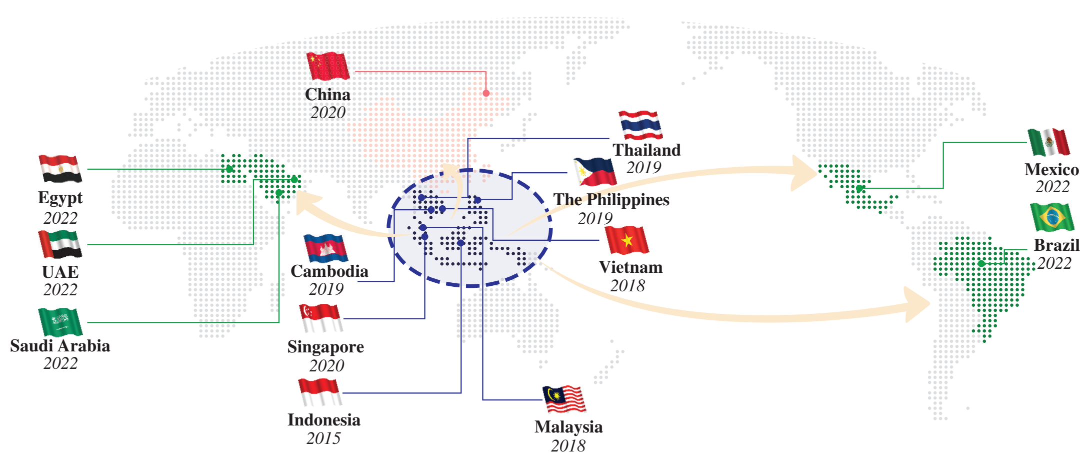
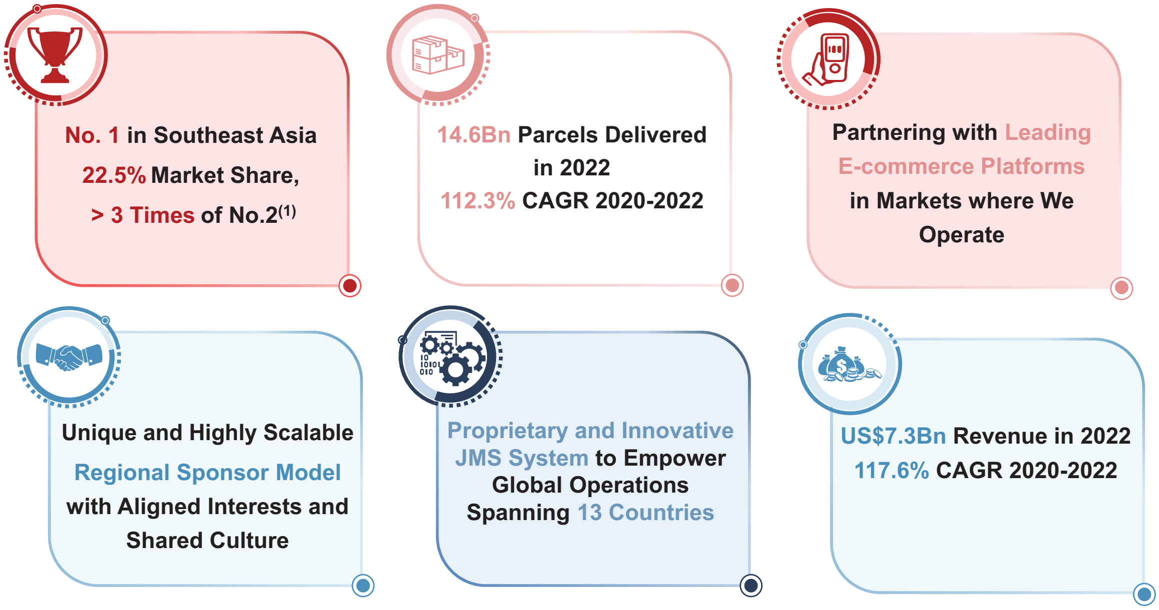
BUSINESS OVERVIEW

We are a global logistics service provider with the leading express delivery business in Southeast Asia, a competitive position in China and an expanding footprint in Latin America and the Middle East. Our express delivery services span 13 countries, which include the largest and fastest-growing express delivery emerging markets globally. We commenced operations in 2015 in Indonesia, and leveraged our success there to expand into other Southeast Asian countries, including Vietnam, Malaysia, the Philippines, Thailand, Cambodia and Singapore, and became the number one express delivery operator in Southeast Asia, with a 22.5% market share in 2022 by parcel volume, according to Frost & Sullivan. In Southeast Asia, we handled 2,513.2 million domestic parcels in 2022, representing a CAGR of 47.6% from 1,153.8 million in 2020, and we handled 1,438.3 million domestic parcels in the six months ended June 30, 2023, representing an increase of 18.4% from 1,215.0 million domestic parcels in the six months ended June 30, 2022. We tapped into the express delivery market in China in 2020, and handled 12,025.6 million domestic parcels in 2022, achieving a market share of 10.9% by parcel volume, according to Frost & Sullivan. In China, we handled 6,445.6 million parcels in the six months ended June 30, 2023, representing an increase of 15.1% from 5,602.3 million parcels in the six months ended June 30, 2022. As of June 30, 2023, we had full network coverage across the seven Southeast Asia countries and a geographic coverage of over 99% by counties and districts in China. We are also the first Asian express delivery operator of scale to have expanded into Saudi Arabia, UAE, Mexico, Brazil and Egypt, according to Frost & Sullivan, supporting our e-commerce partners as they expand into new markets. To better capture cross-border logistics opportunities and enhance the connectivity among the countries we serve, we have expanded our cross-border logistics services, which include small parcels, freight forwarding and warehousing solutions.



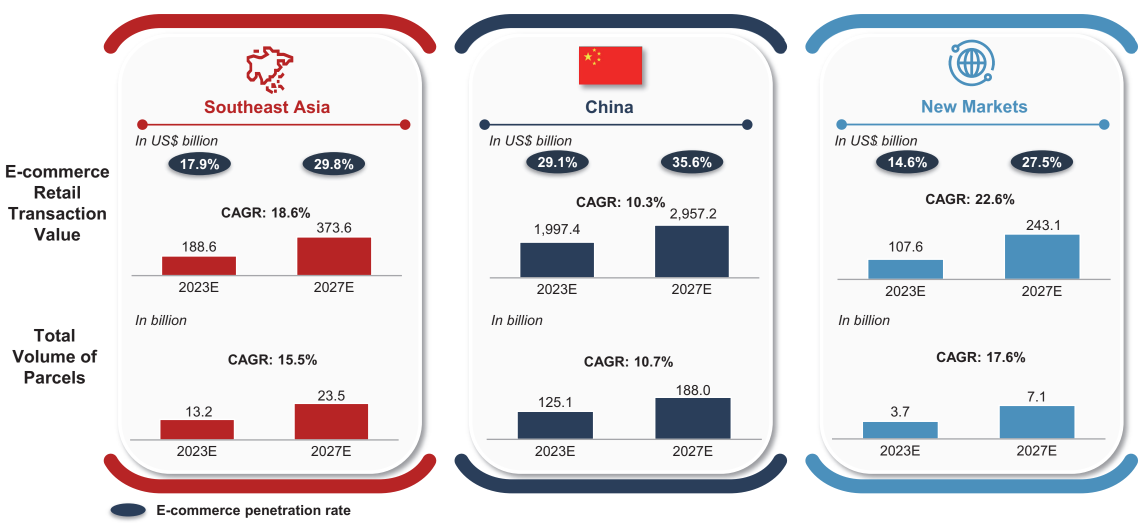
We provide express delivery services to leading e-commerce platforms enabling the rapid development of our partners as they expand into new markets. We have historically helped e-commerce platforms access regions that were underserved by traditional logistics service providers. We provide a suite of express delivery services to merchants and consumers on leading e-commerce platforms, such as Shopee, Lazada, Tokopedia, Pinduoduo, Taobao, Tmall, Shein and Noon, as well as short video and live streaming platforms, such as TikTok, Douyin and Kuaishou. As e-commerce continues to evolve, we believe that we are well positioned to enable further development of the e-commerce markets in which we operate by leveraging our broad network, extensive know-how and strong execution capabilities. We expect to provide services to cross-border logistics with our ever expanding global footprint.



Note:

1. By parcel volume in 2022, according to Frost & Sullivan

Southeast Asia, China and the New Markets where we operate present us with significant growth opportunities:



Source: Frost & Sullivan

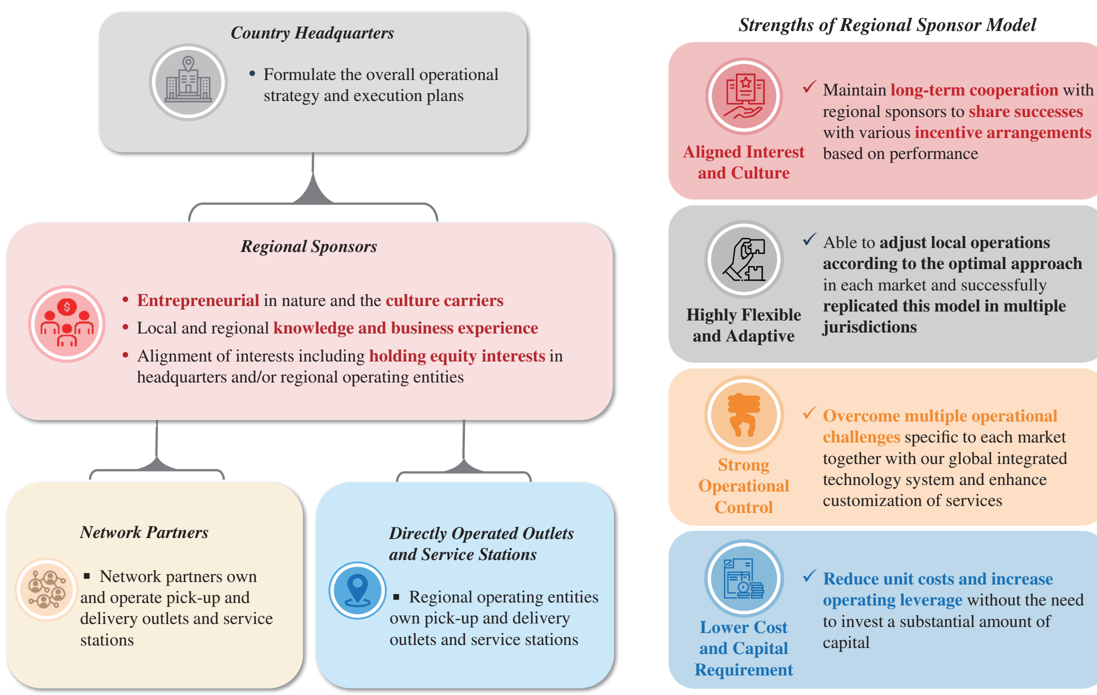
Shift to e-commerce. E-commerce retail has seen significant growth in Southeast Asia in terms of transaction value from US$38.3 billion in 2018 to US$154.8 billion in 2022, representing a CAGR of 41.8%. Improvements in Internet infrastructure in Southeast Asia will likely further support the transition from offline to online retail channels. According to Frost & Sullivan, e-commerce retail transaction value in Southeast Asia is expected to grow from US$188.6 billion in 2023 to US$373.6 billion in 2027, representing a CAGR of 18.6%, with e-commerce penetration rate increasing from 17.9% in 2023 to 29.8% in 2027. In China, e-commerce retail transaction value increased from US$1,058.5 billion in 2018 to US$1,777.1 billion in 2022, representing a CAGR of 13.8%, and is expected to grow from US$1,997.4 billion in 2023 to US$2,957.2 billion in 2027, representing a CAGR of 10.3%, according to Frost & Sullivan, with the e-commerce penetration rate increasing from 29.1% in 2023 to 35.6% in 2027. In addition, we anticipate that the rise of social e-commerce including short video and live streaming will drive additional e-commerce transactions and demand for cost-effective logistics services. According to Frost & Sullivan, the social e-commerce retail market in Southeast Asia grew rapidly from US$9.2 billion in 2018 to US$60.2 billion in 2022, representing a CAGR of 59.9%, and is expected to reach US$179.8 billion in 2027 from US$80.7 billion in 2023, representing a CAGR of 22.2% from 2023 to 2027. The social e-commerce retail market in China also grew rapidly from US$98.5 billion in 2018 to US$626.5 billion in 2022, representing a CAGR of 58.8%, and is expected to reach US$1,660.4 billion in 2027 from US$839.7 billion in 2023, representing a CAGR of 18.6%. The social e-commerce penetration rate is expected to reach 48.1% and 56.1% in Southeast Asia and China in 2027, respectively.

Demand for express delivery services. Benefiting from the significant e-commerce market, Southeast Asia and China combined form the largest and fastest-growing express delivery service market in the world, according to Frost & Sullivan. In Southeast Asia, total volume of parcels shipped rapidly increased from 3.3 billion in 2018 to 11.1 billion in 2022, representing a CAGR of 36.0%, and is projected to increase from 13.2 billion in 2023 to 23.5 billion in 2027, representing a CAGR of 15.5%, while in China the volume increased from 50.7 billion in 2018 to 110.6 billion in 2022, representing a CAGR of 21.5%, and is projected to increase from 125.1 billion in 2023 to 188.0 billion in 2027, representing a CAGR of 10.7%, according to Frost & Sullivan.

Demand from the New Markets. In 2022, we strategically expanded into other large and high-growth markets around the world, including Saudi Arabia, UAE, Mexico, Brazil and Egypt, which we refer to as the New Markets. These markets have burgeoning e-commerce industries and are undergoing a pivotal transition as consumer shift from traditional retail to online shopping. According to Frost & Sullivan, e-commerce retail transaction value of the New Markets in aggregate reached US$85.7 billion in 2022 at a CAGR of 27.5% from 2018 and is expected to further grow to US$243.1 billion in 2027 at a CAGR of 22.6% from 2023. Driven by the growth of e-commerce retail markets and e-commerce penetration rate, express delivery parcel volume in these markets in aggregate reached 3,095.8 million in 2022 and is expected to further grow to 7,137.7 million in 2027 at a CAGR of 17.6% from 2023.

Demand for cross-border services. Capitalizing on our success in each of the markets in which we operate, we are developing cross-border services to connect these markets to the global e-commerce network. In Southeast Asia and China, the total cross-border e-commerce retail markets by transaction value increased from US$213.8 billion in 2018 to US$492.2 billion in 2022, representing a CAGR of 23.2%, and are expected to increase from US$605.2 billion in 2023 to US$1,257.0 billion in 2027, representing a CAGR of 20.0%, according to Frost & Sullivan. We believe the rise of the cross-border e-commerce market will drive the growth of the cross-border logistics market. The global cross-border logistics market is expected to reach US$680.7 billion in 2027 from US$456.1 billion in 2023, representing a CAGR of 10.5%, according to Frost & Sullivan.

We have built an adaptive business model by leveraging our partners whom we refer to as our regional sponsors, and we are currently the only player in Southeast Asia and China that has successfully adopted this model at scale. By employing this model in geographically diverse countries with unique operational challenges in each of the countries where we provide express delivery services, we have expanded rapidly, serving a geographically dispersed base of merchants and consumers across multiple regions and enabling the growth of e-commerce transactions. Regional sponsors play an important role by working with our country headquarters to execute our strategies in various markets. Our regional sponsors typically hold equity interest in our country headquarters and/or regional operating entities. Our country headquarters formulate the overall operational strategy and execution plans in each market, including density and geographic locations of sorting centers, line-haul routes and network capacity, of which regional sponsors assume the role of managing regional daily operations. Regional sponsors manage our network partners through the relevant regional operating entities. Regional sponsors in certain locations also undertake the management of directly operated pickup and delivery outlets and service stations through the relevant regional operating entities. The management responsibilities of regional sponsors encompass the set-up of local operations, sales and marketing, customer service, and employee and network partner training.



As of June 30, 2023, we had a portfolio of 104 regional sponsors and approximately 8,700 network partners. We operated 265 sorting centers and over 8,400 line-haul vehicles, including more than 4,400 self-owned line-haul vehicles, with approximately 3,900 line-haul routes, as well as over 18,600 pickup and delivery outlets as of June 30, 2023. Through collaboration with international and local partners, we also provide cross-border services across Asia, North America, South America, Europe, Africa and Oceania.

We have experienced significant growth since we commenced operations in Indonesia in 2015 and over the Track Record Period. In Southeast Asia, we experienced continuous growth in parcel volume and were able to achieve positive adjusted EBITDA (a non-IFRS measure) growth from 2020 to 2022 and from the six months ended June 30, 2022 to the six months ended June 30, 2023. We expanded into the China market in 2020 and have been focusing on consolidating our market position in China. The following table sets forth our revenue, adjusted loss (a non-IFRS measure) and adjusted EBITDA (a non-IFRS measure) in total amount and by geographic segment for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	(in US$ thousands)				
				(Unaudited)	
Revenue	1,535,425	4,851,800	7,267,428	3,402,543	4,030,439
Southeast Asia	1,046,504	2,377,544	2,381,726	1,177,929	1,246,076
China	478,847	2,181,368	4,096,177	1,960,145	2,203,070
Others[(2)]	10,074	292,888	789,525	264,469	581,293
Non-IFRS measures					
Adjusted loss (a non-IFRS measure)[(1)]	(475,861)	(1,177,666)	(1,488,297)	(418,983)	(264,026)
Adjusted EBITDA (a non-IFRS measure)[(1)]	(321,163)	(794,450)	(894,090)	(138,725)	39,169
Southeast Asia	266,561	427,436	331,582	156,737	184,060
China	(616,227)	(1,206,014)	(722,658)	(222,158)	(44,967)
Others[(2)]	1,652	(14,028)	(168,789)	(45,613)	(66,431)
Unallocated[(3)]	26,851	(1,844)	(334,225)	(27,691)	(33,493)

Notes:

(1) See "Financial Information – Non-IFRS Measures" for more details.

(2) Includes our cross-border services and domestic express delivery services in the New Markets.

(3) Represents (i) certain expenses, gains and losses, including general and administrative expenses, and exchange gains and losses incurred at the group and holding company levels, and (ii) fair value change of financial assets and liabilities of other group entities that will not be re-designated from liabilities to equity upon the completion of the [**REDACTED**], which amounted to US$301.9 million, US$32.9 million, and US$8.9 million for the year ended December 31, 2022, and the six months ended June 30, 2022 and 2023.

During the Track Record Period, the growth of our parcel volume was primarily driven by the continued expansion of our network, an increase in the number of merchants on e-commerce platforms that used our services and the increased demand for express delivery services in the markets in which we operate. Our global annual parcel volume in 2022 was 14.6 billion, representing an increase of 39.0% from 10.5 billion in 2021 and an increase of 350.6% from 3.2 billion in 2020. Our global parcel volume for the six months ended June 30, 2023 was 7,967.1 million, representing an increase of 16.7% from 6,825.0 million in the six months ended June 30, 2022. The table below illustrates the growth in our parcel volume in Southeast Asia and China for the periods indicated, as well as the 2022 market share in these geographic segments:

	Year ended December 31,			Six months ended June 30,		2020–2022 CAGR	2022 Market Share
	2020	2021	2022	2022	2023		
	(in millions)						
Southeast Asia	1,153.8	2,160.8	2,513.2	1,215.0	1,438.3	47.6%	22.5%
China	2,083.5	8,334.3[(1)]	12,025.6	5,602.3	6,445.6	140.2%	10.9%

Note:

(1) On December 8, 2021, we completed the acquisition of BEST Express China from BEST and consolidated the results of BEST Express China since December 8, 2021.

We entered the New Markets in 2022 and had a very limited history of operating in these markets. We achieved parcel volume of 49.1 million, with a market share of approximately 1.6% in terms of our parcel volume in 2022, according to Frost & Sullivan. We achieved a parcel volume of 83.2 million in the six months ended June 30, 2023.

OUR STRENGTHS

A global express delivery operator with the leading position in Southeast Asia, serving largest and fastest-growing express delivery emerging markets

We are a global logistics service provider with the leading express delivery business in Southeast Asia, a competitive position in China and an expanding footprint in Latin America and the Middle East. Our express delivery services span 13 countries, covering seven countries across Southeast Asia, namely Indonesia, Vietnam, Malaysia, the Philippines, Thailand, Cambodia and Singapore, as well as China. These seven Southeast Asian countries and China represented combined e-commerce retail transaction value of US$1,931.9 billion in 2022, growing at a CAGR of 15.2% from 2018 to 2022, and parcel volume of 121.7 billion in 2022, growing at a CAGR of 22.6% from 2018 to 2022, according to Frost & Sullivan. According to Frost & Sullivan, we are the number one express delivery operator in Southeast Asia by parcel volume for 2022 and the fastest-growing express delivery operator in China among the major players during the period from the fourth quarter of 2020 to the fourth quarter of 2022 in terms of parcel volume.

We have achieved marked success in Southeast Asia, an emerging market in which economic development and increasing internet penetration have spurred rapid growth in the e-commerce retail market over the last several years. There are significant barriers to entry and operational challenges in the Southeast Asian markets, including poor network coverage, underdeveloped transportation infrastructure, fewer settlement options and difficulty of access to remote locations. We began in Indonesia, the largest e-commerce retail market in Southeast Asia. By leveraging our existing resources, know-how, broad network and connections with various stakeholders along the logistics value chain, we have created a reliable and efficient express delivery network in Indonesia. We then further expanded into Vietnam, Malaysia, the Philippines, Thailand, Cambodia and Singapore, grew our parcel volume at a CAGR of 47.6% from 2020 to 2022 and achieved a market share in Southeast Asia of 22.5% by parcel volume in 2022, according to Frost & Sullivan, and we handled 1,438.3 million domestic parcels in the six months ended June 30, 2023. Our operational excellence enabled us to achieve cost efficiency in Southeast Asia. As we strive to innovate and scale, we have invested in technologies such as our highly automated, modern sorting centers to increase our sorting capacity, efficiency and scale. Benefiting from our massive parcel volume, we are able to achieve operating leverage and economies of scale, reducing costs through continuous technological innovation, automation of sorting centers, systematic planning of resources and growing bargaining power in the market.

We have also grown rapidly in China since our entry in March 2020, achieving a scale of 50 million peak daily parcel volume in November 2022. According to Frost & Sullivan, we are the fastest among our peers in China to achieve such scale. We have fully integrated BEST Express China, which we acquired in December 2021, strengthened our network capacity, enhanced our infrastructure, enlarged our customer base and established partnerships with key e-commerce platforms in China. We grew at a CAGR of 140.2% by parcel volume in China from 2020 to 2022 through a combination of organic growth and acquisition. In 2022, we achieved a market share of 10.9% with a parcel volume of 12,025.6 million in China, according to Frost & Sullivan.

In 2022, we strategically expanded into other large and high-growth markets around the world, including Saudi Arabia, UAE, Mexico, Brazil and Egypt, which are undergoing a pivotal transition as consumers shift from traditional retail to online shopping. These markets are expected to continue to experience significant growth in e-commerce retail. In addition, capitalizing on our success in each of the markets in which we operate, we plan to develop cross-border services to connect these markets to the global e-commerce network.

Independent e-commerce enabler, connecting marketplaces and merchants to new markets and consumers

We have enabled e-commerce growth in the key markets in which we operate. According to Frost & Sullivan, the e-commerce penetration rate in Southeast Asia is expected to increase from 17.9% in 2023 to 29.8% in 2027, and the e-commerce penetration rate in the New Markets is expected to increase from 14.6% in 2023 to 27.5% in 2027, but many regions still have limited express delivery services. We are able to provide reliable and cost-competitive express delivery services to areas historically underserved by incumbents with a broad network, reliable service and local know-how.

We are platform neutral and diversified. We serve many consumers and merchants on the leading e-commerce platforms in Southeast Asia and China that are changing the landscape of e-commerce, such as Shopee, Lazada, Tokopedia, Pinduoduo, Taobao, Tmall, Shein and Noon, as well as short video and live streaming platforms, such as TikTok, Douyin and Kuaishou. We empower our e-commerce partners in various ways. For example, we helped Shopee grow by providing critical e-commerce logistics and parcel delivery infrastructure in emerging markets such as Indonesia, Malaysia, Vietnam, the Philippines, Thailand and Brazil. We also provide our partners with significant network capacity, particularly during peak seasons. For instance, during the Ramadan season, we were able to process parcels at a peak daily volume of 15.1 million across SEA countries, and we were the only express operator in SEA capable of processing such significant daily volume, according to Frost & Sullivan. We are also focused on developing technology so that we can integrate our services with that of our partners. For example, to facilitate data transfer, we have integrated our application programming interface (API) with the logistics system of an e-commerce platform of a short video and live streaming player in Indonesia.

Our global network enables us to best serve the fast-growing cross-border e-commerce retail markets, connecting marketplaces and merchants to new markets and consumers. Our leading positions in Southeast Asia and China, combined with our global network, position us to capture the significant market potential from growing cross-border e-commerce activities and intra-regional trade. The total cross-border e-commerce retail markets in Southeast Asia and China by transaction value increased at a CAGR of 23.2% from US$213.8 billion in 2018 to US$492.2 billion in 2022, and are expected to increase from US$605.2 billion in 2023 to US$1,257.0 billion in 2027, representing a CAGR of 20.0%, according to Frost & Sullivan. The rise of the cross-border e-commerce market is expected to drive the growth of the cross-border logistics market. The global cross-border logistics market is expected to reach US$680.7 billion in 2027 from US$456.1 billion in 2023 at a CAGR of 10.5%, according to Frost & Sullivan.

Scalable regional sponsor model that promotes rapid penetration and growth in new markets

We operate a highly scalable regional sponsor model based on the local networks that we lead with the support of our regional sponsors. Under the leadership of our country headquarters, critical parts of our network, including sorting centers, line-haul and sometimes first-mile pickup and last-mile delivery, are operated by our regional sponsors through regional operating entities. Through years of collaborating with regional sponsors and successfully expanding throughout Asia, we have amassed deep institutional knowledge with respect to effective management of regional sponsors and network partners. The regional sponsors maintain long-term cooperation with us to grow and share successes in the local markets, and we provide institutional support for regional sponsors as they seek to expand to new locations internationally. We leverage our accumulated insights and experience in order to expand into new geographic markets along with our regional sponsors.

Our business model allows us to maintain effective management over our network. At the same time, our regional sponsors, who are our culture carriers, can make decisions that promote the growth and success of the business based on their local knowledge and business experience in their respective regions without unnecessary administrative hurdles. By collaborating with regional sponsors, we have been able to leverage regional sponsors' resources and experience to expand our network, reach markets that historically had limited express delivery alternatives, and establish operations rapidly and efficiently, while striving to reduce capital expenditures. Benefiting from the local knowledge and experience of our regional sponsors, we are able to provide consistent services to our direct and end customers. In addition, our regional sponsors help us monitor and manage the network partners, implement our technologies and maintain service standards across the pickup and delivery outlets operated by our network partners, ensuring sustainable growth of the network partners. Through this adaptive business model, we have been able to reduce our unit costs, improve operating leverage, and achieve market-leading positions in Southeast Asia. In China, the largest express delivery market in the world in 2022, we are able to compete effectively with long-established players. Our success in Southeast Asia and China demonstrates the strengths of our business model, including our execution capabilities and resilience against competition from established players. Capitalizing on our seamless collaboration with regional sponsors, we have rapidly scaled our local express delivery networks in countries that we entered into in 2022, laying a solid foundation for our future expansion and success in these markets.

Adaptive technology system and continued focus on innovation to empower global operations

We tackled challenges unique to each market at different stages of operations with technology and innovation. Since our inception, we have been committed to building integrated technology infrastructure that can empower our global operations. We designed our JMS system, a universal technology framework that encompasses a broad range of critical functions. Through the JMS system, we are able to build and continually upgrade the address digitalization system in each market, allocate transportation and network resources, track and monitor the full lifecycle of parcels, ensure quality customer services, manage complex finance processes, and provide regional sponsors and network partners with easy-to-use, reliable tools to manage local operations. The JMS system is also highly flexible and adaptive, allowing us to localize the operating system and launch operations in new markets in a frictionless, expedited way. For example, we were generally able to complete the set-up of a customized JMS system and related IT infrastructure and expedite pre-operation preparation in the New Markets within three months of preparation.

Apart from being digital native, we also continue to innovate critical aspects of our business and stay ahead of our local peers. For example, we pioneered the digitalization and management of addresses in Southeast Asia with our proprietary address digitalization platform, which differentiated us from our peers who conventionally based their address digitalization systems primarily on third-party address databases. Our self-developed, self-maintained address database, as well as our nine-digit code address system built upon this database, ensures uninterrupted, consistent technology support for operations in Southeast Asia. According to Frost & Sullivan, we were the only express delivery service provider at scale that applied its nine-digit code technology with a proprietary address database in Southeast Asia as of December 31, 2022. Similarly in China, we first developed our own address digitalization system to cater to our unique, dynamic expansion activities when we first entered into the market. After establishing our operations and network, we continued to innovate and upgrade our address digitalization system, which now employs an advanced address mapping algorithm to standardize, categorize and format the massive volume of address inputs into structured data with auto-correct, auto-fill, auto-associate, and auto-cleanse functions. The upgraded system improves delivery efficiency and accuracy even if the delivery addresses are partially incorrect or inconsistent in format, which we believe is instrumental to e-commerce players targeting remote areas. According to Frost & Sullivan, the J&T four-segment code system is one of the few advanced systems that integrate and consolidate the major capabilities of the mainstream address digitalization algorithms in China.

Our innovation and technology capabilities are backed by a strong team of research and development personnel. As of June 30, 2023, we had a research and development team of 1,658 personnel across the globe. Our global R&D expenses have been growing at a CAGR of 77% from 2020 to 2022.

Quality services catering to regional customer and market needs

We provide quality services that cater to regional customer and market needs. Together with our regional sponsors and network partners, we strive to provide consistent and superior service to our direct and end customers. We actively manage and optimize our network density to ensure our capacity during seasonal shopping events and holidays, and bring efficiency improvements to our customers with reduced delivery time and higher fulfillment accuracy. We have established and streamlined our operations, policies and processes to standardize and control service quality throughout our network. We have standardized, unified and streamlined our customer service protocols and criteria across Southeast Asia, aiming to provide consistent, reliable, quality shipping experience to consumers and customers. For example, we have provided express delivery services with features such as 365-day operation and 24-hour customer service in Indonesia and Malaysia, according to Frost & Sullivan.

We also offer ancillary services based on local market demands. For example, we provide the broadest coverage of cash-on-delivery services in Southeast Asia, which allows our e-commerce platform customers to reach a greater range of consumers, according to Frost & Sullivan. This addresses challenges faced by e-commerce platforms which operate in markets with many online shoppers who may not have access to digital payment services.

We monitor a series of key service quality indicators such as lost parcel rate and complaint rate and have improved each of these rates over the years. In China, based on figures reported by the State Post Bureau of the PRC, we achieved a lost parcel rate of 0.23 per million parcels, a complaint rate of 0.58 per million parcels and an effective complaint rate of 0.015 per million parcels in the six months ended June 30, 2023, compared to industry averages of 1.90, 6.68 and 1.83 per million parcels, respectively, in the six months ended June 30, 2023.

Entrepreneurial and experienced management team and regional sponsors dedicated to cultivating leaders and promoting development of our network

Our founder, Mr. Jet Jie Li, a serial entrepreneur with over 20 years of sales and entrepreneurial experience, is supported by a professional management bench and an extensive regional sponsor group. Our regional sponsors also collectively form a pool of deep entrepreneurial and industry experience, bringing local knowledge to our business and helping us execute our regional strategies. Bringing diverse perspectives and an international outlook, our regional sponsors work with our management team to implement key strategic initiatives in our regions of operations and help us manage our vast delivery network.

Our management team is dedicated to investing in our employees and promoting leaders. We continue to invest in training and skills development to promote our culture and develop leaders with in-depth knowledge of us, the industry, technology and local market needs. We also hire highly qualified personnel into our country-level management teams, who are responsible for day-to-day operations in each of our regions of operations. We believe our experienced and entrepreneurial management team, our dynamic team of regional sponsors and our vibrant entrepreneurial culture have contributed to and will continue to contribute to the growth of our operations and our success in replicating our business model in other markets.

OUR STRATEGIES

Solidify our leading position and continue to grow our market share

We have built a global network and achieved a leading market share by parcel volume in multiple countries where we operate. We intend to solidify our leading position in these markets as well as establish leadership positions in the new markets which we have recently entered into with our regional sponsors to grow our scale of operations. We will continue to deepen our relationships with e-commerce partners locally and globally, tap into other markets with them, explore new ways of collaboration, connect with more merchants across regions, and grow our market share. We will also expand the coverage of our global network and enhance cross-border connectivity by capitalizing our experience in localizing our express delivery services, navigating different linguistic, cultural and operational environments and managing a complex, global network. In particular, we intend to replicate our operational excellence to the New Markets and stay ahead of the competition.

We intend to invest more deeply in our brand and improve service quality. We will continue to offer premier services tailored to the diversified demands and requirements of our end customers. We also will continue to upgrade our customer service, enhance our technology system, and strengthen management of regional sponsors and training of network partners to maintain service quality, improve brand image and earn our customers' trust and business. We believe our continuing quality growth at scale will drive stronger unit economics and economies of scale in the future.

Expand our capacity while enhancing the efficiency and connectivity of our logistics network

We will continue to expand the capacity of our logistics network in a selective, prudent and capital-efficient manner. We plan to strategically select sites for our new sorting centers and optimize density of our pickup and delivery outlets to deepen geographical coverage based on end customer demands. In addition, we expect to continue upgrading sorting machinery and investing in technology that will further improve the accuracy and efficiency of our sorting centers. Having obtained success in Southeast Asia and China, we seek to skip the trial-and-error process in other emerging markets and apply our industry insights, advanced machinery and equipment, and operational know-how that are readily accessible to us. Meanwhile, we will continue to expand our line-haul network, upgrade our fleets, and diversify means of transportation in accordance with local demands in each market. Through our unique business model, our regional sponsors will be incentivized to help us manage our facilities including line-haul vehicles and sorting centers, recruit and manage network partners, and help expand our network capacity to create a network that is resilient to peak volumes. In addition, we will continue to help our network partners grow their business and optimize their operations.

As we further develop each local network, we are also well positioned to facilitate global and local expansion of our e-commerce partners by helping them reach more customers in each local market and offering consistent, reliable services across the globe. For example, we will continue to capture the opportunity to collaborate with global e-commerce players and go to the markets in which they intend to start operations, becoming their anchor express delivery service provider and quickly growing our local networks. In addition, taking advantage of our local network capacity, we will be able to further develop our cross-border services and offer consumers, merchants and e-commerce partners a diversified portfolio of service offerings.

Expand into new markets and new service offerings

We seek to provide integrated logistics services to our customers globally. We believe there are significant opportunities in emerging economies, where prospective e-commerce market growth is expected to be high and e-commerce penetration remains low. For each future market we intend to enter into, we will also take into consideration the local e-commerce penetration and development stage of the economy. We will continue to seek collaboration with e-commerce partners who intend to penetrate these markets and establish themselves in these markets. We also intend to further diversify our service offerings and provide one-stop logistics solutions to consumers covering storage, inventory management, parcel delivery and warehousing. To support our key strategic partnerships, we have expanded into select growth markets including Saudi Arabia, UAE, Mexico, Brazil and Egypt. In July 2023, we achieved a daily peak volume of over 1,100,000 parcels in Brazil. According to Frost & Sullivan, we are the fastest to achieve such level of parcel volume among our major local peers in Brazil. We plan to continue replicating our success in Southeast Asia and China in carefully selected markets, by partnering with our regional sponsors and network partners to quickly establish a strong network in these new markets to serve a broad customer base.

We will leverage our existing infrastructure and network capacity to develop and expand our services throughout the entire logistics value chain. We will continue expanding our cross-border services by connecting with more destination logistics centers, domestic warehouses and last-mile capacity. In addition, we have recently developed a variety of service offerings such as reverse logistics and supply chain solutions and will continue to introduce new service offerings to provide more comprehensive services to our customers. We also expect to expand and diversify our customer base and acquire more non-e-commerce parcels to enhance the mix of our parcel volume and broaden our market reach.

Invest in innovation, technology and environmental sustainability

We strive to continually apply technologies across all aspects of our business. We plan to develop and apply our self-developed JMS system in all the markets we operate in. We seek to develop and upgrade key functions within the JMS system to empower each stage of our business processes. For example, we will continue our research and development in our address digitalization system to improve accuracy and efficiency of the delivery process. We seek to continually optimize our address digitalization algorithms and adopt the most suitable address digitalization system in each market based on local market needs. We will also further develop our global data management platform to centrally manage data from every aspect of our operations and from each market, analyze and visualize the data to facilitate management review, perform effective projections on delivery demand, resource allocation and transportation route planning, and empower operations with functions including alerts on anomalies such as lost parcels or missed pickups, among others. We will constantly follow the latest technology trends in the industry and keep our technologies and systems updated. For example, we plan to implement more AI-powered customer support to reduce waiting time and improve end customer experience.

We will also continue to invest in automation technologies to streamline operations, optimize transportation and labor costs, increase operational efficiency and reduce unit cost. In particular, we will increase the utilization of digitalized packaging identification such as RFID to be compatible with our increasingly automated operations in an eco-friendly, sustainable way. We also intend to invest in smart management systems to monitor and optimize our energy and water usage. We are also committed to researching and upgrading software that is equipped with hardware to maximize the utility of the sorting equipment, reduce human errors and labor costs involved and ultimately increase operational efficiency. Leveraging our existing data analysis technologies, we intend to further enhance our route planning, address digitalization and parcel volume prediction capabilities by exploring AI-based functions.

VALUE PROPOSITIONS TO OUR PARTICIPANTS

Value Propositions to Consumers and Customers

- **Connectivity**. Growing alongside significant e-commerce markets, we have built an extensive network, particularly in regions historically underserved by logistics providers. We believe we have helped promote regional and cross-regional connectivity in the Southeast Asian markets, allowing consumers to connect globally to a broader world of merchandise to enjoy door-to-door shipping services through our network.

- **Reliability and Service Quality**. We strive to deliver a reliable, high-quality shipping experience with 365-day service. We provide consistent, quality customer care to end customers globally. We monitor a series of key service quality indicators to ensure, among other things, timely delivery and responsiveness to inquiries.

- **Transparency and Cost-efficiency**. We offer competitive delivery fees and price transparency upfront so that consumers can make informed decisions about the cost of delivery. We also provide real-time updates on delivery status to senders and receivers of packages.

- **Ease of Use**. We have developed multiple ordering interfaces to cater to the diverse needs of customers. Customers can access our services from website, mobile applications, call center and social media applications anywhere and anytime.

Value Propositions to E-commerce Platforms and Merchants

- **Consumer Reach**. Our broad regional and cross-regional network gives e-commerce platforms and their merchants greater reach to consumers beyond saturated markets in first- and second-tier cities as well as international consumers. We offer the broadest coverage of COD services in Southeast Asia, which allows e-commerce platforms and merchants to serve a broader range of consumers for whom online payments may not be an option.

- **Stable and Scalable Service**. Leveraging our integrated network that seamlessly connects us with our regional sponsors and network partners, we are able to handle periodic surges in volumes requiring significant capacity. We can scale with e-commerce and social e-commerce platforms as they grow in different regions.

- **Resources for Operation Management**. We provide a centralized technology platform to merchants on e-commerce platforms, helping them track packages in real time, manage inventory and better understand their business operations. Our system is easy to deploy and integrate with existing infrastructure via APIs, reducing the need for navigating disparate systems for order management and shipping. For certain merchants not affiliated with any e-commerce platforms and hence lack basic technology infrastructure, they can conveniently access our system via Independent Software Vendors (ISVs) to place delivery orders, enabling them to grow their business. According to Frost & Sullivan, we are one of the first express delivery operators in Southeast Asia to provide online logistics solutions to enterprise customers.

Value Propositions to Network Partners and Local Communities

- **Earnings Potential and Economic Stimulus**. Network partners gain access to the sheer volume of packages delivered through our network as well as exposure to the largest e-commerce platforms and global opportunities. We also diversify the revenue sources of local communities by offering positions in our sorting centers, engaging pickup and delivery personnel and collaborating with local small enterprises, convenience stores and grocery stores to establish service stations.

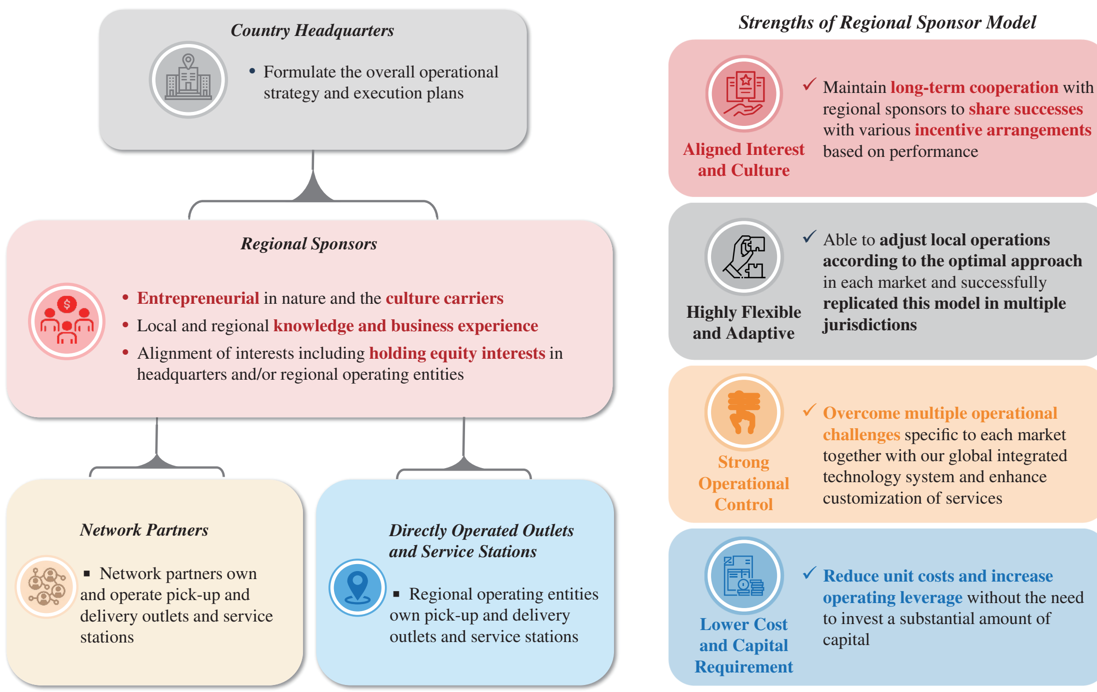
- **Empowerment and Inspiration**. We empower our network partners with our technology solutions, such as our digital address libraries, data management system and proprietary waybill system, to improve their operational efficiency. We also provide our network partners with applications that provide digital settlement solutions and manage cash flow for delivery personnel. We also hold trainings, conferences and seminars, and sponsor local entrepreneurial events to help inspire business ideas.

- **Support during Challenging Times**. We are capable of supporting local communities during challenging times. Throughout the COVID-19 pandemic we have donated hundreds of thousands of medical supplies and care packages throughout our regions of operations. In 2022, we partnered with YDSF Malang to participate in the construction of local residences after the eruption of volcano Semeru in Indonesia.

OUR REGIONAL SPONSOR MODEL

We pioneered a highly scalable regional sponsor model, and we are currently the only player in Southeast Asia and China that has successfully adopted this model at scale, according to Frost & Sullivan. We started in Indonesia and have since expanded our network using this model into several other markets in Southeast Asia and China as well as Saudi Arabia, UAE, Mexico, Brazil and Egypt, serving a geographically dispersed base of merchants and consumers across multiple regions and enabling the growth of e-commerce.

The diagram below illustrates our regional sponsor model:



In each geography, our local delivery networks comprise critical facilities including sorting centers and line haul, as well as our pickup and delivery outlets and service stations. Local pickup and delivery outlets are typically managed either by our network partners or directly by regional sponsors through regional operating entities. Service stations are physical presences such as small retail stores operated by third-party small enterprises or individuals, which typically have more limited functions and service scope compared to outlets.

As of June 30, 2023, we adopted the regional sponsor model in each of our countries of operations with the exception of Cambodia and Singapore (where we operate the network directly without regional sponsors). In countries where a regional sponsor model is adopted, the proportions of outlets and service stations that are operated by network partners and those that are directly operated by regional sponsors via regional operating entities vary based on local circumstances. We actively monitor and adjust the mix of directly operated outlets and network partner outlets in accordance with local performance and expansion progress in these countries.

Advantages and Innovations of Our Business Model

Our business model is highly scalable, allowing us to leverage the resources of regional sponsors and network partners to achieve rapid expansion and deep penetration of our network. Compared with traditional business models for express delivery services (i.e., the network partner model and the direct operation model), we believe our business model is able to better overcome the operational challenges during expansion.

Under a regional sponsor model, an express delivery operator relies on and partners with regional sponsors to expand and operate its network. We may operate with or without network partners in a region. If we and the relevant regional sponsor decide to engage network partners, regional sponsors would be responsible for identifying, attracting and managing network partners. In contrast, under a traditional network partners model, an express delivery operator predominantly expands the network via network partners, such express delivery operator directly manages these network partners, and network partners are their most important business partners.

Additionally, the relationship between regional sponsors and the express delivery operator is closer and more binding than that between the thousands of network partners and express delivery companies using the network partner model, because regional sponsors are fundamentally different from network partners due to their investment into the network, scope of responsibility and alignment of interest. The regional sponsor model is only similar to the traditional network partner model when the operator under the regional sponsor model engages network partners for similar obligations (i.e., first-mile pickup and last-mile delivery) as under the network partner model. Regional sponsors manage the overall operations (e.g., customer acquisition, marketing, customer service, training of network partners) within a much larger designated region. Network partners perform much more limited roles and obligations of first-mile pickup and last-mile delivery in a more limited area.

For details of comparisons between network partner, or the franchise model, and the regional sponsor model, please see "Industry Overview – Express Delivery Business Models – Differences between express delivery models."

Our business model provides us with the following unique features that set us apart:

- ***Operational efficiency***. We lead a pool of regional sponsors. We draw on the expertise of regional sponsors to manage the network, while providing them with systematic and reliable support. Regional sponsors usually invest their own capital and resources to help the country headquarters expand the network and develop new network partners. Our regional sponsors help local management team in each country supervise daily performance of their respective regions and optimize the operations consistently.

  We value regional sponsors who are entrepreneurial with forward-leaning spirit and diverse backgrounds, and we have a review system that factor in regional sponsors' contributions and investments, while balancing the dynamic process of our expansion. We provide operational and technological support to regional sponsors by leveraging our JMS system and our resources. We listen to and collect feedback from regional sponsors on local operations, and we, together with our regional sponsors, design solutions to cope with operational challenges in each market.

- ***Flexibility and expansiveness***. Express delivery operators under the network partner model face difficulties in locating a sufficient number of qualified network partners to help build their network, while direct operation companies typically must invest a substantial amount of capital in a short time to achieve adequate coverage of their services. Leveraging our unique business model, we are not limited by the vast differences in local operating environments across regions, as we and our regional sponsors can decide on the optimal approach to establish local operations, including using a mix of network partner and full direct-operation models. In some regions, regional sponsors may also establish unconsolidated regional operating entities supported by our critical network infrastructure and technological capabilities. As our network expands, we and the regional sponsors adjust local operations to adapt to the evolving market demands to maintain our sustainable growth.

- ***Deep insights and strong control in local operations***. Our regional sponsors form the foundation of our local operations. Our regional sponsors are knowledgeable of local markets and aware of acute changes in their regions. Our regional sponsors also help us manage our network partners. Regional sponsors are able to quickly respond to needs of network partners, as well as our end customers, handle complaints, adjust pricing based on local circumstances, and provide rewards or penalties for network partners and outlets, among others. Through our regional sponsors, we gather first-hand feedback, design strategies and solutions, and maintain operational excellence when launching and scaling our network and service offerings.

- ***Bonding with regional sponsors***. Our interests are highly aligned with those of our regional sponsors, which incentivizes them to take ownership in local operations, tailor and execute our overall strategies and help achieve growth. We incentivize, supervise and provide institutional support to regional sponsors, continually building and strengthening our bonding with regional sponsors. We supervise regional sponsors' work and review their performance on a regular basis with certain KPIs set by us, and we may choose to optimize the regional sponsor team.

As a testament to our unique, effective business model, we have achieved leading positions across Southeast Asia and China through the regional sponsor model. In Southeast Asia and China, where other established players have been building their network, and investing in technology and accumulating resources in the past decade, we have established ourselves as a major player in these highly competitive markets by partnering with regional sponsors with local expertise and financial strengths. We entered into the China market in March 2020 and we are the youngest among the scaled and established players – one of the very few newcomers that successfully took a sizable share of the market from major players, according to Frost & Sullivan. We achieved a milestone of 50 million daily parcel volume within three years, which was the shortest period of time needed among our peers in the China market to achieve the same scale.

In 2022, we expanded into Saudi Arabia, UAE, Mexico, Brazil and Egypt. Each of these countries presented unique operational challenges ranging from under-developed infrastructure, limited connectivity in certain areas, political instability to complex regulatory regimes. Drawing on the efforts of our regional sponsors, we quickly completed market research, navigated local environment, and formulated our operation strategies including transportation and route planning, construction of critical network infrastructure and setup of pickup and delivery outlets, allowing us to reach efficient scale and achieve geographic coverage of over 90% in these countries as of June 30, 2023. We leverage our proprietary JMS system, the backbone of our operations, to achieve efficient growth and expansion. In the New Markets, we were generally able to set up and launch our JMS system within three months, which allows us to build localized operations and provides indispensable support to regional sponsors to efficiently execute our growth strategies. In particular, in July 2023, we achieved a daily peak volume of over 1,100,000 parcels in Brazil. According to Frost & Sullivan, we are the fastest to achieve such level of parcel volume among our major local peers in Brazil. In those countries, where the e-commerce markets are significant but the express delivery markets are highly fragmented, we are well positioned to expand in and penetrate these markets by leveraging our regional sponsor model.

Partnership with Regional Sponsors

The strengths and uniqueness of our business model stem from the fact that we partner with regional sponsors that assist us in operating local delivery networks in designated geographies.

Regional sponsors are individuals authorized by our Company to assist in operating local delivery networks in their respective designated geographic regions. Under the leadership of our country headquarters, critical parts of our network, including sorting centers and line-haul, are operated by regional operating entities, most of which are subsidiaries or consolidated affiliated entities within our Group. We constantly evaluate the performance of our regional sponsors and optimize the portfolio of our regional sponsors.

Commercial arrangements among us and regional sponsors vary across regions. We align the interests of our regional sponsors, including allowing for holdings of equity interests in the relevant operating entities and/or the country headquarters. When we enter into a new market, we may choose to establish our regional operating entities with regional sponsors, who may become minority shareholders in the country headquarters or regional operating entities while we beneficially own the majority interests. Some regional sponsors may also own all the interests in the relevant regional operating entities if it is feasible under local laws and regulations. We refer to such entities as unconsolidated regional operating entities. See "– Consolidation of Certain Regional Operating Entities" in this section for more details.

The table below sets forth the number of jurisdictions under different models of operations as of the dates indicated:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
Countries with regional sponsors				
– without unconsolidated regional operating entities[1]	Vietnam, Malaysia, the Philippines, China	Indonesia, Vietnam, Malaysia, the Philippines, Thailand, China	Indonesia, Vietnam, Malaysia, the Philippines, Thailand, China, Saudi Arabia, UAE, Brazil, Egypt[4]	
– with unconsolidated regional operating entities[2]	Indonesia, Thailand	N/A[5]	Mexico	
Countries without regional sponsors[3]	Singapore, Cambodia	Singapore, Cambodia	Singapore, Cambodia	

Notes:

(1) We did not adopt unconsolidated regional operating entities in jurisdictions where such arrangement is not practicable or feasible under local laws and regulations when we first entered into market. For example, in China, for an express delivery service provider to obtain a cross-provincial courier permit, it is required to set up subsidiaries or branches capable of performing express delivery services in each relevant region (i.e., the

entity that covers operations in each region/province must be a subsidiary or a branch of ours, instead of an independent third party). Therefore, when we first entered into the China market, we set up various regional operating entities with regional sponsors, who were and still are minority shareholders in such Group entities. During the Track Record Period, we acquired certain unconsolidated regional operating entities. See "– Consolidation of Certain Regional Operating Entities" in this section.

(2) In Indonesia and Thailand, where it is practical for each regional sponsor to obtain new express delivery licenses under local laws and regulations, regional sponsors set up multiple unconsolidated regional operating entities, each with its own express delivery license. In 2021, we acquired the unconsolidated regional operating entities in Indonesia and Thailand from relevant regional sponsors. For more details, see "Financial Information – Business Combination" and "History and Corporate Structure – Major Acquisitions, Disposals and Mergers."

(3) As Singapore and Cambodia are relatively small in terms of geography, we operate in these regions without involving any regional sponsors.

(4) As of December 31, 2021, we had established operating entities in each of the New Markets in preparation for our expansion into these markets, but had not officially launched operations in these regions.

The table below sets forth a summary of how the regional sponsor model implemented in each country (other than Singapore and Cambodia) as of June 30, 2023:

Country	Current Regional Sponsor Model Equity Ownership Structure
Indonesia Thailand	• We currently hold 100% equity interest in the country headquarters and typically hold 70% equity interests in regional operating entities, while regional sponsors typically hold 30% equity interests in regional operating entities.
Malaysia Vietnam	• Regional sponsors held minority interests in the country headquarters at the early stage of our operations. We subsequently acquired such minority interests and currently hold 100% equity interests in the country headquarters.
Mexico	• We collaborate with an unconsolidated regional operating entity, in which we do not hold any equity interest.
China	• Regional sponsors typically hold 15% equity interests in their respective operating entities, while we typically hold 85% equity interests in these entities.
The Philippines	• Due to requirements under Philippine laws and regulations on foreign investments in effect when we entered into the market none of our regional sponsors hold any equity interest in our Philippine operations.
UAE Saudi Arabia Egypt	• None of the regional sponsors hold any equity interest in any local entities. However, regional sponsors provided financial support in the form of loan to local operations.
Brazil	• We hold the controlling stake in the country headquarters, while regional sponsors together hold 19% equity interest in such entity.

Revenue contribution from the countries where we operate via direct operation model was only approximately 1% of our total revenues during the Track Record Period. Substantially all of our revenues were from regional operating entities under our regional sponsor model during the Track Record Period.

The table below sets forth a movement analysis of unconsolidated regional operating entities, consolidated regional operating entities and headquarters for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2020	**2021**	**2022**	**2023**
Number of consolidated regional operating entities and country headquarters				
Beginning balance	33	48	91	94
(+) Addition	15	43	5	–
(-) Reduction	–	–	(2)	–
Ending balance	48	91	94	94
Number of unconsolidated regional operating entities(1)				
Beginning balance	25	38	–	1
(+) Addition	14	–	1	–
(-) Reduction	(1)	(38)	–	–
Ending balance	38	–	1	1
Total number of regional operating entities				
Beginning balance	58	86	91	95
(+) Addition	29	43	6	–
(-) Reduction	(1)	(38)	(2)	–
Ending balance	**86**	**91**	**95**	**95**

Note:

(1) Includes (i) 25 unconsolidated regional operating entities in Indonesia and 13 unconsolidated regional operating entities in Thailand as of December 31, 2020, and (ii) one unconsolidated regional operating entity in Mexico as of December 31, 2022 and June 30, 2023. Revenue that we generated from unconsolidated regional operating entities contributed to 16% and 2%, respectively, of our revenue in 2020 and 2021. After the acquisitions of the SEA entities, revenue from the only unconsolidated regional operating entity amounted to approximately 0.1% and 0.3% of our total revenue in 2022 and the six month ended June 30, 2023, respectively.

Regional sponsors, irrespective of operating through consolidated or unconsolidated regional operating entities, invest resources into local operations in various forms, including providing capital to regional operating entities particularly during the ramp-up stage of the network, leveraging personal connections to navigate local markets, and engaging network partners, who operate their own pickup and delivery outlets and/or service stations, to expand the network. When we hold interests in local operations, we typically are the controlling shareholder and provide financial assistance by way of equity investment and loans. For unconsolidated regional operating entities in which we do not hold equity interests, we may provide financial assistance after unconsolidated regional operating entities exhaust their own financial resources, typically in the form of loan. For details, see "Financial Information – Analysis of Key Balance Sheet Items – Assets – Assets – Other non-current assets." Subject to local conditions, we and our regional sponsors may decide to directly operate all pickup and delivery outlets, engage network partners or adopt a hybrid model that operates through both network partners and directly operated outlets in certain regions. The structure of operations and commercial arrangements between us and our regional sponsors are tailored to cater to the maturity of local express delivery markets, operational challenges specific to such regions and local laws and regulations.

Consolidation of Certain Regional Operating Entities

During the ramp-up period when we enter into new markets, certain of the regional operating entities, which we refer to as our "unconsolidated regional operating entities," are wholly owned and operated by a regional sponsor. These unconsolidated regional operating entities operate exclusively under our "J&T" brand. We enter into cooperation agreements to allow these unconsolidated regional operating entities to operate under our brand in their respective jurisdictions, under which regional sponsors are allowed to use our logo, brand names and our JMS system. See "– Customers" and "– Suppliers" in this section for more details on our relationship with and measures to manage unconsolidated regional operating entities. Typically, we design, invest in and direct the construction of sorting centers in these regions, and designate regional sponsors to execute sorting and transportation processes according to our requirements and standards. Unconsolidated regional operating entities utilize our network infrastructure such as sorting centers and line-haul when transferring parcels, and we charge fees for the use of our infrastructure as well as other operational and system support. Regional sponsors in charge of such entities also benefit from incentive arrangements for achieving certain KPIs in their respective markets.

Typically, we seek to acquire from our regional sponsors their interests in these regional operating entities in exchange for interests in our Company once we determine that such entities have achieved certain level of business stability in their relevant market. This allows the regional sponsors to share our success and further align our interests toward long-term global growth. For example, in 2021, we acquired majority interests in unconsolidated regional operating entities in Thailand and Indonesia after regional sponsors in Thailand and Indonesia had set up an effective network in their respective regions, demonstrated a track record of collaborating with each other, and proved their abilities to fulfill requirements of our e-commerce partners in the respective regions. We do not maintain any fixed protocol or quantitative criteria to assess potential acquisitions of unconsolidated regional operating entities. Instead, we consider a series of factors, including, but not limited to, parcel volume, end customer relationship, performance of network partners, and operating results, among others, to assess business stability in a certain market. Prior to the acquisitions of the SEA entities, the SEA entities were both our customers and our suppliers. We accounted for the parcel volume they delivered under our brand and we charged network service fees and delivery services fees from the SEA entities. See "– Customers" in this section and "Financial Information – Critical Accounting Policies and Estimates – Revenue Recognition – (1) Express delivery services – (ii) Services provided to unconsolidated operating entities of regional sponsors." After we acquired the SEA entities, we consolidated the revenues attributable to and the costs incurred by the SEA entities such as transportation costs and delivery costs. Meanwhile, we integrated the customer resources and network of the SEA entities to provide consistent services to customers and improve their operating efficiencies through integrated centralized planning of the routes and resources.

Role of Regional Sponsors

Regional sponsors work with our country headquarters to execute our strategies in the various markets of operations. Regional sponsors, whether they operate through consolidated or unconsolidated regional operating entities, play equally critical roles in our business operations and network expansion, enjoy substantially the same level of discretion, and are subject to the same KPI standards that we tailor based on local circumstances in each jurisdiction. In areas where network partners are engaged, regional sponsors identify, engage and manage network partners through the relevant regional operating entities. In certain locations, regional operating entities also manage the directly-operated pickup and delivery outlets and service stations. Typically, there is only one regional sponsor within a designated region. From time to time, we may designate more than one regional sponsors to jointly manage the same region. We only consider adopting this strategy in areas with enormous operational challenges, particularly during the ramp-up and expansion stage, where the collective efforts from regional sponsors are needed to establish our operations.

The table below set forth a summary of the key functions of our regional sponsors:

	Role of Regional Sponsors
Setup and management of sorting centers and logistics network	Regional sponsors help execute regional strategies by assisting in the setup and management of sorting centers, line-hauls and personnel, among others.
Sales and marketing	Regional sponsors conduct regional sales and marketing activities. In applicable regions, regional sponsors provide assistance, guidance and training in sales and marketing to network partners.
Setup of outlets	Where applicable, regional sponsors are tasked with finding and leasing space for local delivery outlet operations and hiring staff. In applicable regions, regional sponsors designate areas of operations for network partners.
Customer services	Regional sponsors help manage customer service enquiries within the region when needed and provide systematic trainings to network partners and/or other staff in connection with our business operations.
KPI and execution	In applicable regions, regional sponsors set KPIs for network partners and supervise their performance and execute rewards and penalties.

Whether operating through consolidated or unconsolidated regional operating entities, our regional sponsors operate express delivery services with us on an exclusive basis. As of December 31, 2020, 2021 and 2022 and June 30, 2023, we had 77, 110, 104 and 104 regional sponsors, respectively. Except for regional sponsors of unconsolidated regional operating entities, substantially all of our regional sponsors hold certain positions within our Group as, among others, employees, consultants, minority shareholders, directors, commissioners and/or legal representatives of the relevant regional operating entity and/or a group entity. In late 2021, in preparation for our upcoming expansion, we identified and engaged regional sponsors for the New Markets. In 2022, we adjusted our strategies in countries where we have established our presence. We restructured our regional sponsor arrangements, adjusted the re-designated regions for certain regional sponsors and optimized the regional sponsor team based on their past performance. Based on their performance, we may choose to optimize the pool of our regional sponsors. During the Track Record Period, there was no significant change in or massive termination of our regional sponsors.

Role of Country Headquarters

Our country headquarters implement global strategies set by our senior management. While regional sponsors carry out granular ground work, our country headquarters, guided and supported by our senior management and group functional departments, make operational decisions and take actions considering market conditions, market practices and our partners in each market. Our country headquarters also measure the progress of our development and are able to adjust their approach based on local dynamics.

The table below set forth a summary of the key functions of our country headquarters:

	Role of Country Headquarters
Network planning	Our country headquarters plan for geographic locations of sorting centers, line-haul routes and optimal network capacity. Our country headquarters also constantly monitor and adjust our network density based on network performance and historical trends of parcel volumes.
Network setup	Our country headquarters are typically in charge of procuring line-haul vehicles, and establishing and constructing major sorting centers.
Pricing guidelines	Our country headquarters set pricing guidelines based on market demand, seasonality, operational costs, and others.
Technology infrastructure	Our country headquarters operate, maintain and upgrade the technology system for daily operations.
Partnership and customer relations	Our country headquarters leverage resources to develop and maintain customer relationship and strategic partnerships. Our country headquarters negotiate commercial terms with these key stakeholders, and provide centralized, standardized customer care to them.
KPI and supervision	Our country headquarters supervise and provide guidance to regional sponsors in key aspects of operations. Our country headquarters set KPIs to regional sponsors and provide regional sponsors with feedback to enhance their management of local network partners.

Identifying Regional Sponsors

Our founder, Mr. Li, through continued success in entrepreneurship in Southeast Asia and China, has developed relationships with an extensive network of entrepreneurs. These entrepreneurs typically have been successful in prior business endeavors, have often had prior experience in logistics management and are familiar with our business model. Capitalizing on these relationships and Mr. Li's valuable experience as a serial entrepreneur, as well as the shared business success and mutual trust developed through previous partnerships with other entrepreneurs, we are able to identify individuals who are willing to join hands with us and act as regional sponsors. The selected regional sponsors are individuals with successful business experience, entrepreneurship and oftentimes strong financial capabilities. They help address operational challenges specific to each market with our support and are our culture carriers that embrace our "Ben Fen" (本分) culture. Importantly, our regional sponsors typically have an international outlook and are willing to build up our network in new geographic locations, not limited to their country of origin.

In addition to the initial pool of regional sponsors, we may also consider individuals within our network, such as successful network partners or employees, who demonstrate vision and leadership, to act as our regional sponsors for our future expansion. Therefore, we have a self-sustaining pool of potential regional sponsor candidates as we continue to grow our network.

The standards for selecting regional sponsors and network partners are fundamentally different. In line with industry practices, when selecting network partners, we typically focus on whether an individual meets the threshold for capital and resources (i.e., human capital for pick-up and delivery obligations, access to physical establishment that can function as outlets, and funding to carry out operations). When selecting regional sponsors, we focus on a wide range of qualifications that demonstrate an individual's entrepreneurship, his/her ability to work as a team player, and his/her ability to bring success in certain region. We focus on their willingness to take on challenges, initiatives in developing business, management and leadership capabilities, and whether their values and visions are aligned with us as regional sponsors are our critical business partners. Regardless of their background, regional sponsors invest capital in the network and undertake much greater responsibilities and incentives than network partners.

Our regional sponsors typically do not own express delivery businesses prior to becoming our regional sponsors. Historically, except for our acquisitions, we built our local network organically from scratch with our regional sponsors in relevant markets. For regional sponsors who have demonstrated their ability in running critical operations, we also consider deploying them to new markets.

Through years of collaborating with regional sponsors and successfully expanding our global network, we have amassed deep know-how with respect to effective management of regional sponsors and network partners which can only come with years of experience. Regional sponsors maintain long-term cooperation with us to grow and share successes in local markets, and we provide institutional support for regional sponsors as they seek to help us expand local network and our cross-border operations.

Incentives to and Evaluation of Regional Sponsors

Regional sponsors typically invest their resources in local operations and, as stakeholders of local operations, they are incentivized to continually invest when needed, optimize local operations, and provide trainings to network partners, so as to drive our overall growth. Regardless of the ownership structure adopted, the regional sponsors will provide financial support (as equity investment or in other forms) particularly in the ramp-up period. We compensate and incentivize our regional sponsors through various incentive arrangements that align the interests and enable efficient growth of the larger group despite complex and diverse market dynamics across different regions. We evaluate regional sponsors' performance on a regular basis with certain KPIs set by our country headquarters. These KPIs include but are not limited to indicators such as on-time delivery rate, on-time transit rate, on-time package signoff rate, lost parcel rate, damaged parcel rate and complaint rate that measure their results of operations and service quality, and are determined based on local market conditions, historical performance and other factors. In recognition for committing significant capital and taking on commercial risks associated with establishing a presence in new locations, regional sponsors are entitled to discretionary awards or bonus in cash. Discretionary awards or bonus to regional sponsors are determined considering whether these KPIs are completed during certain period. For any cash incentive, we consider key performance targets such as the results of operations of the relevant regional operating entity, taking into consideration factors including (i) the maturity of the local network, including any ramp-up period, and operational difficulties within an operating region, (ii) the overall KPIs within an operating region, (iii) the parcel volume and profitability of network partners in the operating region, and (iv) the contribution to the overall cost-effectiveness of the overall network and cooperation with other regional sponsors in connection with the optimization of cost structure of the regional operating entities. We may also, from time to time, optimize the regional sponsor team to drive greater operational efficiency and to adjust to market dynamics.

Role of Network Partners

Our network partners are typically local logistics companies that operate in a specified region, operate their own facilities and perform first-mile pickup and/or last-mile delivery.

We consider network partners who signed cooperation agreements with us as part of our customer group, as our regional operating entities provide parcel sorting and line-haul services to them and collect fees from them for use of our network. Such network partners also act as our suppliers when they fulfill last-mile deliveries.

Network partners enter into cooperation agreements, pursuant to which the network partners are authorized to carry out part of the express delivery business under the "J&T" brand within a designated geographic region. Typically, network partners enter into cooperation agreements with regional operating entities that are our subsidiaries or controlled affiliated entities. During the Track Record Period, we also collaborated with unconsolidated regional operating entities in Indonesia and Thailand to manage network partners. Network partners in those jurisdictions typically signed collaboration agreements with these unconsolidated regional operating entities. These cooperation agreements contained substantially the same terms as our cooperation agreements with other network partners. Below are some of the key terms of our cooperation agreements with network partners:

- *Fees*. Pursuant to our cooperation agreements with network partners, we collect fees from the network partners for the use of our delivery network. These fees are variable and based on guidelines, local market conditions and government guidance, where applicable. We also pay pickup and/or delivery fees to our network partners for the services fulfilled through their pickup and/or delivery outlets.

- *Business operations*. Our cooperation agreements with network partners assign specific geographic regions of operations for each network partner which vary in size depending on the capabilities of the network partner and the needs of our network, including business volume. Our network partners also have access to our proprietary software that is designed to be used by network partners and their delivery personnel and link them to our system.

- *Pricing*. Network partners are free to determine the customer-facing price, taking into account the service fee collected by the regional operating entity, the network partner's own operating costs and our guidance.

- *Term*. The cooperation agreements with network partners are generally for a term of one or two years and each network partner may elect to negotiate with us for renewal of the agreement upon expiration.

- *Deposit*. Network partners are required to place deposits with us as a performance guarantee.

- *Termination.* The cooperation agreements can be terminated upon mutual agreement or by either party with prior notice after the occurrence of certain events including, but not limited to, one party's failure to perform certain contractual obligations.

- *Service quality.* To ensure the performance and service quality of our network partners, the cooperation agreements also set out terms such as operation process, service standards and quality, maintenance and settlement. For example, our regional sponsors oversee the performance of our network partners, set performance targets and provide them with training. In practice, we review their key performance indicators through our systems so that our regional sponsors can help them improve operational performance. If there is a material violation of our operational standards by network partners, we are entitled to request such network partners to suspend business and rectify accordingly. We also have the right to impose monetary penalties according to the policies imposed by the relevant regional operating entities on our network partners for failure to adhere to the terms of the agreements.

Detailed terms of cooperation agreements with network partners – including whether an exclusivity clause exists – vary by jurisdiction to accommodate varying laws, regulations and market practices. For example, in Thailand and China, network partners also make advance payments to us, which would be deducted for services we provided to them.

Whether the cooperation agreements contain exclusivity clauses vary from jurisdiction to jurisdiction based on local practice. During the Track Record Period, we entered into cooperation agreements with exclusivity clauses with network partners in certain jurisdictions. In other jurisdictions, the cooperation agreements by and between us and network partners typically did not contain an exclusivity clause. As of June 30, 2023, less than half of our network partners operated under cooperations agreements that contain exclusivity clauses.

In regions where we have network partners, we typically only have one network partner in each designated area. As of December 31, 2020, 2021 and 2022 and June 30, 2023, we had approximately 3,800, 13,300, 9,600 and 8,700 network partners, respectively, across the world. The table below set forth the breakdown of our network partners in Southeast Asia and China:

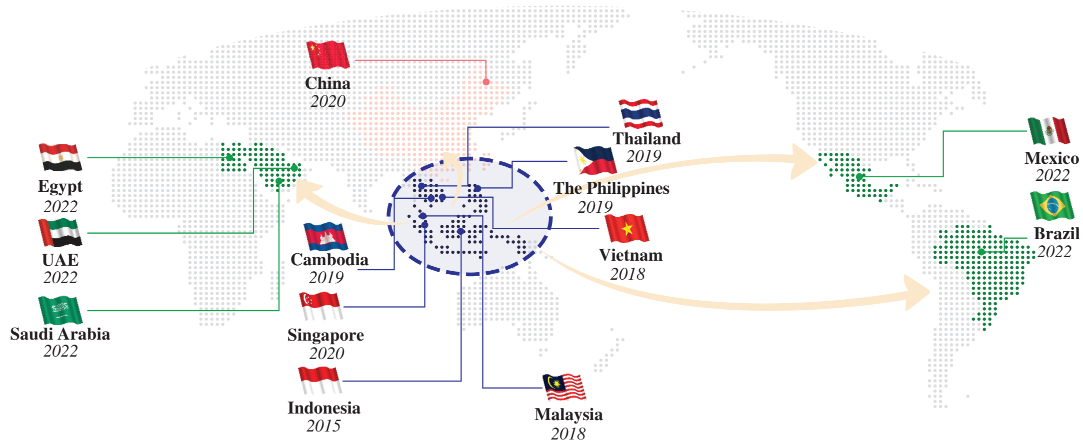
	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(in thousands)			
Southeast Asia	2.5	3.8	3.4	2.8
China	1.2	9.5	6.2	5.9

We entered into the New Markets in 2022 and have a very limited history of operating in these markets. We plan to expand with a prudent "hybrid" model in these markets.

During the Track Record Period, we operated under a "hybrid" model where we relied on pickup and delivery outlets operated directly by regional operating entities and network partners in Southeast Asia. Throughout 2020 and 2021, we continued to engage more network partners in Southeast Asia. In 2022, after we have successfully established a team of network partners, we further adjusted our network. We strengthened our cooperation with high-quality network partners, re-organized designated regions, and optimized the network partner team based on their performances, which resulted in a slight fluctuation in the total number of our network partners in Southeast Asia.

We entered into the China market in March 2020. Similar to our peers, we predominately collaborate with network partners to perform the first-mile pickup and last-mile delivery obligations in China. Our expansion in China throughout 2020 and 2021 thus led to a significant increase in the number of our network partners from December 31, 2020 to December 31, 2021. In December 2021, we acquired BEST Express China. The total number of our network partners as of December 31, 2021 was disproportionately impacted by the additional network partners from BEST Express China before we completed the integration process. In 2022, we successfully integrated BEST Express China. As of June 30, 2023, we had over 5,900 network partners in China, allowing us to effectively cover our pickup and delivery needs throughout in the China market.

OUR GLOBAL FOOTPRINT



Note: Labeled according to year of entry into each market.

Our express delivery operations span 13 countries, covering seven countries across Southeast Asia, including Indonesia, Vietnam, Malaysia, the Philippines, Thailand, Cambodia and Singapore, and China, as well as other markets, including Saudi Arabia, UAE, Mexico, Brazil and Egypt. We first started building our express delivery network in 2015 when we commenced operations in Indonesia, a large archipelago whose more than 17,000 widespread and often remote islands present significant operational challenges to logistics service providers. We entered Vietnam and Malaysia in 2018 and further expanded to the Philippines, Thailand and Cambodia in 2019 and Singapore in 2020. In March 2020, bringing our experience from Southeast Asia, we entered into the China market. In 2022, we further tapped into Saudi Arabia, UAE, Mexico, Brazil and Egypt to replicate our success. We have also quickly achieved a geographic coverage of over 90% in the New Markets as of June 30, 2023.

Today, our massive global network connects us with local communities, e-commerce platforms and consumers we serve every day. We now have full network coverage across the seven Southeast Asia countries and over 98% of all counties and districts in China. For example, in Indonesia and the Philippines, our express delivery network has achieved the highest network coverage scores among our major competitors in these two markets according to the consumer survey conducted by Frost & Sullivan. As of June 30, 2023, our network consisted of approximately 8,700 network partners, 265 sorting centers and over 8,400 line-haul vehicles, including more than 4,400 self-owned line-haul vehicles with approximately 3,900 line-haul routes.

We have achieved leading industry positions in the express delivery markets in Southeast Asia and China through rapid growth. In addition, our market share increased from 2.5% in 2020 to 10.9% in 2022 in China by parcel volume according to Frost & Sullivan. We are also the first Asian express delivery operator of scale to have expanded into Saudi Arabia, UAE, Mexico, Brazil and Egypt, according to Frost & Sullivan, supporting our partners as they expand into new markets.

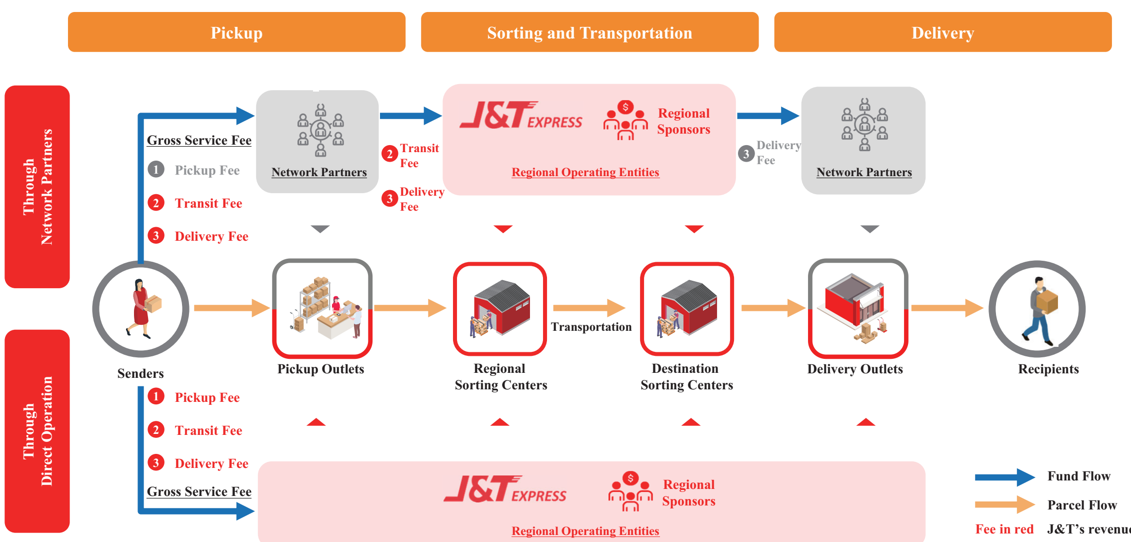
We will continue to expand our global network. We believe our expansion will lower our costs by increasing density in our pickup-and-delivery operations, thereby accelerating our growth. Our regional hubs and facilities will serve as a gateway for local and international operations, thereby allowing us to continue to better serve our customers.

OUR SERVICES

Through our network and together with our regional sponsors and network partners, we primarily provide domestic express delivery services supplemented by other value-added services across 13 jurisdictions. Our services in each geographic region are customized based on local needs. For example, in Indonesia we offer J&T Super, our priority service, to deliver time-sensitive parcels to even the most remote islands in the country. We mainly provide express deliveries of parcels weighing under 20 kilograms with expected delivery time ranging from 24 to 72 hours. Leveraging on our first-mile and last-mile capacity, we also provide cross-border services covering air, sea and land transport, customer clearance and overseas warehousing solutions to facilitate delivery of goods from one country to another. Through collaboration with international and local partners, our cross-border services currently cover Asia, North America, South America, Europe, Africa and Oceania, with a focus in Southeast Asia.

Express Delivery Process

The following diagram illustrates the process for the completion of typical domestic express delivery orders:



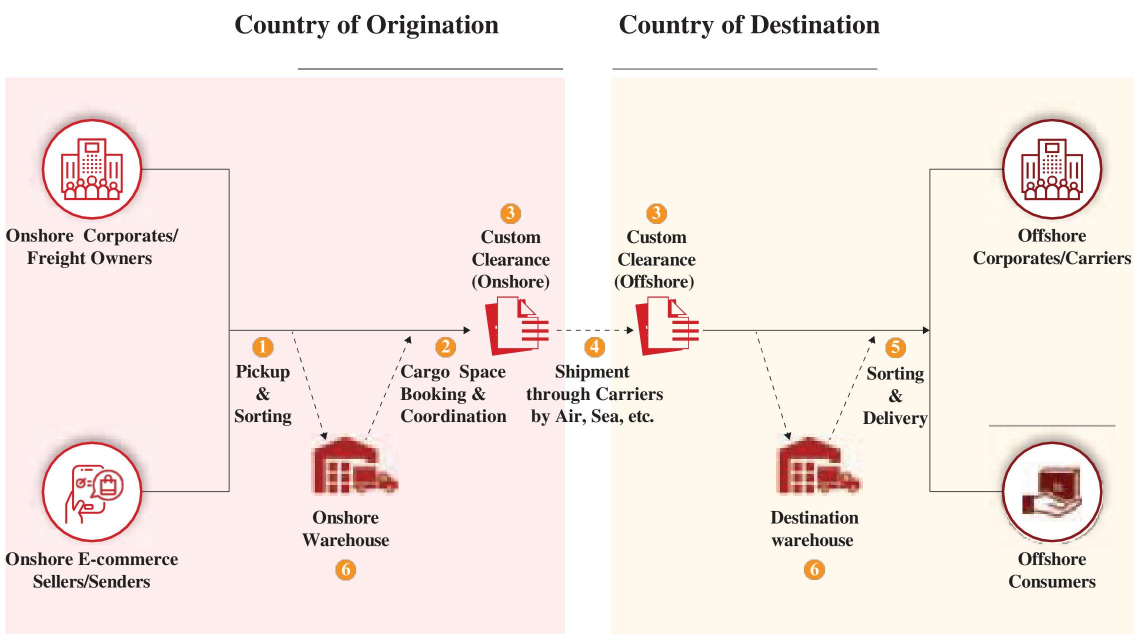
Step 1: Parcel Pickup. Senders can request pickup services. Pickup outlets or service stations in our network arrange for couriers to collect the parcels from the senders once they receive a delivery order. Alternatively, senders can drop off parcels at our pickup outlets or service stations that provide first-mile pickup services. The parcels are then collected and sent to the regional sorting centers. Through each waybill, we assign a unique tracking number and corresponding barcode to each parcel. The waybills, coupled with our automated systems, allow customers to track the status of each individual parcel throughout the entire pickup, sorting and delivery process.

Step 2: Parcel Sorting and Transportation. Upon receipt of parcels shipped from various pickup outlets and service stations within its coverage area, the regional sorting center sorts, further packs and dispatches the parcels to the destination sorting center through line-haul as well as air and sea transportation services as applicable. A number of outlets in our network are also capable of high-speed sorting and other centralized functions. Barcodes on each waybill attached to the parcels are scanned as they go through each sorting center so that we can keep track of the service progress.

Step 3: Parcel Delivery. The destination sorting center unloads and sorts the parcels before sending the parcels to local delivery outlets or service stations in preparation for last-mile delivery to the recipients via couriers. Once the recipients sign on the waybill to confirm receipt, a full service cycle is completed and the settlement of the delivery service fee promptly ensues on our network payment settlement system. During the ramp-up period, we may also engage third party service providers to fulfill delivery obligations in certain areas before our local network reaches efficient scale.

Cross-border Service Process

In order to meet the strong demand for cross-border e-commerce transactions, we currently provide cross-border services to e-commerce platforms, merchants and consumers through our own cross-border network. The following diagram illustrates the key components and steps of our cross-border network:



Based on our broad cross-border network empowered by both our domestic express delivery capabilities and partnerships with other commercial partners, we offer the cross-border services below (each process labeled with its corresponding number in the diagram above):

(i) **Cross-border small parcels**, which includes (i) a door-to-door express service typically for e-commerce platforms and merchants covering pickup and sorting in the country of origin (step 1), custom clearance (step 3), shipment (step 4), all the way to sorting and delivery in the country of destination (step 5), and (ii) transshipment service for individual consumers covering consolidating e-commerce parcel in our warehouses (step 6), transshipment (step 4) and delivery in the country of destination (step 5);

(ii) **Cross-border freight forwarding**, which primarily includes cargo space booking and coordination (step 2), custom clearance (step 3), and shipment through carriers by air or sea (step 4); and

(iii) **International warehousing solutions**, which are integrated warehousing services mostly for e-commerce platforms and merchants with our self-operated warehouses (step 6).

Our cross-border services are seamlessly integrated with our local logistics network and infrastructure. For example, in the situation of cross-border parcels, our domestic express delivery services or our commercial partners within the country of origin will deliver parcels to the port of origin, after which we will ship the parcels to the port of destination via aircraft or arrange for stowage on other transport for shipping. Upon arrival at the port of destination, our local teams will assist with the customs clearance process, after which our domestic express delivery services or our commercial partners within the country of destination will complete the parcel delivery to the recipient.

Service Pricing

Pricing for express delivery services is generally determined based on parcel size and weight, shipping distance and speed of service. Pricing for cross-border services is based on similar factors, as well as mode of transport. Such prices are determined dynamically according to market conditions and standards for each geography, operating costs and network load.

In regions where local outlets are operated by our network partners, the regional operating entity collects fees from the network partner for the use of our delivery network. Such fees are based on local market conditions and standards where applicable. The network partner is free to determine the price charged to the shippers, who are considered our end-customers and customers of the network partners, under our guidance and market conditions, taking into account their own operating costs. By giving our network partners latitude in pricing, they are able to effectively respond to competitive dynamics in their local markets and business volume. We believe this model leverages our network partners' entrepreneurship and insights in local markets, which strengthens our network.

In connection with services we provide to our e-commerce platform partners and corporate customers, we may also provide certain volume discounts to them.

BUSINESS SUSTAINABILITY

According to Frost & Sullivan, we are the number one express delivery operator in Southeast Asia by parcel volume in 2021 and 2022, with a market share of 22.5% in 2022, and we are one of the top players in China with a 10.9% market share by parcel volume for 2022. In 2022, we further expanded into new markets including Saudi Arabia, UAE, Mexico, Brazil and Egypt. During the Track Record Period, we incurred gross losses, operating losses and net operating cash outflows. We expect that we will continue to record a net loss for our results of operations in 2023.

Our Historical Performance

We originated in Indonesia in 2015 and entered into the Chinese market in 2020. Our Southeast Asia operations have been generating profits for us during the Track Record Period and are expected to maintain healthy margin. Compared to the incumbent players with decades of accumulated experience, we are a late comer to the Chinese market. Since 2020, we have quickly ramped up our parcel volume through expansion of our collaboration with e-commerce platforms, competitive pricing and capital expenditure into infrastructures to build up our logistics network. In December 2021, we acquired BEST Express and subsequently completed the integration of its network in 2022. In connection with the transaction, we experienced certain fluctuation in our service quality as well as market share in China, and we also identified certain redundancy of assets including sorting centers, equipment, and vehicles, which led to an increase in our impairment losses. Therefore, we incurred gross loss and operating loss for our China operations during the Track Record Period. The negative gross margin was further exacerbated by the "Others" segment, as we further expanded into cross-border business in 2021 and entered into the New Markets in 2022, both of which are still in the early stage of development. As of January 1, 2020, we had accumulated losses as a group, primarily due to our net loss position as of December 31, 2019 resulting from our expansion into certain new markets in Southeast Asia and preparation activities in relation to our expansion into China. As a group, we incurred gross loss and operating loss for China and other regions in 2022, which offset the gross profit and operating profit achieved in Southeast Asia during the Track Record Period. Some of the countries in Southeast Asia incurred a operating loss due to different operating environments and countrywide strategies or focuses during the Track Record Period, but we have achieved a healthy margin in Southeast Asia as a whole. We also incurred net operating cash outflow for each period during the Track Record Period for the aforementioned reasons.

The table below sets forth a breakdown of our revenue by geographic segment, in absolute amount and as a percentage of our total revenue, for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	US$	%	US$	%	US$	%	US$	%	US$	%
	(in thousands, except for percentages)									
							(Unaudited)			
Southeast Asia	1,046,504	68.1	2,377,544	49.0	2,381,726	32.7	1,177,929	34.6	1,246,076	30.9
China	478,847	31.2	2,181,368	45.0	4,096,177	56.4	1,960,145	57.6	2,203,070	54.7
Others[(1)]	10,074	0.7	292,888	6.0	789,525	10.9	264,469	7.8	581,293	14.4
Total	1,535,425	100.0	4,851,800	100.0	7,267,428	100.0	3,402,543	100.0	4,030,439	100.0

Note:

(1) Includes revenue from our cross-border services and revenue from express delivery services in other regions.

Our revenue by geographic segment includes revenue from: (i) Southeast Asia, (ii) China, and (iii) Others. We generate substantially all of our revenue from express delivery services in Southeast Asia and China, while the rest of our revenue is generated from our express delivery services in the New Markets and our cross-border services. We witnessed a fast growth in our business operations and financial results during the Track Record Period. Our total revenue grew from US$1.5 billion in 2020 to US$4.9 billion in 2021, and further to US$7.3 billion in 2022. In addition, our total revenue grew from US$3.4 billion for the six months ended June 30, 2022 to US$4.0 billion for the same period in 2023. Our revenue from Southeast Asia grew at a CAGR of 50.9% from 2020 to 2022 and increased by 5.8% from US$1,177.9 million for the six months ended June 30, 2022 to US$1,246.1 million for the same period in 2023. Our revenue from China grew at a CAGR of 192.5% from 2020 to 2022 and increased by 12.4% from US$1,960.1 million for the six months ended June 30, 2022 to US$2,203.1 million for the same period in 2023. As we have been expanding our operations to new markets and enriching our service offerings, our revenue from the New Markets and cross-border services grew from US$10.1 million in 2020 to US$292.9 million in 2021, and further grew by approximately 169.6% to US$789.5 million in 2022. Our revenue from the New Markets and cross-border services increased by 119.8% from US$264.5 million for the six months ended June 30, 2022 to US$581.3 million for the same period in 2023.

The following table sets forth our gross profit/(loss) and (negative) gross margin by geographic segment for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	Gross profit/ (loss)	(Negative) Gross margin	Gross profit/ (loss)	(Negative) Gross margin	Gross profit/ (loss)	(Negative) Gross margin	Gross profit/ (loss)	(Negative) Gross margin	Gross profit/ (loss)	(Negative) Gross margin
	US$	%	US$	%	US$	%	US$	%	US$	%
	(in thousands, except for percentages)						(Unaudited)			
Southeast Asia	311,953	29.8	662,131	27.8	476,002	20.0	223,037	18.9	220,118	17.7
China	(576,734)	(120.4)	(1,218,693)	(55.9)	(664,760)	(16.2)	(267,879)	(13.7)	(17,085)	(0.8)
Others[(1)]	3,293	32.7	11,818	4.0	(81,480)	(10.3)	(21,217)	(8.0)	(9,493)	(1.6)
Total	(261,488)	(17.0)	(544,744)	(11.2)	(270,238)	(3.7)	(66,059)	(1.9)	193,540	4.8

Note:

(1) Includes revenue from our cross-border services and revenue from domestic express delivery services in the New Markets.

We had a gross loss of US$261.5 million, US$544.7 million, US$270.2 million and US$66.1 million in the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022, respectively. In the six months ended June 30, 2023, we had a gross profit of US$193.5 million. Our negative gross margin narrowed from 17.0% in 2020 to 11.2% in 2021, and further to 3.7% in 2022, and we recorded a gross profit margin of 4.8% for the six months ended June 30, 2023, reflecting the improved network effects of our global operation and economies of scale, and demonstrating a clear trajectory of profitability improvement. Our gross profit/(loss) and (negative) gross margin performance differs by geographic segment during the Track Record Period.

- **Southeast Asia:** We have consistently achieved gross profits in Southeast Asia during the Track Record Period. We recorded a gross profit of US$312.0 million, US$662.1 million, US$476.0 million, US$223.0 million and US$220.1 million, and a gross margin of 29.8%, 27.8%, 20.0%, 18.9% and 17.7% in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. The decline in gross margin from 2020 to 2021 was mainly due to a change of service scope after our acquisitions of unconsolidated regional operating entities in Indonesia and Thailand in 2021, after which we started to incur line-haul costs and fulfillment costs previously borne by the then unconsolidated regional operating entities for delivery orders directly placed with them. The decline in gross margin from 2021 to 2022, as well as the decline in the six months ended June 30, 2023, was mainly due to (i) our strategic pricing adjustment for certain e-commerce platform customers to reinforce our relationship with them, (ii) generally increased costs due to inflation, and (iii) additional costs in relation to new customer relationship acquisition.

  Our businesses in certain countries in Southeast Asia incurred gross losses in different periods during the Track Record Period, but our businesses in most countries in Southeast Asia recorded gross profits during the Track Record Period. In Southeast Asia, we generated a substantial amount of our revenue from Indonesia, the Philippines, Malaysia and Thailand, which were our top four countries in terms of revenue contribution, aggregating to over 86% of our total revenues from Southeast Asia in each of 2020, 2021, 2022 and the six months ended June 30, 2023. The average gross margin of our operations in the seven Southeast Asian countries, based on country-level management accounts, was 15%, 14%, 9%, and 9%, respectively, for the year ended December 31, 2020, 2021, 2022 and the six months ended June 30, 2023.

- **China:** We incurred gross losses in China during the Track Record Period. We recorded a gross loss of US$576.7 million, US$1,218.7 million, US$664.8 million, US$267.9 million and US$17.1 million, and a negative gross margin of 120.4%, 55.9%, 16.2%, 13.7% and 0.8% in 2020, 2021, 2022 and for the six months ended June 30, 2022 and 2023, respectively. We have demonstrated significant improvements in our margins from 2020 to 2022 and in the six months ended June 30, 2023. Our historical loss-making positions in China were primarily attributable to our continued investments in technology infrastructure, scale and expansion. Capitalizing on such investments, we have grown rapidly in China since our entry into the market in March 2020, achieving significant growth in parcel volume and market share during the Track Record Period. In China, we handled 12,025.6 million parcels in 2022, representing a market share of 10.9% by parcel volume in 2022. We furthered increased our market share to 11.7% and 12.6% in June and July 2023, respectively. We were one of the very few newcomers in the industry that successfully took a sizable share of the market from major players. From the fourth quarter of 2020 to the fourth quarter of 2022, we were the fastest-growing express delivery operator in China among major players in terms of parcel volume, as well as the fastest among our peers in China to achieve a scale of 50 million peak daily parcel volume, according to Frost & Sullivan.

- **Others:** For our cross-border services and New Markets operations, we had a gross loss of US$81.5 million in 2022, compared to gross profits of US$3.3 million and US$11.8 million in 2020 and 2021, as we just started to enter express delivery services in the New Markets and continued to expand our cross-border services in 2022. We recorded a gross loss of US$9.5 million for the six months ended June 30, 2023. During the Track Record Period, each country in the New Markets incurred a gross loss, as our operations in these markets are still in the ramp-up stage. We expect to continue to selectively invest in our cross-border operations and ramp up our operations in the New Markets.

Despite our continuous growth in revenue and volume and our narrowing negative gross margin from 2020 to 2022, we incurred operating losses and net operating cash outflow, mainly due to (i) the gross loss incurred in our operations in China during the three years ended December 31, 2022 and (ii) to a much lesser extent, our cross-border and the New Markets businesses in 2022.

Our Path to Profitability

In the long term, to continue to realize our revenue potential and achieve profitability, we plan to further (i) grow our parcel volume and market share, (ii) maintain a flexible pricing strategy, (iii) control costs, narrow gross loss and improve gross margin, and (iv) enhance operating leverage.

Grow our parcel volume and market share

We focus on growing our parcel volume to solidify our market share and leading market positions through expanding network coverage, enriching and enhancing our service offerings and strengthening our relationships with e-commerce partners. We have established a highly scalable regional sponsor model based on local networks that we lead with the support of our regional sponsors in selected geographies. Our growth and profitability depend on the volume of deliveries we provide to underserved markets.

The table below illustrates the growth in our parcel volume in our regions of operations over the Track Record Period.

	Year ended December 31,			Six months ended June 30,		2020-2022 CAGR
	2020	2021	2022	2022	2023	
	(in millions, except for percentages)					
Southeast Asia	1,153.8	2,160.8	2,513.2	1,215.0	1,438.3	47.6%
China	2,083.5	8,334.3	12,025.6	5,602.3	6,445.6	140.2%
New Markets	–	–	49.1	7.7	83.2	N/A

Our global parcel volume in 2022 was 14.6 billion, representing a CAGR of 112.3% from 3.2 billion in 2020. Our global parcel volume in the six months ended June 30, 2023 was 8.0 billion, increasing by 16.7% from 6.8 billion in the six months ended June 30, 2022. Leveraging our existing advantages and expanding customer outreach, our parcel volume had been growing at a rate higher than the industry average during the Track Record Period, and we believe we will be able to maintain a robust growth of parcel volume in the following 12 to 24 months.

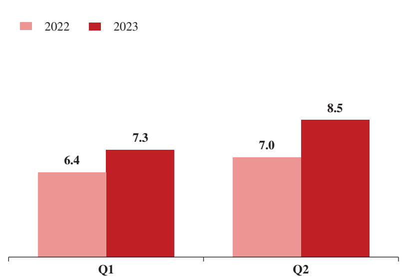
- In Southeast Asia, a majority of our parcels directly came from e-commerce platforms during the Track Record Period, who have significant influence over the choice of delivery companies for the goods sold on these platforms. We grew our parcel volume mainly through (i) rapid ramp-up of our network and operations through the regional sponsor model and (ii) deepened and expanded relationships with e-commerce platforms. In addition, we have been expanding our business outreach to corporate customers with express delivery demand as well as individual customers. In the meantime, we have been exploring collaboration opportunities with emerging e-commerce platforms, whose business volumes have been rapidly growing and who need reliable express delivery partners to fulfill delivery orders. Our parcel volume in Southeast Asia grew at 87.3% year over year from 2020 to 2021, and further at 16.3% year over year from 2021 to 2022, representing market share of 16.4%, 22.3% and 22.5% in 2020, 2021 and 2022 by parcel volume, respectively. Our parcel volume in Southeast Asia increased by 18.4% from 1,215.0 million in the six months ended June 30, 2022 to 1,438.3 million in the six months ended June 30, 2023. On a quarterly basis, the average daily parcel volume, calculated by the parcel volume in a given quarter divided by the number of days in such quarter, grew from 7.3 million in the first quarter of 2023 to 8.5 million in the second quarter of 2023.

- In China, substantially all of our parcels originated from through e-commerce platforms, whose merchants have decision power over the choice of delivery companies for the goods sold on the platforms during the Track Record Period. We increased our parcel volume through (i) continued expansion of partnership with more e-commerce platforms and therefore more diversified parcel sources, (ii) expanded network of network partners acquiring a wide range of merchants across China, and (iii) continuously improving service quality and enhancing brand image which facilitated with our client sourcing abilities. In 2021, the acquisition of BEST Express China provided us with access to additional e-commerce platforms which we could not access before, and we also commenced partnership with social e-commerce platforms such as Douyin and Kuaishou, both of which diversified our sources of parcels and brought in new growth opportunities for us. As we expand our relationships with more e-commerce platforms, we are able to access additional merchants on these platforms. Satisfactory services provided to merchants and end customers on these platforms could solidify our relationships with e-commerce platforms, who closely monitor the performance of express delivery partners and feedback on our delivery services from their end customers. With our enlarged network, established infrastructure and flexible pricing strategies, we can further grow parcel volume and market share in China. Our parcel volume in China grew at 300.0% year over year from 2020 to 2021, and further at 44.3% year over year from 2021 to 2022, representing market share of 2.5%, 7.7% and 10.9% in 2020, 2021 and 2022 by parcel volume, respectively. Our parcel volume in China increased by 15.1% from 5,602.3 million in the six months ended June 30, 2022 to 6,445.6 million in the six months ended June 30, 2023. On a quarterly basis, the average daily parcel volume, calculated by the parcel volume in a given quarter divided by the number of days in such quarter, grew from 30.0 million in the first quarter of 2023 to 41.2 million in the second quarter of 2023. In addition, we achieved a market share of 11.5% by parcel volume in the second quarter of 2023.

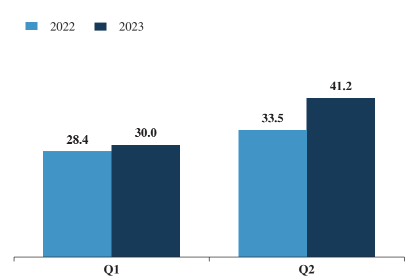
- We entered into the New Markets in 2022 and have a very limited history of operating in these markets. Our parcel volume in these markets was 49.1 million in total in 2022 and 83.2 million for the six months ended June 30, 2023. The average daily parcel volume grew from 323,200 in the first quarter of 2023 to 594,400 in the second quarter of 2023.

The following charts illustrate the growth in our daily average parcel volume by geographic regions for the periods indicated.

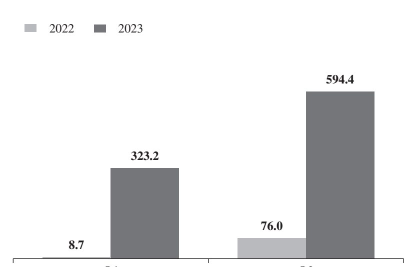
Southeast Asia Daily Average Parcel Volume (in millions)



China Daily Average Parcel Volume (in millions)



New Markets Daily Average Parcel Volume (in thousands)



We will continue to grow our parcel volume and enlarge the scale of our platform, which will increase utilization rate of our critical facilities, including sorting centers and line-hauls, and improve the efficiency of our resources.

- In Southeast Asia, we expect to continue increasing our parcel volume and market share through (i) deeper collaboration with existing e-commerce clients and expanding partnerships with more e-commerce platforms in the region, (ii) continuously improving our regional network, our service quality and our ability to retain existing customers and acquire new customers, and (iii) maintaining our dominant market position to further capture growth. According to Frost & Sullivan, the express delivery market in Southeast Asia is expected to further grow in the next five years, driven by (i) the growing GDP per capital and consumer purchasing power, (ii) improved transportation and local infrastructure and payment systems, (iii) the growth of e-commerce platforms, and (iv) favorable government policies. Leveraging our first-mover advantage and market leadership as well as our leading infrastructure and network in Southeast Asia, we believe we are capable of supporting the growing volumes of our e-commerce customers in Southeast Asia, which allows us to stand out among our competitors. We expect to maintain our dominant market leadership in Indonesia, Malaysia, the Philippines and Cambodia, where we were ranked No. 1 by parcel volume in 2022, and grow market share in Thailand, where we recently upgraded and improved the automation level of our sorting facilities in order to increase our capacity. Our Directors are of the view that given the established network, investments in logistics facilities and customer relationships, as well as cultivation of prospective customer relationships in the regions, it is feasible for us to achieve our goals. Furthermore, our achieved cost efficiency may also enable us to maintain flexible pricing and continue to grow our parcel volume so as to grow our market share.

- In China, we expect to increase our parcel volume and market share through (i) deeper collaboration with existing e-commerce clients and expanding partnerships with more e-commerce platforms, (ii) improved and consistent service quality driven by optimized management of network partners, (iii) diversified sources of parcels from merchants on a wide range of e-commerce platforms, and (iv) continued efforts in developing non e-commerce customers to further diversify source of parcels. In addition, due to the integration with BEST Express China, we encountered business fluctuations which may have impacted our post-acquisition market share in China during certain time throughout 2022. Such integration was completed in the six months ended June 30, 2022 and we expect to further release growth potential with an enlarged network going forward. According to Frost & Sullivan, the express delivery market in China is expected to further grow, driven by (i) robust demand from e-commerce, (ii) favorable government policies, (iii) advanced technology applications, (iv) improving infrastructure and facilities, and (v) emerging cross-border e-commerce and express delivery demand. We have been able to maintain our growth in market share in China since our entry into the market from 7.7% in 2021 to 10.9% in 2022. In July 2023, our market share by parcel volume amounted to 12.6%.

Maintain flexible pricing strategy

During the Track Record Period, we also adjusted pricing of our services based on the competitive landscape and operations across the markets in which we operated. The table below illustrates the average revenue per parcel in Southeast Asia and China over the Track Record Period as a result of our pricing strategy.

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	(US$, per parcel)				
Southeast Asia	0.91	1.10	0.95	0.97	0.87
China	0.23	0.26	0.34	0.35	0.34

In Southeast Asia, e-commerce platforms usually purchase delivery services from express delivery companies in bulk, and we consider pricing strategy along with volume discounts. Our revenue per parcel in Southeast Asia during the Track Record Period was affected by a mix of factors, including (i) the impact of foreign exchange rates, (ii) our acquisition and consolidation of the SEA entities to expand the scope of our services, and (iii) our strategic pricing adjustment in 2022 to stay competitive in Southeast Asian markets. Leveraging our dominant market positions, extensive network and established infrastructure in Southeast Asia, we expect to maintain an adaptive and flexible pricing strategy while growing our parcel volume and market share. According to Frost & Sullivan, average revenue per parcel in the express delivery service industry has been steadily decreasing during the Track Record Period but the pace of decline is expected to stabilize gradually between 2023 and 2027.

Our revenue per parcel in China increased during the Track Record Period, primarily driven by (i) the fast establishment and expansion of our network in China since our entry into the market in 2020, leading to improved bargaining power with network partners, (ii) government policies and guidance supporting the stabilization of pricing in China during the Track Record Period, and (iii) our access to additional e-commerce platforms and ability to source high-value parcels from high-quality customers or merchants. We expect to maintain and improve our pricing terms, driven by (i) our continued efforts to deepen partnership with various e-commerce platforms such as Taobao / Tmall, Douyin and Kuaishou, (ii) optimizing the management of our network partners and continuously improving service quality across our network, and (iii) diversifying customer base and acquiring premium enterprise customers through our enhanced brand image. We expect to maintain a competitive but sustainable average revenue per parcel in China. According to Frost & Sullivan, the average revenue per parcel in the express delivery service industry has been steadily decreasing during the Track Record Period but is expected to stabilize between 2023 and 2027.

In 2022, we expanded into the New Markets. Our average revenue per parcel in the New Markets was US$1.7 in 2022 and US$1.6 for the six months ended June 30, 2023. As we only started our operations in the New Markets recently, revenue from these markets was US$81.8 million in 2022 and US$132.8 million for the six months ended June 30, 2023, and only accounted for 1.1% and 3.3% of our total revenue in the respective period.

Control costs, narrow gross loss and improve gross margin

Cost of revenue

The table below illustrates our cost of revenue breakdown by nature, in absolute amount and as a percentage of our total cost of revenue, during the Track Record Period. For more details on the components of our cost of revenue, see "Financial Information – Major Components of Results of Operations – Cost of Revenue."

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	US$	%	US$	%	US$	%	US$	%	US$	%
	(in thousands, except for percentages)									
							(Unaudited)			
Fulfillment costs	820,139	45.6	2,385,225	44.2	3,320,187	44.0	1,582,047	45.6	1,790,771	46.7
Line-haul costs	368,172	20.5	1,341,433	24.9	2,221,664	29.5	995,370	28.7	1,137,526	29.6
Staff costs	306,000	17.0	701,196	13.0	645,682	8.6	349,397	10.1	313,364	8.2
Other labor costs	93,149	5.2	308,451	5.7	382,250	5.1	179,712	5.2	206,453	5.4
Depreciation and amortization	82,554	4.6	192,207	3.6	443,466	5.9	219,136	6.3	219,137	5.7
Impairment losses	–	–	250,292	4.6	219,080	2.9	–	–	–	–
Others	126,899	7.1	217,740	4.0	305,337	4.0	142,940	4.1	169,648	4.4
Total	**1,796,913**	**100.0**	**5,396,544**	**100.0**	**7,537,666**	**100.0**	**3,468,602**	**100.0**	**3,836,899**	**100.0**

Cost of revenue by segment

The table below illustrates our cost of revenue breakdown by geographical segment, in absolute amount and as a percentage of our total cost of revenue, during the Track Record Period:

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	US$	%	US$	%	US$	%	US$	%	US$	%
	(in thousands, except for percentages)									
							(Unaudited)			
Southeast Asia	734,551	40.9	1,715,413	31.8	1,905,724	25.3	954,892	27.5	1,025,958	26.7
China	1,055,581	58.7	3,400,061	63.0	4,760,937	63.2	2,228,024	64.2	2,220,155	57.9
Others[(1)]	6,781	0.4	281,070	5.2	871,005	11.5	285,686	8.2	590,786	15.4
Total	**1,796,913**	**100.0**	**5,396,544**	**100.0**	**7,537,666**	**100.0**	**3,468,602**	**100.0**	**3,836,899**	**100.0**

Note:

(1) Include cost of revenue for our cross-border services and express delivery services in the New Markets.

The table below illustrates the average cost per parcel and its breakdown by express delivery process in our geographical segment during the Track Record Period:

Average cost per parcel

	Year ended December 31,			Six months ended June 30,	
	2020	**2021**	**2022**	**2022**	**2023**
	(US$ per parcel)				
Southeast Asia	**0.64**	**0.79**	**0.76**	**0.79**	**0.71**
Pickup and delivery cost	*0.39*	*0.46*	*0.43*	*0.44*	*0.40*
Transportation cost	*0.15*	*0.22*	*0.22*	*0.23*	*0.19*
Sorting cost	*0.08*	*0.09*	*0.09*	*0.11*	*0.09*
Other cost	*0.02*	*0.02*	*0.02*	*0.01*	*0.03*
China	**0.51**	**0.41**	**0.40**	**0.40**	**0.34**
Delivery cost	*0.25*	*0.21*	*0.20*	*0.21*	*0.20*
Transportation cost	*0.12*	*0.08*	*0.09*	*0.10*	*0.08*
Sorting cost	*0.11*	*0.06*	*0.08*	*0.09*	*0.06*
Other cost	*0.03*	*0.05*	*0.03*	*0.01*	*0.01*

Our average cost per parcel consists of:

- *Pickup and delivery cost per parcel.* In Southeast Asia, for pickup and delivery cost per parcel, pickup and delivery costs consist of (i) costs paid to unconsolidated regional operating entities in 2020 and part of 2021 prior to the acquisitions of the SEA entities, (ii) staff costs and external labor costs for the delivery personnel, depreciation and amortization expenses incurred for directly operated outlets, and (iii) pickup and delivery fees paid to the network partners since we directly contract with e-commerce platforms who are our customers. In China, pickup and delivery costs mainly consist of delivery fees paid to network partners.

- *Transportation cost per parcel.* Transportation costs include (i) transportation services costs paid to third-party fleet providers, and (ii) staff costs, fuel costs and tolls, and depreciation and amortization expenses in relation to our self-operated fleet, as well as air transportation expenses.

- *Sorting cost per parcel.* Sorting costs include (i) staff costs, (ii) external labor costs, and (iii) depreciation and amortization expenses which are mainly depreciation expenses in relation to sorting equipment and other types of fixed assets, as well as the right-of-use assets for certain logistics facilities under IFRS 16, namely the lease payments for sorting centers.

- *Other cost per parcel.* Other costs include (i) impairment losses for redundant property, plant and equipment identified after the acquisition and integration of BEST Express China, which is considered one-off given the size of the integration, and (ii) other miscellaneous costs including cost of packaging materials, rental costs, utility costs, other operating costs and maintenance expenses.

Our average cost per parcel in Southeast Asia increased in 2021 due to our acquisition of certain unconsolidated regional operating entities in Indonesia and Thailand, which changed our cost structure in Southeast Asia. Before such acquisitions, we generated a meaningful portion of our revenue from such entities.

- Prior to the acquisitions, we incurred a large portion of costs in these countries for engaging unconsolidated regional operating entities to perform pickup, sorting, transportation and delivery, as well as other labor costs, transportation costs, etc. For parcel orders directly placed with the unconsolidated regional operating entities, they were responsible for all costs associated with the parcels delivered through our network, during which we received network service fees from them for the use of our brand, platform and infrastructure.

- After the acquisition, we consolidated the regional operating entities and accounted their costs for the delivery of parcels. In addition, we streamlined and standardized our delivery services and became responsible for the costs associated with the pickup, sorting, transportation and delivery of all parcels delivered through our network.

In Southeast Asia, we expect our average cost per parcel to decline as we continue to expand our scale, optimize our operations, increase our self-owned fleet capacity and improve our technology system. Specifically, we expect to achieve:

- *Optimized pick up and delivery cost per parcel.* Upon our acquisitions of the SEA entities, we operated a majority of pickup and delivery outlets directly through regional operating entities in Southeast Asia, which incurred costs for the first-mile pickup and last-mile delivery personnel. Therefore, our pickup and delivery cost per parcel increased from US$0.39 in 2020 to US$0.46 in 2021. In 2022, we started to dynamically adjust the density and locations of outlets based on local operating environment, such as selectively engaging network partners who own and operate their own pickup and delivery outlets, expanding coverage of each outlet operated by network partners, or increasing capacity of each outlet, which helped us reduce the pickup and delivery cost per parcel to US$0.43 in 2022, and further to US$0.40 in the six months ended June 30, 2023. We will continue to optimize our pickup and delivery cost structure by engaging network partners to operate more of our outlets and also increase their operating efficiency.

- *Resilient sorting cost per parcel.* In 2021, upon the acquisitions of unconsolidated regional operating entities, we also integrated sorting centers and relevant staff of such entities in Indonesia, which caused an increase in our sorting cost per parcel from US$0.08 in 2020 to US$0.09 in 2021 and 2022. We have been actively enhancing the efficiency of our sorting staff since 2022, which helped us maintain a sorting cost per parcel at US$0.09 in the six months ended June 30, 2023. We strive to continuously increase sorting efficiency in Southeast Asia through consolidating sorting centers, upgrading automated equipment, and enhancing the efficiency of staff and external labor at sorting centers.

- *Optimization of transportation cost efficiency*: We continue to optimize routes connecting sorting centers, which helped us increase efficiency during the Track Record Period. Our transportation cost per parcel increased from US$0.15 in 2020 to US$0.22 in 2021, primarily due to the consolidation of transportation costs previously borne by the unconsolidated regional operating entities in Indonesia and Thailand. After the acquisitions of these entities, we were able to integrate resources, allowing us to increase capacity on every trip and optimize resource allocation between self-operated vehicles and third-party transportation service providers, which was partially offset by the inflation in labor and fuel prices in 2022. We have commenced optimizing and adjusting the coverage of each sorting center in Thailand, Malaysia and Vietnam in late 2022, which further reduce the number of line-haul trips needed among the sorting centers. Our transportation cost per parcel remained at US$0.22 in 2022 and declined to US$0.19 in the six months ended June 30, 2023. We expect to selectively utilize third-party fleets as we continue to build up our self-operated fleet which has higher efficiency.

Our average cost per parcel in China during the Track Record Period has steadily decreased, primarily driven by efficiency gains from economies of scale as we rapidly ramp up our parcel volume, leading to decreases in delivery cost, transportation cost and sorting cost on a per parcel basis. In 2021 and 2022, our average cost per parcel was also impacted by impairment losses incurred mainly for the impairment of redundant property, plant and equipment identified after the acquisition and during the subsequent integration of BEST Express China. Such impairment was classified under other costs and caused average other costs per parcel in 2021 and 2022 to being comparatively higher at US$0.05 and US$0.03, respectively. We do not expect to further incur such impairment losses given the integration has been completed.

In China, we expect our average cost per parcel to decline as we continue to achieve better economies of scale, employ more self-owned fleet and optimize the operating efficiency of our sorting centers. Specifically, we expect:

- *Stabilized delivery costs*: After our entry into China in March 2020 and during the initial ramp-up phase, we compensated our network partners on delivery fees given the parcel volume was relatively low. Leveraging our rapid increase in parcel volume during the Track Record Period, we were able to adjust the delivery fees paid to our network partners, and have achieved a decrease in our average delivery cost per parcel from US$0.25 in 2020 to US$0.20 in 2022 and the six months ended June 30, 2023. As the scale and density of our parcel volume further increases, we will be able to further maintain stable delivery fees paid to network partners.

- *Enhancement of transportation cost efficiency*: We have been increasing the proportion of self-owned vehicles in our total fleet during the Track Record Period. By improving the utilization rate of fleet capacity as our parcel volume ramped up, we were able to decrease our average transportation cost per parcel from US$0.12 in 2020 to US$0.09 in 2022 and further to US$0.08 in the six months ended June 30, 2023. In 2022, we experienced a slight increase in average transportation cost per parcel due to increases in fuel costs and line-haul trips as we consolidated additional sorting centers from BEST Express China. As we enlarge our self-owned fleet, especially in terms of high capacity line-haul vehicles and optimize transportation routes through better planning and monitoring of an enlarged network, we expect to increase line-haul efficiency further.

- *Higher efficiency of sorting centers*: In China, our average sorting cost per parcel mainly consists of labor costs incurred in relation to internal sorting staff and external labor force utilized to supplement capacity, as well as depreciation expenses which are mainly lease payments for sorting centers. Driven by improved capacity utilization of sorting centers from increases in parcel volume, our average sorting cost per parcel was US$0.11, US$0.06, US$0.08 and US$0.06 in 2020, 2021, 2022 and the six months ended June 30, 2023, respectively, demonstrating a general downward trend. In 2022, we experienced a slight increase in average sorting cost per parcel compared to 2021 due to temporary increase in labor costs and depreciation expense associated with the consolidation of sorting facilities from BEST Express China. We expect to further enhance the efficiency of our sorting operations in general with (i) further upgrade of the automated sorting equipment deployed at the sorting centers, (ii) enhancing management and training of the employees, (iii) better management of the external labor force, and (iv) continuously optimizing planning of our sorting center facilities post integration of BEST Express China.

As we tapped into the New Markets, we incurred certain ramp-up costs in relation to our preparation activities in these markets. Our cost of revenue for the New Markets was US$100.8 million in 2022 and US$156.2 million for the six months ended June 30, 2023. We expect to improve our cost per parcel in the New Markets, which was US$2.1 for the year ended December 31, 2022 and US$1.9 for the six months ended June 30, 2023, after our operations in these markets stabilize and reach a critical scale.

Investment in infrastructure

We record depreciation and amortization in relation to property, plant and equipment under cost of revenue as well as lease of logistics facilities (recognized as right-of-use assets under IFRS 16), which represented our continuous investment into the scale of our fixed assets as well as the network. Depreciation and amortization under cost of revenue has been increasing by 132.8% year over year from US$82.6 million in 2020 to US$192.2 million in 2021, and further by 130.7% year over year to US$443.5 million in 2022, and remained stable at US$219.1 million and US$219.1 million for the six months ended June 30, 2022 and 2023. Depreciation and amortization as percentage of revenue was 5.4%, 4.0%, 6.1%, 6.4% and 5.4% in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively. China accounted for the majority of our property, plant and equipment balance during the Track Record Period. We also incurred increasing capital expenditure during the Track Record Period, of which a majority was incurred to build our express delivery network in China. With impairment associated with redundant fixed assets in relation to BEST Express China completed by the end of 2022 and stable level of capital expenditure planned in Southeast Asia and China, we expect to maintain stable depreciation and amortization expense as a percentage of revenue.

Gross profit/loss and gross margin

Our negative gross margin was 17.0%, 11.2% and 3.7% in 2020, 2021 and 2022, respectively. We recorded a gross profit margin of 4.8% for the six months ended June 30, 2023, compared to a negative gross margin of 1.9% for the same period in 2022, by maintaining resiliency in our profitability for Southeast Asia and significantly narrowing our gross loss in China. Our overall gross loss during each period of the Track Record Period was attributable to the gross loss in China and, to a much lesser extent, the gross loss in cross-border business and the New Markets. We achieved a healthy gross margin in Southeast Asia during the Track Record Period. Based on the measures as discussed above, we expect to narrow our gross loss and improve our gross margin.

Enhance operating leverage

Our operating expenses mainly consists of selling, general and administrative expenses, and research and development expenses, with selling, general and administrative expenses accounting for the majority. The table below illustrates the breakdown of our operating expenses and operating expenses (excluding share-based payments in relation to equity transactions, share-based compensation expenses and other share-based compensation expenses), which are not directly related to our daily operations, as a percentage of our revenue.

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	As percentage of our revenue (%)			(Unaudited)	
Operating expenses(1)	24.7	24.1	15.7	16.1	44.3
Operating expenses (excluding share-based payments and expenses)(2)	12.5	11.4	11.8	8.4	8.9

Notes:

(1) Include impairment of goodwill of US$117.5 million in 2022.

(2) Exclude share-based payments and expenses of US$188.3 million, US$619.0 million, US$281.4 million, US$260.6 million and US$1,426.9 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively.

Selling, general and administrative expenses

Our selling, general and administrative expenses primarily consists of (i) staff costs, including salaries, bonus, other compensation and share-based compensation expenses to our staff, (ii) share-based payments related to equity transactions, (iii) other share-based compensation expenses, (iv) office related expenses, (v) professional service fees, including auditor's remuneration, [**REDACTED**] fees and fees for other consulting services, (vi) promotion and marketing expenses relating to branding initiatives and advertising activities, (vii) depreciation and amortization of office equipment and right-of-use assets in relation to the leases for offices, (viii) one-off impairment of goodwill relating to BEST Express China based on peers' performance and general industry trend, and (ix) other selling, general and administrative expenses. The table below illustrates our selling, general and administrative expenses, excluding share-based payments in relation to equity transactions, share-based compensation expenses and other share-based compensation expenses, which are not directly related to our daily operations, as a percentage of our revenue.

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	As percentage of our revenue (%)			(Unaudited)	
Selling, general and administrative expenses(1)	23.8	23.3	15.1	15.5	43.9
Selling, general and administrative expenses (excluding share-based payments and expenses)(2)	11.6	10.8	11.2	7.8	8.5

Notes:

(1) Include impairment of goodwill of US$117.5 million in 2022.

(2) Exclude share-based payments and expenses of US$188.3 million, US$619.0 million, US$281.4 million, US$260.6 million and US$1,426.9 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively.

Excluding the impact from share-based payments and expenses notwithstanding the slight increase in 2022 due to inclusion of one-off impairment of goodwill relating to BEST Express China our selling, general and administrative expenses as percentage of revenue continuously decreased from 11.6% in 2020 to 10.8% in 2021, and further to 8.5% for the six months ended June 30, 2023, as a result of enhanced operating leverage as parcel volume and revenue increases. We expect our selling, general and administrative expenses as percentage of revenue to gradually decline as we expect to (i) achieve enhanced economies of scale for staff costs with increasing global scale of operations, as certain headquarter functions can support our operations in growth initiatives, and (ii) grow our promotion and marketing expenses at a pace slower than the growth of revenue, as our past strategic marketing events and activities enhances brand recognition and increases user mindshare.

Research and development expenses

Our research and development expenses primarily consist of (i) staff costs, including salaries, bonuses and share-based compensation expenses to our research and development personnel, (ii) depreciation and amortization of intangible assets, and (iii) others, primarily including utilities, rent and other expenses necessary to support research and development activities.

Our research and development expenses (excluding share-based compensation payments and expenses) as percentage of revenue decreased from 0.9% in 2020 to 0.5% in 2021, and remain relatively stable at 0.6% in 2022, and decreased from 0.6% for the six months ended June 30, 2022 to 0.4% for the six months ended June 30, 2023. While committed to continue to invest in research and development, we will carefully expand our research and development team and selectively invest in technology upgrades.

In summary, we had a gross loss, negative adjusted EBITDA (a non-IFRS measure), and adjusted loss (a non-IFRS measure) in 2020, 2021 and 2022, as we focused on long-term growth strategies such as enhancing our leading positions in Southeast Asia and China, growing our market share in core markets, expanding our geographic coverage and logistics network and investing in technology, talent, customer service and environmental sustainability. We had a gross profit, positive adjusted EBITDA (a non-IFRS measure) and net operating cash inflow for the six months ended June 30, 2023, as we remained resilient in maintaining profitability in Southeast Asia and have significantly narrowed our loss position in China. Upon the successful implementation of the aforementioned measures to achieve profitability and grow our scale, we believe that we are able to pave the way for long-term business sustainability.

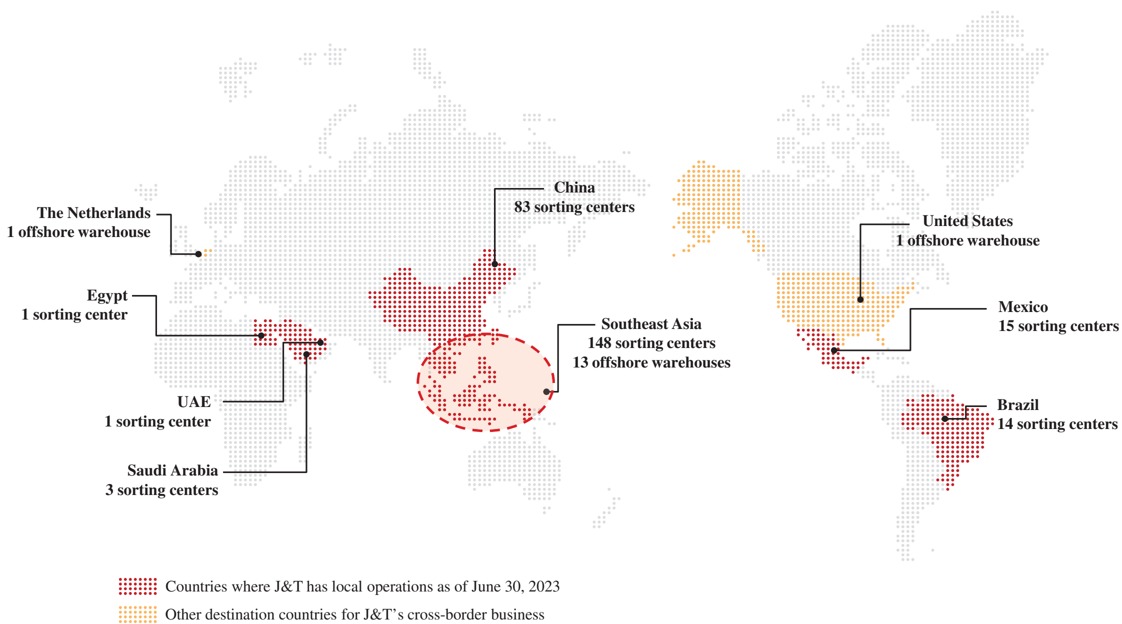
Working capital management policies

To ensure our working capital sufficiency, we maintain a suite of working capital management policies. We implemented various of procedures and policies, such as working capital management policy, bank account management policy, overall budget management policy and investment management policy to screen and standardize the management of working capital of our Company and the subsidiaries. For example, pursuant to our centralized cash flow management and forecasting policies, each of our subsidiary is required to submit its rolling cash-flow budget on a monthly basis and we would calculate cash needs and formulate appropriate strategies. By analyzing actual-vis-budget figures, we would refine policies or provide guidance to our subsidiaries as necessary. For accounts receivables management, we circulate aging report and analyze various metrics, such as aging, customer type and countries, to monitor the collection of receivables. We have also implemented alert system to prevent any overdrafts or long-term receivables. With regard to accounts payables management, our approach involves a detailed analysis of cost items. For example, we scrutinize transportation costs by examining factors such as capacity, route planning and loading rates. This approach enables us to improve operational efficiency and enhance our working capital management.

OUR INFRASTRUCTURE

Sorting centers and warehouses

Our sorting centers are connected by the line-haul transportation network that we operate. They collect parcels from outlets and service stations within their respective coverage area, sort them according to their destinations and dispatch them to the destination sorting centers. As of June 30, 2023, our express delivery network had 265 sorting centers in operation. The following map shows our network of sorting centers and warehouses in operation as of June 30, 2023.



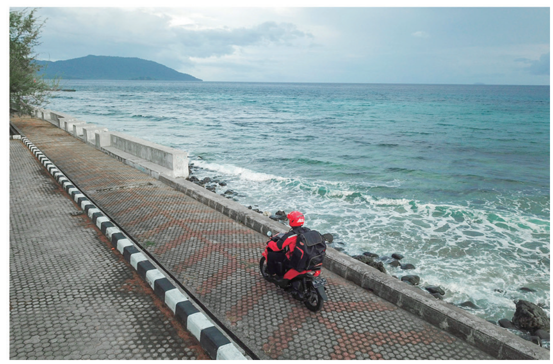
Our centralized planning team coordinates the development of new hubs and the expansion of existing ones in aspects including site selection, facility layout design and equipment purchase. We consider adding new sorting centers to our network if they can optimize our routes or increase our capacity in the surrounding areas. We select sites with convenient access to major highways to improve efficiency and reduce cost. We design new sorting centers with their expected growth in mind and build in extra capacity for volume growth in the foreseeable future. We equip our hubs with sorting and loading equipment that best fits our needs.

We believe that our sorting centers are among the most efficient in the markets where we operate. We employ automated sorting machines at certain critical high-volume sorting centers capable of scanning up to approximately 88,000 packages per hour at peak volume, and intelligent scanning, which feeds data into our tracking system, greatly reduces reliance on manual labor, lowers operating cost and shortens delivery times. As a testimony of our success, in 2020, we won the Indonesia Digital Innovation award for our sorting centers in Jakarta, Indonesia, which allowed us to increase sorting capacity from approximately 180,000 packages per day to approximately 460,000 packages per day. We are also in the process of building customized integrated logistics centers, upgrading our sorting centers through a combination of renovation and self-construction. These customized integrated logistics centers combine functions of warehouses and sorting centers with other functions including after-sale services. Designed to optimize storage, sorting and transportation efficiency, these customized logistic centers are expected to further expand our network capacity and resilience. Our waybill tracking system monitors the status of parcel movement and enables us to identify centers with the need for additional investment or resource allocation to increase sorting speed. We continue to upgrade and optimize operations of our sorting centers and further expand our network capacities.

When planning routes, we prioritize the efficiency of the entire network over the interest of any individual regional sponsor or network partner. We dispatch each parcel to the sorting center closest to its destination even if the sorting center and the destination are located in different administrative regions. This greatly reduces transportation time and lowers our transportation cost. Our seamless route planning and management benefit from our experience accumulated through years of optimization and the support of our information technology infrastructure, which enables dynamic tracking and monitoring of parcel movement.

Transportation network

Given that we operate in multiple countries, each with unique local transportation environments, we have set up a large, diversified and multimodal transportation network tailored to local market requirements. Our sorting centers were connected by over 1,100 and over 2,600 well-planned line-haul routes in Southeast Asia and China, respectively, as of June 30, 2023. We utilize a self-owned fleet as well as third-party transportation service providers to form our line-haul transportation network responsible for the transportation of parcels between sorting centers. We control the line-haul route planning and vehicle dispatch of our entire line-haul transportation system. Leveraging our centralized transportation management system, we plan our routes to achieve lower transportation cost and shortened transit time. Our fleet consisted of more than 1,270 and 3,100 self-owned line-haul vehicles in Southeast Asia and China, respectively, as of June 30, 2023.



We enhance our fleet with a suite of intelligent safety systems aided by multiple cameras which include collision warning, lane departure, pedestrian detection and automatic reporting of incidents through photos and video recordings. We also employ in-vehicle cameras to detect driver fatigue and dangerous driving behaviors and prompt the driver in real time. We have a centralized team responsible for monitoring conditions of our fleet in real time. We also offer multiple safety-themed training activities throughout the year covering defensive driving, weather safety, accident case studies and other topics.

We also contract for air and sea shipping for our cross-border services as well as shipping across Indonesia and the Philippines. We strategically maintain access to third-party operators in order to have the flexibility to expand our total fleet during demand peaks in connection with certain seasonal shopping events.

Pickup and delivery outlets and service stations

As of June 30, 2023, we had more than 18,600 pickup and delivery outlets in our network, of which over 12,900 pickup and delivery outlets were operated by our network partners and over 5,600 pickup and delivery outlets were operated by our regional operating entities. The table below set forth a breakdown of our outlets by its primary operator in Southeast Asia and China as of the dates indicated.

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(in thousands)			
Outlets operated by network partners	**13.7**	**17.8**	**15.4**	**12.9**
– Southeast Asia	2.5	4.3	7.0	5.1
– China	11.2	13.5	8.4	7.8
Directly operated outlets	**10.1**	**8.1**	**5.6**	**5.7**
– Southeast Asia(1)	9.1	7.8	5.2	4.9
– China	1.1	0.1	0.02	0.02

Note:

(1) Include approximately 250, 400, 70 and 14 outlets directly operated by us as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively.

We entered into the New Markets in 2022 and had a very limited history of operating in these countries. As of June 30, 2023, we had approximately 800 outlets in the New Markets and we did not have any network partners in these countries. We are exploring a "hybrid" model in a prudent method to expand in the New Markets.

We also had multiple service stations within our network in Southeast Asia, which are typically collection points in convenience stores, grocery stores or other local shops with more limited functions than our pickup and delivery outlets. Each outlet and service station has its own designated geographical scope of operation and can generally only take orders generated within that area. We closely monitor the performance of outlets in our network and provide incentives to our regional sponsors and network partners to optimize performance.

CUSTOMERS

For our express delivery and cross-border services, our customers include our network partners, e-commerce platforms, certain enterprise and individual customers, as well as our unconsolidated regional operating entities. For our cross-border services, our customers also include freight forwarders who place orders on behalf of their end customers.

We consider our network partners as part of our direct customer group, as our regional operating entities provide parcel sorting and line-haul services to them and collect fees from them for use of our network.

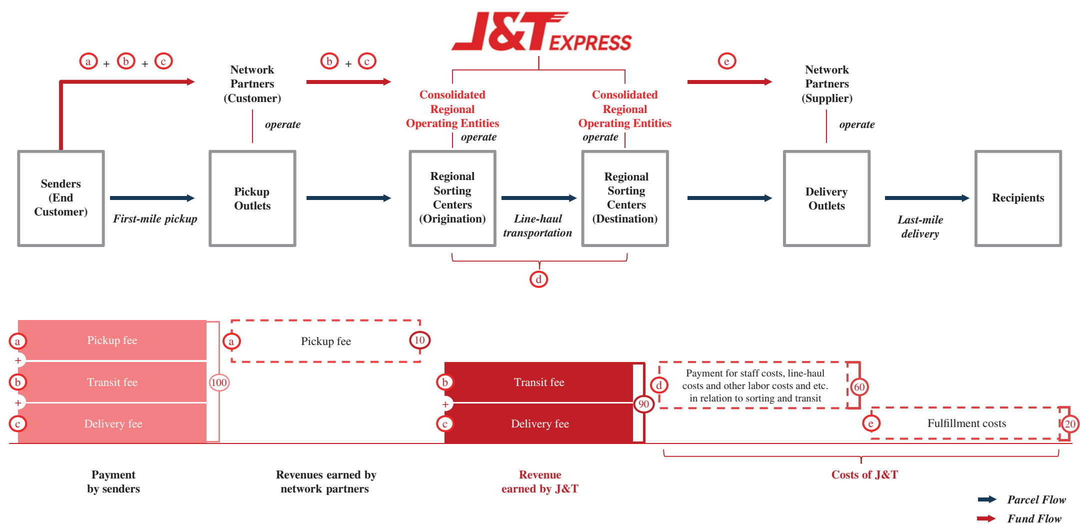
We also directly serve e-commerce platforms, other enterprise customers and individuals. We collect the entire amount of delivery service fees from these direct customers and pay fees to our network partners for their first-mile pickup and/or last-mile delivery services. For certain direct customers, we provide direct pickup and/or delivery services ourselves without the services provided by our network partners, depending on the availability and capacity of our directly operated outlets at the relevant locations.

In addition, we consider the unconsolidated regional operating entities, which are owned and operated by regional sponsors during the ramp-up period, our customers until we acquire majority interests in them. In 2020, around 25% of the parcels in Southeast Asia were from unconsolidated regional operating entities who were our customers.

Many end customers are not our direct customers. Instead, they are customers of our network partners or unconsolidated regional operating entities. Such end customers primarily include merchants or individual shoppers on e-commerce platforms.

The following charts illustrate the delivery process and funds flow in the process for an express delivery parcel.

Express Delivery Process through Consolidated Regional Operating Entities – Network Partners



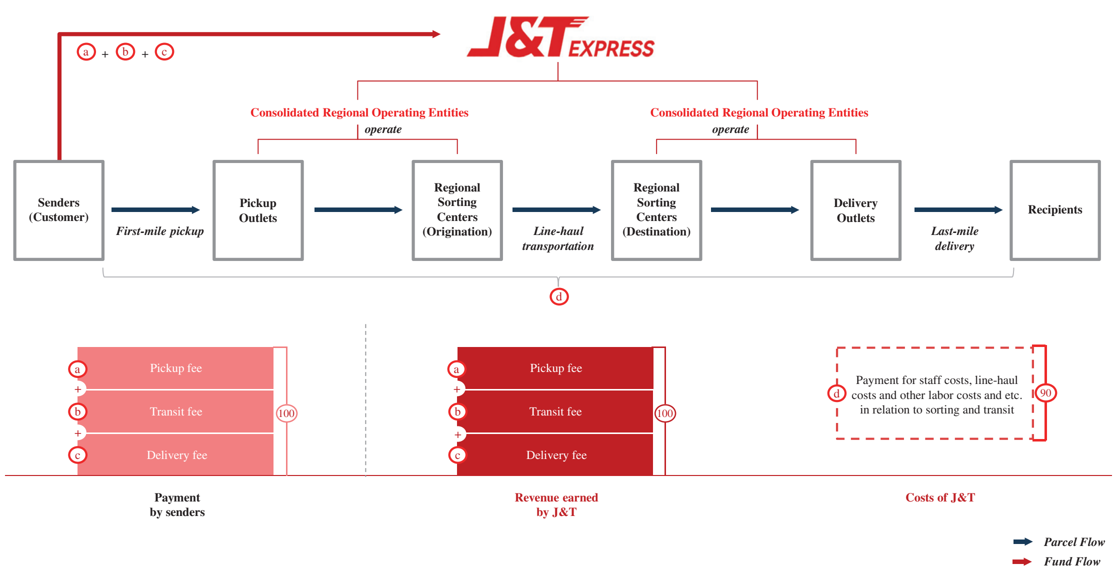
Notes:

(1) The diagram is for illustrative purposes only and does not represent scale.

(2) For parcel delivery process where network partners are engaged, network partners who pick up parcels charge end customers service fees for pickup, transit and delivery. Network partners then pay us (together with consolidated regional operating entities) fees for transit and delivery. Such network partners at the "pickup end" of the process are our customers. After sorting and line-haul transportation of parcels, we engage network partners to perform the last-mile delivery obligations, and we pay such network partners delivery fees. Network partners at the "delivery end" of the process are our suppliers. A parcel is typically picked up and delivered by different network partners.

(3) For parcels directly from e-commerce platforms, in terms of fund flow, e-commerce platforms would pay fees to us directly (which include pickup, transit and delivery fees) for parcels delivered by our network partners. The flow of parcel delivery process is the same as illustrated above.

Express Delivery Process through Consolidated Regional Operating Entities – Direct Operation



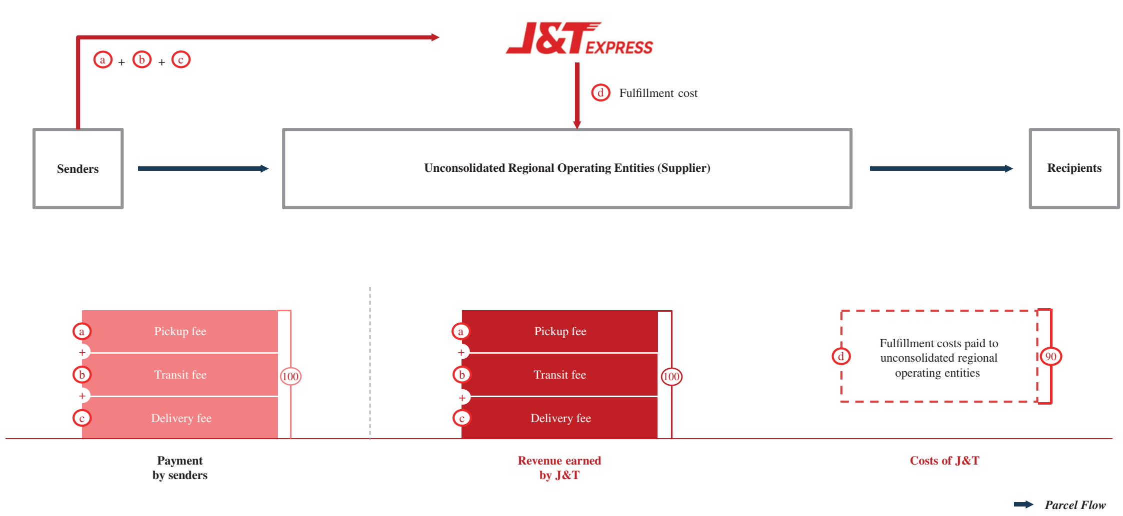
Notes:

(1) The diagram is for illustrative purposes only and does not represent scale.

(2) For parcels delivered under the "direct operation" model, we (along with consolidated regional operating entities) earn fees for the entire delivery process of parcels, including pickup, transit and delivery, from senders of parcels. Such senders could be enterprises, individuals, merchants or e-commerce platforms. We bear the costs of leasing pickup and delivery outlets, employing staff at the outlets and procuring equipment deployed at the outlets.

Express Delivery Process through Unconsolidated Regional Operating Entities

Scenario (i)



Scenario (ii)

Notes:

(1) The diagram is for illustrative purposes only and does not represent scale.

(2) For parcel delivery process where unconsolidated regional operating entities are engaged, there could be two modes of collaborations, (i) we receive delivery orders from senders directly and earn fees for pickup, transit and delivery of the parcels. We then engage unconsolidated regional operating entities to deliver the parcel and pay them fees for the pickup, transit and delivery process of the parcels, during which such unconsolidated regional operating entities are our suppliers. (ii) unconsolidated regional operating entities receive delivery orders from senders directly and deliver the parcels themselves. They pay us fees for the use of our branding, platform and infrastructure, and we deem such unconsolidated regional operating entities our customers.

During the Track Record Period, we generated a substantial portion of our revenue in Southeast Asia from e-commerce platforms who are our direct customers. Due to market practice in Southeast Asia, e-commerce platforms typically have significant influence over the shipping method for items sold on their platforms and therefore enter into agreements with express delivery service providers directly to purchase the express delivery services in bulk. For e-commerce platforms that collaborate with us in different Southeast Asian countries, we typically negotiate and enter into agreements separately and independently for the operations in each country. E-commerce platforms in Southeast Asia typically engage and allocate shipping orders among a number of their approved express delivery service providers, based on factors such as service quality and efficiency of each express delivery service provider. Consumers and merchants provide feedback for their shipping experiences, which allows e-commerce platforms to review the performance of their approved express delivery service providers to facilitate their decision of express delivery service providers. In Southeast Asia, more than 80%, more than 85%, more than 89% and more than 91% of the parcels were from e-commerce platforms for the years ended December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2023, respectively. E-commerce regime in Southeast Asia, including the social e-commerce sector, is still rapidly evolving. For example, the social e-commerce platforms in Indonesia might change the way they operate in order to comply with the relevant laws and regulations. For details, see "Summary – Recent Developments – Recent Overseas Regulatory Developments" and "Risk Factors – Our business and growth are highly dependent on the development of the e-commerce industry in the markets where we operate". During the Track Record Period, our revenue from social e-commerce platforms in Indonesia remained immaterial.

Our direct customers in China are primarily our network partners, as network partners who pick up parcels from merchants would pay us fees for transportation, sorting, and delivery of the parcel, as well as use of our brand and platform. Unlike in Southeast Asia, e-commerce platforms in China are not our direct customers. As express delivery services and the e-commerce industry are highly developed and standardized in China, e-commerce platforms in China typically allow merchants to choose their preferred express delivery service providers from a list of service providers connected to such platform. Therefore, express delivery service providers establish partnerships with e-commerce platforms by becoming permitted service providers, gaining access to merchants and orders on the platforms. Merchants become customers of our network partners when they place orders through outlets operated by our network partners and pay our network partners delivery fees for the whole process of delivery including pickup, transportation, sorting and delivery. Such merchants are our end customers, whom we (along with our regional sponsors) work with our network partners together to acquire and retain. Express delivery service providers compete in terms of efficiency, service quality and other aspects to become the preferred service provider for merchants. See also "Risk Factor – Risks Related to Our Business and Industry – We have relied, and may continue to rely, on certain prominent e-commerce platforms." In terms of parcel volume, in China, more than 50%, 80%, 80% and 99% of our parcels were from network partners, for the years ended December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2023, respectively.

Our five largest customers in each of 2020, 2021, 2022 and the six months ended June 30, 2023, contributed to 44.6%, 39.4%, 25.7% and 29.9% of our total revenue, respectively. For the same periods, our largest customer, an e-commerce platform, contributed to 35.4%, 35.4%, 16.9% and 11.1% of our total revenue for their respective period as we continued to diversify our customer base and expand collaboration with e-commerce partners. Revenue from this customer was US$543.0 million, US$1,715.4 million, US$1,231.3 million and US$446.2 million in 2020, 2021, 2022 and the six months ended June 30, 2023. The fluctuation from 2021 to 2022 was due to the significant growth in our total revenue and our commitment to expanding our e-commerce partnerships and establishing collaboration with new e-commerce platforms. Before we acquired the SEA entities in 2021, some of these entities were among our top customers. The following tables set forth details of our five largest customers during the Track Record Period:

For the year ended December 31, 2020

Customer	Services provided by us	Principal business and background of the customer	Year of starting business relationship with us	Revenue contributed	Percentage of our total revenue	Typical credit period
				(in US$ thousands)		
Customer A[(1)] . . .	Express delivery and cross-border services	E-commerce platform	2017	542,963	35.4%	within 30 days
PT. GLOBAL BINTANG TIMUR EKSPRESS[(2)]. .	Express delivery	Express delivery service	2016	74,767	4.9%	30 days
Customer C[(3)] . . .	Express delivery	Express delivery service	2020	27,993	1.8%	upfront payment

Customer	Services provided by us	Principal business and background of the customer	Year of starting business relationship with us	Revenue contributed	Percentage of our total revenue	Typical credit period
				(in US$ thousands)		
PT. KARYA NIAGA ABADI(2)	Express delivery	Express delivery service	2015	21,247	1.4%	30 days
PT. SEMUT MERAH SQUAD(2). . . .	Express delivery	Express delivery service	2015	18,118	1.2%	30 days

Notes:

(1) An e-commerce platform and online marketplace in Southeast Asia.

(2) A SEA entity that has been acquired and consolidated into our Group in 2021. See "History and Corporate Structure – Major Acquisitions, Disposals and Mergers" and "Financial Information."

(3) An express delivery operator and a supply chain management company in China.

For the year ended December 31, 2021

Customer	Services provided by us	Principal business and background of the customer	Year of starting business relationship with us	Revenue contributed	Percentage of our total revenue	Typical credit period
				(in US$ thousands)		
Customer A	Express delivery and cross-border services	E-commerce platform	2017	1,715,398	35.4%	within 30 days
Customer C	Express delivery	Express delivery service	2020	76,868	1.6%	upfront payment
Customer F(1). . . .	Express delivery	Express delivery service	2020	42,637	0.9%	upfront payment
Customer G(2) . . .	Express delivery	Express delivery service	2020	42,357	0.9%	upfront payment
PT. GLOBAL BINTANG TIMUR EKSPRESS(3) . .	Express delivery	Express delivery service	2016	34,621	0.7%	30 days

Notes:

(1) An express delivery operator and a supply chain management company in Zhejiang, China.

(2) An express delivery operator and a supply chain management company in Guangdong, China.

(3) A SEA entity that has been acquired and consolidated into our Group in 2021. See "History and Corporate Structure – Major Acquisitions, Disposals and Mergers" and "Financial Information."

For the year ended December 31, 2022

Customer	Services provided by us	Principal business and background of the customer	Year of starting business relationship with us	Revenue contributed	Percentage of our total revenue	Typical credit period
				(in US$ thousands)		
Customer A	Express delivery and cross-border services	E-commerce platform	2017	1,231,324	16.9%	within 30 days
Customer H[(1)] . .	Express delivery and cross-border services	Social e-commerce platform	2021	482,887	6.6%	30 days
Customer I[(2)] . . .	Cross-border services	E-commerce platform	2022	54,160	0.7%	90 days
Customer J[(3)] . . .	Express delivery services	E-commerce platform	2021	51,505	0.7%	30 days
Customer C	Express delivery services	Express delivery service	2020	48,102	0.7%	upfront payment

Notes:

(1) An international social e-commerce platform.

(2) An e-commerce platform in China.

(3) An international e-commerce company with operations mainly in Southeast Asia.

For the six months ended June 30, 2023

Customer	Services provided by us	Principal business and background of the customer	Year of starting business relationship with us	Revenue contributed	Percentage of our total revenue	Typical credit period
				(in US$ thousands)		
Customer H	Express delivery and cross-border services	Social e-commerce platform	2021	446,218	11.1%	30 days
Customer A	Express delivery and cross-border services	E-commerce platform	2017	360,181	8.9%	within 30 days
Customer I	Cross-border services	E-commerce platform	2022	229,296	5.7%	90 days
Customer K[(1)] . .	Express delivery services	E-commerce platform	2022	120,982	3.0%	30 days
Customer J	Express delivery services	E-commerce platform	2021	49,111	1.2%	30 days

Note:

(1) An e-commerce platform in China.

During the Track Record Period, none of our Directors or Shareholders who, to the knowledge of our Directors, own more than 5% of our issued share capital immediately following the completion of the [**REDACTED**] (but without taking into account the exercise of the [**REDACTED**]) nor any of their respective associates had any interest in any of our five largest customers, except for a SEA entity that we acquired and consolidated into our Group in 2021.

Key terms of agreements with our customers

Our direct customers are primarily our network partners, unconsolidated regional operating entities, e-commerce platforms and other enterprise customers and individuals which require customized express delivery services. For details of our agreements with our network partners, see "– Our Regional Sponsor Model – Relationship with Network Partners" in this section. We typically sign master service agreements with e-commerce platforms and other enterprise customers, which include various terms including parties, tenor, scope of services, fee rate and payment terms, among others. Set forth below is a summary of typical terms of our master service agreements with e-commerce platforms and other enterprise customers:

Key Terms	Description
Tenor	Typically one year or per transaction basis
Service Type	Express delivery services and cross-border services, as the case may be
Service Scope	Express delivery services: standard express delivery services covering pickup, sorting, transportation and delivery of parcels Cross-border services: inbound acceptance, goods and storage, return processing and value-added services
Pricing	With reference to standardized pricing for the relevant services or fee rates otherwise agreed between the parties, subject to mutually agreed upon fee changes
Payment Term	Settlement typically around 30 days
Termination	May be terminated by one or either party upon prior notice upon certain events

Our individual customers primarily use our express delivery services and enter into our standard express delivery services agreement with us. Set forth below is a summary of the key terms of a typical delivery services agreement between an individual customer and us:

Key Terms	Description
Tenor	Per transaction basis
Service Type	Express delivery services
Pricing	Fixed fee based on the distance, weight, dimension and time sensitivity of the shipment
Payment Term	Upfront payment or upon delivery

Set forth below is a summary of typical terms of our master service agreements with our unconsolidated regional operating entities:

Key Points	Description
Term	Typically three years
Service Type	Express delivery services
Service Scope	Standard express delivery services, including sorting, transportation and delivery of parcels as the case may be per request by the unconsolidated regional operating entities.
Pricing	Service fees consisted of network service fee and fees for express delivery including but not limited to transit and delivery of parcels.
Payment Term	Service fees are paid monthly.
Termination	The agreement can be terminated upon mutual agreement or by us with a 30-day prior notice.

CUSTOMER SERVICE

We believe our customer service enhances our customer loyalty and brand image. We have established a cohesive and responsive customer service system in close collaboration with our regional sponsors. In addition to a dedicated customer service team at our country headquarters, our regional sponsors are also responsible for setting up regional customer service functions and helping us manage customer service enquiries in regional operational entities within the applicable region. Our regional sponsors also provide ongoing training and conduct regular performance reviews of network partners where applicable to ensure that they provide quality customer service.

We strive to innovate in customer service. For example, we are the first to provide 365-day operations in Malaysia and Indonesia with 24-hour customer service, according to Frost & Sullivan. In China, we undertake to respond to customer-initiated inquiries and complaints within one hour of a complaint being lodged within our system, which is at the forefront of the industry. Additionally, we have implemented an industry-leading one hour refund policy, whereby we initiate refunds to the customer within one hour of a determination of responsibility.

We also operate a call system providing real-time assistance by our representatives during business hours, seven days a week. Our automated system continues to respond to inquiries outside of business hours and forwards inquiries that require attention from representatives to our call center representatives for further handling. We have call centers in each of our countries of operations. All branches within a country can be reached via a unified number and use the same call system and database. Our call system automatically forwards incoming calls to the local branch near the caller's location. Our over 2,600 call center representatives as of December 31, 2022 adhere to the same customer service standards throughout our network and their local knowledge contributes to enhanced customer service effectiveness. We provide regular trainings to our representatives and review the callers' level of satisfaction with their service. For each complaint, we strive to provide a response within 24 hours.

SUPPLIERS

During the Track Record Period, our suppliers primarily included service providers of third-party transportation, human resources services and express delivery services including our network partners and unconsolidated regional operating entities. Our five largest suppliers in each of 2020, 2021, 2022 and the six months ended June 30, 2023 accounted for 15.6%, 12.3%, 10.0% and 10.3% of our total purchases for their respective period. For the same periods, our largest supplier accounted for 6.2%, 3.6%, 2.5% and 3.0% of our total purchases, respectively.

Our network partners and our unconsolidated regional operating entities could be both our customers and our suppliers. They are our customers as we provide them with express delivery services including, but not limited to, integrated express delivery services, network management services, parcel sorting services and transportation services, as the case may be. They are also our suppliers as they provide us with pickup, delivery and other services with respect to parcels from other customers in our network. We do not control these unconsolidated regional operating entities, which are responsible of obtaining relevant licenses and permits under and ensuring compliance with relevant laws and regulations in each market. We review and inspect their qualifications including whether they have obtained necessary licenses and permits before we engage them as business partners. We ask unconsolidated regional sponsors to provide timely update on their license and permit renewal, and, based on findings and alerts from our own ongoing compliance program, follow up with unconsolidated regional operating entities on major operation and compliance items.

During the Track Record Period, some of them were both our top five customers and top five suppliers. PT. GLOBAL BINTANG TIMUR EKSPRESS, a major customer of 2020, and Customer C, a major customer of 2021, were both our suppliers. We provided express delivery services, including pickup, sorting and delivery to them, while they provided us with express delivery service mainly comprised of pickup and delivery services. In 2020 and 2021, the revenue generated from such customers represented approximately 1.8% and 1.6% of our total revenue, respectively, and the purchase amount attributable to such customers represented 1.9% and 3.6%, respectively, of the corresponding period.

During the Track Record Period, none of our Directors or Shareholders who, to the knowledge of our Directors, own more than 5% of our issued share capital immediately following the completion of the [**REDACTED**] (but without taking into account the exercise of the [**REDACTED**]) nor any of their respective associates had any interest in any of our five largest suppliers, except for a SEA entity that we acquired and consolidated into our Group in 2021.

We maintain direct control over parcels going through our network. Our system is seamlessly connected to the systems of major e-commerce platforms, allowing merchants and consumers on those platforms to place order, trace parcels and enjoy our customer services. We are therefore able to track and monitor every single parcel from those platforms. Our end customers expect obtaining tracking numbers upon dropping off a parcel. For each parcel to be traceable, such parcel needs to be appropriately labeled and recorded in our system, rendering it impracticable for network partners or a regional operating entity to take a delivery order without properly recording such parcel in our system. In addition, participants in every segment of the delivery process rely on waybill information to properly fulfill their functions. For example, operators in sorting centers scan waybills to obtain information and instruction to sort parcels, and network partners scan and record every single parcel they deliver to ensure delivery fees they earn are properly calculated. Therefore, it is practically impossible for a parcel to be delivered without being recorded in our system, thus rendering it practically impossible for a network partner or any regional operating entity to take and fulfill a parcel delivery order without involving us.

We maintain direct control over key routes and line-haul transportation to maintain operational control over critical aspects of our network. We engage third-party operators for certain components of our delivery process when such process does not significantly impact the quality and efficiency of our overall services. For example, for our line-haul transportation network, we directly control our sorting centers as well as line-haul route planning. However, we engage third party transportation service providers to complete a portion of the transportation to supplement our capacity.

We typically enter into master service agreements with our third-party service providers. Some participants in our network such as our network partners and unconsolidated regional operating entities are recognized both as our customers and service providers. For details of our agreements with our network partners and unconsolidated regional operating entities, see "– Our Regional Sponsor Model – Relationship with Network Partners" in this section.

TECHNOLOGY

We have developed a global technology platform centered around our proprietary JMS system, along with our open platform and various applications designed for employees and network participants. The global technology platform is supported by multiple proprietary technology platforms that empower multiple key aspects of our operations and enhance our efficiency. We deployed a hybrid cloud and public cloud infrastructure globally to support our global technology platform, which is easily scalable, and built a micro-services architecture to power its modularized functions, features and applications.

Our integrated technology platform allows regional sponsors to manage local network, perform express delivery services, and thus provide reliable services to customers. Critical functions such as data management and financial management enable regional sponsors to track network performance and manage each outlet in the network. Through transportation management system, regional sponsors can efficiently allocate resources and formulate detailed execution plans for line hauls and delivery. The ability to integrate our system with enterprise customers and small e-commerce merchants further broadens our customer base that is otherwise inaccessible to our competitors. In Southeast Asia, we tailored our technologies, such as our address coding system, to tackle unique challenges in the relevant regions.

Integrated systems

We have developed a suite of integrated platforms for management of day-to-day operations, covering data management, network management, service quality management, customer relationship management, transportation management and device and materials management:

- *Data management*: we established a standardized data management framework which unifies and integrates datapoints arising from all stages of business operations including orders, pickup and delivery outlets, sorting centers, flow of orders and transport, among others. Our data management platform visualizes the datapoints and generates insights for management.

- *Network management*: we map our overall express delivery network and manage the key information of each network partner such as their location, qualification, key management personnel and employees, among others, to facilitate efficient management of the network.

- *Service quality management*: we rigorously monitor each completed delivery and display reminders on the status of the delivery to facilitate us in handling events that may lead to complaints in advance.

- *Customer relationship management*: our customer relationship management platform enables us to categorize and manage the end customer base, including merchants, individuals and enterprise customers. We track daily incoming and delivered orders in real time and regularly monitor the activeness and stickiness of these end customers.

- *Transportation management*: we have a command center monitoring and coordinating our fleet to optimize resource allocation and advise on alternative routes. The platform also identifies vehicles irregularities and provides early warnings, enabling us to enhance the efficiency of transportation.

- *Device and materials management*: we connect and manage our PDAs across our network. We can monitor the use of this equipment and timely report on any damage or malfunction. We have established solid redundancy systems to maintain databases and system backup, as well as backup hardware and equipment. In addition, we conduct regular data backup and data recovery tests. We leverage our technology infrastructure, cybersecurity expertise and our database to enhance the reliability, stability and security of our data. We also are able to track per-person processing capacity and the usage of sustainable materials in our operations to enhance our overall efficiency.

The key innovative features of our integrated technology platform include, among others, (i) the platform is highly modularized and could be tailored for operations in different markets. Localization is achieved with customizable modular components that can adapt to different languages, currencies, time zones, and local infrastructure. This modular system can be easily set up, allowing us to enter into a new market within a short period of preparation time. It can also dynamically scale up according to network volume, flexibly respond to market demands, and cover a majority of the required functions of the entire express delivery system, (ii) the platform supports the most number of languages among our peers in Southeast Asia and China. This is the foundation for us to cater to vast geographical coverage of our network and different languages, culture and operating environment, and (iii) the platform is the foundation for us to deliver extraordinary services, compared to our peers in Southeast Asia market. In addition, we were one of the first to adopt customized APIs for e-commerce platforms and developed the most number of interfaces for different end users.

Global coverage and localization

Circumstances in different markets, such as Southeast Asia, China and other markets, vary drastically in terms of parcel volumes, infrastructure, business culture and other market characteristics. This necessitates a level of customized development in areas such as systems displays and settlement logistics, as well as investment in technical architecture. Our system is highly modularized with main express delivery functions across various stages of the parcel delivery process, such as order placement, price monitoring and order tracking, among others. This is also supported by a suite of proprietary applications designed to be utilized by personnel across our network with different roles. Localization is achieved through customization using modular components that can be deployed in different languages, currencies, time zones and local infrastructure. This modular system can also be dynamically expanded according to network volume, flexibly responds to market demands and covers a majority of the required functions of the entire express delivery system. Due to this, we have substantially shortened the trial and error period when entering into a new market.

Highly automated express delivery processing

We deploy a wide array of automated machines and equipment across our network, including sorting machines, tracking systems and PDA scanners, among others. We have developed our proprietary parcel tracking system that is connected with the systems of our regional operating entities and network partners to increase transparency throughout the delivery cycle. We also employ automated sorting machines at certain critical high-volume sorting centers capable of scanning up to approximately 88,000 packages per hour at peak volume and intelligent scanning, which feeds data into our tracking system, greatly reduces reliance on manual labor, lowers operating cost and shortens delivery times. The use of automated equipment at major links of the parcel delivery process enables us to enhance our processing capacity.

Customized APIs and user interfaces

Due to our globalized business across diversified markets, we have customized portals to connect with a variety of network participants as well as different interfaces to cater to different customers. We link our system with those of our e-commerce platform customers via Application Programming Interfaces (APIs), allowing the e-commerce platforms and the merchants to access shipment data to provide analysis for business purposes. Through this customized interface, e-commerce platforms can track packages in real time and better manage their inventory and warehousing needs. For certain merchants not affiliated with any e-commerce platforms and hence lacking basic technology infrastructure, they can conveniently access our system via Independent Software Vendors (ISVs) to place delivery orders, enabling them to grow their business and us to expand our customer reach. We have also developed multiple ordering interfaces to cater to the diverse needs of customers. Customers can access our services from website, mobile applications, call center and social media applications anywhere and anytime.

Enhanced address digitalization system

We leverage address digitalization systems across the markets we operate in. In Southeast Asia, our enhanced address digitalization platform encompasses our digitalized address coding system, which we refer to as our "nine-digit code," and our self-developed and self-maintained address library. Our digitalized address coding system identifies the destination outlets and the designated delivery personnel. We accumulate authentic address data points, use them to train our systems through fundamental machine learning approaches and thereby address the unique logistics issues in Southeast Asia, including the inaccuracy and insufficient coverage of third-party address libraries and non-standard data inputs which require extended data cleansing. We have developed our proprietary address digitalization platform in China by leveraging our graphical learning and Bidirectional Encoder Representations from Transformers (BERT) algorithms to enhance the accuracy of our address identification and efficiency of delivery. Our implementation of the enhanced digitalized address coding system has increased our level of automation and accuracy, allowing us to make better predictions, allocate resources more efficiently, optimize our delivery routes and reduce our costs while making it easier for us to expand into new geographies.

Our digitalized address coding system is embedded with enhanced delivery information, which enables us to predict demands more accurately and allocate resources more efficiently. The address digitization systems of the express delivery service providers usually contain information including destination city, township, and ultimately the destination service area, which is usually the closest service outlet to the final destination of a parcel. After a parcel reaches the destination service area, the parcel would then get allocated to designated delivery personnel based on their respective service coverage, which is usually a smaller neighborhood within the destination service area. Such an allocation process may cause delays or errors to the final delivery of the parcel to end customers. However, our digitalized address coding system could directly point to a designated delivery personnel at the beginning of transfer, thereby enabling us to plan ahead and allocate resources even prior to the parcel reaching destination service area. As a result, we would be able to reduce the delivery cycle of a parcel. The implementation of the system reduced the average delivery cycle for parcels on a particular route in Southeast Asia that historically was 41 hours to 35 hours.

According to Frost & Sullivan, we are the only express delivery service provider in Southeast Asia who built address digitization system based on a fully proprietary address library. Express delivery service providers without an enhanced digitalized address coding system need to fully rely on third-party address libraries. By relying on such third-party address libraries, express delivery service providers expose themselves to the risks of obtaining inaccurate delivery information once such third-party address library is not well maintained or updated regularly or when it encounters service disruptions. However, we would be able to continue the operation and navigate deliveries, thereby upholding the delivery speed and service quality for each parcel.

When we entered a new market in the Southeast Asia, although the address library would need to be reestablished through certain initial manual collection, the address database digitalization technologies can be easily replicated and applied in the new market, enabling us to analyze new address entries and reducing the research and development costs in the new market.

INTELLECTUAL PROPERTY

Our intellectual property, including any trademarks, copyrights, trade dress, trade secrets and proprietary technologies, is an important part of our business. Our success depends in part on our ability to obtain and maintain intellectual property and proprietary protection for our technology, defend and enforce our intellectual property rights, preserve the confidentiality of our trade secrets and operate without infringing, misappropriating or otherwise violating valid and enforceable intellectual property and proprietary rights of others. To protect our intellectual property and proprietary information, we rely on a combination of trademark, copyright and trade secret laws and regulations, as well as contractual restrictions. We seek to protect our proprietary technology, in part, by requiring our employees, consultants, contractors and other third parties to execute confidentiality agreements and invention assignment agreements and by implementing technological measures and other methods. As of the Latest Practicable Date, we owned 542 registered trademarks and 258 registered domain names. We also had 234 copyright registrations, primarily covering the proprietary software we have designed. For further details of our intellectual property rights, see "Statutory and General Information – 2. Further Information about our Business – 2.2 Intellectual property rights of our Group" in Appendix V to this document. During the Track Record Period and up to the Latest Practicable Date, no material claims or disputes were brought against us in relation to any infringement of trademarks, copyrights or other intellectual property.

COMPETITION

The express delivery industry in Southeast Asia is fragmented and we compete primarily with express delivery service provided by national postal agencies as well as leading private domestic express delivery companies in each of the countries in which we operate. In each country where we operate, we compete with other express service providers in terms of our geographic coverage, quality service and cost-efficiency. We also compete with international carriers that operate in Southeast Asia and China in connection with our cross-border services. We believe that our global footprint, innovative regional sponsor business model, superior operational capabilities and our quality service provide us with a competitive advantage. While we maintain leading positions in our core markets, certain more established e-commerce companies may compete with us by building their own logistics capabilities. Furthermore, certain local players might seek to expand regionally and compete with us in overlapping geographies. We believe that our core strengths provide us with competitive advantages over existing and potential competitors. For further details regarding our industry, see "Industry Overview."

In Southeast Asia, the e-commerce penetration rate was 15.5% in 2022, and is expected to reach 29.8% in 2027, at a CAGR of 18.6% from 2023 to 2027. Leveraging the great growth potential in e-commerce industry, we intend to expand our collaboration with e-commerce partners in Southeast Asia, including deepening relationship with the current e-commerce platforms and extending our reach to additional e-commerce platforms. We will seek to acquire non-ecommerce parcels from the enterprises with more diverse needs. We will continue to upgrade our infrastructure in Southeast Asia including sorting facilities and line-haul vehicles to further enhance efficiency of our network.

In China, we expect to continue competing with our peers by strengthening partnership with more e-commerce platforms to diversify the source of parcels and generating sustainable growth of parcel volume. We endeavor to access and acquire high-quality end customers by leveraging our enhanced brand image and improved service quality, which will help us maintain our average revenue per parcel. We will also continue to optimize our cost and operating efficiency as our network expands, which would help us continuously narrow losses in China.

For the New Markets, we intend to continuously expand our operation and compete with our peers, leveraging our capabilities proven in Southeast Asia and China markets, existing relationship with e-commerce partners globally and future growth of the e-commerce industry in these markets.

SECURITY AND SAFETY

We follow local regulations regarding security and safety in each of our jurisdictions of operations and have obtained certification of the ISO9001 for express delivery management services. We maintain lists of prohibited and/or regulated items based on jurisdiction, local industry regulations and shipping method. We have established standardized parcel security screening protocols throughout the pickup, sorting and delivery process. We require that pickup personnel visually inspect all items sent by end customers. We also employ measures such as X-ray screening of parcels for safety hazards or prohibited items. Penalties are imposed on the responsible personnel for picking up or delivering prohibited items. Our safety screening system will continue to evolve to meet changing needs.

Workplace safety and transportation safety are important to our business. We have implemented protocols for safety of ground transportation for our fleet and operations of our sorting centers to ensure safety and minimize accidents. We provide periodic training to our employees to recognize hazards, mitigate risk and avoid injury to themselves and others at work. We have already instituted safety policies in response to the COVID-19 pandemic, which includes various policies for screening personnel prior to entry into the workplace and masking policies. We have implemented regular disinfection schedules for all of our workplace areas and have required pickup and delivery outlets to perform regular disinfection. We also screen vehicles according to itinerary information prior to entry onto our premises as well as require regular disinfection of vehicles and packages prior to delivery.

DATA SECURITY AND PRIVACY

To comply with applicable laws and regulations, we have implemented a suite of data security management protocols that set out policies for our data-related operations, including the collection, transmission, storage, sharing, destruction, backup and recovery of data. We strictly limit and monitor our employee access to user data. We provide data privacy training to authorized employees and require them to report to us promptly on any potential data leakage. For details of relevant laws and regulations, see "Regulatory Overview" in Appendix III to this document.

As a global logistics service provider, we primarily generate operating, non-personal data from our operations. As advised by the PRC Legal Adviser, our logistics services operation do not involve cross-border transmission of any personal data. For details, see "Risk Factors – Complying with evolving laws and regulations regarding cybersecurity, information security, privacy and data protection and other related laws and requirements may be expensive and may force us to make adverse changes to our business. Many of these laws and regulations are subject to changes, and any failure or perceived failure to comply with these laws and regulations could result in negative publicity, legal proceedings, suspension or disruption of operations, increased cost of operations, or otherwise harm our business." We may, due to cross-border travel or internal management of our personnel, incidentally transmit certain data concerning personal information of our employees and staff. We have conducted and will continue to perform internal assessments in accordance with the Standard Contract Measures to identify whether a standard contract is required for any potential outbound cross-border transfer of personal information. We would ensure such PRC entities to comply with the Standard Contract Measures by taking proper measures including executing standard contracts with the overseas recipients of personal information upon the expiry of the six-month grace period when necessary.

We have also implemented a suite of policies and management framework to safeguard data generated in our operations and to ensure our compliance with data-related laws and regulations. We have obtained ISO 27001:2013 certification on information security management systems and ISO27701:2019 certification on privacy information management. We also conduct periodic reviews on our data compliance practice.

As a result of our internal control and compliance efforts, no material weakness or deficiency has been identified in our data security measures and our business operations are in compliance with all current data security laws and regulations in all material aspects. During the Track Record Period, we did not experience any material information leakage or loss of user data in all jurisdictions where we have operations.

Sources, Types and Scope of Data Collection

During the course of our business operations, we mainly collect the data and information: (a) from logistics service users based on business needs, including basic user information, transaction information, invoice information, waybill information and contact information necessary for customer service dispute resolution; (b) for the purpose of customer management, including names, phone numbers, addresses, business licenses, and ID card information of legal representatives; (c) from the logistics transportation department of companies that are connected to us and third-party carriers to arrange and manage logistics and transportation, including departure fees, geographic locations, driver's license numbers, insurance status, as well as the names, phone numbers, addresses, ID numbers, and driver's license numbers of the transport department's drivers; and (d) from franchisees for franchise management, including names, phone numbers, addresses, information about legal representatives, as well as franchisees' business and operation data.

All of the above-mentioned data and information are collected in accordance with relevant laws and regulations, and we collect the minimal amount of data and information only when it is necessary.

Data Usage and Processing Methods

We adopted a standard data usage and privacy policy to collect and process data. For user information, we collect relevant data and information by having the users fill out and complete the paper order forms and the electronic order forms on our mobile apps, WeChat Mini-Program, or website. For customer and network partners, we collect relevant data and information via documents such as the cooperation agreements, when they register on or logging in to relevant online platforms or mobile apps, and via email and phone communication. For third-party carriers and drivers of line-haul vehicles, we collect relevant data and information via documents they sign including their service agreements, labor contracts, as well as when they and register on or log into relevant online platforms or mobile apps.

We undertake to manage and use the user data in accordance with applicable laws and make reasonable efforts to prevent the unauthorized access, breach, tampering or loss of personal information. Specifically, we have established a system for data classification management and data access-rights division. Only employees who are granted relevant rights can access and obtain designated data and information based on operational needs. The data cannot be exported in batches, and corresponding records are generated to ensure that the collected personal information is accessed and used within the minimum scope necessary.

Data Protection Policies

Our data security policies include mechanisms covering customer privacy protection, data classification, monitoring, emergency response and management of third parties. We have a dedicated data security team that establishes and enforces procedures regarding the management of data security. In 2023, we obtained the ISO27001 certification for information security management system.

We have developed our internal policies and procedures with the goal of meeting industry standards and establishing good practices. A few examples of our measures include (i) instituting a governance framework to ensure senior management fully equipped with procedures and solution toolkits to address any privacy issues, (ii) standardizing internal group data transfers with procedures to ensure lawful transfer of data to protect the security of personal information, (iii) implementing international information security and data privacy standards, (iv) updating our policies and procedures pursuant to periodic security impact assessments, and (v) implementing a framework to ensure the protection of personal data of customers and notification of customers if a data leakage event were to occur.

Generally, we adhere to the principle of only collect relevant data to the minimum extent necessary, with the authorization of the data subject. We have established a solid data encryption system to encrypt personal information such as phone numbers, ID numbers, account numbers, addresses and email addresses when they are entered into the system. In addition, we also impose confidentiality requirements on employees through documents such as employment contracts and employee handbooks, prohibiting the improper use and disclosure of data they collect and encounter during the course of their work.

For data access and use, we have formulated a system of data classification management and data access rights division. We also implemented management and protection measures for collected data based on importance and sensitivity. Accessing and retrieving data and information of higher levels of protection involves stricter approval and supervision processes. Regardless of its usage scenario, access to relevant data can only be granted after due assessment and appropriate approval.

To ensure the security of data collection and processing activities throughout the network, we have engaged a professional third-party network security service provider to be responsible for the operation and maintenance of its network. We have set up four security lines of defense for the our domestic network against possible external attacks, installed a full range of threat-aware devices for the internal network, and equipped the system hosts with intrusion detection devices to avoid data leakage due to external attacks through multi-layer protection. In particular, we have also conducted a network security protection assessment for our network in China and filed the details with the regulatory authorities according to relevant regulations.

Data Sharing Arrangements

We do not share or transfer information and data collected or preserved by us to any person, unless with a explicit prior consent from the relevant parties. For data or information to be transmitted to a third-party partner based on business needs, we will provide the relevant data and information through encrypted transmission. If our partners are not equipped with data protection measures as strong as ours, we will only allow our partners to access relevant data through our system after due approval procedures, which ensures that data used by external parties are also subject to the same level of protection. As our operations span different jurisdictions and we collaborate with partners across the globe, we also requires its partners to abide by their region or country's data security laws and regulations.

In addition, for cross-border data transmission, we ask all vendors such as overseas logistics companies and customs clearance agents, to adopt the same level of data security standards by entering into independent data processing agreements, commercial agreements with data compliance clauses and other methods. We continue to strengthen our data security management during cooperation with overseas third parties.

As a result of the above-mentioned internal control and compliance efforts, no material weakness or deficiency has been identified in our data security measures and our business operations are in compliance with all current data security laws and regulations in all material aspects. During the Track Record Period, we did not experience any material information leakage or loss of user data in all jurisdictions where we have operations.

BRANDING AND MARKETING

We seek to expand brand awareness and enhance our brand image for individual and enterprise customers by focusing on high delivery volumes paired with high service quality. While we seek to establish a unified brand, we carefully research the particulars of each market in which we operate, including local competition and consumer sentiment, and develop a variety of marketing initiatives tailored to each region to promote our brand. Our offline marketing activities include traditional media such as billboards with slogans customized for different local regions and public relations activities, particularly in key locations of e-commerce businesses. We work with celebrities to provide endorsements for our platform and promote a youthful and energetic brand image. We also offer rebates and promotions in connection with various e-commerce shopping events and in partnership with e-commerce platforms. In addition, we continue to seek partnerships with social media and e-commerce platforms to increase our brand visibility as well as the number of consumer touchpoints.

With the help of our regional sponsors, we train and guide our network partners to market their services to our end customers and maintain customer relationships. To advance our goal of establishing a unified brand image, we require network partners to apply our logos on personnel uniforms, transportation vehicles and packaging materials in a consistent and unified manner in order to further enhance our brand recognition during interactions with our end customers. We also have a designated sales team that handles enterprise customer relationships directly. In general, we strive to continuously improve our service quality to elevate our brand and attract and retain more customers.

SEASONALITY

Our results of operations are affected by seasonal patterns peculiar to the jurisdictions where we operate. Our parcel volume was typically lower in the first quarter of each year as a result of regional holidays such as the Lunar New Year. In Southeast Asia, our parcel volume is also impacted by holidays such as Ramadan and regional promotion periods such as September 9 and October 10 sales promotion periods. In China, we typically experience higher parcel volume in the fourth quarter of the year due to various holidays and promotional events offered by e-commerce platforms, such as around the November 11 and December 12 sales promotion periods. Our financial condition and results of operations for future periods may continue to fluctuate. As a result of such fluctuations, comparisons of revenue and results of operations between different periods within a single financial year or between different periods in different financial years cannot be relied on as indicators of our performance.

EMPLOYEES

We had a total of 73,927, 146,432 and 126,511 and 131,935 full-time employees as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. The following table sets forth the breakdown of our full-time employees as of June 30, 2023 by function:

Function	**Number of Employees**	**Percentage of Total**
		(%)
Operations	111,162	84.3
Sales and Marketing	1,709	1.3
Research and Development	1,658	1.3
General Administration	14,284	10.8
Customer services	3,122	2.4
Total	131,935	100.0

As of June 30, 2023, we had 113,053, 8,683 and 10,199 employees in Southeast Asia, China and other markets, respectively. In Southeast Asia, compared with China, we operated much larger amount of pickup and delivery outlets directly through regional operating entities and therefore engaged a larger number of staff.

We believe we offer our employees competitive compensation packages and a merit-based work environment that encourages initiative, and as a result, we have generally been able to attract and retain qualified personnel and maintain a stable core management team. In addition, as required by applicable regulations, we participate in various government statutory employee benefit plans.

We enter into standard labor agreements with our employees and, in addition, enter into confidentiality and non-compete agreements with our key employees. The non-compete restricted period typically expires two years after the termination of employment, and we agree to compensate the employee with a certain percentage of his or her pre-departure salary during the restricted period.

We believe that we maintain a good working relationship with our employees, and we have not experienced any major labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period.

PROPERTIES

As of June 30, 2023, the properties that we occupied or managed as sorting centers and warehouses had a total GFA of approximately 4.8 million square meters, including self-owned and leased properties.

Self-owned Properties

As of June 30, 2023, our self-operated sorting centers and warehouses that are located on premises we own represented a GFA of over 83 thousand square meters, accounting for approximately 1.7% of the total GFA of sorting centers and warehouses occupied or managed by us.

Leased Properties

As of June 30, 2023, we leased approximately 4.7 million square meters of sorting centers and warehouses, accounting for substantially all the total areas of sorting centers and warehouses occupied or managed by us. The lease term typically ranges from one to six years.

According to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap. 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all our interests in land or buildings.

INSURANCE

We maintain various insurance policies to safeguard against risks and unexpected events, such as insurance over the equipment in our sorting centers as well as accident insurance. We have purchased compulsory motor vehicle liability insurance and commercial insurance such as automobile third-party liability insurance, vehicle loss insurance and driver/passenger liability insurance.

We do not maintain business interruption insurance nor do we maintain product liability insurance or key-man insurance. Our management will evaluate the adequacy of our insurance coverage from time to time and purchase additional insurance policies as needed. Our business is, however, susceptible to risks arising from losses we sustain during the course of our business operations and we cannot assure you that the insurance policies we have taken out are always able to cover all losses we sustain. For further details see "Risk Factors – Risks Related to Our Business and Industry – We have limited insurance coverage which could expose us to significant costs and business disruption."

We believe that the insurance coverage we currently have is in line with relevant industry standards and is adequate for us to conduct normal business operations. During the Track Record Period, we did not experience any material claim from a third party nor did we make any material insurance claim in the course of our operations.

ENVIRONMENT, SOCIETY, AND CORPORATE GOVERNANCE

Environmental, Social, and Governance (ESG) considerations are an essential part of our business strategy. We are committed to building a lasting brand, and we believe our long-term success rests on our ability to make positive impacts on the environment and society. We recognize that operating sustainably and social responsibly is not only the right thing to do but is also essential to our long-term success and the well-being of our stakeholders.

ESG Governance

We have established a tiered, comprehensive ESG management framework. The board of directors is responsible for steering our overall ESG strategy, setting annual ESG goals, and reviewing budgets and policies. We aim to build a sustainable community with our employees, clients and partners by supporting local initiatives that aim to create effective and lasting benefits to the local community through various initiatives that may include corporate philanthropy and establish community partnerships. Under the supervision of our management, we actively identify and monitor actual and potential impact of environmental, social and climate-related risks on our business, strategy and financial performance, and incorporate considerations of these issues into our business, strategic and financial planning. We have established an ESG committee, led by the our CFO, to supervise overall ESG matters, review ESG objectives, and report to the board of directors on our ESG progress. Our ESG committee is further supported by our risk control and audit department, which would supervise and implement our ESG projects, identify ESG-related risks to assist the management's decision making process, and prepare our ESG publication and disclosure.

Materiality Assessment

We conducted a materiality assessment to identify ESG topics that are material to us, from which we are able to prioritize ESG aspects and strategize our action plan. We identify and assess material ESG-related issues as follow:

- We build and continue to update our own ESG issues database based on the ESG guidelines of the Hong Kong Stock Exchange, GRI, SASB and other relevant authorities, with reference to ESG rating indicators from MSCI, Sustainalitics and DJSI;

- We identify potential material ESG topics which may affect our business or stakeholders based on our actual development and characteristics of the industry;

- We engage internal and external stakeholders to participate in surveys to express their concerns and opinions regarding various potential material topics, identify specific ESG questions, determine the materiality of different issues and evaluate the impact of different ESG issues on us;

- Based on the results of the questionnaire, we identify material ESG issues by considering their respective impact on stakeholders and our sustainable development, and incorporate such ESG issues into our strategies and development plans.

We have been maintaining a close relationship with the stakeholders in our business as we believe they play a crucial role in maintaining business sustainability. Key stakeholders of our business include our investors, customers, suppliers, employees, governments and communities. Through continuous communication, we have been collecting their views and opinions which help us to identify ESG-related risks and formulate the sustainability framework to address those risks. We also maintain an open dialogue with the stakeholders to receive their comments and understand their expectations on what the ESG issues matter most via meetings, interviews and discussions.

Identifying ESG Risks

We have adopted the following approaches and strategies to evaluate priorities and manage material ESG-related issues:

(a) Identification – industry benchmarking

- We identify important topics with reference to HKEX, SASB and MSCI standards, as well as benchmarking with leading domestic and foreign industry players.

- The materiality of each ESG area is determined based on the importance of each ESG area to us through internal discussion with our management.

(b) Prioritization – stakeholder engagement

- We discuss with key stakeholders on key ESG areas identified to ensure that (i) all the key aspects are covered; and (ii) the material issues are ranked in order of importance.

(c) Validation – determining material issues

- Based on the discussion with key stakeholders and internal discussion among our management, our management ensured that all the key and material ESG areas, which are important to our business development, are reported and complied with relevant environmental laws and regulations.

Managing ESG Risks

We have adopted the following measures to identify, assess, manage and mitigate ESG risks.

Management of Environmental and Climate Changes

We continue to improve our management system for environmental sustainability and promote effective implementation of environmental protection measures. We have established an Eco-Environmental Protection Committee, chaired by the CEO, as well as a project management sub-committee focused on carbon neutrality and green packaging. In addition, we issued and implemented the Measures of Identifying and Evaluating Environment-related Factors, Waste Management Measures and other protocols to safeguard our environmental protection effort at an institutional level. We actively encourage and lead network partners to participate in environmental initiatives, adopt standardized packaging protocols, attend trainings and educational sessions.

We are actively responding to the carbon peaking and carbon neutrality goals by continuously optimizing our energy usage structure and reducing our carbon emissions. In 2022, we deployed over 150 LNG-powered tractors for our line-haul routes across the country to facilitate long-distance transportation, and equipped line-haul vehicles with advanced GPS system supported by GIS technology, which allows us to monitor anomalies in transportation process, optimize the planning of line-haul routes and improve energy efficiency, which effectively reduces carbon dioxide emissions by 20% compared to traditional diesel tractors.

In the process of preparing our self-constructed logistic centers, we introduced a smart management system to monitor the energy and water usage. To further mitigate the environmental impact, we participated in various environmental programs including the reforestation initiative led by Jiuquan City, Gansu Province, where we planted more than 2,000 saplings of poplar trees, date palm trees and sorrel trees in 2022.

Promoting Green Express Delivery Practice

We are dedicated to advancing green practices in every step of the express delivery process by, among others, promoting e-waybills, "slim tapes", reusable transfer bags, and reusable parcel boxes, throughout our network.

We began implementing reusable transit bags in April 2021. As of June 30, 2023, we had deployed over 20 million reusable transit bags throughout our network, which use RFID chips that carry route tracking information. Our scanning technology uses RFID to collect information such as transit status, package flow, loss tracking and warehouse storage. Each usage of our RFID-enabled reusable transit bags can reduce carbon emissions by 169 grams. As of June 30, 2023, our reusable transit bags had been used over 700 million times, reducing carbon emissions by approximately 124,000 tons.

In August 2021, we established a research and development unit for reusable transit box, and started implementing our reusable transit box, the Red Box, in March 2022. As of June 30, 2023, we have purchased over 40,000 Red Boxes and are in the process of deploying them across our network. We also launched the initiative to recycle used corrugated fiberboard boxes. In 2022, we deployed the designated recycle bins in over 4,000 outlets.

Additionally, compared with traditional paper sheet, our single-sheet e-waybill saves 72.5% of paper consumables. By the end of 2022 we had fully implemented this e-waybill system throughout our network. As a result, approximately 42,305 tons of base paper had been saved in 2022, which is equivalent to approximately 79,110 tons reduced in carbon emissions.

Metrics and Targets

We have taken into account the quantitative information that reflect our management for environmental and climate related risks, which primarily includes resource consumption and emissions.

The following table sets forth a breakdown of our resource consumption and greenhouse gas ("**GHG**") emissions in China in 2020, 2021 and 2022:

	Year ended December 31,		
	2020	**2021**	**2022**
Total energy consumption (MWh)	214,741	810,131	1,598,106
Total GHG emissions (tonnes CO_2 equivalent)	65,347	261,261	540,170
GHG emissions (scope 1)	51,652	201,980	375,330
GHG emissions (scope 2)	13,695	59,281	164,840

We will continue to improve our environmental performance to fully prepare for the establishment of clear environmental goals. We have implemented important performance indicators such as gasoline and diesel consumption, electricity consumption and greenhouse gas emissions, which are monitored at our country headquarters and regional sponsors. Based on the performance in the past years, we will formulate environmental targets that are more in line with the actual development of our Company in the future. In terms of energy conservation and emission reduction, we continue to optimize the energy use framework and reduce carbon emissions, and actively respond to the goals of carbon peaking and carbon neutrality.

Anti-bribery and Anti-corruption

We have in place an anti-bribery and anti-corruption policy to safeguard against any fraud, bribe or corruption. The policy explains potential bribery and corruption conduct and our anti-bribery and anti-corruption measures. We make our internal reporting channel open and available for our staff to report any bribery and corruption acts. We also provide regular anti-corruption and anti-bribery compliance trainings for employees in order to cultivate a good compliance culture.

Supply Chain Management

We depend on certain third-party service providers for transportation, supplies of equipment and other services. If we are unable to select, monitor or manage those service providers and suppliers, we may be exposed to risks of suppliers' non-compliance with applicable laws and regulations and unethical practices, which could diminish our competitiveness and harm our reputation.

We have established a supplier approval process, through which suppliers must provide relevant qualifications or certifications, such as their business licenses and operation licenses, among others, and demonstrate legal compliance with environmental and social policies prior to approval. If the suppliers are not compliant with the applicable laws and regulations regarding safety and quality or commit misconducts, we may terminate our contracts with them.

Social Responsibilities

Human Capital

We understand that our success is closely correlated to the well-being of our employees, customers, and the communities where we operate. To that end, we have launched the following social initiatives:

- **Recruitment and equal employment in the workforce**. We believe that our quality personnel are our key to success and future development. We have been recruiting talents from various channels, such as universities, online platforms, media advertising, talent market, third-party recruitment agencies, headhunters, and internal referrals, and provide training and promotion opportunities to our staff members of our own accord.

  We have implemented principle of openness, fairness and impartiality when conducting recruitment and has policies on compensation, dismissal, equal opportunities, diversity and anti-discrimination. Accordingly, we give each job applicant an equal opportunity and we have an internal policy in place to ensure that there is no discrimination as to nationality, region, gender and ethnicity. We are committed to build a corporate culture of fairness, openness, integrity, and honesty, aiming to maintain our good reputation. As of June 30, 2023, approximately 22.4% of our employees were female. As of the same date, we had 77,551 employees below age 30, 52,862 employees between age 30 to 50, and 1,522 employees above age 50, representing 58.8%, 40.1% and 1.2% of our total workforce, respectively.

- **Labor and Employee Rights**. We respect and protect employees' rights and interests, and we strive to create a work environment of openness, fairness, impartiality and equal recruitment. We forbid any forms of discrimination, we respect and provide equal treatments to employees of different countries, nationalities, genders, religious beliefs and cultural backgrounds, and we adopt a zero-tolerance policy against any form of child labor. We also require our staff to conform to high ethical standards.

  We have set up labor union and dedicated supervisory committees to hear the voice of employees and delivery personnel through a myriad of channels ranging from telephone, WeChat to email.

We closely monitor and strive to adhere to laws and regulations in each country where we operate, and we implement internal management and control procedures to safeguard rights and interests of every employee stipulated by relevant laws and regulations.

- **Remuneration and benefits**. We offered our employees competitive compensation packages. We determine employee remuneration based on factors such as qualifications, expertise and years of relevant experience. In accordance with applicable laws and regulations, we currently participate in social insurance contribution plan organized by the relevant local governments, including but not limited to, pension insurance plan, medical insurance plan, unemployment insurance plan, a work-related injury insurance plan, maternity insurance plan and housing provident fund.

- **Career Development**. We have established a solid talent cultivation mechanism and created an online-offline hybrid training platform. We continuously improve our training framework to empower every category of participant on our value chain and develop their careers. We offer a broad range of courses and programs covering professional training, general development, and management skills. We design training programs tailored for different positions at various career stages, meeting the training needs of employees, regional sponsors, network partners and delivery personnel. In 2022, we provided approximately 800 hours of trainings to over 290,000 participants.

  We have a complete employee career development system, to evaluate employees and provide opportunities for promotion.

- **Employee care**. We care about the physical and mental health of employees. We regularly organize physical therapy lecture and provide mental counseling session. For the delivery personnel in our network, we offer support through mental health hotlines and other benefits.

  We procure additional commercial insurance for employees who travel frequently. We also strive to help our employees balance their work and life. We organize various recreational and sports activities for our employees. For example, we established different sports clubs that include basketball, table tennis and soccer. Our badminton club cooperated with a professional badminton club for professional training. In January 2022, we launched the second "Jitu Union Warm Bee Action" and distributed condolences to couriers with special difficulties. In Vietnam, we also set up our J&T Care Fund with initial commitment of up to VND3.0 billion for our employees and their families who had been heavily impacted by the COVID-19 pandemic.

- **Occupational health and safety**. We have established a series of safety guidelines, rules and procedures for different aspects of our operations, covering fire safety, operation safety, warehouse safety, work-related injuries and emergency and evacuation procedures to promote occupational employee's health, safety and compliance with applicable laws and regulations. We put the safety and health of our employees as our priority when designing our operations. We have established and continue to update policies and procedures relating to occupational health managements. We have also established a Safety Committee chaired by our CEO, which oversees the overall safe management. In 2022, we obtained certification of the ISO14001 environmental management system and ISO45001 occupational health and safety management system. We are also committed to raising occupational health and safety awareness by organizing safety education and training programs. In 2022, we have organized over 6,300 safety-related training sessions to approximately 409,000 participants.

Charitable Endeavors

- **Poverty alleviation and community support**. We actively explore the rural market to promote the sales of commodities to, and sales of agricultural products by, residents in remote regions with the aim to help stimulate consumption in rural areas and increase the income of rural residents. We actively cooperate with local governments in Jilin, Shaanxi, Shanxi, Guangxi and other major agricultural provinces in China to bring local products to the broader market by using our network of sorting centers, and have a dedicated team to lead agricultural initiatives, including the setup of front-line warehouses designed specifically for agricultural products. We also promote digital inclusion of merchants, users and rural communities in countries where we operate, thereby helping alleviate poverty across the country. We have set up a special program in Vietnam to facilitate shipment of agricultural products and promote rural residents' participation in e-commerce via trainings and assistance programs.

- **Support in time of need**. Following the COVID-19 outbreak, we have been committed to helping people affected by the pandemic during the most difficult times. We launched initiatives in several countries to provide transportation and logistics support to local governments. We provided our frontline employees with masks and other protective equipment immediately after the outbreak. We also supported local communities in Indonesia, Vietnam, Malaysia and other jurisdictions where we operate by donating medical and rescue supplies, food, water and other basic necessities to frontline workers. For example, in Malaysia we donated over 60,000 face masks to the police in February 2021. This is just one example of the hundreds of thousands of care packages, meals and supplies that have been donated through the J&T network during the pandemic.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance in relation to health, work safety, social or environmental regulations which had materially and adversely affected our financial condition or business operations, and have not had any accidents or claims for personal or property damage made by our employees.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had not been a party to, and were not aware of any threat of, any legal, arbitral or administrative proceedings, which, in our opinion, would likely have a material and adverse effect on our business, financial condition or results of operation. We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business.

Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material noncompliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material and adverse effect on our business, financial condition and results of operations.

TRANSFER PRICING ARRANGEMENTS

Our Company, our controlled affiliated entities and our subsidiaries conduct intra-group provisions of services and other related party transactions in accordance with our transfer pricing policy. We follow the fundamental principle that intra-company transactions must be conducted at an arm's length basis.

During the Track Record Period, our intra-Group transaction mainly included the following:

- ***Provision of technical service.*** J&T Express (Shanghai) Acme Supply Chain Management Co., Ltd. (上海極兔極致供應鏈管理有限公司) ("**J&T Acme**"), Shenzhen Yunlu Information Technology Co., Ltd (深圳雲路資訊科技有限責任公司) ("**Shenzhen Yunlu**") and Shanghai Jiexiao Information Technology Co., Ltd. (上海捷曉資訊技術有限公司) ("**Shanghai Jiexiao**") provided technical services to J&T Express China including system development, software upgrade, maintenance and troubleshooting etc. Similarly, Shenzhen Yunlu and Shanghai Jiexiao provided technical services to Winner Star including system development, software upgrade, maintenance and troubleshooting etc. tailored for our Southeast Asia operations.

- ***Provision of logistics services.*** J&T Express China provided other Group entities express delivery services including sales of e-waybill, centralized parcel sorting, distribution and transportation etc. Other group entities also provided J&T Express China with various express delivery services such as centralized parcel sorting, distribution and transshipment as needed.

- ***System and software licensing and Provision of technical support service.*** Winner Star granted the licenses to other group entities for use of the system and software. Winner Star also provided technical support services to group entities who were counterparties of the software licensing transactions.

- ***Trademark Licensing to subsidiaries.*** Winner Star granted the license to other group entities to utilize the "J&T express" trademark.

The Organization for Economic Co-operation and Development ("**the OECD**"), an international organization of cross-border cooperation, promulgated the transfer pricing guidelines for multinational enterprises and tax administration ("**the OECD TP Guidelines**"), which is generally followed by the relevant tax jurisdictions involved in the related party transaction worldwide. According to the OECD TP Guidelines, these intra-Group transactions should be priced at arm's length principle.

To keep in compliance with the relevant transfer pricing regulations, we have engaged third party tax advisers to provide independent analysis and opinion on the specific transactions in relation to system and software licensing and trademark licensing, which we refer to in the following paragraphs as the "Covered Transaction," in accordance with the OECD TP Guidelines, which primarily identified the arm's length pricing and/or profit range for the Covered Transaction.

During the Track Record Period, Winner Star, as the owner of trademark and software copyrights of our business in Southeast Asia, granted the licenses to other group entities in Southeast Asia for use of the system and software and the licenses to utilize the "J&T Express" trademark.

Based on the functional profiles of Winner Star and other group related entities, the Comparable Uncontrolled Price method ("**CUP**") and the Transactional Net Margin Method ("**TNMM**") are selected as the most appropriate transfer pricing methods to evaluate the licensing arrangement between Winner Star and other group entities in Southeast Asia during the Track Record Period. The CUP and TNMN methods are commonly accepted in the OECD TP Guidelines and are stipulated in relevant TP regulations. Based on the transfer pricing review, it is indicated that the license fee rate and the profit level indicators of the licensees are generally within the profit range that was considered an appropriate range for the arm's length transactions during the Track Record Period.

In addition, Winner Star and most other group related entities in Southeast Asia have been preparing transfer pricing local files on annual basis for the Track Record Period to meet the applicable TP documentation compliance requirement.

During the Track Record Period, we were not subject to any penalty, investigations, inquiries or transfer pricing audits carried out by local tax authorities in relation to these intra-Group transactions.

Based on the above, and as advised by our tax advisers, our Directors are of the view that the above-mentioned inter-company transactions are in line with the arm's length principle and we are in compliance with the relevant transfer pricing laws and regulations during the Track Record Period.

To ensure our ongoing compliance with the applicable transfer pricing laws and regulations, we plan to take the following measures:

- continue to engage third party tax advisers to carry out review on transfer pricing initiatives to ensure our transfer pricing arrangements are in line with arm's length principle;

- provide training to teams responsible of such transactions, keeping them informed of transfer pricing laws and regulations in different jurisdictions; and

- continue to monitor the profitability of our subsidiaries and controlled affiliated entities and adjust pricing arrangements as appropriate.

OUR GLOBAL OPERATION RISKS

Our Operations in the Philippines and Cambodia

Our express delivery operations span 13 countries. Among these countries, Cambodia and the Philippines are not signatories to the IOSCO MMOU, which may present certain difficulties for the Hong Kong regulators to seek regulatory assistance and information from the statutory securities regulator in the Philippines and Cambodia in a readily available manner. The following measures are adopted to mitigate such enforcement risk so that the Hong Kong regulators can obtain information as to our operations in the Philippines and Cambodia as and when necessary and in a timely manner:

- Our operations in the Philippines and Cambodia, on an aggregate basis, are comparatively not significant to our operations in jurisdictions. Our Company is incorporated in the Cayman Islands. We maintain a centralized management system that ensures that our Directors and senior management would have full and timely access to books and records regarding our operations in the Philippines and Cambodia. For example, we have an internal ERP system where a group entity can only enter into major transactions after management's review and approval. For our ledgers and management accounts, we have promulgated a list of action items and procedures for our account closing process on our group level. Our headquarters teams set monthly closing deadline for each region and review the compliance status of each region. The finance team of each region is required to submit the management accounts and relevant materials in our designated finance system by the relevant deadlines. These measures ensure that our management team will have full and timely access to relevant books and records regarding our business operations in the Philippines and Cambodia, including full sets of ledgers, management accounts, a full list of bank accounts and all major agreements. Given securities regulators of the Cayman Islands are signatories to the IOSCO MMOU, we believe we will be in compliance with Rule 8.02A of the Listing Rules.

- In the six months ended June 30, 2023, our operations in the Philippines and Cambodia in aggregate contributed to approximately 7.4% of our total revenue. As we continue to expand globally and enhances our market positions in markets such as China, we do not expect the materiality of our operations in the Philippines and Cambodia to increase in the near future. In the Philippines, private express and/or messenger delivery service as well as domestic airfreight forwarding, were previously considered "public utilities" which are subject to a minimum of 60% Filipino ownership requirement. However, the PSA Amendment has taken out these activities from the definition of "public utilities" and these activities are therefore no longer subject to minimum 60% Filipino ownership. For details, see "Regulatory Overview – Laws and Regulations in Relation to Our Business in the Philippines" in Appendix III to this document." Although we indirectly own only 40% equity interests in PH GJE during certain periods of the Track Record Period, through certain agreements and arrangements, we are considered, from an accounting perspective, to have control over PH GJE, see "Financial Information – Critical Accounting Policies and Estimates – Subsidiaries and controlled affiliated entities." We will continue to monitor the significance of our operations in these markets and, in the event there is a material increase in their materiality, we will consult the Stock Exchange on any additional suitable measures to ensure our compliance with Listing Rules.

- The Company undertakes that it will cooperate, and cause relevant employees and staff to cooperate in all investigations and proceedings conducted or initiated by the Listing Division and the Listing Committee of the Stock Exchange, the SFC, the Independent Commission Against Corruption (the "**ICAC**"), the Commercial Crimes Bureau of the Hong Kong Police Force (the "**CCB**"), the AFRC and other law enforcement agencies in Hong Kong. The SFC, the ICAC, the CCB, the AFRC or other law enforcement agencies in Hong Kong will be able to deliver service notice at our Company's registered address in Hong Kong and will have full and timely access to materials that the Group uses to prepare its local financial statements in Cambodia and the Philippines.

  We believe that, with internal control and review measures in place and our commitment to cooperating with relevant authorities, regulators and enforcement agencies in Hong Kong will not face any impediment in accessing our books, records and documents in relation to the preparation of our Group's financial statements if necessary.

Our Operations in China and Indonesia

China

We operate in certain industries that are subject to restrictions under the current PRC laws and regulations. In order to comply with such laws and regulations, we operate our business in China through our consolidated affiliated entities, in which we have no ownership interest and rely on a series of contractual arrangements with our consolidated affiliated entities and their respective equity holders to control and operate these businesses. See "Contractual Arrangements – PRC Contractual Arrangements" for more details.

Indonesia

Foreign Ownership Restrictions in Indonesia

We provide nationwide commercial courier services in Indonesia. We collect parcels from senders, transport such parcels to regional sorting hubs. The regional sorting hubs sort, further pack and dispatch the parcels to the destination sorting hubs, which further send parcels to delivery outlets or service stations for delivery to end customers. The commercial courier services that we provide are currently subject to foreign ownership restrictions under Indonesia law.

In Indonesia, only Foreign Postal Operators may hold equity interests in an Indonesian company that can engage in postal services in limited circumstances by fulfilling the Partnership Requirements, and such company need to hold equity interests in a joint venture company formed with an Indonesian Postal Services Company whose entire capital is owned by either the Indonesian government, Indonesian citizens or Indonesian legal entities wholly owned by Indonesian citizens. See more details on the Partnership Requirements, see "Contractual Arrangements – Indonesia Contractual Arrangements."

The Indonesian Postal Law defines a "Foreign Postal Operator" as a foreign company that provides postal services outside Indonesia, which requires that such foreign company directly engages in postal activities outside Indonesia and does not take into consideration any operations engaged by its affiliates. The Indonesian Postal Law and relevant implementing regulations also provides that such joint venture company's operations must be limited to the areas of provincial capitals (i.e., cannot provide any inter-city pick-up or delivery services outside provincial capitals).

Necessity of the current Indonesian Contractual Arrangements

Due to our corporate structure, we currently enter into the Indonesian Contractual Arrangements. We cannot directly hold any equity interest in Indonesian Opco without substantially changing our corporate and operational structure.

To conduct express delivery services through a joint venture company under the Partnership Requirements would require us to abandon our current national express delivery network, curtail our ability to reach end customers, reduce our competitiveness in Indonesia and restructure our tax efficient structure, all of which are fundamentally detrimental to our operations and future prospects. Specifically:

- We will be forbidden from providing any pick-up or delivery services outside provincial capitals. If we were to hold any direct equity interest in a Postal Services Company, we may only hold equity interest in a joint venture company to be formed with in accordance with the Partnership Requirements. The joint venture company would not be permitted to engage in any operation outside the provincial capitals, which would fundamentally change our current operations in Indonesia. Furthermore, foreign ownership would need to be held by an operating company within us instead of an intermediate holding company. Even if we are able to restructure our corporate structure which would result in significant tax burdens, it is practically and economically impossible for us to conduct our business under the joint venture structure under the Partnership Requirements.

- We have substantial operations outside provincial capitals. Inter-capital parcels only accounts for an insignificant portion of our parcel volume in Indonesia. We have significant operations providing courier services outside provincial capitals in Indonesia (including, in particular, distributing packages to and connecting a vast majority of lower-tier cities, counties and towns), and such operations are indispensable to our overall courier services in Indonesia. Therefore, to conduct express delivery services through a joint venture company under the Partnership Requirements would require us to abandon our current national express delivery network, curtail our ability to reach end customers and reduce our competitiveness in Indonesia, all of which are fundamentally detrimental to our operations and future prospects.

- We have an integrated nationwide express delivery network. It is practically impossible for us to divest our inter-capital operations in Indonesia from Indonesian Opco. We operate an integrated nationwide express delivery network, and it is practically impossible for us to split off our inter-capital operations, or to divest such operations from Indonesian Opco and or conduct such operations separately. With well-planned line-haul routes and high-capacity fleet connecting sorting subs at strategic locations with high-volume automated sorting capacities, we, via Indonesian Opco, reach and connect cities, countries and villages in Indonesia, satisfy customers' demands for one-stop courier delivery services and enable them to send their parcels to anywhere they want in Indonesia. We generate a substantial amount of parcels from leading e-commerce platforms. Our capabilities in achieving broad network coverage while maintaining high efficiency and short settlement cycles is the foundation for our cooperation with these strategic partners. As such, changing the scope of our operations in Indonesia (i.e. divesting inter-capital operations from Indonesian Opco) and abandoning our current integrated nationwide express delivery service network would materially and adversely impact our ability to reach customers, provide efficient services to strategic partners, and thus materially reduce our competitiveness in Indonesia, all of which are fundamentally detrimental to our operations and future prospects. Furthermore, even though the Indonesian Postal Law sets out a separate idea of "operation within/outside provincial capitals", providing inter-capital services or services outside provincial capitals only will be contrary to current industry practices. It is practically impossible to meet customers' expectation for an express delivery company with nationwide coverage and demands for connectivity and efficiency without an integrated network covering operations both between and outside provincial capitals.

LICENCES AND REGULATORY APPROVALS

Licences, Permits and Registrations

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had obtained all the approvals, permits, consents, licences and registrations that are material to our business and operations and all of them were in force as of the Latest Practicable Date. We had obtained or been awarded the following licences, permits and registrations that are, in the opinion of our Directors, material to our business, as of the Latest Practicable Date:

Holder	License, certificate or registration	Date of grant	Date of expiry
J&T International Logistics China	International Freight Forwarding Agencies	April 19, 2021	Long-term
J&T Express China	Courier Service Operation Permit for International Courier Service	November 17, 2020	November 16, 2025

Holder	License, certificate or registration	Date of grant	Date of expiry
J&T Express China	Courier Service Operation Permit for Domestic Courier Service	June 25, 2019	June 24, 2024
Yuyi Transportation (Chongqing) Co., Ltd.	Road Transportation Operation Permit	February 13, 2020	February 13, 2024
PT GJE	Postal License	March 18, 2019	Long term
J&T Express (Malaysia) Sdn. Bhd.	Courier License	April 1, 2021	March 31, 2024
Thuan Phong Express Company Limited	Domestic Postal License	May 27, 2016	May 27, 2026
Thuan Phong Express Company Limited	International Postal License	December 30, 2021	December 30, 2031

RISK MANAGEMENT AND INTERNAL CONTROL

Our senior management are responsible for formulating and overseeing the implementation of our internal control measures and the effectiveness of our risk management system, which is designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance.

Operational Risk Management

See "– Security and Safety" in this section for information about our for information about our security and safety protocols.

Human Resources Risk Management

We have established internal control policies covering various aspects of human resources management such as recruiting, training, work ethic and legal compliance. The demand in our industry for skilled employees is intense and we may be adversely affected by the departure of any key employees. See "Risk Factors – Risks Related to Our Business and Industry – Overall tightening of the labor market, increases in labor cost or any possible labor unrest may affect our business as we operate in a labor-intensive industry." Each of our executive officers and key employees has entered into an employment agreement with confidentiality, intellectual property and non-competition provisions with us.

We distribute copies of our employee handbook to all of our employees. The employee handbook contains, among other things, a code of conduct that each employee must comply with.

We provide regular trainings to our staff on work ethic, working procedures, internal policies, management, technical skills and other aspects that are relevant to their day-to-day work. Through these trainings, we ensure their skillset is up-to-date and meets our requirements.

Information Technology Risk Management

See "– Data Security and Privacy" in this section for information about our information security procedures and policies.

Financial Reporting and Risk Management

We have adopted comprehensive accounting policies in connection with our financial reporting risk management. We have established strict internal reimbursement and financial activities reporting policies. In particular, our finance department has implemented special inspection and verification procedures on invoices, bills, notes and other financial instruments, to check the legitimacy of the original instruments we receive and use. Our finance department also checks whether the amount and time provided on the face of the instrument match the relevant contracts. Our finance team has extensive experience in finance and financial reporting. We provide ongoing training to our finance staff to ensure that our financial reporting and risk management policies are well-observed and effectively implemented.

AWARDS AND RECOGNITION

We have repeatedly been recognized for the quality and popularity of our products and services. The following table sets forth a few of our major awards and recognitions during the Track Record Period.

Award/recognition	Country	Award year	Awarding institution/authority
Asian Excellent Brand 2023 – Gold Medal for Asian Quality Products and Services	Vietnam	2023	Asian Economic Research Institute in collaboration with Vietnam Union of Science and Business Development
SBR Technology Excellence Awards 2023 – E-Commerce – Logistics	Singapore	2023	Singapore Business Review
Last-Mile Delivery Company of the year	Saudi Arabia	2023	KSA Logistics & Transport Awards
Top Brand Award 2022	Indonesia	2022	Marketing.co.id
Top 10 Asia Excellent Brand 2022	Vietnam	2022	Asian Economic Research Institute
Vietnam Digital Awards 2022	Vietnam	2022	Vietnam Digital Communications Association
Philippines' Best Employers for 2023 Award	the Philippines	2022	Philippine Daily Inquirer & Statista
Singapore Partner Experience of the Year – Logistics	Singapore	2022	Asian Business Review

Award/recognition	Country	Award year	Awarding institution/authority
2021 Annual Development Award in the Express Industry (2021快遞年度發展獎) & 2021 Social Responsibility Award (2021快遞社會責任獎)	China	2022	China Post and Express News Office (中國郵政快遞報社)
PR Newswire Corporate Communications Awards 2022 – Global Development Award (2022新傳播年度大獎 – 品牌出海拓展獎)	China	2022	PR Newswire (美通社)
Reclame AQUI (客服服務獎)	Brazil	2022	Reclame AQUI
Top Brand Award 2021 (2021年度最佳品牌獎)	Indonesia	2021	Frontier Group
Most Engage Delivery Services Brand 2021 Award (2021最傑出快遞服務品牌)	Indonesia	2021	MIX MarComm
Bronze Stevie Awards for Achievement in Growth and Branded Content Campaign of 2021	the Philippines	2021	The Stevie Awards
Company of the Year for Services & Fast Moving Company of the Year	the Philippines	2021	Asia Leader's Awards
2021 Outstanding Caring Enterprise & 2021 Outstanding Public Welfare Practice Award (2021年度傑出愛心企業獎及2021年度傑出公益實踐獎)	China	2021	The Fourth Social Responsibility Conference (第四屆社會責任大會)
Top Brand Award 2020 (2020年度最佳品牌獎)	Indonesia	2020	Frontier Group
Digital Award Innovation Award (數字創新獎)	Indonesia	2020	Warta Economic Research and Consulting
Top 10 Asia-Pacific Outstanding Brand 2020 (Top 10亞太地區典型品牌獎)	Vietnam	2020	Asia-Pacific Economic Center and the Asia-Pacific Economic Review Organization
Business Newcomer of the Year in the Courier Services Industry (快遞服務行業年度商業新人獎)	the Philippines	2020	National Customers' Choice Awards