

SUMMARY

This summary aims to give you an overview of the information contained in this document. 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 document. You should read the whole document before you decide to [REDACTED] in the [REDACTED]. There are risks associated with any investment. Some of the particular risks in [REDACTED] in the [REDACTED] are set forth in the section headed “Risk Factors” of this document. You should read that section carefully before you decide to [REDACTED] in the [REDACTED].

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 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.

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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. The table below sets out a comparison of key characteristics of our freight transportation services and freight platform services:

	Freight Transportation Services	Freight Platform Services
<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 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.

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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 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

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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.

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 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

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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.

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:

- 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.

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, 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 platform in China.
- (ii) We have created the largest community for truckers in China.

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- (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
- (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 [REDACTED] 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 [REDACTED] in the [REDACTED]. 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.
- (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.

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- (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	
	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue	RMB'000	% of Revenue
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
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
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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
[REDACTED] related to the [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted profit/(loss) (non-IFRS measure)	(1,795)	41,373	87,309	76,711	33,551

SUMMARY

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.

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.”

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.

SUMMARY

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:

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. 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 [REDACTED] from the [REDACTED]. See “Future Plans and [REDACTED].” 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	
	Online GTV (RMB billion)	Shipping Orders (million)	Online GTV (RMB billion)	Shipping Orders (million)	Online GTV (RMB billion)	Shipping Orders (million)	Online GTV (RMB billion)	Shipping Orders (million)	Online GTV (RMB billion)	Shipping Orders (million)
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

SUMMARY

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:

	For the year ended December 31,						For the nine months ended September 30,			
	2019		2020		2021		2021		2022	
	<i>Gross Profit</i> (RMB'000)	<i>Margin</i> (%)	<i>Gross Profit</i> (RMB'000)	<i>Margin</i> (%)	<i>Gross Profit</i> (RMB'000)	<i>Margin</i> (%)	<i>Gross Profit</i> (RMB'000)	<i>Margin</i> (%)	<i>Gross Profit</i> (RMB'000)	<i>Margin</i> (%)
<i>Type of goods or services</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.

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 [REDACTED] 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 [REDACTED] 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 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 [REDACTED] related to this [REDACTED], 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

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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 Consolidated Statements of Cash Flows

	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>	
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.

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 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.

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- (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.

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 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.

[REDACTED] INVESTMENTS

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

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] is not exercised), (i) Mr. Feng will directly hold approximately [REDACTED] of the enlarged registered share capital of our Company; (ii) Mr. Du will directly hold approximately [REDACTED] of the enlarged registered share capital of our Company; and (iii) Shanghai Chuyan will directly hold approximately [REDACTED] 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

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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 document.

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 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.

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,

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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 [REDACTED] related to this [REDACTED], 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 document, save as disclosed in this document 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 document, 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 document.

Recent Regulatory Developments

The Cybersecurity Review Measures

On December 28, 2021, the CAC promulgated the Measures for Cybersecurity Review (《网络安全审查办法》) (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 [REDACTED] 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

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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**”). 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 [REDACTED].

We are of the view that, as of the date of this document, 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 [REDACTED], 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 document, 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 document, 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

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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.

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the granting of the [REDACTED] of, and permission to [REDACTED], our H Shares to be issued pursuant to the [REDACTED] and to be converted from Domestic Shares upon the completion of the [REDACTED] 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\$7.4 billion) for the year ended December 31, 2021 exceeds HK\$500 million, and (ii) our expected [REDACTED] at the time of [REDACTED], which, based on the low-end of the indicative [REDACTED], exceeds HK\$4 billion.

PROFIT ESTIMATE FOR THE [REDACTED]

We have prepared the following profit estimate for the [REDACTED]:

[REDACTED]

- (1) The basis on which the above estimate has been prepared is set out in Appendix III in this document. Our Directors have prepared [REDACTED].

[REDACTED]

Based on the mid-point [REDACTED] of [REDACTED], the total estimated [REDACTED] in relation to the [REDACTED] (assuming that the [REDACTED] is not exercised and all discretionary incentive fees in the [REDACTED] are paid in full) is approximately [REDACTED], including (i) [REDACTED]-related expenses (including but not limited to commissions for [REDACTED] and [REDACTED] and fees) of approximately [REDACTED], and (ii) non-[REDACTED]-related expenses of approximately [REDACTED], which consist of fees and expenses of legal advisers and accountants of approximately [REDACTED] and other fees and expenses of approximately [REDACTED]. [REDACTED] of approximately [REDACTED] were incurred and charged to our consolidated statements of profit or loss during the Track Record Period. We estimate that [REDACTED] of [REDACTED] 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 [REDACTED], which mainly includes [REDACTED] commission, is expected to be accounted for as a deduction from equity upon the completion of the [REDACTED]. Our [REDACTED] as a percentage of [REDACTED] is [REDACTED], assuming an [REDACTED] of [REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] of [REDACTED] to [REDACTED], and that the [REDACTED] is not exercised.

[REDACTED]

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The statistics below are based on the assumption that [REDACTED] are issued under the [REDACTED]:

	Based on the low end of the indicative [REDACTED] range of [REDACTED] per [REDACTED]	Based on the high end of the indicative [REDACTED] range of [REDACTED] per [REDACTED]
[REDACTED] of the H Shares ⁽¹⁾	[REDACTED]	[REDACTED]
[REDACTED] of our Shares ⁽²⁾	[REDACTED]	[REDACTED]
Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽³⁾	[REDACTED]	[REDACTED]

Notes:

- (1) The calculation of [REDACTED] is based on the assumption that [REDACTED] H Shares will be in issue immediately following the completion of the [REDACTED] and the [REDACTED], assuming the [REDACTED] is not exercised.
- (2) The calculation of [REDACTED] is based on the assumption that [REDACTED] Shares will be in issue immediately after completion of the [REDACTED] and the [REDACTED], assuming the [REDACTED] 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 [REDACTED] Shares to be in issue, comprising of [REDACTED] Domestic Shares and [REDACTED] H Shares, immediately following the completion of the [REDACTED] and the [REDACTED], assuming the [REDACTED] is not exercised. The shares have been adjusted retrospectively to reflect the approval of the [REDACTED] of shares on a [REDACTED] basis in October 2021.

FUTURE PLANS AND [REDACTED]

We estimate that we will receive [REDACTED] from the [REDACTED] of approximately [REDACTED], after deducting [REDACTED] commissions, fees and estimated expenses payable by us in connection with the [REDACTED], assuming an [REDACTED] of [REDACTED] per H Share, being the mid-point of the indicative [REDACTED] range stated in this document, and assuming no exercise of the [REDACTED].

We currently intend to apply these [REDACTED] for the following purposes:

- approximately [REDACTED], or [REDACTED], 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 [REDACTED] will be used for acquiring additional customers for our freight transportation services and freight platform services, approximately [REDACTED] will be used for expanding the penetration of our upgraded services among our existing customers, and approximately [REDACTED] will be used for promoting our involvement of other participants in our ecosystem such as freight brokers.
- approximately [REDACTED], or [REDACTED], will be used to further expand our Trucker Community and Truck Plus solutions. In particular, approximately [REDACTED] will be used for exploring and improving the commercialization of Trucker Community, approximately [REDACTED] will be used for fostering and maintaining the nationwide service network of authorized stores for Truck Plus solutions, and approximately [REDACTED] will be used for strengthening the supply chain system that supports our Truck Plus solutions.
- approximately [REDACTED], or [REDACTED], will be used to enhance our research and development efforts and to strengthen our technological capabilities. In particular, approximately [REDACTED] will be used for reinforcing our technological strengths in big data, and approximately [REDACTED] will be used for improving our existing research and development capacities in the high-tech fields.

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- approximately [REDACTED], or [REDACTED], 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 [REDACTED], or [REDACTED], will be used for working capital and other general corporate purposes.

The above allocation of the [REDACTED] from the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the indicative [REDACTED] range stated in this document.

If the [REDACTED] is exercised in full, the [REDACTED] that we will receive will be approximately [REDACTED], assuming an [REDACTED] of [REDACTED] per H Share (being the mid-point of the indicative [REDACTED] range). In the event that the [REDACTED] is exercised, we intend to apply the additional [REDACTED] to the above purposes in the proportions stated above.

See “Future Plans and [REDACTED]” for further details.

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.