*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 document. 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 document.*

*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.

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 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 [**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.

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 document, save as disclosed in this document 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 document, 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 document.

## 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 document.

## 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.

**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 evolvement 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 evolvement 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 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."

## 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.

- ***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** |
| | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* *(unaudited)* | *(RMB'000)* |
| 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 | 916,023 | 1,192,547 | 1,771,796 | 1,312,466 | 1,285,679 |

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.

(2) ***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.

### *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.

### *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:

| | |
|---|---|
| ***Term of Government Grant Agreements*** | Generally between five and ten years[(1)]. Certain government grant arrangements are governed by a 15-year framework agreement. |
| ***Expiry Date*** | Generally between 2022 and 2037.[(1)] |
| ***Renewal*** | 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. |
| ***Reward Percentage*** | 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)] |
| ***Condition for Receiving Government Grants*** | |
| • **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. |

- **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 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.

***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 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.

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.

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.

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.

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 document.

## 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.

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 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.

***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 document 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.

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 document.

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.

***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.

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 document.

*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.

## DESCRIPTION OF SELECTED COMPONENTS OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The table below sets forth our consolidated statements of profit or loss with line items in absolute amounts and as percentages of our revenue for the periods indicated derived from our consolidated statements of profit or loss and comprehensive income as set out in the Accountants' Report included in Appendix I to this document:

| | 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 (unaudited) | % 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 |
| Other income and gains | 8,040 | 0.2 | 13,277 | 0.3 | 25,782 | 0.4 | 18,484 | 0.4 | 22,597 | 0.5 |
| 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) |
| (Impairment)/reversal of impairment of financial and contract assets, net | (8,598) | (0.2) | (7,896) | (0.2) | (9,659) | (0.2) | 1,077 | 0.0 | 412 | 0.0 |
| Other expenses | (10,324) | (0.2) | (33,586) | (0.7) | (39,222) | (0.5) | (21,710) | (0.4) | (30,900) | (0.7) |

| | 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 (unaudited) | % of Revenue | RMB'000 | % of Revenue |
| Finance costs | (16,186) | (0.5) | (6,697) | (0.1) | (4,925) | (0.1) | (2,533) | (0.1) | (3,490) | (0.1) |
| Share of losses of associates | (579) | (0.0) | (786) | (0.0) | (778) | (0.0) | (614) | (0.0) | (1,195) | (0.0) |
| **(Loss)/profit before tax** | (3,209) | (0.1) | 35,047 | 0.8 | 57,918 | 0.9 | 69,569 | 1.5 | 5,213 | 0.1 |
| Income tax expense | (89) | (0.0) | (8,977) | (0.2) | (7,174) | (0.1) | (12,849) | (0.3) | (1,514) | (0.0) |
| **(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 | – | – | – | – | – | – | – | – |
| **Earnings per share attributable to ordinary equity holders of the parent** | | | | | | | | | | |
| Basic and diluted | – | 0.0 | 0.02 | 0.0 | 0.04 | 0.0 | 0.04 | 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* *(unaudited)* | *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 |

*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.

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."

**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:

| | 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* (*unaudited*) | *%* | *RMB'000* | *%* |
| ***Type of goods or services*** | | | | | | | | | | |
| 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.

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* (*unaudited*) | *%* | *RMB'000* | *%* |
| ***Revenue by region, based on principal place of business of customers*** | | | | | | | | | | |
| 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.

***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 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 | |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* (*unaudited*) | *%* | *RMB'000* | *%* |
| **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 |

***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** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| 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 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 (unaudited)* | *%* | *RMB'000* | *%* |
| **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 |

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 | |
| | *Gross Profit (RMB'000)* | *Gross Profit Margin (%)* | *Gross Profit (RMB'000)* | *Gross Profit Margin (%)* | *Gross Profit (RMB'000)* | *Gross Profit Margin (%)* | *Gross Profit (RMB'000) (unaudited)* | *Gross Profit Margin (%)* | *Gross Profit (RMB'000)* | *Gross Profit Margin (%)* |
| ***Type of goods or services*** | | | | | | | | | | |
| 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** | 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.

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.

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* (unaudited) | *%* | *RMB'000* | *%* |
| ***Gross profit by region, based on principal place of business of customers*** | | | | | | | | | | |
| 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** | 203,951 | 100.0 | 288,834 | 100.0 | 388,510 | 100.0 | 287,289 | 100.0 | 251,860 | 100.0 |

*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.

### 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* *(unaudited)* | *%* | *RMB'000* | *%* |
| 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.

### 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* *(unaudited)* | *%* | *RMB'000* | *%* |
| 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 [**REDACTED**], 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 [**REDACTED**] 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 [**REDACTED**] in relation to the [**REDACTED**] and an increase in staff costs related to administrative functions, as we expanded our administrative team and recruited additional employees for administrative functions.

### 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* (*unaudited*) | *%* | *RMB'000* | *%* |
| 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.

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.

## 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 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 [**REDACTED**] in relation to the [**REDACTED**] and an increase in staff costs related to administrative functions, as we expanded our administrative team and recruited additional employees for administrative functions.

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.

***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 [**REDACTED**] in relation to the [**REDACTED**]; 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 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 to 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.

***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 [**REDACTED**] 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 document 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.

***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

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."

***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.

### *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.

## 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 document:

| | As of December 31, | | | As of September 30, |
|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| 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 [**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. 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 September 30, 2022 | As of December 15, 2022 |
|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | | |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* *(unaudited)* |
| **Current Assets** | | | | | |
| Inventories | 686 | 555 | 3,144 | 4,206 | 2,947 |
| Trade and notes receivables | 128,631 | 189,373 | 176,284 | 93,011 | 88,443 |
| Contract assets | 6,340 | 5,098 | 7,112 | 4,764 | 8,093 |
| Prepayments, other receivables and other assets | 1,215,133 | 1,583,208 | 1,638,719 | 1,176,325 | 1,255,159 |
| Financial assets at fair value through profit or loss ("FVTPL") | 358 | 358 | 5,010 | 110,000 | – |
| Pledged deposits | 3,473 | 502 | – | – | – |
| Restricted bank deposits | – | – | – | 4,068 | 4,063 |
| Cash and cash equivalents | 350,385 | 421,654 | 728,838 | 508,736 | 398,743 |
| **Total current assets** | 1,705,006 | 2,200,748 | 2,559,107 | 1,901,110 | 1,757,448 |

| | As of December 31, | | | As of September 30, | As of December 15, |
|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* *(unaudited)* |
| **Current Liabilities** | | | | | |
| Trade payables | 111,724 | 151,009 | 113,298 | 91,699 | 91,564 |
| Other payables and accruals | 1,409,675 | 1,776,352 | 1,896,712 | 1,324,221 | 1,186,552 |
| 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 | 1,044 |
| Lease liabilities | 2,282 | 2,093 | 2,839 | 2,771 | 794 |
| Tax payable | 4,206 | 3,824 | 11,648 | 10,952 | 10,952 |
| **Total current liabilities** | 1,631,661 | 2,002,202 | 2,126,950 | 1,453,875 | 1,300,660 |
| **Net current assets** | 73,345 | 198,546 | 432,157 | 447,235 | 456,788 |

We had net current asset positions of RMB73.3 million, RMB198.5 million and RMB432.2 million, RMB447.2 million and RMB456.8 million as of December 31, 2019, 2020 and 2021, September 30, 2022 and December 15, 2022, respectively. Our net current assets as of each of December 31, 2019, 2020 and 2021, September 30, 2022 and December 15, 2022 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 RMB456.8 million as of December 15, 2022, primarily due to 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 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.

***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 September 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| 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 |

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 September 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| 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 nine months ended September 30, |
|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022** |
| **Trade receivables turnover days** | 11.4 | 11.3 | 8.2 | 5.7 |

(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 December 15, 2022, approximately RMB82.1 million, or 96.1% of our trade receivables as of September 30, 2022 had been subsequently settled.

***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 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.

The following table sets forth our prepayments, other receivables and other assets as of the dates indicated:

| | As of December 31, | | | As of September 30, |
|---|---|---|---|---|
| | **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 | 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 |
| Subtotal | 1,217,077 | 1,587,158 | 1,651,179 | 1,177,405 |
| Less: expected credit losses | (1,944) | (3,950) | (12,460) | (1,080) |
| Current – Subtotal | 1,215,133 | 1,583,208 | 1,638,719 | 1,176,325 |
| **Total** | 1,215,133 | 1,583,208 | 1,641,533 | 1,178,990 |

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.

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 September 30, 2022 |
|---|---|---|---|---|
| | **2019** | **2020** | **2021** | |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| 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 | 21,470 | 27,738 | 96,327 | 87,330 |

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 September 30, 2022 |
|---|---|---|---|---|
| | **2019** | **2020** | **2021** | |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| 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 | 796,535 | 1,163,760 | 912,453 | 595,043 |

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.

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 December 15, 2022, approximately RMB676.0 million, or 98.9% 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** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| 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.

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 [**REDACTED**], 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."

***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 September 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| **Trade payables turnover days** | 9.6 | 10.8 | 8.1 | 6.2 |

(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 December 15, 2022, approximately RMB89.2 million, or 97.3% 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.

***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 September 30, |
|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| 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.

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 December 15, 2022, approximately RMB638.1 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 December 15, 2022, approximately RMB1,062.5 million, or 93.5% 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."

## 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** |
| | | | | *(unaudited)* | |
| 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.

## 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 [**REDACTED**] from the [**REDACTED**] 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** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000 (unaudited)* | *RMB'000* |
| 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 |

### 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.

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.

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 December 15, 2022:

| | As at December 31, | | | As at September 30, | As at December 15, |
|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* *(unaudited)* |
| Borrowings | 95,162 | 57,776 | 92,194 | [11,819] | 1,044 |
| Lease liabilities | 3,980 | 3,448 | 3,556 | [3,510] | 1,488 |
| Total | 99,142 | 61,224 | 95,750 | [15,329] | 2,532 |

**Borrowings**

Our borrowings were RMB95.2 million, RMB57.8 million, RMB92.2 million, RMB11.8 million and RMB1.0 million as of December 31, 2019, 2020 and 2021, September 30, 2022 and December 15, 2022, 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 decreased from RMB11.8 million as of September 30, 2022 to RMB1.0 million as of December 15, 2022, primarily because we paid off certain loans we incurred. See Note 27 of the Appendix I of this document.

As of December 15, 2022, being the indebtedness date for the purpose of the indebtedness statement, we had a total indebtedness of RMB2.5 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, September 30, 2022 and December 15, 2022, none of our banking facilities was utilized.

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 December 15, 2022, our current and non-current lease liabilities were RMB4.0 million, RMB3.4 million, RMB3.6 million, RMB3.5 million and RMB1.5 million, respectively, primarily representing leasing of real properties.

Except as disclosed above, during the Track Record Period and up to December 15, 2022, 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.

## 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** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* *(unaudited)* | *RMB'000* |
| 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 [**REDACTED**] received from the [**REDACTED**]. See "Future Plans and [**REDACTED**]." We may reallocate the fund to be utilized on capital expenditure based on our ongoing business needs.

## 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 September 30, |
|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **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 September 30, |
|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *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 |
| Total contract liabilities | 8,612 | 11,148 | 10,259 | 12,413 |

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** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* *(unaudited)* | *RMB'000* |
| *Revenue recognised that was included in contract liabilities at the beginning of the year/period:* | | | | | |
| 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 December 15, 2022, 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 [**REDACTED**]. 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 document for more details about our related party transactions during the Track Record Period.

## 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 the 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.

### 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 document:

- our future operating cash flows in respective periods;
- cash and cash equivalent of RMB508.7 million as of September 30, 2022; and
- the estimated [**REDACTED**] from the [**REDACTED**].

## DISTRIBUTABLE RESERVES

As of September 30, 2022, our Company did not have any distributable reserves.

## [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 charged and incurred 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.

## UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

Please refer to Appendix II to this document for details.

## NO MATERIAL ADVERSE CHANGE

Our Directors confirm that up to the date of this document, save as disclosed in this document 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 document.

## 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

[**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 the [**REDACTED**].