# ANE (Cayman) Inc.

# 安 能 物 流 集 團 有 限 公 司

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

**(Stock Code: 9956)**

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2022

The board (the "**Board**") of directors (the "**Director(s)**") of ANE (Cayman) Inc. (the "**Company**" or "**ANE**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "**Group**", "**we**", "**our**" or "**us**") for the year ended December 31, 2022 (the "**Reporting Period**"), together with comparative figures for the year of 2021. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the prospectus of the Company dated October 30, 2021 (the "**Prospectus**").

### FINANCIAL HIGHLIGHTS

For the year ended December 31, 2022, the Group recorded the following audited results:

| | **Year ended 31 December 2022** *RMB'000* | Year ended 31 December 2021 *RMB'000* | Year-to-year change |
|---|---|---|---|
| Revenue | **9,334,931** | 9,645,366 | -3% |
| Gross profit | **730,362** | 1,066,197 | -31% |
| Operating (loss)/profit | **(171,001)** | 257,190 | -166% |
| Loss for the year | **(409,267)** | (2,007,071) | -80% |
| Adjusted pre-tax (loss)/profit | **(89,775)** | 286,046 | -131% |
| Adjusted net (loss)/profit | **(217,923)** | 408,438 | -153% |
| Adjusted EBITDA | **1,096,435** | 1,342,303 | -18% |
| Net cash flows from operating activities | **1,444,778** | 1,084,519 | 33% |

| | **As at 31 December 2022** *RMB'000* | As at 31 December 2021 *RMB'000* | Year-to-year change |
|---|---|---|---|
| Total asset | **5,831,228** | 6,335,586 | -8% |
| Total equity | **2,500,672** | 2,668,308 | -6% |

## CEO STATEMENT

Dear Shareholders,

Last year is a year of great significance to ANE as we have embarked on a journey of transformation that would bring the company to a new height. I would like to take this opportunity to communicate with all of you about the changes that we are making. Following our successful listing on the The Stock Exchange of Hong Kong Limited in November 2021, we have arrived at the conclusion that we must renew our strategy to focus on profitable and sustainable growth. The reason was very simple. Our scale and freight volume driven approach had been the past given that the Chinese economy and the nature of our business have enter new phases. To maintain our industry leading position and our strong capability to further consolidate China's fragmented LTL market, we need a real change.

From September 2022, the Board has set up a strategic committee to oversee the development and execution of a transformation map. The strategic committee has set out challenging yet balanced performance targets for the next three years since 2023, and is closely working with the senior management team to implement action plans required to achieve these goals. We are prioritizing essential areas of enhancement such as service quality, operational efficiency, and cost control. We are also building an invigorating management structure for our long-term sustainability, while preserving our culture of pursuing success.

To effectively implement all the transformative initiatives, we started out with organizational upgrades, especially at the regional level. There are two key changes. One is that we restructured our regional management divisions to better align with our sorting and line-haul network operation and with a more balanced business share (rather than by provincial administrative regions). This would allow us to have a leaner and more agile organization structure and exercise more effective management over our operation network. The other one is that we have promoted a new generation of high performing individuals within the organization to lead those upgraded divisions. This would give us new vigour, new thinking and new generation of leadership needed for the change.

The critical part of our transformation centres around our ecosystem of freight partners and agents. We went back to our roots and focused on how we can really help our partners to prosper and thrive. It is an accumulation of a series of "detailed" endeavours, including a major upgrade of our pricing scheme, streamlined processes, stepped up joint customer services, extension of our operation to their premises and optimised online/offline communication channels. We will always stick to our core value that the commonwealth and prosperity of our freight partner and agents are the cornerstone of our success.

No transformation in logistics would be completed without pushing for operational excellence and we are no exception. Key efforts are put into areas such as a major overhaul of line-haul routing and fleet management, as well as optimization of sorting centre planning and on-site operation. How we are doing differently this time is that we are taking a more holistic approach incorporating our customers' needs rather than tackling these issues in isolation in the past.

We are also spearheading profound changes in our key middle and back offices in the headquarter, including finance, HR, data management, and technology. Instead of just being central management functions, we strive to build a revamped HQ team that are more cohesive and agile, with a mindset to serve, and ability to lead.

Transformation is no easy feat and cannot be accomplished in one click. While there would be bumps and turns, we will continue to learn and adjust, as there is no other way. We are highly confident that with continuous and incremental improvements, we will be able to unite and mobilize our partners, agents and employees to make this transformation a resounding success. In the process, we will make ANE a better and more valuable company. And most importantly, we are committed to create value to our shippers, freight partners, agents and employees.

A revamped strategy underpinned by our strong execution and excellence in service quality will make a new and successful ANE.

**QIN Xinghua**
*Executive Director, chief executive officer and co-chairman*

March 28, 2023

## MANAGEMENT DISCUSSION AND ANALYSIS

## I. BUSINESS OVERVIEW

We operate a leading express freight network in China's less-than-truckload ("**LTL**") market. Express freight network operators, like us, are LTL service providers who have nationwide coverage, and deliver timely and comprehensive freight transportation services. In 2022, we have completed shipment of a total freight volume of 12.5 million tons, at approximately the same level compared to 12.6 million tons in 2021.

We mainly provide transportation services, value-added services and dispatch services to our freight partners, our direct customers. We, together with our freight partners and agents, served over 4.7 million shippers, our end-customers, across China as of December 31, 2022, compared to 3.9 million as of December 31, 2021.

Our investment in self-operated fleets helps us achieve self-operation of essentially all two-way route line-haul transportation. In the meanwhile, we commenced our full-truckload ("**FTL**") business in May 2022, in order to fully utilize the backhaul capacity of self-operated fleets deployed for one-way route. The FTL service fulfil the freight demand of shippers by engaging truck vehicle as the unit of transportation for direct point-to-point service.

### Our Market and Industry

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

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

## Our Freight Partner Platform

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

We are dedicated to create more value to our freight partners and agents while benefiting from their growth. As a result, we believe we are best positioned to consolidate China's fragmented and inefficient LTL market. As of December 31, 2022, we had over 30,000 freight partners and agents, enabling us to better serve shippers while expanding nationwide coverage. We continue to enjoy strong relationship with our top freight partners. The retention rate of our top freight partners[1], which refer to the ratio of the number of top freight partners which remains as our freight partners in a given period, over the total number of top freight partners in the previous period, was 98.7% and 95.7% in 2021 and 2022, respectively.

We mainly provide transportation services, value-added services and dispatch services to our freight partners, our direct customers. As of December 31, 2022, we, together with our freight partners and agents, served approximately 4.7 million shippers, our end-customers, across the entire commerce landscape in China.

## Our Network and Infrastructure

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

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

### *Sorting Centres*

As of December 31, 2022, we had 136 self-operated sorting centres across China, allowing us, together with our network outlets, to cover approximately 96% of the counties and townships in China. We directly operate all of our sorting centres on leased premises. Our sorting centres are connected by the line-haul transportation network that we operate. The consolidation sorting centres receive and sort the freight and dispatch them to the destination sorting centres, which deconsolidate the freight and assign the freight to dispatching freight partners and agents. The following map illustrates our nationwide sorting centre network as of December 31, 2022:

Based on the functions, operating freight volume and line-haul connectivity, our sorting centres include key transit hubs, transit hubs and other sorting centres. Out of our 136 sorting centres as of December 31, 2022, we had 12 key transit hubs with full coverage of China and 43 transit hubs, which are primarily responsible for inter-provincial transfer of freight. The following table sets forth details of our sorting centres as of December 31, 2022:

| | Number | Average Area ($m^2$) | Average daily handling volume in the year ended December 31, 2022 (tons) | Functionality |
|---|---|---|---|---|
| Key hubs | 12 | 48,943 | 5,126 | Nationwide full connectivity |
| Transit hubs | 43 | 24,087 | 2,448 | Inter-provincial connectivity |
| Other sorting centres | 81 | 5,638 | 442 | Regional connectivity |

Our key transit hubs are located in key commercial centres in China such as Shanghai, Hangzhou, Guangzhou, Shenzhen, Chengdu and Suzhou. On average, our key transit hub handled a freight volume of approximately 1.5 million tons in 2022. Our transit hubs are normally adjacent to highways and is each directly connected to about 16 provinces on average as of December 31, 2022.

Since Q4 2022 in order to improve our line-haul routing and sorting costs, we have made significant optimizations to some of our smaller sorting centres. We have taken measures such as: (1) shifting from self-operation to outsourcing operation to consolidation premises run by our top freight partners where they meet our operation excellence criteria; and (2) extending our line-haul route to directly transport freight from our key sorting centres/hubs to our freight partners (or vice versa) to by-pass small consolidation sorting centres. Such measures allow us to reduce the number of our self-operated sorting centres, enhancing our operational efficiency while maintaining our national footprint and coverage.

***Line-Haul Network***

We directly manage all the line-haul transportation in our network. Our sorting centres are connected with approximately 2,900 well-planned line-haul routes as of December 31, 2022, among which approximately 93% are two-way routes.

We have invested RMB235 million in our self-operated fleets in 2022. As of December 31, 2022, our self-operated fleets consisted of approximately 4,000 high-capacity line-haul trucks and over 6,200 trailers, as compared to approximately 4,000 high-capacity line-haul trucks and over 4,600 trailers as of December 31, 2021. All of our self-operated fleets are operated by our approximately 6,000 contracted drivers as of December 31, 2022. We acquired approximately 1,600 trailers to (i) increase our self-owned transportation capacity, and (ii) release storage pressure (e.g. package backlog caused by COVID-19 and lockdowns) of sorting centres during the peak periods, taking into consideration that trailers may also function as temporary warehouses.

Affected by lockdowns due to COVID-19 and the resulting decrease freight volume in 2022, the average mileages per month at full utilization rate of our 17.5-metre high capacity truck was approximately 19,000 kilometres in the year ended December 31, 2022 (2021: 21,000 kilometres).

***Network Outlets***

As of December 31, 2022, all of the network outlets are owned and operated by approximately 30,000 freight partners and freight agents across China, covering approximately 96% of counties and townships in China.

**Our Technology**

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

**COVID-19 Impact**

In 2022, Chinese governments imposed various levels of COVIDzero control in different regions of China, including implementation of travel bans, mass medical test and blockade of certain cities and regions and suspension of business activities. Highly restrictive and containment measures in mainland China in response to the COVID-19 resurgence from March to May 2022 led to slowdown in demand for high quality LTL services and logistic disruptions, which has resulted in a decline of freight volume as compared with 2021. We have taken considerable measures to reduce the impact of the COVID-19 outbreak, including strictly implementing self-quarantine and disinfection measures at our headquarters, sorting centres and network outlets in accordance with government issued protocols.

From late November 2022, the government started to ease various COVID-19 restrictions, we responded by relaxing afore-mentioned measures. Despite that surged outbreaks of mass infections have temporarily interrupted our normal operation in December 2022, it is expected that the impact from Covid-19 will gradually reside in 2023.

## II. FINANCIAL REVIEW

### Overview

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

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

| | **For the year ended December 31,** | | Year-to-year change |
|---|---|---|---|
| | **2022** | 2021 | |
| Total LTL freight volume ('000 tons) | 12,115 | 12,605 | -3.9% |
| Total FTL freight volume ('000 tons) | 336 | 0[2] | N/A[2] |
| **Total freight volume[1] (000 tons)** | **12,451** | **12,605** | **-1.2%** |
| Unit price for LTL transportation and value-added services (RMB/ton) | 579 | 581 | -0.3% |
| Unit price for LTL dispatch services (RMB/ton) | 188 | 184 | 2.2% |
| Unit price for total LTL services (RMB/ton) | 767 | 765 | 0.3% |
| Unit price for total FTL services (RMB/ton) | 127 | N/A[2] | N/A[2] |
| **Unit price for total services (RMB/ton)** | **750** | **765** | **-2.0%** |
| Unit line-haul transportation cost (RMB/ton) | 320 | 316 | 1.3% |
| Unit sorting centre cost (RMB/ton) | 178 | 176 | 1.1% |
| Unit cost of value-added services (RMB/ton) | 28 | 25 | 12.0% |
| Unit cost of dispatch services (RMB/ton) | 165 | 163 | 1.2% |
| **Unit cost of revenues (RMB/ton)** | **691** | **680** | **1.6%** |
| Unit gross profit (RMB/ton) | 59 | 85 | -30.6% |
| Unit operating profit (RMB/ton) | (14) | 20 | -170.0% |
| Unit adjusted pre-tax profit (RMB/ton) | (7) | 23 | -130.4% |
| Unit adjusted EBITDA (RMB/ton) | 88 | 106 | -17.0% |

*Notes:*

(1) The "freight volume", means the amount of freight by volumetric weight. However, the freight volume of FTL is calculated based on the total specified capacities of relevant trucks for each transportation assignment.

(2) The Company launched FTL business in May 2022, the FTL freight volume for the year ended December 31, 2021 was therefore nil.

In 2022, we have completed shipment of a total freight volume of 12.5 million tons, compared to 12.6 million tons in 2021. The flat growth is mainly attributable to (i) strict lockdown measures imposed by governments in certain regions in response to COVID-19 pandemic situation which had significant adverse effect on our transportation services (especially from late March to May, and in November and December in 2022), and (ii) the slowdown in demand for LTL services caused by general economic downturn.

**Revenue**

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

| **LTL business** | **For the year ended December 31,** | | | |
|---|---|---|---|---|
| | **2022** | | 2021 | |
| | ***RMB*** | *%* | *RMB* | *%* |
| | *(in thousands, except percentages)* | | | |
| Transportation | **5,339,150** | **57.5** | 5,612,420 | 58.2 |
| Value-added services | **1,670,350** | **18.0** | 1,714,529 | 17.8 |
| Dispatch services | **2,282,851** | **24.5** | 2,318,417 | 24.0 |
| **Total revenues** | **9,292,351** | **100.0** | 9,645,366 | 100.0 |

| **FTL business** | **For the year ended December 31,** | | | |
|---|---|---|---|---|
| | **2022** | | 2021 | |
| | ***RMB*** | *%* | *RMB* | *%* |
| | *(in thousands, except percentages)* | | | |
| Transportation(1) | **42,580** | **100.0** | 0(1) | N/A(1) |
| **Total revenues** | **42,580** | **100.0** | 0(1) | N/A(1) |

| **LTL and FTL Business** | **For the year ended December 31,** | | | |
|---|---|---|---|---|
| | **2022** | | 2021 | |
| | ***RMB*** | *%* | *RMB* | *%* |
| | *(in thousands, except percentages)* | | | |
| Transportation | **5,381,730** | **57.7** | 5,612,420 | 58.2 |
| Value-added services | **1,670,350** | **17.8** | 1,714,529 | 17.8 |
| Dispatch services | **2,282,851** | **24.5** | 2,318,417 | 24.0 |
| **Total revenues** | **9,334,931** | **100.0** | 9,645,366 | 100.0 |

*Notes:*

(1) The Company launched FTL business in May 2022, the FTL revenue for the year ended December 31, 2021 was therefore nil.

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

The decrease in our LTL transportation revenues of 4.9% from RMB5,612.4 million for the year ended December 31, 2021 to RMB5,339.2 million for the year ended December 31, 2022, mainly attributable to: (i) the decrease in our total LTL freight volume from 12.6 million tons for the year ended December 31, 2021 to 12.1 million tons for the year ended December 31, 2022, and (ii) the decrease in our unit price for LTL transportation services from RMB445/ton for the year ended December 31, 2021 to RMB441/ton for the year ended December 31, 2022. Our unit LTL revenue was mainly lowered in H1 2022 in response to assist our freight partners under COVID-19 restrictions. As we started to optimize our pricing scheme from Q4, our average unit LTL revenue has increased to RMB787/ton in Q4 2022.

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

We commenced FTL business in May 2022, and the overall strategy is still evolving. In respect of the whole year of 2022, the increase in freight volume and revenues of FTL business has not fully offset the decline in LTL freight volume and revenues.

Our value-added services revenues decreased by 2.6% from RMB1,714.5 million for the year ended December 31, 2021 to RMB1,670.4 million for the year ended December 31, 2022, mainly attributable to the decrease of LTL freight volume. The unit value-added services revenue slightly increased from the year ended December 31, 2021 to the year ended December 31, 2022.

Our dispatch services revenues decreased by 1.5% from RMB2,318.4 million for the year ended December 31, 2021 to RMB2,282.9 million for the year ended December 31, 2022, mainly attributable to the decrease of LTL freight volume. The increase in our unit dispatch services revenue from RMB184/ton to RMB188/ton was mainly due to the increase in cost and subsidy in some certain regions which had been significantly adversely affected by COVID-19.

**Cost of revenues**

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

| | For the year ended December 31, | | | |
|---|---|---|---|---|
| | **2022** | | 2021 | |
| | ***RMB*** | *%* | *RMB* | *%* |
| | *(in thousands, except percentages)* | | | |
| Line-haul transportation | **3,980,614** | **46.2** | 3,985,114 | 46.5 |
| Sorting centre | **2,216,973** | **25.8** | 2,217,212 | 25.8 |
| Value-added services | **352,119** | **4.1** | 316,584 | 3.7 |
| Dispatch services | **2,054,863** | **23.9** | 2,060,259 | 24.0 |
| **Total** | **8,604,569** | **100.0** | 8,579,169 | 100.0 |

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

| | For the year ended December 31, | | | |
|---|---|---|---|---|
| | **2022** | | 2021 | |
| | ***RMB*** | *%* | *RMB* | *%* |
| | *(in thousands, except percentages)* | | | |
| Services costs for third-party fleets | **380,633** | **9.6** | 1,342,746 | 33.6 |
| Operating costs incurred by self-operated fleets: | **3,599,981** | **90.4** | 2,642,368 | 66.4 |
| Toll costs | **1,125,822** | **28.3** | 912,367 | 22.9 |
| Fuel costs | **1,017,483** | **25.6** | 736,689 | 18.5 |
| Driver compensation | **733,277** | **18.4** | 564,698 | 14.2 |
| Depreciation | **355,847** | **8.9** | 250,613 | 6.3 |
| Others | **367,552** | **9.2** | 178,001 | 4.5 |
| **Total line-haul transportation costs** | **3,980,614** | **100.0** | 3,985,114 | 100.0 |

Our operating costs incurred by self-operated fleets increased significantly and our services costs for third-party fleets decreased significantly from 2021 to 2022 as a result of our investment and considerable increase in deploying self-operated fleet in our line-haul transportation.

Our line-haul transportation costs remained relatively stable from RMB3,985.1 million for the year ended December 31, 2021 to RMB3,980.6 million for the year ended December 31, 2022, mainly because: (i) the transportation costs declined due to the decrease in total freight volume, offset by (ii) under-utility of our truck fleet due to COVID-19 containment measures and (iii) the significant increase in our fuel costs due to rising oil price, as well as other costs caused by COVID-19.

Our unit line-haul transportation cost slightly increased from RMB316/ton for the year ended December 31, 2021 to RMB320/ton for the same period in 2022 was mainly attributable to:

(i) higher unit fixed transportation costs, such as depreciation of motor vehicles, when freight volumes decreased; and

(ii) the lower truck utility rate (as measured by average truck mileage) and transportation efficiency especially loading rate due to the impact of COVID-19; and

(iii) the significant increase in our fuel costs due to rising oil price.

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

| | **For the year ended December 31,** | | | |
|---|---|---|---|---|
| | **2022** | | 2021 | |
| | ***RMB*** | *%* | *RMB* | *%* |
| | *(in thousands, except percentages)* | | | |
| Labour costs | **1,301,694** | **58.7** | 1,332,487 | 60.1 |
| Depreciation of right-of-use assets | **580,559** | **26.2** | 552,778 | 24.9 |
| Property management fees and utility costs | **155,135** | **7.0** | 143,533 | 6.5 |
| Equipment rental costs | **93,691** | **4.2** | 89,694 | 4.0 |
| Others | **85,894** | **3.9** | 98,720 | 4.5 |
| **Total sorting centre costs** | **2,216,973** | **100.0** | 2,217,212 | 100.0 |

Our sorting centre costs remained relatively stable from RMB2,217.2 million for the year ended December 31, 2021 to RMB2,217.0 million for the year ended December 31, 2022. The increase in our unit sorting centre cost from RMB176/ton for the year ended December 31, 2021 to RMB178/ton for the same period in 2022 was mainly because the decrease in freight volume led to higher unit fix cost (e.g. depreciation on right-of-use assets) for the most period of 2022, as we started to reduce the number of sorting centres from Q4 2022.

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

The increase in our costs of value-added services from RMB316.6 million for the year ended December 31, 2021 to RMB352.1 million for the same period in 2022 was mainly attributable to extra costs we afforded for providing value-added services in some regions affected by lockdowns due to COVID-19. The increase in our unit costs of value-added services from RMB25/ton for the year ended December 31, 2021 to RMB28/ton for the same period in 2022 was mainly due to the aforementioned reasons.

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

While this COVID-19 factor also applied to dispatch cost, it was partially offset by the decrease in freight volume, which results in the dispatch costs remaining relatively stable from 2021 to 2022. The slight increase in our unit dispatch costs from RMB163/ton in 2021 to RMB165/ton was caused by the same factors set out above.

Our total cost of revenues was RMB8,604.6 million for the year ended December 31, 2022, compared to RMB8,579.2 million for the year ended December 31, 2021, mainly due to the above reasons.

**Gross Profit and Gross Profit Margin**

For the year ended December 31, 2022, the gross profit and gross profit margin was RMB730.4 million and 7.8%, respectively, as compared to RMB1,066.2 million and 11.1%, respectively, for the year ended December 31, 2021. The decrease in gross profit was mainly driven by: (i) the decrease in LTL freight volume; (ii) the decrease in 2022 overall unit revenue and (iii) the slight increase in cost of revenue. The decrease in gross profit margin was mainly driven by the increased unit cost of revenues due to the above-mentioned reasons and the decreased unit revenue. As a result, our unit gross profit decreased from RMB85/ton for the year ended December 31, 2021 to RMB59/ton for the year ended December 31, 2022.

**General and Administrative Expenses**

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

| | **For the year ended December 31,** | | | |
|---|---|---|---|---|
| | **2022** | | 2021 | |
| | ***RMB*** | ***%*** | *RMB* | *%* |
| | *(in thousands, except percentages)* | | | |
| Salaries and other benefits | **445,064** | **49.8** | 346,127 | 43.7 |
| Business operation expenses | **115,230** | **12.9** | 130,408 | 16.5 |
| Professional service fees | **80,377** | **9.0** | 113,091 | 14.3 |
| Depreciation and amortization | **63,227** | **7.1** | 52,088 | 6.6 |
| Share-based payment expenses | **188,881** | **21.2** | 149,291 | 18.9 |
| **Total** | **892,779** | **100.0** | 791,005 | 100.0 |

Our general and administrative expenses increased from RMB791.0 million for the year ended December 31, 2021 to RMB892.8 million for the year ended December 31, 2022. The main changes include (i) the increase in salary and other benefits by 28.6% from RMB346.1 million in 2021 to RMB445.1 million in 2022, mainly because that we have expanded our headcount from the second half of 2021 until Q3 2022, and we had made a significant optimization in Q4 2022; (ii) the decrease in professional fees due to the decrease in fees incurred from our IPO and Pre-IPO financing, and (iii) the increase in depreciation and amortisation.

**Other Income and Gains/(Losses), Net**

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

| | **For the year ended December 31,** | |
|---|---|---|
| | **2022** | 2021 |
| | *(RMB in thousands)* | |
| Government grants | **21,078** | 29,860 |
| Foreign exchange (loss)/gain | **(2,173)** | 10,524 |
| Interest income | **15,120** | 9,613 |
| Loss on disposal of long-term assets | **(13,985)** | (11,613) |
| Asset impairment | **(41,788)** | (49,409) |
| Others | **13,164** | (6,977) |
| **Total** | **(8,584)** | (18,002) |

We recorded other losses of RMB8.6 million for the year ended December 31, 2022, as compared to other losses of RMB18.0 million for the year ended December 31, 2021. The change was primarily due to the decrease of asset impairment in 2022.

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

As a result of the foregoing, our operating profit of RMB257.2 million for the year ended December 31, 2021 decreased to an operating loss of RMB171.0 million for the year ended December 31, 2022. Our operating profit margin of 2.7% for the year ended December 31, 2021 decreased to an operating loss margin of 1.8% for the year ended December 31, 2022, which was mainly due to the above-mentioned reasons.

### Finance Costs

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

| | For the year ended December 31, | |
|---|---|---|
| | **2022** | 2021 |
| | *(RMB in thousands)* | |
| Interest on lease liabilities | **58,379** | 68,380 |
| Interest on bank and other loans | **61,820** | 59,656 |
| Transaction costs for the issue of convertible redeemable preferred shares and convertible loans and prepaid forward contract | **–** | 24,360 |
| **Total** | **120,199** | 152,396 |

Our finance costs decreased by 21.1% from RMB152.4 million for the year ended December 31, 2021 to RMB120.2 million for the year ended December 31, 2022, mainly because we issued convertible redeemable preferred shares in the first half of 2021 and the costs are non-recurring in 2022.

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

The fair value change of financial assets and liabilities at fair value through profit or loss for the year ended December 31, 2022 was profit of RMB10.1 million, as compared to loss of RMB2,042.7 million for the year ended December 31, 2021. The changes in 2021 are non-recurring after the completion of the Company's global offering ("**Global Offering**") in 2021, as all our convertible redeemable preferred shares were automatically converted into ordinary shares upon the completion of Global Offering. And the Company recorded the fair value change of financial products of RMB10.1 million for the year ended December 31, 2022.

### Changes in Expected Redemption Amount Associated with the Put Option Liabilities

There was no change in expected redemption amount associated with the put option liabilities for the year ended December 31, 2022, as compared to RMB191.5 million for the year ended December 31, 2021. The changes in 2021 are non-recurring after the completion of the Company's Global Offering in 2021, as the relevant financial liabilities associated with put option were classified into non-controlling interest upon the completion of Global Offering.

### Income Tax (Expense)/Credit

We recorded income tax expense of RMB128.1 million for the year ended December 31, 2022, as compared to income tax credit of RMB122.4 million for the year ended December 31, 2021, primarily because some historical recoverable losses have expired which resulted in the reduction in the amount of deferred tax assets, resulting in deferred income tax expenses.

### Loss for the Year

As a result of the foregoing, we recorded a loss of RMB409.3 million with a net loss margin of 4.4% for the year ended December 31, 2022, as compared to a loss of RMB2,007.1 million with a net loss margin of 20.8% for the same period of 2021, which was, in particular, attributable to (i) the decrease of RMB335.8 million in our gross profit due to the impact of COVID-19 and the above-mentioned factors, (ii) the decrease of RMB249.7 million in net profit due to deferred tax expenses in 2022 as compared to deferred tax credit in 2021, and (iii) the increase of net profit of RMB2,244.3 million caused by the changes in fair value change of financial assets and liabilities at fair value through profit or loss and expected redemption amount associated with the put option liabilities for the year ended December 31, 2022.

### Non-HKFRS Measures

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

The following table sets out our non-HKFRS measures, and a reconciliation from loss for the year to adjusted net (loss)/profit, adjusted pre-tax (loss)/profit and adjusted EBITDA for the year (three non-HKFRS measures) for the years indicated.

| | **For the year ended December 31,** | |
|---|---|---|
| | **2022** | 2021 |
| | *(RMB in thousands)* | |
| Loss for the year | **(409,267)** | (2,007,071) |
| Add: | | |
| Shares-based payment expenses(1) | **191,344** | 151,048 |
| Fair value change of financial liabilities at fair value through profit or loss(2) | **–** | 2,043,941 |
| Changes in expected redemption amount associated with the put option liabilities(3) | **–** | 191,533 |
| Listing expenses(4) | **–** | 28,987 |
| **Adjusted net (loss)/profit for the period** | **(217,923)** | 408,438 |

| | For the year ended December 31, 2022 | 2021 |
|---|---|---|
| | *(RMB in thousands)* | |
| Add: | | |
| Income tax expense/(credit) | **128,148** | (122,392) |
| **Adjusted pre-tax (loss)/profit for the period** | **(89,775)** | 286,046 |
| Add: | | |
| Depreciation | **1,058,830** | 887,062 |
| Amortisation of other intangible assets | **22,301** | 26,412 |
| Interest income | **(15,120)** | (9,613) |
| Finance costs | **120,199** | 152,396 |
| **Adjusted EBITDA** | **1,096,435** | 1,342,303 |

*Notes:*

(1) Share-based payment expenses relates to the share rewards we granted to our employees, which is a non-cash item.

(2) Fair value change of financial liabilities at fair value through profit or loss represent the losses arising from change in fair value of our issued preferred shares and convertible loans, which is a non-cash item and is not directly related to our operating activities. Such fair value changes are also non-recurring in nature as the relevant preferred shares have been automatically converted into ordinary shares upon the completion of the listing of the Company's ordinary shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing**").

(3) Changes in expected redemption amount associated with the put option liabilities is a non-cash item and is not directly related to our operating activities. Such changes are also non-recurring in nature as the relevant financial liabilities associated with put option have been classified into non-controlling interest upon the completion of the Listing.

(4) Listing expenses represent the fees incurred in relation to the Global Offering, which is a non-recurring item.

| | For the year ended December 31, 2022 | 2021 |
|---|---|---|
| | *(%)* | |
| Net loss margin | **(4.4)** | (20.8) |
| **Adjusted net (loss)/profit margin** | **(2.3)** | 4.2 |
| **Adjusted pre-tax (loss)/profit margin** | **(1.0)** | 3.0 |
| **Adjusted EBITDA margin** | **11.7** | 13.9 |

### Capital Management

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

### Depreciation

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

| | **For the year ended December 31,** | |
|---|---|---|
| | **2022** | 2021 |
| | *(RMB in thousands)* | |
| Depreciation of right-of-use assets | **621,075** | 580,052 |
| Depreciation of motor vehicles | **383,882** | 260,589 |
| Others | **53,873** | 46,421 |
| **Total** | **1,058,830** | 887,062 |

### Liquidity and Financial Resources

The Group's cash and cash equivalent as at December 31, 2022 were RMB1,039.3 million, representing an increase of 8.9% compared to RMB954.3 million as at December 31, 2021. The increase was primarily attributable to our net cash generated from operating activities.

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

**Borrowings and Gearing Ratio**

As at December 31, 2022, the Group had outstanding secured borrowings of approximately RMB1,037.3 million, and no outstanding unsecured borrowings. The Group's borrowings carried interest at prevailing market rates.

As at December 31, 2022, our gearing ratio, calculated as total borrowings divided by total equity attributable to equity holders of the Company, was approximately 41.5% (December 31, 2021: 37.8%).

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

**Significant Investment Held**

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

**Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures**

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

**Future Plans for Material Investments and Capital Assets**

As of December 31, 2022, the Group did not have plans for material investments and capital assets.

**Charge on Assets**

As at December 31, 2022, certain of our bank loans and other borrowings were secured by mortgages over certain of our motor vehicles and buildings with a net carrying amount of RMB657.2 million and RMB107.1 million, respectively.

**Contingent Liabilities**

As of December 31, 2022, we have guaranteed certain bank loans made to our customers, which amounted to RMB3.2 million. As of December 31, 2022, we did not have any other material contingent liabilities.

**Capital Commitment**

As of December 31, 2022, the capital commitment of the Group amounted to RMB36.5 million.

### Foreign Exchange Exposure

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

### Share Pledge

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

## III. OUTLOOK AND PROSPECTS

### Future Strategy

2023 is a key year of transformation for the company, as we implement our new strategy with an emphasis on quality and profitability. Over the past decade, we have built a leading LTL network through a scale-driven approach and we have achieved great success in that regard. In today's ever-changing business environment, we must adapt and evolve to consistently improve our profitability and service quality to sustain high quality growth. We've decided to shift our strategic focus from a scale-driven approach to one that prioritizes on increasing operational efficiency and consistently improving service quality. We are rigorously implementing below measures to ensure our transformation achieves our key strategic objective which is to maintain our leading position in China's LTL market and drive further consolidation in this market.

***(i) Optimize our pricing***

- Further break down and refine our pricing scheme to allow more precise pricing of our product by weight range and routing

- Execute better price control over our product offerings to achieve a desired margin structure

***(ii) Strengthen our management over our ecosystem, primarily with freight partners and agents***

- Form closer partnership with, including investing in, our top freight partners to expand market shares in key market/regions (such as e-commerce)

- Implement a more balanced management over different groups and profile of freight partners, shipping and dispatching *(iii) Enhance the level of our service quality*

- Improve the overall timeliness and safety of our service to attract and retain high-margin shippers

- Optimize product mix segmentation to drive business growth on the basis of improved overall service quality

*(iv) Enhance operational efficiency*

- Optimize our sorting centre footprint and on-site operational standard and to reduce transit times and sorting costs

- Strengthen our in-time routing capability to enhance line-haul transportation efficiencies such as loading rate and transit ratio

- Enhance fleet management to achieve higher asset efficiency and lower transportation costs

We believe that above strategies are essential to build our strong long-term competitive barrier, allowing us to drive profitable growth while strengthening our lead in China's LTL market.

## IV. RISK MANAGEMENT

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

## ANNUAL RESULTS

The Board is pleased to announce the audited consolidated annual results of the Group for the year ended December 31, 2022 with comparative figures for the year ended December 31, 2021, as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | *Notes* | **2022** | 2021 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| **Revenue** | *4* | **9,334,931** | 9,645,366 |
| Cost of revenue | | **(8,604,569)** | (8,579,169) |
| **Gross profit** | | **730,362** | 1,066,197 |
| Other income and gains/(losses), net | *5* | **(8,584)** | (18,002) |
| General and administrative expenses | | **(892,779)** | (791,005) |
| **Operating (loss)/profit** | | **(171,001)** | 257,190 |
| Finance costs | *6* | **(120,199)** | (152,396) |
| Fair value changes of financial assets and liabilities at fair value through profit or loss | *7* | **10,081** | (2,042,724) |
| Changes in the expected redemption amount associated with the put option liabilities | | **–** | (191,533) |
| **LOSS BEFORE TAX** | *8* | **(281,119)** | (2,129,463) |
| Income tax (expense)/credit | *9* | **(128,148)** | 122,392 |
| **LOSS FOR THE YEAR** | | **(409,267)** | (2,007,071) |
| **Attributable to:** | | | |
| Owners of the parent | | **(408,426)** | (2,014,548) |
| Non-controlling interests | | **(841)** | 7,477 |
| | | **(409,267)** | (2,007,071) |
| **LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | *11* | | |
| Basic (RMB) | | **(0.35)** | (5.08) |
| Diluted (RMB) | | **(0.35)** | (5.08) |

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

| | **2022** *RMB'000* | 2021 *RMB'000* |
|---|---|---|
| **LOSS FOR THE YEAR** | **(409,267)** | (2,007,071) |
| OTHER COMPREHENSIVE INCOME | | |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of the financial statements of subsidiaries | **(352,757)** | 76,997 |
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of the financial statements of the Company | **415,738** | 17,037 |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX | **62,981** | 94,034 |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR | **(346,286)** | (1,913,037) |
| **Attributable to:** | | |
| Owners of the parent | **(345,445)** | (1,920,514) |
| Non-controlling interests | **(841)** | 7,477 |
| | **(346,286)** | (1,913,037) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | *Notes* | **2022** **RMB'000** | 2021 RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **1,734,558** | 1,857,344 |
| Prepayments for property, plant and equipment | | **5,957** | 25,312 |
| Right-of-use assets | | **982,511** | 1,225,534 |
| Goodwill | | **131,527** | 146,253 |
| Other intangible assets | | **13,822** | 31,707 |
| Deferred tax assets | | **269,576** | 396,390 |
| Restricted cash | | **9,726** | 11,329 |
| Other non-current assets | | **76,934** | 88,558 |
| Total non-current assets | | **3,224,611** | 3,782,427 |
| **CURRENT ASSETS** | | | |
| Inventories | | **9,061** | 11,529 |
| Trade receivables | *12* | **23,464** | 39,799 |
| Prepayments | | **90,272** | 133,985 |
| Other receivables and other assets | | **602,489** | 866,064 |
| Financial assets at fair value through profit or loss | | **841,673** | 546,737 |
| Restricted cash | | **313** | 727 |
| Cash and cash equivalents | | **1,039,345** | 954,318 |
| Total current assets | | **2,606,617** | 2,553,159 |
| **CURRENT LIABILITIES** | | | |
| Trade and bills payables | *13* | **306,018** | 450,804 |
| Other payables and accruals | | **949,122** | 968,992 |
| Interest-bearing borrowings | | **789,056** | 705,713 |
| Tax payable | | **5,698** | 5,264 |
| Lease liabilities | | **522,058** | 520,886 |
| Total current liabilities | | **2,571,952** | 2,651,659 |
| **NET CURRENT ASSETS/(LIABILITIES)** | | **34,665** | (98,500) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **3,259,276** | 3,683,927 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **NON-CURRENT LIABILITIES** | | |
| Interest-bearing borrowings | **248,245** | 302,390 |
| Lease liabilities | **510,359** | 713,229 |
| Total non-current liabilities | **758,604** | 1,015,619 |
| Net assets | **2,500,672** | 2,668,308 |
| **EQUITY** | | |
| **Equity attributable to owners of the parent** | | |
| Share capital | **149** | 149 |
| Treasury shares | **(11,983)** | – |
| Reserves | **2,026,916** | 2,181,017 |
| | **2,015,082** | 2,181,166 |
| Non-controlling interests | **485,590** | 487,142 |
| **Total equity** | **2,500,672** | 2,668,308 |

## 1. CORPORATE AND GROUP INFORMATION

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

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

## 2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost convention, except for financial assets and liabilities at fair value through profit or loss and financial liabilities associated with put option. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interests and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the financial statements.

| | |
|---|---|
| Amendments to HKFRS 10 and HKAS 28 (2011) | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3] |
| HKFRS 17 | *Insurance Contracts*[1] |
| Amendments to HKFRS 16 | *Lease Liability in a Sale and Leaseback*[2] |
| Amendments to HKFRS 17 | *Insurance Contracts*[1, 5] |
| Amendment to HKFRS 17 | *Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[6] |
| Amendments to HKAS 1 | *Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[2, 4] |
| Amendments to HKAS 1 | *Non-current Liabilities with Covenants (the "2022 Amendments")*[2] |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | *Disclosure of Accounting Policies*[1] |
| Amendments to HKAS 8 | *Definition of Accounting Estimates*[1] |
| Amendments to HKAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1] |

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion
5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023
6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting period beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The amendments are not expected to have any significant impact on the Group's financial statements.

## 3. OPERATING SEGMENT INFORMATION

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

### Geographical information

As the Group generates all of its revenues and all the non-current assets are allocated in the PRC during the reporting period, no geographical segments are presented.

**Information about major customers**

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

## 4. REVENUE

An analysis of revenue is as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| *Revenue from contracts with customers:* | | |
| Less-than-truckload | | |
| Transportation | **5,339,150** | 5,612,420 |
| Dispatch | **2,282,851** | 2,318,417 |
| Value-added services | **1,670,350** | 1,714,529 |
| | **9,292,351** | 9,645,366 |
| Full-truckload | | |
| Transportation | **42,580** | – |
| Total | **9,334,931** | 9,645,366 |

### (i) Disaggregated revenue information

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Timing of revenue recognition | | |
| Over time: | | |
| Transportation | **5,381,730** | 5,612,420 |
| Dispatch services | **2,282,851** | 2,318,417 |
| Value-added services | **104,974** | 144,952 |
| At a point in time: | | |
| Value-added services | **1,565,376** | 1,569,577 |
| Total revenue from contracts with customers | **9,334,931** | 9,645,366 |

### (ii) Performance obligations

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

***Transportation and dispatch services***

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

***Value-added services***

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

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

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Transportation and dispatch services | **81,349** | 74,879 |
| Value-added services | **11,861** | 3,210 |
| Total | **93,210** | 78,089 |

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

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

| | 2022<br>*RMB'000* | 2021<br>*RMB'000* |
|---|---|---|
| Provision for impairment of | | |
| – Trade receivables and other receivables | **(18,166)** | (49,409) |
| – Property, plant and equipment | **(8,896)** | – |
| – Goodwill | **(14,726)** | – |
| Government grants* | **21,078** | 29,860 |
| Foreign exchange differences, net | **(2,173)** | 10,524 |
| Loss on disposal of property, plant and equipment | **(13,985)** | (11,613) |
| Gain on disposal of subsidiaries | **7,371** | – |
| Interest income | **15,120** | 9,613 |
| Others | **5,793** | (6,977) |
| | **(8,584)** | (18,002) |

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

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

| | 2022<br>*RMB'000* | 2021<br>*RMB'000* |
|---|---|---|
| Interest on bank loans and other loans | **61,820** | 59,656 |
| Interest on lease liabilities | **58,379** | 68,380 |
| Transaction costs for the issue of convertible redeemable preferred shares, convertible loans and a prepaid forward contract | **–** | 24,360 |
| | **120,199** | 152,396 |

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

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Fair value changes of convertible redeemable preferred shares | **–** | (2,011,241) |
| Fair value changes of convertible loans | **–** | (5,302) |
| Fair value changes of a prepaid forward contract | **–** | (26,790) |
| Fair value changes of warrants | **–** | (608) |
| Fair value changes of financial products | **10,081** | 1,217 |
| | **10,081** | (2,042,724) |

## 8. LOSS BEFORE TAX

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

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Cost of revenue* | **7,331,152** | 7,583,778 |
| Depreciation of property, plant and equipment | **437,755** | 307,010 |
| Depreciation of right-of-use assets | **621,075** | 580,052 |
| Amortisation of other intangible assets | **22,301** | 26,412 |
| Fair value changes of convertible redeemable preferred shares | **–** | 2,011,241 |
| Fair value changes of convertible loans | **–** | 5,302 |
| Fair value changes of a prepaid forward contract | **–** | 26,790 |
| Fair value changes of warrants | **–** | 608 |
| Fair value changes of financial products | **(10,081)** | (1,217) |
| Changes in the expected redemption amount associated with the put option liabilities | **–** | 191,533 |
| Government grants | **(21,078)** | (29,860) |
| Auditors' remuneration | **5,000** | 3,000 |
| Employee benefit expenses (including directors' and supervisors' remuneration): | | |
| Wages, salaries and allowances | **610,185** | 454,499 |
| Pension scheme contributions | **57,585** | 56,467 |
| Share-based payment expenses | **191,344** | 151,048 |
| Impairment losses on trade receivables and other receivables | **18,166** | 49,409 |
| Impairment of property, plant and equipment | **8,896** | – |
| Impairment of goodwill | **14,726** | – |
| Lease expenses** | **93,621** | 106,503 |
| Utility fee | **44,073** | 44,876 |
| Interest income | **(15,120)** | (9,613) |
| Listing expense | **–** | 28,987 |
| Loss on disposal of other intangible assets | **1,579** | – |
| Loss on disposal of property, plant and equipment | **13,985** | 11,613 |
| Gain on disposal of subsidiaries | **(7,371)** | – |

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

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

## 9. INCOME TAX CREDIT/(EXPENSE)

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

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

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

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current income tax | **757** | 486 |
| Adjustments in respect of prior years | **577** | – |
| Deferred income tax | **126,814** | (122,878) |
| Tax charge/(credit) for the year | **128,148** | (122,392) |

A reconciliation of the tax charge/(credit) applicable to loss before tax at the statutory rate applicable in Mainland China to the tax expense at the effective tax rates is as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Loss before tax | **(281,119)** | (2,129,463) |
| Tax at the statutory tax rate of 25% | **(70,280)** | (532,366) |
| Lower tax rates enacted by local authorities | **29,786** | 566,244 |
| Adjustments in respect of current tax of previous periods | **577** | – |
| Expired tax losses in respect of deferred tax assets recognised in previous periods | **89,675** | – |
| Income not subject to tax | **–** | (1,149) |
| Expenses not deductible for tax | **530** | 17,443 |
| Tax losses utilised from previous periods | **(41,276)** | (67,982) |
| Tax losses not recognised/(recognition of tax losses not recognised in prior years), net | **119,136** | (104,582) |
| Tax charge/(credit) for the year at the Group's effective rate | **128,148** | (122,392) |

## 10. DIVIDEND

The directors of the Company do not recommend the payment of any dividend in respect of the year.

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

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,162,605,486 (2021: 396,317,915) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022.

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

**Loss per share – basic**

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Loss** | | |
| Loss attributable to ordinary equity holders of the parent | **(408,426)** | (2,014,548) |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation | **1,162,605,486** | 396,317,915 |
| Loss per share (RMB) | **(0.35)** | (5.08) |

## 12. TRADE RECEIVABLES

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **72,298** | 102,762 |
| Impairment | **(48,834)** | (62,963) |
| | **23,464** | 39,799 |

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

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 year | **23,464** | 39,060 |
| 1 to 2 years | **–** | 739 |
| Total | **23,464** | 39,799 |

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

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At beginning of year | **62,963** | 26,010 |
| Impairment losses | **12** | 43,509 |
| Amount written off as uncollectible | **(14,141)** | (6,556) |
| At end of year | **48,834** | 62,963 |

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

## 13. TRADE AND BILLS PAYABLES

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade payables | **305,910** | 450,804 |
| Bills payable | **108** | – |
| | **306,018** | 450,804 |

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 3 months | **286,367** | 391,022 |
| 3 to 6 months | **17,954** | 21,902 |
| 6 to 12 months | **1,697** | 37,880 |
| | **306,018** | 450,804 |

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

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### Amendments to Memorandum and Articles of Association

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

### Change of Directors, Company Secretary, Authorised Representative and Process Agent

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

| | | |
|---|---|---|
| Mr. LONG Jianyao | – | tendered his resignation as the joint company secretary of the Company (the "**Joint Company Secretary**") with effect from June 24, 2022 |
| Ms. LO Ka Man | – | tendered her resignation and ceased to act as (i) a Joint Company Secretary, (ii) an authorised representative of the Company pursuant to Rule 3.05 of the Rules Governing the Listing of Securities of the Stock Exchange (the "**Listing Rules**") (the "**Authorised Representative**"); and (iii) an agent for acceptance of service of process and notices on behalf of the Company in Hong Kong under Rule 19.05(2) of the Listing Rules and Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Process Agent**"), with effect from June 24, 2022 |
| Ms. PUN Ka Ying | – | appointed as the sole Company Secretary, an Authorised Representative and the sole Process Agent with effect from June 24, 2022 |
| Mr. ZHU Jianhui | – | tendered his resignation and ceased to act as an executive Director and chief operating officer of the Company with effect from September 1, 2022 |
| Mr. JIN Yun | – | appointed as an executive Director with effect from September 1, 2022 |

| | | |
|---|---|---|
| Mr. WANG Yongjun | – | tendered his resignation and ceased to act as (i) an executive Director, (ii) the chairman of the Board, (iii) an Authorised Representative, (iv) the chairman of the nomination committee of the Company (the "**Nomination Committee**"), (v) a member of the environmental, social and governance committee (the "**ESG Committee**") and (vi) a member of the strategy committee (the "**Strategy Committee**") of the Company, with effect from January 9, 2023 |
| Mr. QIN Xinghua | – | appointed as (i) the co-chairman of the Board, (ii) a Authorised Representative, (iii) the chairman of the Nomination Committee, and (iv) a member of the ESG Committee, with effect from January 9, 2023 |
| Mr. CHEN Weihao | – | appointed as the co-chairman of the Board with effect from January 9, 2023 |

**Re-election of Directors**

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

**Compliance with the Corporate Governance Code**

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

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Throughout the Reporting Period, Mr. Wang Yongjun has been the Chairman of the Board, while Mr. Qin Xinghua being the Chief Executive Officer of the Company, is responsible for the day-to-day management of the Company. Therefore, the division of responsibilities between the chairman and the chief executive has been clearly established throughout the Reporting Period.

Mr. Wang resigned as the chairman of the Board and the executive Director, with effect from January 9, 2023. Following Mr. Wang's resignation, Mr. Qin and Mr. Chen Weihao, a non-executive Director of the Company, have been appointed as the co-chairmen of the Board with effect from January 9, 2023. Accordingly, Mr. Qin has been both the co-chairman of the Board and the chief executive officer since January 9, 2023. However, the Board believes that vesting the roles of both co-chairman and chief executive officer in Mr. Qin has the benefit of ensuring consistent and continuous planning and execution of the Company's strategies. The Board considers that the balance of power and authority, accountability and independent decision-making under the present arrangement will not be impaired in light of the diverse background and experience of the Board, with not less than one third of them being independent non-executive directors. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

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

## Compliance with the Model Code

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

## Employees and Remuneration

The Group had 3,894 employees as at December 31, 2022, representing a reduction of 16.8% compared to 4,680 employees as at December 31, 2021. The Group enters into employment contracts with its employees to cover matters such as wages, benefits, and grounds for termination.

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

## Use of Proceeds from the Global Offering

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

The table below sets forth a detailed breakdown and description of the use of net proceeds from the date of the Listing to December 31, 2022. The Company intends to use the net proceeds in the same matter and proportion as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

| Use of Proceeds | | | Percentage of total net proceeds (in the same proportion as stated in the Prospectus) *(%)* | Amount of net proceeds for the relevant use (in the same proportion as stated in the Prospectus) *(HK$ million)* | Amount of net proceeds utilized as of December 31, 2022 *(HK$ million)* | Amount not yet utilized as of the date of December 31, 2022 *(HK$ m illion)* | Expected timeframe for utilizing the remaining unutilized net proceeds |
|---|---|---|---|---|---|---|---|
| **(A)** | **building, upgrading and potential acquisitions of months 5 to 10 key transit hubs in strategic locations to accommodate our high volume growth, improve our network structure and ensure stability and long-term planning** | | **40.0** | **403.7** | **–** | **403.7** | **24-36 months from the Listing** |
| **(B)** | **investment in our line-haul truck fleet to further improve our operation efficiency** | | **30.0** | **302.8** | **302.8** | **–** | |
| | (i) | purchase approximately 2,000 to 3,000 modern and high -capacity truck tractors and trailers, and to partner with major trucking manufacturers to customise their models to fit our operational needs | 25.0 | 252.3 | 252.3 | – | |
| | (ii) | repay our borrowings for the purchase of trucks | 5.0 | 50.5 | 50.5 | – | |
| **(C)** | **investment in technology innovations** | | **20.0** | **201.8** | **15.0** | **186.8** | **24-36 months from the Listing** |
| | (i) | upgrade the technologies and automated facilities of our sorting network | 10.0 | 100.9 | 9.3 | 91.6 | |
| | | (a) Deploy AI-enabled autonomous decision-making systems in our management of sorting network to reduce human error and reliance on individual workers | 2.0 | 20.2 | 7.2 | 13.0 | |
| | | (b) Sorting automation, with focuses on AI vision monitoring systems, dynamic volume weighing devices, unmanned forklift, IoT devices and automated cross-belts tailored for freight sorting, which enable us to further improve sorting capacity and efficiency | 8.0 | 80.7 | 2.1 | 78.6 | |

| Use of Proceeds | Percentage of total net proceeds (in the same proportion as stated in the Prospectus) *(%)* | Amount of net proceeds for the relevant use (in the same proportion as stated in the Prospectus) *(HK$ million)* | Amount of net proceeds utilized as of December 31, 2022 *(HK$ million)* | Amount not yet utilized as of the date of December 31, 2022 *(HK$ m illion)* | Expected timeframe for utilizing the remaining unutilized net proceeds |
|---|---|---|---|---|---|
| (ii) invest in intelligent transportation management systems and autonomous driving technologies | 10.0 | 100.9 | 5.7 | 95.2 | |
| (a) Intelligent transportation management to further optimize our route planning and enhance our transportation efficiency | 8.0 | 80.7 | 5.7 | 75.0 | |
| (b) Autonomous driving technologies to improve transportation safety and reduce transportation cost | 2.0 | 20.2 | – | 20.2 | |
| **(D) Working capital and other general corporate purposes** | **10.0** | **100.9** | **38.1** | **62.8** | **24-36 months from the Listing** |

## Purchase, Sale or Redemption of Listed Securities

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

## Material Litigation

As of December 31, 2022, as far as the Company is aware, the Company and its subsidiaries were not involved in any material litigation or arbitration and no material litigation or claim of material importance was pending or threatened against or by the Company.

## Audit Committee and Auditor

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

The Audit Committee has considered and reviewed the annual financial results for the year ended December 31, 2022, the accounting principles and practices adopted by the Company and the Group and discussed matters in relation to internal control, risk management and financial reporting with the management. The Audit Committee considers that the annual financial results for the year ended December 31, 2022 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

The auditor of the Company, Ernst & Young, has agreed that the figures in respect of the Group's annual results for the year ended December 31, 2022 contained in this announcement are consistent with the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

### Other Board Committees

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

## EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed in this announcement, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to December 31, 2022 and up to the date of this announcement.

## FINAL DIVIDEND

The Board resolved not to recommend the payment of a final dividend for the year ended December 31, 2022.

## CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

The Company will arrange the time of convening the forthcoming annual general meeting (the "**Forthcoming AGM**") as soon as practicable, a circular and notice of the Forthcoming AGM will be published and despatched to the Shareholders in a timely manner in accordance with the requirements of the Listing Rules and the Company's articles of association. Once the date of the Forthcoming AGM is finalized, the Company will publish the period of closure of register of members of the Company in due course.

## PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

The annual report for the year ended December 31, 2022 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

## APPRECIATION

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

By Order of the Board
**ANE (Cayman) Inc.**
**Mr. Chen Weihao and Mr. Qin Xinghua**
*Co-Chairmen*

Hong Kong, March 28, 2023

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