares and holders of domestic shares; or (3) holders of H Shares and the Company’s directors, supervisors or other management personnel, such disputes or claims shall be referred to arbitration.

Each of the relevant parties may elect to refer such dispute or claim to arbitration at either the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Centre. Disputes in respect of the definition of shareholder and disputes in relation to the company's shareholder registry need not be resolved by arbitration. If the party seeking arbitration elects to arbitrate the dispute or claim at the Hong Kong International Arbitration Centre, then either party may apply to have such arbitration conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

Pursuant to the Arbitration Law and the PRC Civil Procedure Law, a system of a single and final award shall be practiced for arbitration. The arbitration commission shall not accept any application for arbitration, nor shall a people's court accept any action submitted by the party in respect of the same dispute after an arbitral award has already been given in relation to that matter. If any party fails to comply with the arbitral awards, the other party to the award may apply to a people's court for its enforcement. However, a people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any procedural irregularity (including but not limited to irregularity in the composition of the arbitration tribunal, the jurisdiction of the arbitration commission, or the making of an award on matters beyond the scope of the arbitration agreement).

If a party applies for enforcement of a legally effective arbitration award made by a foreign-related arbitration commission and if the party against whom the enforcement is sought or such party's property is not within the territory of the PRC, he shall directly apply to a competent foreign court for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitral body may be recognized and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁決公約》) (the "New York Convention") adopted on June 10, 1958 pursuant to a resolution passed by the Standing Committee of the NPC on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties to the New York Convention, subject to their rights to refuse recognition and enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the National People's Congress simultaneously with the accession of the PRC that (1) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity; and (2) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

In June 1999, an arrangement for mutual enforcement of arbitral awards between Hong Kong and the Supreme People's Court of the PRC was reached. This new arrangement was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council, and became effective on February 1, 2000. This arrangement is made in accordance with the spirit of the New York Convention. Under the arrangement, the awards made by PRC arbitral bodies pursuant to the Arbitration Law can be enforced in Hong Kong and the Hong Kong arbitral awards made pursuant to the Hong Kong Arbitration Ordinance can also be enforced in the Mainland. Where a court of Mainland court finds that the enforcement of awards made by the Hong Kong arbitral bodies in the Mainland will be against social public interests of the Mainland, the awards may not be enforced.

SHARES**Shares and Registered Capital**

The Company shall set up ordinary Shares at any time; according to its needs, the Company may create other classes of Shares upon approval from the company approval department authorized by the State Council.

The issuance of shares shall be conducted in a fair and equitable manner. Each share of the same class shall be entitled to the same rights. For shares issued at the same time and within the same class, the conditions and price per share must be the same; for the shares subscribed by any entity or any individual, the price per share paid must be the same. Domestic shares and overseas listed foreign shares issued by the Company shall rank *pari passu* over any distribution by way of dividend or any other forms of distribution.

Upon the approval by securities regulatory authority of the State Council and consent of the Hong Kong Stock Exchange, holders of domestic shares of the Company may transfer the shares held by them to overseas investors and list and trade such shares on an overseas stock exchange; all or part of domestic shares of the Company may be converted into foreign shares and upon such conversion, the foreign shares may be listed and traded on an overseas stock exchange. Listing and trading of the transferred or converted shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of the overseas stock exchange. Neither the listing and trading of the transferred shares on an overseas stock exchange nor the conversion of domestic shares into foreign shares and the listing and trading of such foreign shares on an overseas stock exchange requires resolution at a general meeting or a class meeting. Domestic shares, after being converted into overseas listed foreign shares, are of the same class as the overseas listed foreign shares listed on the same overseas stock exchange.

Subject to the approval by the securities regulatory authority of the State Council, the Company may issue shares to domestic investors and overseas investors. Regarding the plan for issuing overseas listed foreign shares and domestic shares by the Company approved by the competent securities authority of the State Council, the Board of Directors of the Company may arrange for the implementation of such plan by means of separate issuances. According to the aforesaid plan for separate issuance of overseas listed foreign shares and domestic shares, the Company may issue the shares separately within 15 months after approval by the securities regulatory authority of the State Council. Where the Company issues overseas listed foreign shares and domestic shares separately within the total number of shares specified in the issuance plan, every such issue shall be fully subscribed for in one time. Where it is impossible for respective shares to be fully subscribed for in one time under exceptional circumstances, the shares may be issued by several times upon the approval of the securities regulatory authority of the State Council.

Increase/Decrease of Shares

Subject to the provisions of laws, regulations, listing rules of the place where the Company's shares are listed, the Company may, upon resolution by a shareholders' general meeting, increase its capital on the basis of its business and development needs and pursuant to the Articles of Association. The Company may increase its registered capital in the following ways:

- (I) offering new shares to non-specific investors;
- (II) placing new shares to existing shareholders;
- (III) distributing bonus shares to existing shareholders;
- (IV) issuing new shares to certain investors;
- (V) converting the reserved funds into share capital;
- (VI) other ways as approved by laws and regulations and the regulatory authorities.

After having been approved in accordance with the provisions of the Articles of Association, the increase of the company's capital by issuing new shares shall be handled in accordance with the procedures provided for in relevant State laws and administrative regulations and listing rules of the stock exchange where the Company's shares are listed.

The Company may reduce its registered capital in accordance with the provisions of the Articles of Association. The reduction of registered capital of the Company shall follow the procedures set forth in the Company Law of the People's Republic of China ("Company Law") and other relevant regulations as well as the Articles of Association.

When reducing its registered capital, the Company shall prepare a balance sheet and an inventory of property. Within 10 days of the date on which the resolution on reducing registered capital is made, the creditors shall be notified by the Company and a public announcement shall be made on newspapers within 30 days. Creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the Company to pay its debts or provide guarantees covering the debts.

Repurchase of Shares

The Company may, subject to the procedures set out in the Articles of Association and with the approval of the state competent authorities, repurchase its issued shares in accordance with legal procedures under the following circumstances:

- (I) cancelling its shares for the purpose of reducing the registered capital of the Company;
- (II) merging with another company which holds the shares of the Company;
- (III) using shares for employee stock ownership plan or equity incentives;
- (IV) acquiring the shares of shareholders who vote against any resolution adopted at the shareholders' general meeting on the merger or demerger of the Company and request the Company to acquire their shares;
- (V) using shares for converting convertible corporate bonds issued by the Company;
- (VI) it is necessary for the Company to maintain corporate value and shareholders' interests;
- (VII) other circumstances as permitted by laws, administrative regulations and listing rules of the place where the Company's shares are listed and approved by regulatory authorities.

A resolution of a shareholders' general meeting is required for the acquisition of our shares by the Company under either of the circumstances stipulated in item (I) or item (II) above; for the Company's acquisition of our shares under any of the circumstances stipulated in item (III), item (V) or item (VI) above, a resolution of a meeting of the board of directors shall be made by more than two-thirds of directors attending the meeting according to the provisions of the Company's Articles of Association or as authorized by the shareholders' general meeting. If the repurchase of our shares is made by the Company under any of the circumstances stipulated in item (III), item (V) or item (VI) above, centralized trading shall be adopted publicly. After the Company's acquisition of our shares under the circumstances above, the shares acquired under the circumstance stipulated in item (I) hereof shall be deregistered within ten days from the date of acquisition of our shares; the shares shall be assigned or deregistered within six months if the repurchase of shares is made under the circumstances stipulated in either item (II) or item (IV); and the shares in the Company held in total by the Company under the circumstances stipulated in item (III), item (V) or item (VI) shall not exceed 10% of the Company's total shares in issue, and shall be assigned or deregistered within three years.

Except for the aforesaid circumstances, the Company shall not trade in our shares. The Company shall not accept its shares as the subject matter of pledge. If it is otherwise provided in relevant laws, regulations, regulatory documents and relevant requirements of the securities regulatory authorities at the place where the Company's shares are listed regarding the relevant events in respect of repurchase of the shares above, the latter shall prevail.

With the approval of the relevant competent authorities of the State, the Company may repurchase its shares by the following ways:

- (I) to make a repurchase tender offer to all shareholders in the same proportion;
- (II) to repurchase shares through public transaction on a stock exchange;
- (III) to repurchase shares through an off-market agreement outside a stock exchange;
- (IV) the other ways approved by relevant regulatory authorities.

A prior approval shall be obtained from the shareholders' general meeting in respect of any share repurchase by the Company through an off-market agreement outside a stock exchange in accordance with the provisions of our Articles of Association. After the Shareholders' general meeting has given its prior approval in the same way, the Company may rescind or alter any contracts entered into in the said manner or waive any rights under such contracts.

The aggregate par value of the shares so canceled shall be deducted from the Company's registered capital.

Financial Assistance

The Company or its subsidiaries shall not, at any time and in any manner, provide any financial assistance to purchasers or prospective purchasers of the shares of the Company. The aforesaid purchasers of shares of the Company shall include persons who directly or indirectly assume relevant obligations as a result of purchasing shares of the Company.

The Company or its subsidiaries shall not, at any time and in any manner, provide any financial assistance to the above obligators in order to reduce or discharge their obligations. The aforesaid restriction shall not apply to the following circumstances:

- (I) where the financial assistance given by the Company is genuinely for the benefits of the Company and the main purpose of such financial assistance is not to purchase shares of the Company, or the financial assistance is an incidental part of a general plan of the Company;
- (II) distribution of the Company's properties as dividends pursuant to the law;

- (III) distribution of dividends in the form of shares;
- (IV) reduction of registered capital, buy-back of shares and shareholding structuring etc., in accordance with the Articles of Association;
- (V) provision of a loan by the Company within its business scope and in the ordinary course of its business (provided that it does not lead to a reduction in the net assets of the Company or that if it constitutes a reduction, the financial assistance was paid out of the Company's distributable profits);
- (VI) provision of money by the Company for an employee stock ownership plan (provided that it does not lead to a reduction in the net assets of the Company or that if it constitutes a reduction, the financial assistance was paid out of the Company's distributable profits).

Transfer of Shares

Unless otherwise specified by the laws, administrative regulations and the relevant requirements of the securities regulatory authorities at the place where shares of the Company are listed or the Articles of Association, the fully paid shares of the Company may be transferred freely without any lien attached.

The transfer of the Company's shares shall be registered in the shares registration institutions entrusted by the Company.

In the case of a transfer to joint holders, the number of joint holders to whom the shares are to be transferred does not exceed four.

The shares of the Company held by a promoter shall not be transferred within 1 year from the date of the establishment of the Company. Shares issued prior to the public offering of shares by the Company shall not be transferred within 1 year from the day on which the shares of the Company are listed and traded on the stock exchange.

The directors, supervisors and senior management of the Company during their terms of office shall report to the Company their shareholdings in the Company and the changes thereof and shall not transfer annually during their terms of office more than 25% of the total number of shares of the Company which they hold; the shares of the Company held by them shall not be transferred within 1 year from the date when the shares of the Company are listed and traded. Any of the aforesaid persons shall not transfer the shares of the Company held by him/her within half a year from his/her termination of the office.

All instruments of transfer of overseas listed foreign shares shall be made in writing in a general or in the usual common form or in such other form acceptable to the Board of Directors (including the standard transfer form or transfer form prescribed by the Stock Exchange of Hong Kong from time to time). If the transferor or transferee of the shares of the Company is a recognized clearing house or its nominee as defined by the relevant regulations in force under the laws of Hong Kong from time to time, the written transfer may be signed by hand or by machine printing. All instruments of transfer must be placed at the legal address of the Company or such other place as the Board of Directors may from time to time specify.

SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETING

Shareholders

The Company's shareholders are persons who lawfully hold shares of the Company and whose names are entered in the register of shareholders. Shareholders enjoy relevant rights and assume the relevant obligations in accordance with the class and numbers of shares they hold; shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

In respect of the shareholders of overseas listed foreign shares, where two or more persons are registered as the joint holders of any shares they shall be deemed to hold the same as joint tenants with benefit of survivorship, subject to the following restrictions:

- (I) the joint holders of any shares shall not exceed four;
- (II) the joint holders of any shares shall be liable severally as well as jointly in respect of all payments which ought to be made in respect of such shares;
- (III) on the death of any one of such joint holders, other survivor or survivors shall be the only person or persons recognised by the Company as having any title to such shares, but the Board of Directors may require such evidence of death as they may deem fit;
- (IV) only the person whose name stands first in the Register of Members as one of the joint holders of any shares entitled to receive notices from the Company relating to such shares, and any notice given to such person shall be deemed notice to all the joint holders.

A receipt for any dividend, bonus or return of capital payable given by one of such joint holders shall be deemed as an effectual receipt.

The shareholders of ordinary shares of the Company shall be entitled to the following rights:

- (I) obtaining dividends and any other form of profit distribution based on the number of shares held by them;
- (II) requiring, convening, chairing, attending or appointing a proxy to attend a shareholders' general meeting pursuant to the laws and exercising the corresponding voting rights;
- (III) to supervise and manage, present suggestions on or make inquiries about the business operations of the Company;
- (IV) to transfer, gift or pledge their shares in accordance with the laws, administrative regulations, the listing rules of the place where the Company's shares are listed, and the Articles of Association;
- (V) obtaining related information in accordance with provisions prescribed by the Articles of Association, including:
 1. to obtain a copy of the Articles of Associations upon payment of costs thereof;
 2. to acquire the right to inspect and duplicate after paying a reasonable charge:
 - (1) all parts of the register of shareholders;
 - (2) personal information on the directors, supervisors and senior management of the Company, including:
 - a. present and former name and alias;
 - b. principal address (domicile);
 - c. nationality;
 - d. full-time and all other part-time occupations and positions;
 - e. identification certificate document and its number.
 - (3) status of share capital of the Company;

- (4) reports showing the number and nominal value in respect of each class of shares repurchased by the Company since the last fiscal year, the aggregate amount paid for such shares and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between domestic shares, foreign shares and H shares);
 - (5) bond stubs, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors, the financial and accounting reports of the Company;
 - (6) the latest audited financial statements of the Company, and the reports of the Board, auditors and the board of supervisors;
 - (7) The annual report of the previous year filed with the market regulation authority or other competent authorities of China;
 - (8) minutes of shareholders' general meetings and special resolutions of the Company.
- (VI) upon termination or liquidation of the Company, participating in the distribution of the Company's residual assets based on their shareholding;
- (VII) a shareholder who objects to the resolution on merger or division of the Company passed by a shareholders' general meeting may request the Company to acquire his/her/its shares;
- (VIII) with respect to shareholders individually or jointly hold 3% or above shares of the Company, the right to propose extraordinary resolutions and submit to the Board in written 10 days before the date of general meeting;
- (IX) any other rights stipulated by laws, administrative regulations, departmental rules, listing rules of the place where the Company's shares are listed or the Articles of Association.

The Company shall not exercise any power to freeze or otherwise impair any of the rights attaching to any share by reason only that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

The shareholders of the Company's ordinary shares shall undertake the following obligations:

- (I) abiding by laws, administrative regulations, listing rules of the place where the Company's shares are listed and the Articles of Association;
- (II) making payment for shares subscribed for according to the quantity of shares subscribed for and the manners of subscription;
- (III) not abusing shareholder's rights to harm the interests of the Company or other shareholders; not abusing the independent legal person status of the Company and shareholders' limited liability to harm the interests of the Company's creditors. Shareholders of the Company who abuse shareholders' rights and cause damages to the Company or other shareholders shall be liable for compensation pursuant to the laws; shareholders of the Company who abuse the independent legal person status of the Company and shareholders' limited liability to evade debts and severely infringe upon interests of the Company's creditors shall assume joint and several liabilities for the Company's debts;
- (IV) any other obligations stipulated by laws, administrative regulations, listing rules of the place where the Company's shares are listed and the Articles of Association.

Shareholders shall not be liable for any further contribution to share capital other than on the conditions agreed to by the subscribers of the relevant shares at the time of subscription.

In addition to the obligations required under the laws, administrative regulations, or the listing rules of the place where Company's shares are listed, when exercising their rights as a shareholder, controlling shareholders shall not exercise their voting rights and make decisions on the following issues as these issues are detrimental to the interests of all or some of the shareholders:

- (I) exempting directors and supervisors from acting in good faith with the best interests of the Company;
- (II) approving directors and supervisors (for the benefit of themselves or others) to deprive the Company's property in any form, including (but not limited to) any opportunity that is beneficial to the Company;
- (III) approving directors and supervisors (for the benefit of themselves or others) in depriving other shareholders of their personal interests, including (but not limited to) any distribution rights and voting rights, but excluding corporate restructuring submitted to the shareholders' general meeting for approval in accordance with the Articles of Association.

General Rules for the Shareholder's General Meeting

The shareholders' general meeting is the organ of authority of the Company, and shall exercise following functions and powers:

- (I) to determine the Company's operating principles and investment plans;
- (II) to elect and remove directors, and to determine the remuneration of the relevant directors;
- (III) to elect and replace the supervisors who are shareholder representatives and to decide on the matters relating to the remuneration of supervisors;
- (IV) to review and approve the reports of the board of directors;
- (V) to review and approve the reports of the board of supervisors;
- (VI) to review and approve the Company's annual financial budgets and final accounts;
- (VII) to review and approve the Company's profit distribution proposals and loss recovery proposals;
- (VIII) to decide on any increase or reduction of the Company's registered capital;
- (IX) to decide on the issue of corporate bonds;
- (X) to decide on merger, division, dissolution and liquidation of the Company or change of its corporate form;
- (XI) to decide on the engagement, dismissal or discontinuation of the appointment of the accounting firm;
- (XII) amendments to the Articles of Association;
- (XIII) to consider matters relating to the purchases, disposals of material assets (including but not limited to land, building, equipment, production line, equity), or provisions of guarantees, the accumulated amount of which is more than 30% of the latest audited total assets of the Company, within one year;
- (XIV) to examine equity incentive plans;

- (XV) to deliberate proposals put forward by shareholders who represent 3% or more of the Company's voting shares;
- (XVI) to review other issues which should be decided by the shareholders' general meeting as stipulated by laws, regulations, listing rules of the place where the Company's shares are listed and the Articles of Association.

Where the Company provides guarantee for the shareholders or actual controllers of the Company, the resolution shall be made by the shareholders' general meeting.

Unless the Company is under exceptional circumstances such as crisis, the Company shall not enter into contracts with a party (other than directors, supervisors, and senior management members) in relation to handover of the administration of all business or the important business of the Company to that party without the pre-approval of the shareholders' general meeting.

There are two types of Shareholders' general meetings: annual general meetings and extraordinary general meetings. A shareholders' general meeting shall be convened by the board of directors. The annual general meeting shall be convened once a year, and be held within 6 months after the end of the previous accounting year.

An extraordinary general meeting shall be convened by the Company within two months from the date of occurrence of any of the following events:

- (I) the number of directors is less than the number required by the Company Law or less than two-thirds of the number stipulated in the Articles of Association;
- (II) the outstanding losses of the Company amount to one-third of the Company's total paid-in share capital;
- (III) shareholders who individually or jointly hold above 10% of the shares of the Company have requested to convene the meeting;
- (IV) the board of directors deems it necessary to convene the meeting;
- (V) the board of supervisors proposes to convene the meeting;
- (VI) two or more independent non-executive directors propose to convene the meeting;
- (VII) any other circumstances as stipulated by the laws, administrative regulations, departmental rules, listing rules of the place where the Company's shares are listed or the Articles of Association.

Convening of Shareholders' General Meetings

Shareholders requesting the convening of an extraordinary general meeting or a class shareholders' meeting shall proceed in accordance with the procedures set forth below:

- (I) shareholders who individually or jointly hold 10% or more of the shares carrying the right to vote at the proposed meeting may sign one or several written requisitions of the same format and contents, requesting the board of directors to convene an extraordinary general meeting or a class shareholders' meeting, and clarifying the object of the meeting. The board of directors shall convene the extraordinary general meeting or a class shareholders' meeting as soon as possible after receipt of the aforesaid written requisition(s). The number of the aforesaid shares shall be calculated as of the date on which the written requisition(s) is/are made by shareholders.
- (II) Where the Board of Directors fails to issue a notice to convene the meeting within 30 days after receiving the aforementioned written request, the shareholders who made the request may request the board of supervisors to convene an extraordinary general meeting or a class shareholders' meeting.
- (III) Where the board of supervisors fails to issue a notice to convene the meeting within 30 days after receiving the aforementioned written request, the shareholders who individually or collectively hold 10% or more of the shares carrying the right to vote at the proposed meeting individually or jointly for more than 90 consecutive days may proceed to convene the meeting on their own initiative within 4 months upon the board of directors having received such request, and the procedures for convening the shareholders' general meeting shall be as similar as possible to the procedures for the board of directors to convene the shareholders' general meeting.

If the shareholders' general meeting is held by the shareholders on their own due to the failure of the board of directors and the board of supervisors to convene the meeting according to the above requirements, all reasonable expenses incurred for such meeting shall be borne by the Company and deducted from the sums owed by the Company to the negligent directors and supervisors.

A shareholders' general meeting shall be convened by the board of directors, and the chairman of the board of directors shall act as the chairman of the meeting. Where the chairman of the board of directors fails or is unable to perform his/her duty, the board of directors may appoint a company director to convene the meeting on his/her behalf and serve as the chairman of the meeting; in the event that no chairman of the meeting is appointed, the shareholders present at the meeting may elect one person to act as the chairman of the meeting. If for any reason, shareholders fail to elect a chairman, the shareholder (including proxies) holding the largest number of voting shares among the attending shareholders shall be the chairman of the meeting.

Notice of the Shareholders' General Meeting

The convener shall inform each shareholder of the time, venue and matters to be considered at the meeting 21 days before the annual shareholders' general meeting, and shall inform each shareholder the extraordinary shareholders' general meeting 15 days before the meeting.

The notice of a Shareholders' general meeting shall:

- (I) be made in writing;
- (II) specify the venue, date and time of the meeting;
- (III) state the matters to be discussed at the meeting;
- (IV) provide shareholders with the information and explanations needed to enable them to make informed decisions on the matters to be discussed; this means that when (including but not limited to) any merger, share repurchase, share capital reorganization or other changes in the structure of the Company are involved, the detailed terms of the proposed transaction and the contract (if any) and detailed explanation as to the cause and effect of such a proposal transaction shall be provided;
- (V) if any of the Directors, Supervisors and senior management personnel have material interest in the matters to be discussed, they shall disclose the nature and extent of such interest; and if the effects of the matters to be discussed have a different effect on a Director, Supervisor or senior management member as Shareholders compared to other Shareholders of that same class, they shall explain this difference;
- (VI) the full text of any proposed special resolution to be voted on at the meeting;
- (VII) a written state that clearly indicates that a shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on his/her behalf and such proxy does not need be a shareholder;
- (VIII) specify the time and address for serving the power of attorney for the voting proxy for the meeting.

Unless otherwise specified in the Articles of Association, the notice of a shareholders' general meeting shall be delivered to the shareholders (whether or not entitled to vote thereat) by personal delivery or postage paid mail to the recipient's address shown in the register of shareholders. For holders of Domestic Shares, the notice of the general meeting may also be given by way of announcement. The aforesaid announcement shall be published in one or more newspapers designated by the competent securities authority of the State Council 15 days interval prior to the date on which the extraordinary general meeting, or 21 days interval prior

to the date on which the annual general meetings is to be convened. All holders of Domestic Shares shall be deemed as having been notified of the forthcoming Shareholders' general meeting once the announcement is published.

Where a notice of meeting is not delivered to persons who have the right to receive the notice or such persons do not receive the notice of meeting due to accidental omission, the meeting and the resolutions passed by the meeting shall not be rendered invalid as a result thereof.

Proposal of Shareholders' General Meeting

When the Company convenes a shareholders' general meeting, shareholders who individually or jointly hold 3% or more of the Company's total shares with voting rights shall be entitled to put forward new proposals in writing to the Company and submit them to the convener 10 days before the shareholders' general meeting. The convener of the general meeting shall issue a supplemental notice of general meeting to other shareholders within 2 days after the receipt of such proposal and incorporate the matters falling within the scope of duties of the shareholders' general meeting into the agenda of such meeting for the consideration.

Appointment of Shareholders' General Meeting

Any shareholder entitled to attend and vote at a shareholders' general meeting shall have the right to appoint one or more persons (who may not be a shareholder or shareholders) in writing as his/her/its proxy to attend and vote on his/her/its behalf.

The proxy(ies) so appointed by the Shareholder(s) may, pursuant to the appointment of the Shareholder(s), shall exercise the following rights:

- (I) the Shareholders' right to speak at the Shareholders' general meeting;
- (II) the right to demand a poll by himself/herself or jointly with others;
- (III) the right to vote by hand or on a poll, provided that where more than one proxy has been appointed, the proxies may only exercise such voting rights by a poll.

The appointment of a proxy shall be in writing and signed by the appointing Shareholder or his/her attorney duly authorized in writing; where the appointing Shareholder is a legal person, such appointment shall be affixed with its seal or signed by its Director or attorney duly authorized.

The instrument of proxy shall be lodged at the address of the Company or at other places specified in the notice of meeting at least 24 hours prior to the relevant meeting at which the proxy is authorized to vote, or within 24 hours prior to the specified time of voting. Where the instrument of proxy is signed by a person authorized by the appointing shareholder, the power of attorney or other documents authorizing such person to sign the instrument of proxy shall be notarized. The notarized power of attorney or other authorization documents, together with the instrument of proxy, shall be lodged at the address of the Company or at other places specified in the notice of meeting.

Where the appointing shareholder is a legal person, its legal representative or the person authorized by the resolution of its board of directors or other governing bodies may attend the shareholders' general meetings of the Company as a representative of such appointing shareholder.

If the shareholder of the Company is a recognized clearing house or its nominee as defined by the relevant regulations in force under the laws of Hong Kong from time to time, the shareholder may authorize one or more suitable persons at any shareholders' general meeting or any classified shareholders' meeting as his proxy(ies), and any such proxy(ies) shall have the right to equal to the other shareholders have; however, if more than two persons are authorized, the power of attorney shall state the number and type of shares to which each such person is authorized. A person so authorized may exercise the right on behalf of a recognized clearing house or its nominee (without presentation of a certificate of shareholding, power of attorney with notarization and/or further evidence) as if the person is an individual shareholder of the Company.

Any format of the power of attorney issued to a shareholder by the board of the Company for appointing a proxy shall provide the shareholder with the flexibility to instruct the proxy to vote for or against, and give directives on each of the resolutions to be decided at the meeting.

Such a power of attorney shall specify that in default of directives from the shareholder, the proxy may vote at his/her own discretion.

Where the appointing shareholder has deceased, lost capacity, revoked the appointment or the signed instrument of authorization prior to the voting, or the relevant shares have been transferred prior to the voting, a vote given in accordance with the terms of instrument of proxy shall remain valid as long as the Company did not receive a written notice of such event prior to the commencement of the relevant meeting.

Resolutions of Shareholders' General Meeting

Resolutions at the general meeting shall be divided into ordinary resolutions and special resolutions. Ordinary resolutions shall be approved by more than half of voting rights held by the shareholders (including their proxies) attending the general meeting. Special resolutions shall be approved by above two-thirds of voting rights held by the shareholders (including their proxies) attending the general meeting.

In the event the matters of connected transactions are considered at a shareholders' general meeting, if required by applicable laws, regulations or the listing rules of the stock exchange where the Company's shares are listed, connected shareholders shall abstain from voting upon such connected transactions and the number of voting shares represented by such shareholders shall not be counted in the total number of valid votes.

When the Shareholders' general meeting is deliberating the proposal to provide guarantee for the shareholder and the actual controller, the shareholder or the shareholder controlled by the actual controller shall not participate in the voting of the matters specified in the preceding paragraph. The vote shall be adopted by more than half of the voting rights held by other shareholders present at the meeting.

When voting at the shareholders' general meeting, shareholders (including their proxies) shall exercise voting rights based on the number of shares with voting rights held by them, and each share shall have one vote. The shares of the Company held by the Company itself shall have no voting right and shall not be included in the total number of shares with voting rights of the shareholders who are present at the shareholders' general meeting.

The following matters shall be approved by general meeting by ordinary resolutions:

- (I) work reports of the board of directors and the board of supervisors;
- (II) profit distribution plan and plan for covering losses formulated by the board of directors;
- (III) appointment and dismissal of members of directors and non-employee representative supervisors, and their remunerations and the method of payment thereof;
- (IV) annual budgets and final accounts of the Company;
- (V) annual report of Company;
- (VI) to resolve on resolutions on the engagement, dismissal or discontinuation of the appointment of accounting firms by the Company;

- (VII) all other proposals not approved by the shareholders' general meeting by special resolutions as provided for in laws, administrative regulations, listing rules of the place where the Company's shares are listed or the Articles of Association.

The following matters shall be approved by general meeting by special resolutions:

- (I) increase or reduction in the registered capital of the Company, and issuance of any class of shares, warrants and other similar securities;
- (II) issuance of corporate bonds;
- (III) division, merger, dissolution, liquidation of the Company or change in the form of the Company;
- (IV) amendment to the Articles of Association;
- (V) to consider matters relating to the purchases, disposals of material assets (including but not limited to land, building, equipment, production line, equity), or provisions of guarantees accumulated within one year, which are more than 30% of the latest audited total assets of the Company;
- (VI) any other matters to be approved by a special resolution as required by the laws, administrative regulations, listing rules of the place where the Company's shares are listed or the Articles of Association, or considered by an ordinary resolution of the general meeting to be of substantial impact to the Company and required to be approved by a special resolution.

Special Procedures for Voting by Class Shareholders

Shareholders who hold different classes of shares shall be class shareholders. Class shareholders shall be entitled to rights and shall bear responsibilities in accordance with laws, administrative regulations, listing rules of the place where the Company's shares are listed and the Articles of Association.

If the Company proposes to change or abrogate the rights of the class shareholders, this proposal should be passed by a special resolution at the shareholders' general meeting and passed at the meeting convened according to the relevant Articles of Association by the related class of shareholders.

Where any changes in domestic and overseas laws, administrative regulations and listing rules of the place where the Company's shares are listed, as well as decisions made under law by domestic and overseas regulatory authorities, lead to the changes or abrogation of rights of class shareholders, no approval of the shareholders' meeting or class shareholders' meeting would be required.

Upon approval by the securities regulatory authority of the State Council and consent of the Hong Kong Stock Exchange, the transfer of the Company's domestic shares by its holders in whole or part to overseas investors and the listing and trading of such transferred shares on overseas stock exchanges, or the conversion of the domestic shares in whole or part into overseas listed foreign shares and the listing and trading of such converted shares on overseas stock exchanges, shall not be deemed to be a variation or abrogation of the rights of class shareholders proposed by the Company.

The rights of a certain class of Shareholders shall be deemed to be changed or nullified in the following circumstances:

- (I) increase or reduce the number of shares of that class, or increase or reduce the number of shares of other class with equal or more voting rights, distribution rights and other privileges;
- (II) a change of all or part of the shares of such class into shares of another class, a conversion of all or part of the shares of another class into shares of such class or the grant of the right to such change;
- (III) a removal or reduction of rights to accrued dividends or cumulative dividends attached to shares of such class;
- (IV) a reduction or removal of a dividend preference or property distribution preference during liquidation of the Company attached to shares of such class;
- (V) an addition, removal or reduction of share conversion rights, options, voting rights, transfer rights, pre-emptive rights or rights to acquire securities of the Company attached to shares of such class;
- (VI) a removal or reduction of rights to receive amounts payable by the Company in a specified currency attached to shares of such class;
- (VII) a creation of a new class of shares with voting rights, distribution rights or other privileges equal or superior to those of the shares of that class;
- (VIII) an imposition of restrictions or additional restrictions on the transfer or ownership of shares of such class;
- (IX) an issuance of rights to subscribe for or convert into shares of such class or another class;
- (X) an increase in the rights and privileges of shares of another class;

(XI) a restructuring plan of the Company which will cause shareholders of different classes to bear liability to different extents during the restructuring;

(XII) to revise or nullify the provisions in this chapter.

Shareholders of the affected class, whether or not having the right to vote at shareholders' general meeting, shall have the right to vote at class meetings in respect of matters referred to in Items (II) to (VIII) or (XI) to (XII), provided that interested shareholders shall not have the right to vote at class meetings.

A resolution of the class meeting shall be passed by Shareholders present at the class meeting representing two-thirds or more of the voting rights.

The special voting procedure for class Shareholders shall not apply for the following cases:

- (I) after approval by a special resolution in shareholders' general meeting, the Company issue domestic shares and overseas listed foreign shares separately or at the same time at an interval of 12 months, and the proposed number of domestic shares and overseas listed foreign shares to be issued respectively will not exceed 20% of the outstanding issued shares of such class;
- (II) the plans to issue domestic shares and overseas listed foreign shares upon establishment of the Company are completed within 15 months from the date of approval by the securities regulatory authority of the State Council;
- (III) Upon the approval by the securities regulator under the State Council and the content from Hong Kong Stock Exchange, the domestic Shareholders of the Company will transfer their shares to offshore investors, or the domestic Shareholders of the Company are approved for converting all or part of domestic shares into foreign shares, and such shares transferred or converted will be listed and traded on overseas stock exchanges.

DIRECTORS AND BOARD OF DIRECTORS

Directors

Directors shall be elected or replaced at a shareholders' general meeting and the tenure shall be 3 years. A Director may serve consecutive terms if re-elected upon the expiration of his term.

The tenure of a Director shall be from the date of appointment to the expiry of tenure of the current Board of Directors. When the Directors' term expires and re-election not be held in time, or where the resignation of a Director during his term of office causes the number of board members to be less than the quorum, the original Directors shall still perform their duties

as Directors in accordance with laws, administrative regulations, departmental rules, the listing rules of the place where the Company's shares are listed and the Company's Articles of Association before the re-elected Directors take office.

Any Director can be removed before the expiration of his/her term of office by an ordinary resolution passed at a shareholders' general meeting, subject to full compliance with the relevant laws and administrative regulations. Such removal does not affect the rights of such Director to make any claim under any contract.

A Director is not required to hold any shares of the Company.

Chairman of the Board

The Board of Directors shall have one chairman. The chairman of the Board shall be elected and removed by more than half of the Directors of the Board. The chairman of the Board shall serve a term of three years subject to re-elected.

The chairman of the Board of Directors shall exercise the following powers and functions:

- (I) presiding over shareholders' general meetings, and convening and presiding over Board meetings;
- (II) supervising and inspecting implementation of resolutions of the Board of Directors;
- (III) signing corporate stocks, corporate bonds and other valuable securities;
- (IV) signing important documents of the Board of Directors and other documents that are required to be signed by the legal representative of the Company;
- (V) in cases of an emergency of force majeure such as catastrophic natural disasters, exercising special powers to deal with the Company's affairs in compliance with the law and the interests of the Company, and reporting to the Board of Directors and the shareholders' general meeting of the Company afterwards;
- (VI) to nominate or recommend a general manager, secretary of the Company, secretary of the Board for discussion and voting at the meetings of Board of Directors;
- (VII) to propose the convening of interim Board meetings;
- (VIII) to exercise other functions and powers granted by the Board of Directors.

Where the chairman of the Board is incapable of performing or is not performing his/her duties, a Director elected jointly by more than half of the Directors shall perform his/her duties.

Board of Directors

A company shall have a board which is responsible and submitting work reports to the shareholders' general meeting. Our Board consists of 9 Directors, including 3 executive Directors, 3 non-executive Directors and 3 independent non-executive Directors.

The board of directors shall be responsible to the shareholders' general meetings and exercise the following functions and powers:

- (I) convening the shareholders' general meeting and submitting work reports to the shareholders' general meeting;
- (II) implementing resolutions of the shareholders' general meeting;
- (III) determining the company's business plans and investment schemes;
- (IV) formulating the company's annual budgets plan and final accounts plan;
- (V) formulating the company's profit distribution plan and plan for covering losses;
- (VI) formulating the company's plans for increase or reduction of registered capital, issuance of bonds or other securities and listing plan;
- (VII) making plans for the merger, division and dissolution of the company or change of its corporate form;
- (VIII) determining the internal management setup of the company;
- (IX) appointing or dismissing the general manager of the company, the secretary to the board of directors, the secretary of the company; appointing or dismissing senior management personnel including deputy general manager of the Company and person-in-charge of finance of the company based on the nominations of the general manager, and determining their emoluments;
- (X) formulating the company's basic management system;
- (XI) formulating draft for amendment of the articles of association;
- (XII) authorizing the chairman of the board of directors to exercise part of the functions and powers of the board of directors;
- (XIII) determining the establishment of special committees of the board of directors and select the members of each special committees of the board of directors;
- (XIV) formulating the equity incentive plans of the company;

- (XV) proposing the scheme on the amount and the method of payment of directors' remuneration, and reporting to the shareholders' general meeting for decision;
- (XVI) managing information disclosure by the company;
- (XVII) proposing to the shareholders' general meeting on the appointment or replacement of accounting firm which provides audit services to the company;
- (XVIII) determining the major matters and administrative affairs other than those which shall be resolved by the shareholders' general meeting of the company as required by laws, administrative regulations, competent departmental rules and the articles of association of the company, and entering into other important agreements;
- (XIX) any other functions and powers accorded by laws, administrative regulations, departmental rules and the listing rules of the place where company's stocks are listed or the articles of association.

Resolutions by the board of directors on matters referred to in the preceding paragraph may be passed by the affirmative vote of a more than half of the directors with the exception of resolutions on matters referred to in Items (VI), (VII), (XI), which shall require the affirmative vote of more than two-thirds of the directors.

For the disposal of any fixed assets by the board of directors, if the aggregate of the expected value of the fixed assets proposed to be disposed of and the value of the fixed assets which had been disposed of within four months preceding such proposal for disposal exceeds 33% of the fixed assets value shown in the most recent balance sheet reviewed at a shareholders' general meeting, the board of directors shall not dispose of or approve of the disposal of such fixed assets without the prior approval of the shareholders' general meeting.

Meetings of the board of directors include regular meetings of the board of directors and interim meetings of the board of directors. Meetings of the board of directors shall be convened at least four (4) times each year (approximately once a quarter). Meetings of the board of directors shall be convened by chairman of the board of directors. Notices and documents of meeting shall be served to all directors and supervisors at least fourteen (14) prior to the date of meeting (excluding the date of the meeting). The board of directors shall make arrangements to ensure that all directors are given an opportunity to put matters for discussion on the agenda of regular meetings of the board of directors. Regular meetings shall not be held by way of circulating written resolutions. The Board meeting shall follow the principle of on-site convening. If necessary, the Board meeting, on the condition that the directors can fully express their opinions, can be convened through video, telephone, fax, and email, etc. upon the consent of the convener (chairman) or the proposer(s) of the meeting. The Board meetings may also be held by the on-site method and by other means at the same time.

The chairman of the Board shall convene an extraordinary Board meeting in one of the following circumstances:

- (I) proposed by shareholders holding not less than one-tenth of the voting rights;
- (II) proposed by not less than one-third of the directors;
- (III) proposed by two or more independent non-executive directors;
- (IV) proposed by the general manager or the board of supervisors;
- (V) the chairman of the Board of Directors considers necessary;
- (VI) any other circumstances as provided for in the articles of association.

A Board meeting shall be attended by more than half of the Directors.

Each Director shall have one vote. The resolution proposed by the Board of Directors shall be passed by a simple majority of all the directors, unless otherwise stated in the Articles of Association.

Where there is an equality of votes cast both for and against a resolution, the chairman shall have the right to cast one more vote.

A meeting of the Board shall be attended by the directors in person. Where a director is unable to attend a meeting for any reason, he/she shall appoint another director in writing to attend the meeting on his/her behalf. Such an instrument of appointment shall specify the names of the proxy, the issues, the scope of the authorization granted by the principal, and the term of validity of the appointment and with the principal's signature or seal. The director who attends the meeting on his/her behalf shall exercise the director's rights within the scope of authorization. Where a director does not attend a Board meeting and does not appoint a proxy to attend on his/her behalf, he/she shall be deemed to forfeit his/her voting rights at the said meeting.

Special Committees of the Board

Where necessary, the Board may set up special committees such as audit committee, remuneration committee and nomination committee to provide suggestions and advices for its significant decisions. The personnel composition and terms of reference of special committees shall be resolved separately by the Board. Special committees shall not make any resolution in the name of the Board. However, in the absence of violation of the mandatory provisions under PRC's relevant laws, regulations, regulatory documents and the listing rules of the stock exchange where the Company's shares are listed, the special committees shall exercise the right of decision on the authorized matters under the special authorization of the Board.

Secretary of the Board

The Company shall have one secretary of the Board, which shall be appointed or dismissed by the Board of Directors. The secretary of the Board is a member of senior management of the Company.

The secretary to the Board shall be a natural person with requisite professional knowledge and experience, and his/her main duties include:

- (I) to ensure that the document of the Board complies with relevant laws and regulations;
- (II) to ensure that the Company has a complete set of constitutional documents and records;
- (III) to ensure that the Company legally prepares and submits reports and documents as required by the competent authorities;
- (IV) to ensure that the register of Shareholders of the Company is properly maintained, and that persons entitled to receive relevant records and documents of the Company are given timely access to such records and documents;
- (V) other duties required by laws, regulations, the Articles of Association, other management systems of the Company, and the listing rules of the stock exchange where the Company's shares are listed.

Directors or other senior management members may concurrently act as the secretary to the Board. The accountant of the accounting firm engaged by the Company shall not concurrently serve as the secretary of the Board of the Company. Where the secretary to the Board concurrently acts as a director, for an act which is required to be made by a director and the secretary to the Board separately, the person who concurrently acts as a director and the secretary to the Board may not perform the act in dual capacity.

General Manager

The Company shall have one general manager appointed or dismissed by the Board of Directors. The Company shall have several deputy general managers appointed or dismissed by the Board of Directors.

The general manager of the Company shall be accountable to the Board of Directors and shall perform the following functions and powers:

- (I) presiding over production and operation management of the Company, organising the implementation of Board resolutions and reporting to the Board of Directors on his/her work;
- (II) organising the implementation of the Company's annual business plans and investment plans;
- (III) formulating plans for establishment of internal management organisations of the Company;
- (IV) formulating basic management rules of the Company;
- (V) formulating specific rules and regulations of the Company;
- (VI) proposing to the Board of Directors on appointment or dismissal of deputy general managers and person-in-charge of finance of the Company;
- (VII) deciding to appoint or dismiss management personnel (other than those required to be appointed or dismissed by the Board of Directors);
- (VIII) proposing salaries, benefits, rewards and punishments for the employees of the Company and deciding on the appointment and dismissal of them;
- (IX) exercising other functions and powers conferred by the Article of Association or the Board.

The general manager of the Company shall attend the Board meetings, but he/she has no voting rights at the Board meetings if he/she is not a director.

In exercising functions and powers, the general manager of the Company shall perform the obligation of honesty and diligence in accordance with laws, administrative regulations, the listing rules of the place where the shares of the Company are listed and the Articles of Association.

SUPERVISORS AND BOARD OF SUPERVISORS**Supervisors**

The supervisors shall be composed of shareholder representatives and employee representatives of the Company. The number of the Company's employee representative supervisors shall not be less than one-third of all the supervisors. The shareholder representatives in the board of supervisors shall be elected and removed by the shareholders' general meeting. The employee representatives in the board of supervisors shall be democratically elected by company's employees at a employee representative assembly, general employee meeting or otherwise.

Directors and senior management members shall not act concurrently as supervisors.

THE SUPERVISORS SHALL ATTEND MEETINGS OF THE BOARD OF DIRECTORS**Board of Supervisors**

The Company shall have a board of supervisors, consisting of three supervisors, including one chairman. A supervisor shall serve a term of three years and may seek reelection upon expiry of the said term. The chairman of the board of supervisors shall be appointed or dismissed by the votes of more than two-thirds (inclusive) of the members of the board of supervisors.

Meetings of the board of supervisors shall be convened at least once every six months and be convened by its chairman. Supervisors may propose to convene an interim meeting of the board of supervisors.

The board of supervisors shall be accountable to the shareholders' general meeting and shall perform the following functions and powers in accordance with laws and regulations:

- (I) to check the financial situations of the Company;
- (II) to supervise the acts of the directors and senior management members in performing their duties to the Company and propose the removal of those directors and senior management members who violate the laws, administrative regulations, the listing rules of the place where the shares of the Company are listed, the Articles of Association or resolutions of shareholders' general meetings;
- (III) to require any director or senior management member to make rectification when any act thereof harms to the Company's interests;

- (IV) to verify financial information such as financial reports, business reports and profit distribution plans to be submitted by the Board of Directors to the shareholders' general meeting and if there are any queries, to engage certified public accountants or practicing auditors in the name of the Company to assist in the review;
- (V) to propose to convene an extraordinary general meeting;
- (VI) to negotiate with or file suit against the directors on behalf of the Company;
- (VII) to conduct investigation if there are any unusual circumstances in the Company's operations, and if necessary, to engage an accounting firm, law firm or other professional institutions to assist in their work at the expenses of the Company;
- (VIII) to perform other functions and powers stipulated by the laws, administrative regulations and the Articles of Association.

Resolutions of the Board of Supervisors

Resolutions of the board of supervisors shall be passed by more than two-thirds of the members of the board of supervisors.

Qualifications and Obligations of the Directors, Supervisors and Senior Management Members

None of the following persons shall serve as a director, supervisor, or senior management member of the Company if he/she is:

- (I) a person without civil capacity or with limited civil capacity;
- (II) a person who was convicted for criminal offence for corruption, bribery, encroachment of property, misappropriation of property or disruption of the order of socialist market economy and a five-year period has not elapsed since completion of execution of the judgement, or who has been stripped of his/her political rights as a result of committing a criminal offence and a five-year period has not elapsed since completion of execution of the judgement;
- (III) a director, factory director or manager of bankrupt and liquidated companies or enterprises whereby such person was personally liable for the bankruptcy of such companies or enterprises, and three years have not elapsed from which the liquidation of the companies or enterprises was completed;

- (IV) a person who was the legal representative of a company or an enterprise whose business license was revoked or which was ordered to be closed down due to its violation of law, and who was personally accountable for the revocation of business license or closure of the company or enterprise, and a three-year period has not elapsed since revocation of business license of such company or enterprise;
- (V) a person with relatively large amounts of due and outstanding debt;
- (VI) a person under investigation by judicial authorities for suspected violations of criminal law and the investigation is still ongoing;
- (VII) a person who is prohibited from acting as a leader of an enterprise by virtue of any laws, administrative regulations and the listing rules of the place where the shares of the Company are listed;
- (VIII) a non-natural person;
- (IX) a person who has been ruled as violations of the provisions of relevant securities regulations by the competent authority, involving fraud or dishonesty, and it does not exceed five years from the date of the ruling;
- (X) other situations required by the relevant laws and regulations of the place where the shares of the Company are listed.

Any election or appointment of directors or supervisors or employment of senior management members in breach of the circumstances stated above shall be invalid. The Company shall remove any directors, supervisors and senior management members if they are involved in the circumstances stated above during their term of office.

In addition to obligations imposed by laws, administrative regulations or listing rules of the place where the shares of the Company are listed, the Company's directors, supervisors and senior management members shall have the following obligations to each shareholder in the exercise of the functions and powers granted to them by the Company:

- (I) not to cause the Company to act beyond the scope of business stipulated in its business license;
- (II) to act honestly in the best interests of the Company;
- (III) not to deprive the Company of its property in any way, including (but not limited to) any opportunities that are favorable to the Company;

- (IV) not to deprive shareholders of their personal interests, including (but not limited to) any distribution rights and voting rights, but excluding the restructuring of the Company submitted for adoption at the shareholders' general meeting in accordance with the Articles of Association.

Each of the directors, supervisors and senior management members of the Company shall, in the performance of duties, abide by the principles of honesty and shall not place himself/herself in a position where there is a conflict between his/her personal interests and duties assumed. This principle shall include (but not limited to) the fulfilment of the following obligations:

- (I) to act honestly in the best interests of the Company;
- (II) to exercise powers within the scope of his/her functions and powers and not to act beyond such powers;
- (III) to personally exercise the discretion invested in him/her, not to allow himself/herself to be manipulated by another person and, not to delegate the exercise of his/her discretion to another party unless permitted by laws, administrative regulations and the listing rules of the place where the shares of the Company are listed or with the informed consent of the shareholders' general meeting;
- (IV) to be equitable towards shareholders of the same class and fair towards shareholders of different classes;
- (V) not to conclude a contract or enter into a transaction or arrangement with the Company except as otherwise provided in the Articles of Association or with the informed consent of the shareholders' general meeting;
- (VI) not to use the Company's property for his/her own benefit in any way without the informed consent of the shareholders' general meeting;
- (VII) not to make use of official powers to accept bribes or other illegal income, and not to encroach upon the Company's property in any way, including (but not limited to) any opportunities that are favorable to the Company;
- (VIII) not to accept commissions in connection with the Company's transactions without the informed consent of the shareholders' general meeting;
- (IX) to abide by the Articles of Association, perform his/her duties faithfully, protect the interests of the Company and not to seek personal gains with his/her position, functions and powers in the Company;

- (X) without the informed consent of the shareholders' general meeting, not to make use of official powers to seek business opportunities which rightfully belong to the Company for himself/herself or others, or to engage in the same type of businesses as the Company on his/her own or for others or to compete with the Company in any way;
- (XI) not to misappropriate the funds of the Company or lend them to others, not to deposit the Company's assets or funds in accounts opened in his/her own or in another's name, not to use the Company's assets as security for the debts of the Company's shareholders or other individuals;
- (XII) without the informed consent of the shareholders' general meeting, not to disclose confidential information relating to the Company that was acquired by him/her during his/her term of office, and not to use such information except in the interests of the Company; however, such information may be disclosed to the court or other competent government authorities if:
 - 1. provided by law;
 - 2. required in the public interest;
 - 3. required in the own interest of such director, supervisor or senior management member.

The directors, supervisors and senior management members of the Company shall not direct the following persons or institutions (the "Relevant Persons") to do things from which the directors, supervisors and senior management members are prohibited:

- (I) spouses or minor children of directors, supervisors or senior management members of the Company;
- (II) trustees of directors, supervisors and senior management members of the Company or persons set out in (I) herein;
- (III) partners of directors, supervisors and senior management members of the Company or persons set out in (I) and (II) herein;
- (IV) companies effectively independently controlled by directors, supervisors and senior management members of the Company or companies effectively jointly controlled with the persons set out in (I), (II) and (III) herein or other directions, supervisors and senior management members of the Company; and
- (V) directors, supervisors and senior management members of the controlled companies as set out in (IV) herein.

The directors, supervisors and senior management members of the Company having any direct or indirect material conflict of interests in any executed or proposed contracts, transactions or arrangements (except the employment contracts between the Company and its directors, supervisors and senior management members), regardless of whether such interests are usually subject to the approval and consent of the Board, shall disclose the nature and extent of the interests to the Board as soon as possible.

The Company shall not pay tax for its directors, supervisors and senior management members in any way, except the withholding and payment of income tax for the aforementioned persons in accordance with relevant laws and regulations.

The Company shall not, directly or indirectly, provide loans or loan guarantees to the directors, supervisors and senior management members of the Company and its controlling shareholders, nor shall the Company provide the same to their Relevant Persons, but the said provisions shall not apply to the following circumstances:

- (I) The Company provides loan or loan guarantee for its subsidiaries;
- (II) The Company, in accordance with the employment contracts approved at the shareholders' general meeting, provides loan, loan guarantee or other monies to the directors, supervisors and senior management members of the Company, so that they may pay the expenses incurred for the purposes of the Company or for fulfilling duties of the Company; and
- (III) If the normal business scope of the Company includes provision of loan and loan guarantee, the Company may provide loan and loan guarantee to relevant directors, supervisors and senior management members and their Relevant Persons, but the conditions for providing loan or loan guarantee shall be normal business conditions.

If the Company provides loan in breach of the provisions above, regardless of the loan conditions, the recipient of the loan shall return the same immediately.

If a director, supervisor or senior management member of the Company breaches his/her obligations to the Company, the Company shall, in addition to any rights and remedies provided by laws, administrative regulations and the listing rules of the place where the shares of the Company are listed, have a right to:

- (I) require the relevant director, supervisor or senior management member to compensate for the losses sustained by the Company as a consequence of his/her dereliction of duty;

- (II) rescind any contract or transaction concluded by the Company with the relevant director, supervisor or senior management member and contracts or transactions with a third party (where such third party is aware or should be aware that the director, supervisor or senior management member representing the Company was in breach of his/her obligations to the Company);
- (III) require the relevant director, supervisor or senior management member to surrender the gains derived from the breach of his/her obligations;
- (IV) recover any funds received by the relevant director, supervisor or senior management member that should have been received by the Company, including (but not limited to) commissions;
- (V) require the relevant director, supervisor or senior management member to return the interest earned or possibly earned on the funds that should have been given to the Company.

The Company shall enter into written contracts with its directors and supervisors in relation to their remunerations, subject to prior approval at the shareholders' general meeting.

The Company shall specify in the contracts concluded with its directors or supervisors in relation to remunerations that if the Company is acquired, its directors or supervisors shall, with the prior approval at the shareholders' general meeting, be entitled to compensations or other monies for losing their positions or for retirement.

FINANCIAL ACCOUNTING SYSTEM AND PROFIT DISTRIBUTION

Financial Accounting System

The Company shall formulate its financial accounting system in accordance with the laws, administrative regulations, the listing rules of the place where the shares of the Company are listed and PRC accounting standards formulated by the competent financial authority of the State.

The financial statements of the Company shall be prepared in accordance with not only PRC accounting standards and regulations, but also the international accounting standards or the accounting standards of the overseas listing place. If there are any material differences between the financial statements prepared in accordance with the two accounting standards, such differences shall be stated in the notes to the financial statements. The Company shall distribute the after-tax profit of the relevant fiscal year as per the less of the after-tax profits in the aforesaid two financial statements.

Any interim results or financial information announced or disclosed by the Company shall be prepared in accordance with PRC accounting standards and regulations as well as the international accounting standards or the accounting standards of the overseas listing place.

The Company shall publish its financial reports twice in each fiscal year. An interim financial report shall be published within 60 days after the end of the first six months of each fiscal year, while an annual financial report shall be published within 120 days after the end of each fiscal year.

The Company shall not establish account books other than the statutory account books.

Profit Distribution

The capital reserve of the Company shall include the following funds:

- (I) the premiums obtained from the issue of shares in excess of the par value;
- (II) other revenue required by the competent financial authority under the State Council to be included in the capital reserve.

The Company may distribute dividends in either (both) of the following forms:

- (I) cash;
- (II) stock;
- (III) other forms approved by laws, administrative regulations, departmental rules and regulatory rules of the place of listing of the Company.

The Company pays cash dividends and other amounts to holders of domestic shares in Renminbi. The cash dividends and other amounts to be paid to holders of foreign shares by the Company shall be declared and calculated in Renminbi and paid in foreign currency or Renminbi. The Company shall arrange the foreign currency for payment of cash dividends and other amounts to holders of foreign shares in accordance with the relevant foreign exchange management regulations of the PRC.

The Company shall appoint collection agents for holders of overseas listed foreign shares. Collection agents shall collect dividends and other payables distributed by the Company for the overseas listed foreign shares on behalf of the related shareholders.

The collection agents appointed by the Company shall meet the relevant requirements of the laws of the listing place or the stock exchange. The collection agents appointed by the Company for holders of overseas listed foreign shares listed on the Hong Kong Stock Exchange shall be the trust companies registered under the Trustee Ordinance of Hong Kong.

Monies paid by the Company for any shares before dunning shall have interests, but the holders of shares are not entitled to dividends announced later for the said monies.

Provided that the Company is authorized to seize dividends not claimed, the said right shall not be exercised before expiry of the applicable validity period.

The Company's power to cease sending dividend warrants to holders of overseas listed foreign shares by post shall not be exercised until such dividend warrants had been so left uncashed on two consecutive occasions. If a dividend warrant fails to reach the expected recipient in the initial mail delivery and is returned, the Company may exercise the right promptly.

The Company shall have the right to sell the shares of the uncontacted holders of overseas listed foreign shares through the methods the Board deems appropriate and subject to the following conditions:

- (I) the Company has distributed dividends on such shares at least three times in a period of 12 years and the dividends are not claimed by anyone during that period; and
- (II) after the expiration of the 12-year period, the Company makes a public announcement in one or more newspapers in the place where shares of the Company are listed, stating its intention to sell such shares and notifies the securities regulatory authorities at the place where shares of the Company are listed.

ACCOUNTING FIRM

The Company shall engage an independent accounting firm which is in compliance with relevant regulations of the State to audit its annual financial report and to review its other financial reports.

The first accounting firm of the Company may be appointed at the inauguration meeting prior to the first annual general meeting. The term of such accounting firm shall terminate upon the conclusion of the first annual general meeting.

An accounting firm employed by the Company shall have the following rights:

- (I) the right to the access to the accounts books, records or vouchers of the Company and the right to require directors or senior management members of the Company to provide the relevant information and explanations;
- (II) the right to require the Company to take all reasonable measures to obtain from its subsidiaries the information and explanations necessary for the accounting firm to perform its duties;
- (III) the right to attend shareholders' general meeting, to receive a notice or other information concerning any meetings which shareholders have a right to receive, and to be heard at any shareholders' general meetings on any matter which relates to it as the accounting firm of the Company.

If there is a vacancy in the position of accounting firm, the Board may engage an accounting firm to fill the vacancy before the convening of the shareholders' general meeting. Any other accounting firm which has been engaged by the Company may continue to act during the period when such a vacancy exists.

The shareholders' general meeting may, by means of an ordinary resolution, dismiss such accounting firm prior to the expiration of its term of office, notwithstanding the terms in the contract between the accounting firm and the Company, but without prejudice to such accounting firm's right, if any, to claim damages from the Company in respect of such dismissal.

The remuneration or method of determining the remuneration of an accounting firm shall be decided upon by the shareholders' general meeting. The remuneration of an accounting firm employed by the Board of Directors shall be determined by the Board of Directors.

The engagement, dismissal or refusal of the renewal of the engagement of an accounting firm shall be decided upon by the shareholders' general meeting and reported to the securities regulatory authorities of the State Council for filing.

Where a resolution at a shareholders' general meeting is to be passed to appoint an accounting firm other than an incumbent accounting firm to fill a vacancy, or to reappoint the accounting firm that was appointed by the Board of Directors to fill a vacancy, or to dismiss an accounting firm before the expiration of its term of office, the following provisions shall apply:

- (I) The relevant appointment or dismissal proposal shall be sent (before notice of shareholders' general meeting is given) to the accounting firm proposed to be appointed or proposed to leave its post or the accounting firm which has left its post in the relevant fiscal year (leaving includes leaving by dismissal, resignation and retirement).
- (II) If the accounting firm about to leave its post makes representations in writing and requests the Company to inform the shareholders of such representations, the Company shall (unless the written representations have been received too late) take the following measures:
 1. in any notice of the resolution given to shareholders, state the fact of the representations for the accounting firm about to leave its post having been made; and
 2. attach a copy of the representations to the notice and deliver it to the shareholders in the manner stipulated in the Articles of Association.
- (III) If the Company fails to send out the accounting firm's representations in the manner set out in (II) herein, such accounting firm may require that the representations be read out at the shareholders' general meeting and make further appeal.
- (IV) A accounting firm about to terminate service shall be entitled to attend the following meetings:
 1. the shareholders' general meeting at which its term of office would be expired;
 2. the shareholders' general meeting at which it is proposed to fill the vacancy caused by its removal; and
 3. the shareholders' general meeting which convened as a result of its resignation.

The leaving accounting firm shall have the right to receive all notices or other information concerning any such meetings, and to speak at any such meetings on any matter which relates to it as the former accounting firm of the Company.

If the Company removes or ceases to continue to appoint the accounting firm, it is required to give prior notice to the accounting firm and the accounting firm is entitled to make representations before the shareholders in the shareholders' general meeting. If an accounting firm resigns from its position, it shall make representations at a shareholders' general meeting whether there has been any impropriety on the part of the Company.

An accounting firm may resign its office by depositing a written resignation notice at the registered office of the Company. Such notice shall become effective on the date of deposit at the legal address of the Company or on a later date stipulated in such notice. Such notice shall contain the following statements:

1. a statement to the effect that there are no circumstances in connection with its resignation which it considers should be brought to the notice of the shareholders or creditors of the Company;
2. a statement of any circumstances requiring an explanation.

The Company shall send a copy of the written notice mentioned in the preceding paragraph to relevant competent authority within 14 days after receipt of the said notice. If the notice contains a statement mentioned in 2 of the preceding paragraph, the Company shall keep a copy of the said statement in the Company for shareholders' inspection. The Company shall also send a copy of such statement by prepaid mail to every holder of overseas listed foreign shares at the address registered in the register of members.

If the notice of resignation of an accounting firm contains a statement in respect of any circumstances requiring an explanation, it may require the Board to convene an extraordinary shareholders' general meeting to receive an explanation of the circumstances in connection with its resignation.

MERGER AND DIVISION OF THE COMPANY

The merger or division of the Company shall be proposed by the Company's Board of Directors. After such plan has been adopted in accordance with the procedures stipulated in the Articles of Association, relevant examination and approval procedures shall be carried out according to law. Shareholders who oppose to the plan of merger or division of the Company shall be entitled to require the Company or the shareholders who agree to the plan to purchase their shares at a fair price. The resolutions approving the merger or division of the Company shall be compiled into a special document and made available for inspection by shareholders. For holders of overseas listed foreign shares, the foregoing documents shall also be served by post.

A merger may be in the form of merger by absorption or merger by establishment of a new company. In the event of merger, the parties to the merger shall enter into a merger agreement and prepare balance sheet and asset list. The companies involved shall, within ten (10) days as of making the decision of merger, notify the creditors, and shall make a public announcement in a newspaper within thirty (30) days. In the case of a merger, the credits and debts of the parties involved shall be succeeded by the company that survives the merger or by the newly established company.

If the Company is divided, its properties shall be divided accordingly. In the event of division, the parties to the division shall enter into a division agreement and prepare balance sheet and asset list. The Company shall, within 10 days as of the day when the decision of division is made, notify the creditors and make a public announcement in a newspaper within 30 days. The post-division companies shall bear joint liabilities for the debts of the former company before it is divided, unless it is otherwise prescribed by the company and the creditors before the division with regard to the clearance of debts in written agreement.

Where the merger or division of the Company involves changes in its registered particulars, such changes shall be filed with competent company registration authorities pursuant to the law. Should the Company be dissolved, it shall be deregistered according to laws. If a new company is established, it shall go through the registration for company establishment according to laws.

DISSOLUTION AND LIQUIDATION

The Company shall be dissolved and liquidated according to law in any of the following circumstances:

- (I) upon expiry of term of business stipulated in the Articles of Association or occurrence of any other events causing dissolution stipulated in the Articles of Association;
- (II) the shareholders' general meeting has resolved on dissolution of the Company;
- (III) merger or division of the Company entails dissolution;
- (IV) where the operation and management of the Company falls into serious difficulties and its continued existence would cause material losses to Shareholders, the Shareholders holding above 10% of the total voting rights of the Company may apply to the people's court to dissolve the Company if there are no other solutions;
- (V) the Company is declared bankrupt according to law as it is unable to repay its debts upon maturity;
- (VI) if the business license of the Company is revoked or if it is ordered to close down its business or if it is canceled due to violation of laws or administrative regulations.

If the Company is dissolved due to Item (I), Item (II), Item (IV) and Item (VI) in of Articles of Association, it shall establish a liquidation committee and commence liquidation within 15 days from occurrence of the cause of dissolution. Members of the liquidation committee shall be composed of the directors or persons as determined by the shareholders' general meeting. If no liquidation committee is established after the said timeframe, the creditors may apply to the people's court for appointment of relevant persons to establish a liquidation committee to commence liquidation. If the Company is dissolved pursuant to Item (V) in Article 170 of Articles of Association, the People's court shall, according to the relevant laws and regulations, organise shareholders, relevant institutions and professionals to establish liquidation committee and carry out liquidation.

Where the Board of Directors proposes to liquidate the Company (due to causes other than where the Company has declared that it is insolvent), it shall declare in the notice of the shareholders' general meeting to be convened for such purpose that after making full inquiry into the affairs of the Company, the Board of Directors is of the opinion that the Company will be able to pay its debts in full within 12 months from the commencement of the liquidation. After the Shareholders' general meeting adopts a resolution in favor of the liquidation, the functions and powers of the Board of the Company shall be terminated immediately.

The liquidation committee shall follow the instructions of the Shareholders' general meetings and shall report to the Shareholders' general meeting at least once a year on the income and expenditure of the liquidation committee, the business of the Company and the progress of the liquidation, and shall make a final report to the Shareholders' general meeting at the end of the liquidation.

The liquidation committee shall notify the Company's creditors within ten days (10) after its establishment, and issue a public notice in the newspapers within sixty (60) days. The creditors shall declare their creditor's rights to the liquidation committee within 30 days after receipt of the notice or 45 days after announcement if the creditors have not received the notice. Creditors declaring creditor's rights shall state the relevant information of the creditor's rights and provide evidentiary materials. The liquidation committee shall register the creditor's rights. The liquidation committee shall not make any settlement to creditors during the period of the claim.

During liquidation, the liquidation committee shall exercise the following functions and powers:

- (I) to ascertain the Company's assets and separately prepare balance sheet and asset list;
- (II) to notify creditors by sending notice or by making announcement;
- (III) to deal with the Company's outstanding business deals in relation to the liquidation;
- (IV) to settle outstanding taxes and taxes incurred during the process of liquidation;

(V) to ascertain claims and debts;

(VI) to dispose of the remaining assets of the Company after the repayment of debts;

(VII) to represent the Company in any civil proceedings.

After the liquidation committee has liquidated the assets of the Company and prepared a balance sheet and an asset list, it shall formulate a liquidation proposal and submit it to the Shareholders' general meeting or the relevant competent authorities for confirmation.

The asset of the Company shall be used respectively for payment of liquidation expenses, employees' wages, social security expenditures, statutory compensations, tax in arrears and the Company's debts; the residual properties thereafter shall be distributed to the shareholders in accordance with the class of shares held by them and the shareholding percentages of the shareholders.

During the liquidation period, a company shall not engage in new operating activities.

In the event of the Company's liquidation due to dissolution, upon examination of the Company's asset and preparation of the balance sheet and asset list, where the liquidation committee discovers that the Company's assets are insufficient to pay its debts in full, it shall apply to the people's court for declaration of bankruptcy pursuant to the law. Upon declaration of the Company's bankruptcy pursuant to the ruling of the people's court, the liquidation committee shall hand over the liquidation matters to the people's court.

After completion of liquidation, the liquidation committee shall prepare a liquidation report and income and expenditure statements and account books in respect of the liquidation period and, after verification of the Chinese certified public accountants, shall submit the same to the Shareholders' general meeting or the relevant competent authority for confirmation. Within 30 days from the date of confirmation of the above-mentioned documents by the Shareholders' general meeting or the relevant authorities in charge, the liquidation committee shall submit the aforesaid documents to company registration authorities and apply for deregistration and make an announcement on termination of the Company.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

According to the regulations of laws, administrative regulations, the listing rules of the place where the Company's shares are listed, and the Articles of Association, the Company may amend the Articles of Association.

The amendments to the Articles of Association shall be subject to relevant decision-making procedures and go through necessary formalities in accordance with the provisions of relevant laws, administrative regulations, and the Articles of Association. If an amendment to the Articles of Association involves a registered particular of the Company, registration of the change shall be carried out in accordance with the law.

DISPUTE RESOLUTION

The Company shall abide by the following rules for dispute resolution:

- (I) If any disputes or claims in relation to the Company's business, with respect to any rights or obligations under the Articles of Association of the Company, the Company Law or any other relevant laws, administrative regulations, and the listing rules of the place where the Company's shares are listed, arise between shareholders of overseas listed foreign shares and the Company, between shareholders of overseas listed foreign shares and the Company's Directors, Supervisors, General Managers and other senior management personnel of the Company, or between shareholders of overseas listed foreign shares and shareholders of domestic Shares, the parties concerned shall submit such disputes or claims to arbitration.

When the aforementioned disputes or claims are submitted to arbitration, such disputes or claims shall be submitted in their entirety, and all persons (being the Company, the Company's Shareholders, Directors, Supervisors, General Managers and other senior management personnel of the Company) that have a cause of action based on the same grounds or the persons whose participation is necessary for the resolution of such disputes or claims, shall comply with the arbitration.

Disputes with respect to the definition of Shareholders and disputes concerning the register of Shareholders need not be resolved by arbitration.

- (II) The applicant for arbitration may choose to be arbitrated either by the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Centre in accordance with its arbitration rules.

Once a claimant submits a dispute or claim to arbitration, the other party must carry out the arbitration at the arbitration institution selected by the claimant.

If an applicant opts for arbitration by the Hong Kong International Arbitration Center, either party may request for the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Center.

- (III) Settlement of disputes or claims set out in (I) by way of arbitration shall be governed by PRC laws save as otherwise specified by laws and administrative regulations.
- (IV) The award of an arbitration tribunal shall be final and conclusive and binding on all parties.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Establishment of Our Company**

Our Company was established as joint stock company with limited liability in the PRC on June 23, 2010. Our registered address is at No. 2700 Chuangxin Avenue, High-tech District, Hefei, Anhui Province, China. We have established a principal place of business in Hong Kong at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on November 29, 2021. Ms. Yuen Wing Yan, Winnie (袁穎欣) has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was established in the PRC, our corporate structure and the Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of certain aspects of the relevant laws and regulations of the PRC, and a summary of our Articles of Association are set out in the sections headed “Summary of Principal Legal and Regulatory Provisions” in Appendix V and “Summary of the Articles of Association” in Appendix VI to this prospectus, respectively.

2. Changes in the Share Capital of Our Company and Subsidiaries

Please see the section headed “Our History and Development.”

3. The Shareholders’ Resolutions of Our Company

At the extraordinary general meeting of our Company held on October 28, 2021, among other things, the following resolutions were passed by our Shareholders:

- (a) the Share Subdivision and the Global Offering has been approved and the Board has been authorized to apply for the listing of H Shares on the Stock Exchange as well as to approve matters in relation to the Share Subdivision and the Global Offering;
- (b) the conversion of an aggregate 484,220,924 Domestic Shares into H Shares upon Listing and the issue by the Company of the H Shares of nominal value of RMB0.0625 each up to 49,692,000 H Shares (including 6,481,000 H Shares that may be issued upon the full exercise of the Over-allotment Option) in total and such H Shares to be listed on the Stock Exchange;
- (c) subject to the completion of the Global Offering, the Articles of Association have been approved and adopted, which shall only become effective on the Listing Date;

- (d) the Board has been authorized to revise and amend the Articles of Association in accordance with laws, regulations, requirements and suggestions of related governmental authorities and regulatory authorities; and
- (e) the Board has been authorized to (i) draft, revise, sign and submit relevant applications, reports, agreements, contracts, offering documents or other materials, in relation to the Global Offering and the conversion of Domestic Shares into H Shares, to the CSRC, SFC, the Stock Exchange and the Registrar of Companies in Hong Kong; (ii) complete relevant approvals, registrations, filings, consents, and registrations of non-Hong Kong companies, relevant intellectual properties and prospectus; (iii) sign, execute, revise and complete all necessary documents submitted to relevant governmental authorities, institutions, organizations, and (iv) take appropriate actions in relation to the Global Offering and the conversion of Domestic Shares into H Shares.

4. Share Subdivision

We underwent our Share Subdivision, details of which are set out in the section headed “Our History and Development—D. Recent Shareholding Changes of Our Company—(b) Share Subdivision” in this prospectus. As confirmed by our PRC Legal Advisers, we have obtained all necessary consents, approvals, authorizations and permissions required to be obtained for the Share Subdivision for the implementation of the Share Subdivision in accordance with applicable PRC laws, regulations and rules.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) the share transfer agreement (股份轉讓協議) regarding Anhui Yuntongda Logistics Technology Co., Ltd.* (安徽運通達物流科技有限公司) (“**Anhui Yuntongda**”) dated May 17, 2022 entered into by and between He Fang (何芳) (as the transferor) and our Company (as the transferee), pursuant to which, among other things, He Fang transferred and our Company agreed to purchase 1,000,000 shares of Anhui Yuntongda held by He Fang, representing 2% of shares in Anhui Yuntongda, at nil consideration, in accordance with the price and means as set out therein;


- (b) the cornerstone investment agreement dated February 17, 2023 entered into by and among our Company, Hefei Gaoxin Development & Investment Group Co., Ltd.* (合肥高新建設投資集團有限公司) (“**Hefei Gaoxin**”), Haitong International Capital Limited and Haitong International Securities Company Limited, pursuant to which, Hefei Gaoxin wishes to subscribe for the number of Offer Shares at the final Offer Price in the amount of RMB50 million;
- (c) the cornerstone investment agreement dated February 20, 2023 entered into by and among our Company, XINGTAI HOLDING COMPANY (HONG KONG) LIMITED (興泰控股(香港)有限公司) (“**Xingtai**”), Haitong International Capital Limited and Haitong International Securities Company Limited, pursuant to which, Xingtai wishes to subscribe for the number of Offer Shares at the final Offer Price in the amount of HK\$11 million;
- (d) the Deed of Indemnity; and
- (e) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of the Group


As of the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which are material in relation to our business.

(a) Trademarks

As of the Latest Practicable Date, we have registered the following trademarks which are material to our business:

| No. | Trademark | Type and class | Registered owner | Place of registration | Registration number | Registration date | Expiry date |
|---------|---|----------------|------------------|-----------------------|---------------------|-------------------|-----------------|
| 1 | 五二卡友 | 16 | Company | PRC | 34054536 | June 14, 2019 | June 13, 2029 |
| 2 | 好运宝 | 42 | Company | PRC | 12874316 | January 7, 2015 | January 6, 2025 |
| 3 | 路歌好运宝 | 43 | Company | PRC | 32794418 | April 28, 2019 | April 27, 2029 |
| 4 | 卡友地带 | 9 | Company | PRC | 16499317 | April 28, 2016 | April 27, 2026 |
| 5 |  | 36 | Company | PRC | 30079453 | March 28, 2019 | March 27, 2029 |

| No. | Trademark | Type and class | Registered owner | Place of registration | Registration number | Registration date | Expiry date |
|----------|---|----------------|---|-----------------------|---------------------|-------------------|-------------------|
| 6 |  | 37 | Company | PRC | 20949960 | November 28, 2017 | November 27, 2027 |
| 7 | 路歌 | 45 | Company | PRC | 45783470 | February 7, 2021 | February 6, 2031 |
| 8 | 路歌快路宝 | 9 | Company | PRC | 33831383 | June 7, 2019 | June 6, 2029 |
| 9 | 路歌快路宝 | 35 | Company | PRC | 33820746 | May 28, 2019 | May 27, 2029 |
| 10 | 路歌管车宝 | 35 | Company | PRC | 60490974 | May 7, 2022 | May 6, 2032 |
| 11 | 维天运通 | 39 | Company | PRC | 9488181 | June 14, 2022 | June 13, 2032 |
| 12 |  | 3 | Hefei Huika Automobile Service Co., Ltd. (合肥惠卡汽車服務有限公司) (“Hefei Huika”) | PRC | 25787518 | August 28, 2018 | August 27, 2028 |
| 13 | 卡加 | 43 | Hefei Huika | PRC | 25803831 | August 28, 2019 | August 27, 2029 |
| 14 | 卡加车服 | 41 | Hefei Huika | PRC | 52240470 | August 21, 2021 | August 20, 2031 |
| 15 | 卡加车服 | 16 | Hefei Huika | PRC | 52258471 | August 21, 2021 | August 20, 2031 |
| 16 | 维天运通 | 16 | Company | PRC | 56277948 | December 14, 2021 | December 13, 2031 |
| 17 |  卡加二手车 | 9 | Hefei Huika | PRC | 46051955 | November 7, 2021 | November 6, 2031 |
| 18 | 卡加养车 | 16 | Hefei Huika | PRC | 40535046 | April 21, 2021 | April 20, 2031 |
| 19 | 卡加优选 | 16 | Hefei Huika | PRC | 40519132 | March 14, 2021 | March 13, 2031 |

| No. | Trademark | Type and class | Registered owner | Place of registration | Registration number | Registration date | Expiry date |
|----------|---|----------------|------------------|-----------------------|---------------------|-------------------|-------------------|
| 20 | 路歌新大路 | 35 | Company | PRC | 60589694 | April 28, 2022 | April 27, 2032 |
| 21 |  | 39 | Company | Hong Kong | 305814595 | November 26, 2021 | November 25, 2031 |
| 22 | Logory | 39 | Company | Hong Kong | 305773456 | October 15, 2021 | October 14, 2031 |

(b) Domain Names

As of the Latest Practicable Date, we have registered the following domain names which are material to our business:

| No. | Domain name | Registrant | Registration date | Expiry date |
|--------|----------------------------|--|--------------------|--------------------|
| 1..... | gcb56.com | Company | August 23, 2010 | August 23, 2030 |
| 2..... | log56.com.cn | Company | September 27, 2017 | September 27, 2030 |
| 3..... | log56.com | Company | January 16, 2007 | January 16, 2030 |
| 4..... | kayoudidai.com | Company | July 22, 2016 | July 22, 2030 |
| 5..... | kayoudidai.cn | Company | July 22, 2016 | July 22, 2030 |
| 6..... | luge56.com | Company | June 6, 2019 | June 6, 2030 |
| 7. ... | logory.com | Company | May 11, 2005 | May 11, 2031 |
| 8..... | anhuiluge.com | Anhui Log | March 16, 2020 | March 16, 2030 |
| 9..... | anhuiqiantong.com | Anhui Qiantong | June 10, 2019 | June 10, 2030 |
| 10... | anhuijinwangyuntong.com | Anhui Jinwang Express | June 3, 2019 | June 3, 2030 |
| 11... | fujianjinwangyuntong.com | Fujian Jinwang Express | June 10, 2019 | June 10, 2030 |
| 12... | maanshanyunwang.com | Ma'anshan Cloud Net | June 17, 2019 | June 17, 2030 |
| 13... | hubeiluge.com | Hubei Log | June 18, 2019 | June 18, 2030 |
| 14... | sichuanquanwangyuntong.com | Sichuan Quanzhang Express | June 10, 2019 | June 10, 2026 |
| 15... | anhuiyuntongda.com | Anhui Yuntongda Logistics Technology Co., Ltd ("Anhui Yuntongda") | June 3, 2019 | June 3, 2030 |
| 16... | anqingjinwangyuntong.com | Anqing Jinwang Express Transportation Co., Ltd.* (安慶金網運通運輸有限公司) | June 18, 2019 | June 18, 2030 |
| 17... | fujianhuilianwuliu.com | Fujian Huilian | June 10, 2019 | June 10, 2030 |
| 18... | shanzhizhongchengkeji.com | Shaanxi Zhongcheng Technology Logistics Co., Ltd.* (陝西眾誠科技物流有限公司) | November 29, 2019 | November 29, 2029 |

(c) Patents

As of the Latest Practicable Date, we have registered the following patents which are material to our business:

| <u>No.</u> | <u>Title of patent</u> | <u>Patent type</u> | <u>Registered owner</u> | <u>Place of registration</u> | <u>Patent number</u> | <u>Registration date</u> | <u>Expiry date</u> |
|------------|--|--------------------|-------------------------|------------------------------|----------------------|--------------------------|--------------------|
| 1..... | Blockchain Technology-based Method and System for Management of Fourth-party Logistics Information Platform (基於區塊鏈技術的第四方物流信息平台管理方法及系統) | Invention | Company | PRC | ZL201710984559.6 | April 9, 2021 | October 19, 2037 |
| 2..... | An AR based Order Dispute Handling System for Non-Vehicle Operating Carrier Logistics Platform (一種基於AR的無車承運物流平台訂單糾紛處理系統) | Invention | Company | PRC | ZL201910769808.9 | April 29, 2022 | August 19, 2039 |
| 3..... | An AR based Field Support System for Logistics Platform Drivers and Its Method (一種基於AR的物流平台駕駛員現場支援系統及其方法) | Invention | Company | PRC | ZL201910769864.2 | April 29, 2022 | August 19, 2039 |

As of the Latest Practicable Date, we have applied for the registration of the following patents which we consider to be or may be material to our business:

| No. | Title of patent applied | Patent type | Applicant | Application number | Place of application | Application date |
|---------|--|-------------|-----------|--------------------|----------------------|------------------|
| 1. | Trusted Logistics Ordering System and Method Based on Blockchain Technology (基於區塊鏈技術的可信物流訂單系統及方法) | Invention | Company | 201811532779.6 | PRC | April 28, 2019 |
| 2. | A Blockchain Technology-based Integrity Logistics Alliance System and Method (一種基於區塊鏈技術的誠信物流聯盟系統及方法) | Invention | Company | 201811534770.9 | PRC | May 5, 2019 |
| 3. | A Blockchain Technology-based Method and System for Rural Logistics Services (一種基於區塊鏈技術的農村物流服務方法及系統) | Invention | Company | 201811532752.7 | PRC | April 28, 2019 |
| 4. | A Blockchain Technology-based System and Method for Accurate Financial Services for Logistics Platforms (一種基於區塊鏈技術的物流平台精準金融服務系統及方法) | Invention | Company | 201811532705.2 | PRC | April 11, 2019 |
| 5. | A Blockchain-based Method and System for DEFI Trading Market for Options on Logistics Bills Receivable (一種基於區塊鏈的物流應收賬單期權DEFI交易市場方法和系統) | Invention | Company | 202010543006.9 | PRC | June 15, 2020 |
| 6. | A Blockchain and IPFS-based Method and System for Disclosure of Logistics Data (一種基於區塊鏈和IPFS的物流資料公示方法及系統) | Invention | Company | 202010542270.0 | PRC | June 15, 2020 |
| 7. | A Blockchain and IPFS-based Method and System for Logistics Documents Archive (基於區塊鏈和星際文件系統的物流單證存檔方法和系統) | Invention | Company | 202010542278.7 | PRC | June 15, 2020 |
| 8. | A Blockchain-based Method and System for Option Transaction of Pending Orders (一種基於區塊鏈的待結算訂單期權交易方法及系統) | Invention | Company | 202110931396.1 | PRC | August 13, 2021 |

(d) Copyrights

As of the Latest Practicable Date, we have registered the following copyrights which are material to our business:

| <u>No.</u> | <u>Copyright</u> | <u>Copyright type</u> | <u>Registered owner</u> | <u>Registration number</u> | <u>Place of registration</u> | <u>Registration date</u> |
|------------|---|-------------------------------|-------------------------|----------------------------|------------------------------|--------------------------|
| 1..... | LBS-based Capacity Integration Management System V1.0 (abbreviation: Guanchebao) (基於LBS的運力整合管理系統V1.0(簡稱:管車寶)) | Software Copyright (軟件著作權) | Company | 2011SR039030 | PRC | June 20, 2011 |
| 2..... | Road Transport Waybill Tracking System V1.0 (abbreviation: Waybill Tracking) (公路運輸運單追蹤系統V1.0(簡稱:運單追蹤)) | Software Copyright (軟件著作權) | Company | 2011SR039047 | PRC | June 20, 2011 |
| 3..... | Weitian Yuntong Transport Process Exception Monitoring and Alarm System V1.0 (abbreviation: Exception Monitoring System) (維天運通運輸過程異常監控與告警系統V1.0(簡稱:異常監控系統)) | Software Copyright (軟件著作權) | Company | 2011SR052105 | PRC | July 26, 2011 |
| 4..... | Weitian Yuntong Android-based Trucker Logistics Management System V1.0 (abbreviation: Haoyunbao) (維天運通基於Android平台的卡車司機物流管理系統V1.0(簡稱:好運寶)) | Software Copyright (軟件著作權) | Company | 2013SR157864 | PRC | December 26, 2013 |
| 5..... | Logistics Business Process Tracking Management Platform V1.0 (abbreviation: Business Management Platform) (物流業務過程跟蹤管理平臺V1.0(簡稱:業務管理平臺)) | Software Copyright (軟件著作權) | Company | 2014SR019424 | PRC | February 19, 2014 |

| No. | Copyright | Copyright type | Registered owner | Registration number | Place of registration | Registration date |
|----------|---|-------------------------------|------------------|---------------------|-----------------------|--------------------|
| 6. | Weitian Yuntong Luge Kayou Zone System (IOS Version) V1.0 (abbreviation: Luge Kayou Zone System (IOS Version)) (維天運通路歌卡友地帶系統(IOS版)V1.0(簡稱:路歌卡友地帶系統(IOS版))) | Software Copyright (軟件著作權) | Company | 2016SR239805 | PRC | August 30, 2016 |
| 7. | Weitian Yuntong Luge Kayou Zone System (Android Version) V1.0 (abbreviation: Luge Kayou Zone System (Android Version)) (維天運通路歌卡友地帶系統(Android版)V1.0(簡稱:路歌卡友地帶系統(Android版))) | Software Copyright (軟件著作權) | Company | 2016SR239819 | PRC | August 30, 2016 |
| 8. | Weitian Yuntong Luge Driver Community Branch Management System V1.0 (abbreviation: Luge Branch System) (維天運通路歌司機社區分舵管理系統V1.0(簡稱:路歌分舵系統)) | Software Copyright (軟件著作權) | Company | 2016SR240631 | PRC | August 30, 2016 |
| 9. | Weitian Yuntong Luge Logistics Capacity Direct Procurement System V1.0 (abbreviation: Luge Logistics Capacity Direct Procurement System) (維天運通路歌物流運力直採系統 V1.0(簡稱:路歌運力直採系統)) | Software Copyright (軟件著作權) | Company | 2016SR241534 | PRC | August 30, 2016 |
| 10. | Weitian Yuntong Luge Haoyunbao App Software (Android Version) V1.0 (abbreviation: Luge Haoyunbao) (維天運通路歌好運寶app軟件(安卓版)V1.0(簡稱:路歌好運寶)) | Software Copyright (軟件著作權) | Company | 2018SR742785 | PRC | September 13, 2018 |

| No. | Copyright | Copyright type | Registered owner | Registration number | Place of registration | Registration date |
|----------|--|----------------------------------|------------------|---------------------|-----------------------|-----------------------|
| 11. | Weitian Yuntong Luge Haoyunbao app Software (IOS Version) V1.0 (abbreviation: Luge Haoyunbao) (維天運通路歌 好運寶app軟件(IOS 版)V1.0(簡稱:路歌好運寶)) | Software Copyright (軟件著作權) | Company | 2018SR742820 | PRC | September 13, 2018 |
| 12. | Luge Haoyunbao Kayou App Software (Android Version) V2.0 (abbreviation: Haoyunbao Kayou) (路歌好 運寶卡友app軟件(安卓 版)V2.0(簡稱:好運寶卡友)) | Software Copyright (軟件著作權) | Company | 2018SR900441 | PRC | November 12, 2018 |
| 13. | Luge Haoyunbao Kayou App Software (IOS Version) V2.0 (abbreviation: Haoyunbao Kayou) (路歌好 運寶卡友app軟件(IOS 版)V2.0(簡稱:好運寶卡友)) | Software Copyright (軟件著作權) | Company | 2018SR900449 | PRC | November 12, 2018 |
| 14. | Luge Kuailubao App Software (Android Version) V1.0 (abbreviation: Kuailubao) (路歌快路寶app軟件(安卓 版)V1.0(簡稱:快路寶)) | Software Copyright (軟件著作權) | Company | 2018SR962308 | PRC | November 30, 2018 |
| 15. | Luge Kuailubao App Software (IOS Version) V1.0 (abbreviation: Kuailubao) (路歌快路寶app軟件(IOS 版)V1.0(簡稱:快路寶)) | Software Copyright (軟件著作權) | Company | 2018SR962315 | PRC | November 30, 2018 |

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests of the Directors, Supervisors and the Chief Executive of our Company

Immediately following the completion of the Share Subdivision and the Global Offering and without taking into account any H Shares which may be issued pursuant to the exercise of the Over-allotment Option, the interests or short positions of the Directors, supervisors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company or our 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, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the supervisors and the chief executive), once the H Shares are listed, will be as follows:

(i) Interest in our Company

| Name of Director/supervisor | Nature of interest | Immediately following the completion of the Share Subdivision and the Global Offering | |
|--------------------------------|--|---|---|
| | | Number of Shares | Approximate percentage of shareholding interest ⁽¹⁾ |
| Mr. Feng | Beneficial owner/Interest in controlled corporation/Interest of a party to an agreement ⁽²⁾ | 559,928,176 | 40.17% |
| Mr. Du | Beneficial owner and interest in controlled corporation ⁽²⁾ | 559,928,176 | 40.17% |
| Mr. Ye Sheng | Beneficial owner and interest in controlled corporation ⁽³⁾ | 74,168,240 | 5.32% |
| Mr. Fan Hua | Interest in controlled corporation ⁽⁴⁾ | 1,326,672 | 0.10% |

Notes:

- (1) The calculation is based on the total number of 1,393,876,104 Shares in issue immediately following the completion of the Share Subdivision and the Global Offering (assuming that the Over-allotment Option is not exercised).
- (2) Immediately following the completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised), Shanghai Chuyan will directly hold 13,032,816 Shares, representing approximately 0.93% of the enlarged registered share capital of our Company. Mr. Feng is the general partner of Shanghai Chuyan and owns 52% of the equity interests of Shanghai Chuyan. Mr. Du is the sole limited partner of Shanghai Chuyan and owns 48% of the equity interests of Shanghai Chuyan. As such, both Mr. Feng and Mr. Du are deemed under the SFO to be interested in the Shares held by Shanghai Chuyan.

By virtue of the Concert Party Agreement entered into by and between Mr. Feng and Mr. Du, Mr. Feng and Mr. Du are deemed under the SFO to be interested in each other's interests in the Shares.
- (3) Mr. Ye Sheng is the general partner of and have full control over Tianjin Mingyin, Tianjin Mingtong, Tianjin Mingyun and Tianjin Mingwei. As such, Mr. Ye Sheng is deemed under the SFO to be interested in the Shares held by Tianjin Mingyin, Tianjin Mingtong, Tianjin Mingyun and Tianjin Mingwei.
- (4) Hainan Fanrong No.2 Investment Center (Limited Partnership)* (海南樊榮二號投資中心(有限合夥)) (“**Fanrong No.2**”) is owned as to (i) 1.0% by Duolinuo (Beijing) Engineering Consultancy Co., Ltd.* (多利諾(北京)工程諮詢有限公司) (as the general partner) which is wholly owned by Mr. Fan Hua, and (ii) 99% by Mr. Fan Hua (as the sole limited partner). As such, Mr. Fan Hua has full control over Fanrong No.2 and is therefore deemed under the SFO to be interested in the Shares held by Fanrong No.2.
- (5) All interests stated are long positions.

(ii) *Interest in associated corporations of our Company*

Immediately following the completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised), none of our Directors, supervisors or the chief executive officer of our Company has any interest in associated companies of our Company.

(b) *Interests of the Substantial Shareholders*

Save as disclosed in the section headed “Substantial Shareholders”, immediately following the completion of the Share Subdivision and the Global Offering and without taking into account any H Shares which may be issued pursuant to the exercise of the Over-allotment Option, our Directors, supervisors or chief executive are not aware of any other person (other than a Director, supervisor or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which, once the H Shares are listed, would fall to be disclosed to our Company and the Stock

Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or are, 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 any member of the Group.

(c) Interests in other members of the Group

Save for disclosed in the section headed “Our History and Development” in this prospectus, so far as our Directors are aware, as of the Latest Practicable Date, no other persons (excluding us) are 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 any other member of the Group.

2. Directors’ and Supervisors’ Service Contracts

Each of our Directors has entered into a service contract with our Company on February 10, 2023 pursuant to Rule 19A.54 of the Listing Rules. Pursuant to our Articles of Association, the term of office of the Directors shall be three years. The principal particulars of these service contracts are (a) for a term of three years commencing from their respective effective date of appointment until the day on which the next general meeting of the shareholders for re-election of Directors is held, and (b) are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

Each of our supervisors has entered into a service contract with our Company on February 10, 2023 pursuant to Rule 19A.55 of the Listing Rules, in respect of, among others, compliance with relevant laws, regulations, the Articles of Association and applicable provision on arbitration with our Company.

Save as disclosed above, none of our Directors or supervisors has entered, or has proposed to enter, a service contract with any member of the Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

3. Directors’ and Supervisors’ Remuneration

The aggregate remuneration (including salaries, bonuses, allowances and benefits in kind, pension schemes contributions and social welfare and equity-settled share-based payments expenses) paid to our Directors and supervisors for the three years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2022 were approximately RMB2.25 million, RMB3.88 million, RMB6.48 million and RMB7.43 million, respectively, which included the aggregate contributions we paid to pension schemes for our Directors and supervisors in respect of the three years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2022 were approximately RMB0.16 million, RMB0.15 million, RMB0.31 million and RMB0.24 million, respectively.

Save as otherwise disclosed in the sub-section headed “Directors, Supervisors and Senior Management—Compensation of Directors, Supervisors and Senior Management” and the above, no other amounts have been paid or are payable by any member of our Group to our Directors and supervisors for the three years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2022.

Our independent non-executive Directors have been appointed for a term of three years. The Company intends to pay a director’s fee of RMB250,000 per annum to each of the independent non-executive Directors. Save for the director’s fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding his office as an independent non-executive Director.

Under the arrangements currently in force as of the date of this prospectus, the aggregate amount of remuneration payable by our Group to our Directors and supervisors for the year ended December 31, 2022 will be approximately RMB8.52 million. There was no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three financial years immediately preceding the issue of this prospectus.

4. Directors’ Competing Interests

Save as otherwise disclosed in the sub-section headed “Relationship with our Controlling Shareholders—Excluded Business” and sub-section headed “Directors, Supervisors and Senior Management—Directors”, none of our Directors are interested in any business apart from the Group’s business which competes or is likely to compete, directly or indirectly, with the business of the Group.

5. Personal guarantees

Save as otherwise disclosed in the sub-section headed “Relationship with our Controlling Shareholders—Independence from our Controlling Shareholders—Financial Independence”, the Directors and supervisors have not provided personal guarantees in favor of lenders in connection with banking facilities granted to us.

6. Agency fees or commissions received

Save in connection with the Underwriting Agreements, none of our Directors, supervisors, Promoters nor any of the parties listed in the paragraph headed “D. Other Information—6. Qualification of Experts” in this Appendix had received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries within the two years preceding the date of this prospectus.

7. Related party transactions

During the two years preceding the date of this prospectus, we have engaged in the material related party transactions as described in the Accountants' Report and the Unaudited Financial Information set out in Appendix I and Appendix II to this prospectus, respectively.

8. Disclaimers

Save as disclosed in this section:

- (a) none of the Directors, supervisors or chief executive of our Company has any interests or short positions in the Shares, underlying Shares and debentures of our Company or our 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 he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange, in each case once our H Shares are listed on the Stock Exchange. For this prospectus, the relevant provisions of the SFO will be interpreted as if they applied to the supervisors;
- (b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, 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 any other member of the Group, once our H Shares are listed on the Stock Exchange;
- (c) none of the Directors or supervisors nor any of the persons listed in the paragraph headed "D. Other Information—6. Qualification of Experts" below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (d) none of the Directors nor any of the persons listed in "—D. Other Information—6. Qualification of Experts" below is materially interested in any contract or arrangement with the Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of the Group as a whole;

- (e) save in connection with Underwriting Agreements, none of our Directors or supervisors nor any of the persons listed in “—D. Other Information—6. Qualification of Experts” below (i) is interested legally or beneficially in any of our Shares or any share in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (f) none of our Directors, their respective associates (as defined under the Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our Company’s five largest customers and five largest suppliers.

D. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Other indemnities

Mr. Feng and Mr. Du have entered into the Deed of Indemnity whereby Mr. Feng and Mr. Du agreed to indemnify our Company (for itself and as trustee for its subsidiaries) against, among other things, any fines, penalties, claims, costs, expenses and losses (to the extent that provision, reserve or allowance has not been made for such fines, penalties, claims, costs, expenses or losses in the audited consolidated financial statements included in the Accountants’ Report as set out in Appendix I to this prospectus) incurred by any member of the Group after the Listing resulting from any non-compliance incidents of any member of the Group with applicable laws and regulations on or before the Listing Date.

The Deed of Indemnity shall become effective on the Listing Date and shall continue in full force and effect until it is terminated.

3. Litigation

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in the sub-section headed “Business—Legal Proceeding and Compliance”, no member of the Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against the Group, that would have a material adverse effect on its business, financial condition or results of operations.

4. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, our H Shares, including any Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option. All necessary arrangements have been made to enable the H Shares to be admitted into CCASS. The Sole Sponsor is entitled to a total fee of US\$0.5 million for acting as the Sole Sponsor in connection with the Global Offering.

The Sole Sponsor has declared their independence pursuant to Rule 3A.07 of the Listing Rules.

5. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since September 30, 2022 (being the date to which the latest audited consolidated financial statements of the Group were prepared).

6. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this prospectus:

| <u>Name</u> | <u>Qualification</u> |
|--|--|
| Haitong International Capital Limited | Licensed to conduct type 6 (advising on corporate finance) regulated activities under the SFO |
| Ernst & Young | Certified Public Accountants & Registered Public Interest Entity Auditor |
| Jingtian & Gongcheng | Legal advisers to the Company as to PRC laws (including PRC data privacy and protection matters) |
| China Insights Industry Consultancy Limited | Industry Consultant |
| M&T Lawyers | Tax Consultant |

7. Consents of Experts

Each of the experts as referred to in the paragraph headed “D. Other Information—6. Qualification of Experts” in this Appendix has given and has not withdrawn their consent to the issue of this prospectus with the inclusion of and references to their names, qualifications, confirmations, reports, letters, opinions, opinion statements, legal opinions and/or findings (as the case may be) in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

8. Promoters

Our Promoters are Mr. Feng, Mr. Du, Mr. Wang and Mr. Chen. Save as otherwise disclosed in the sub-section headed “Financial Information—Significant Accounting Policies and Estimates—Significant Accounting Policies—Share-based Payments” of and the section headed “Accountants’ Report—8. Directors’, Supervisors’ and Chief Executive’s Remuneration” of Appendix I to this prospectus, within the two years immediately preceding the date of this prospectus, 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 Global Offering and the related transactions described in this prospectus.

9. Preliminary Expenses

As of the Latest Practicable Date, we did not incur any material preliminary expenses.

10. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, 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 Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

12. Miscellaneous

- (a) Save as otherwise disclosed in the sections headed “Our History and Development” and “Financial Information” of and the section headed “Accountants’ Report” of Appendix I to this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for 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 commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of the Group;
 - (iv) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued; and
 - (v) there is no arrangement under which future dividends are waived or agreed to be waived.
- (b) Save as otherwise disclosed in this section, none of the persons named in the paragraph headed “D. Other Information—7. Consents of Experts” in this Appendix is interested beneficially or otherwise in any shares of any member of the Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of the Group;
- (c) Our Directors confirm that:
 - (i) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus;
 - (ii) there are no bank overdrafts or other similar indebtedness by our Company or any member of our Group;
 - (iii) there are no hire purchase commitments, guarantees or other material contingent liabilities of our Company or any member of our Group; and
 - (iv) our Company has no outstanding convertible debt securities or debentures.

- (d) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (e) All necessary arrangements have been made to enable the H Shares to be admitted into CCASS for clearing and settlement.
- (f) We currently do not intend to apply for the status of a foreign invested joint stock limited company and do not expect to be subject to the PRC Sino-foreign Joint Venture Law.
- (g) The English version of this prospectus shall prevail over the Chinese version.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, among others:

- (a) a copy of the **GREEN** Application Form;
- (b) a copy of each of the material contracts referred to in the section headed “Statutory and General Information—B. Further Information About Our Business—1. Summary of Material Contracts” in Appendix VII to this prospectus; and
- (c) the written consents referred to in the section headed “Statutory and General Information—D. Other Information—7. Consents of Experts” in Appendix VII to this prospectus.

2. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.logory.com) up to and including the date which is 14 days from the date of this prospectus:

- (a) the Articles of Association of our Company;
- (b) the Accountants’ Report for the three years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2022, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information prepared by Ernst & Young, the text of which is set out in Appendix II to this prospectus;
- (d) the letters from Ernst & Young and the Sole Sponsor relating to the profit estimate, the text of which is set out in Appendix III to this prospectus;
- (e) the audited consolidated financial statements of our Group for the three years ended December 31, 2019, 2020 and 2021 and the nine months ended September 30, 2022;
- (f) the legal opinions issued by Jingtian & Gongcheng, our PRC Legal Advisers, in respect of certain aspects of the Group and the property interests of our Group;
- (g) the legal opinions issued by Jingtian & Gongcheng, our PRC Legal Advisers, in respect of data privacy and protection matters of our Group;

- (h) the tax analysis report issued by M&T Lawyers, our tax consultant, in respect of certain aspects of the taxation matters of our Group;
- (i) the material contracts referred to in the section headed “Statutory and General Information—B. Further Information About Our Business—1. Summary of Material Contracts” in Appendix VII to this prospectus;
- (j) the written consents referred to in the section headed “Statutory and General Information—D. Other Information—7. Consents of Experts” in Appendix VII to this prospectus;
- (k) service contracts referred to in the section headed “Statutory and General Information—C. Further Information about Our Directors, Supervisors and Substantial Shareholders—2. Directors’ and Supervisors’ Service Contracts” in Appendix VII to this prospectus;
- (l) the industry report issued by CIC; and
- (m) the PRC Company Law, the Securities Law, the Mandatory Provisions and Special Regulations together their unofficial English translation.

LOGORY LOGISTICS TECHNOLOGY CO., LTD.

合肥维天运通信息科技股份有限公司

