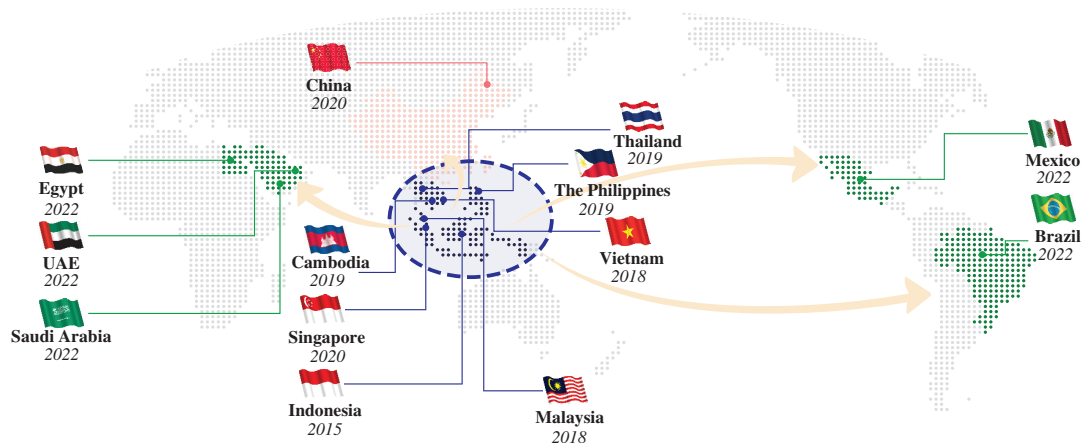


## BUSINESS

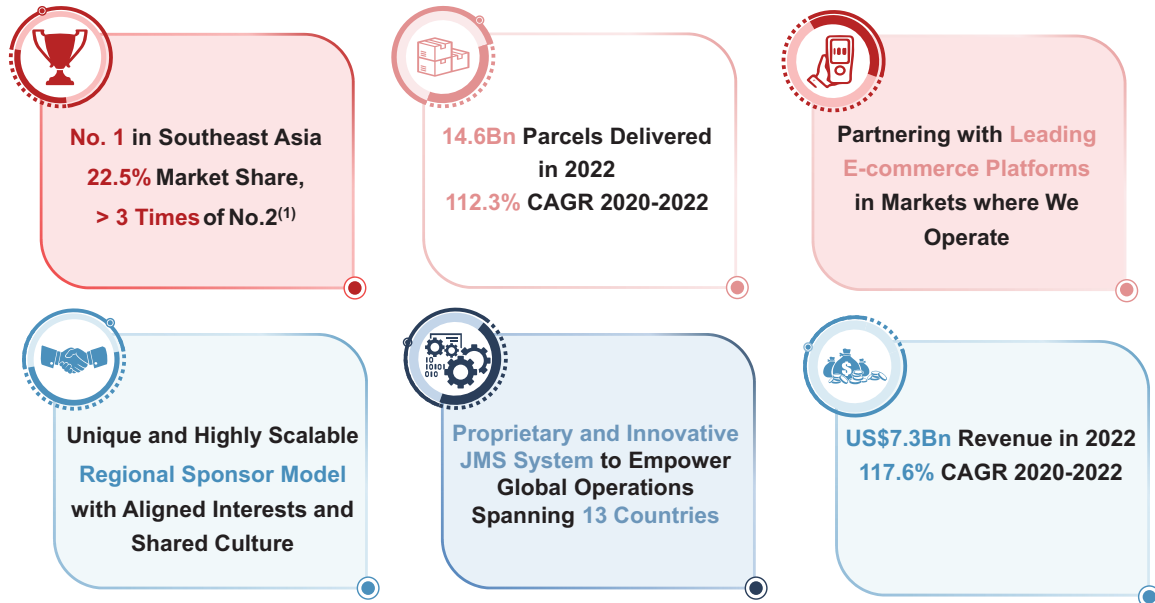
### BUSINESS OVERVIEW

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 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. 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. Today, we have full network coverage across the seven Southeast Asia countries and a geographic coverage of over 98% 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 solutions 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 comprehensive 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 integrated solutions to serve the rapid growth in cross-border logistics with our ever expanding global footprint.

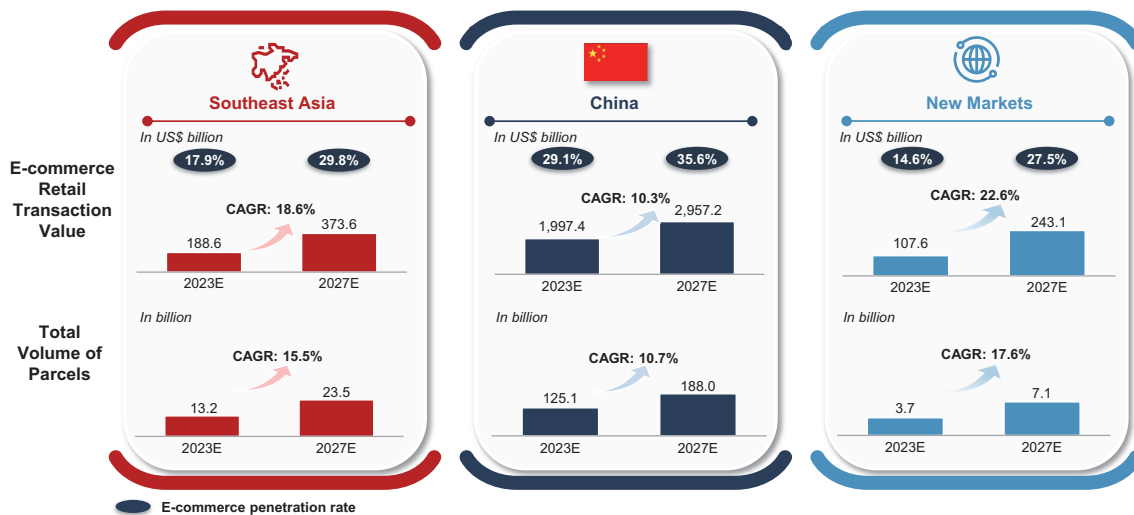
## BUSINESS



Notes:

- 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,

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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.

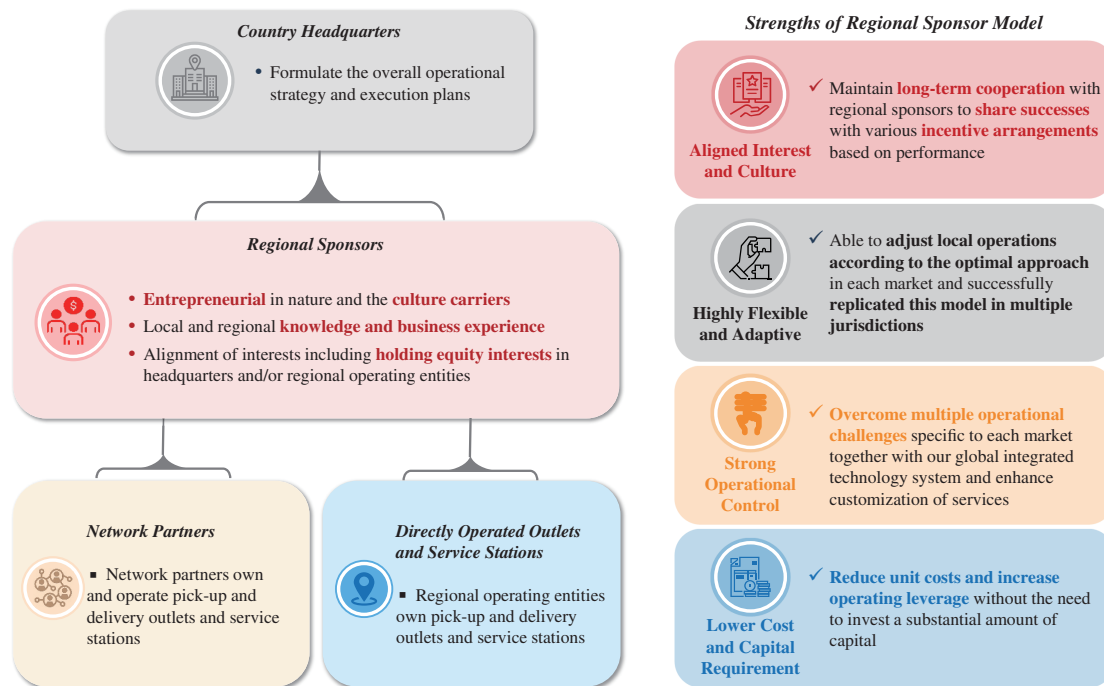
*Demand for express delivery services.* Benefiting from the significant e-commerce market, Southeast Asia and China combined form the largest and fastest-growing express delivery service market in the world, according to Frost & Sullivan. In Southeast Asia, total volume of parcels shipped rapidly increased 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 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.

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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 December 31, 2022, we had a portfolio of 104 regional sponsors and approximately 9,600 network partners. We operated 280 sorting centers and over 8,100 line-haul vehicles, including more than 4,020 self-owned line-haul vehicles, with approximately 3,800 line-haul routes, as well as over 21,000 pickup and delivery outlets as of December 31, 2022. Through collaboration with international and local partners, we also provide cross-border services across Asia, North America, South America, Europe, Africa and Oceania.

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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 growth from 2020 to 2022. 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 and adjusted EBITDA in total amount and by geographic segment for the periods indicated:

	Year ended December 31,		
	2020	2021	2022
	(in US\$ thousands)		
Revenue . . . . .	1,535,425	4,851,800	7,267,428
Southeast Asia . . . . .	1,046,504	2,377,544	2,381,726
China . . . . .	478,847	2,181,368	4,096,177
Others <sup>(2)</sup> . . . . .	10,074	292,888	789,525
<b>Non-IFRS measures (unaudited)</b>			
Adjusted loss <sup>(1)</sup> . . . . .	(475,861)	(911,347)	(798,649)
Adjusted EBITDA <sup>(1)</sup> . . . . .	(321,163)	(528,131)	(204,442)
Southeast Asia . . . . .	266,561	427,436	331,582
China . . . . .	(616,227)	(939,695)	(334,906)
Others <sup>(2)</sup> . . . . .	1,652	(14,028)	(168,789)
Unallocated <sup>(3)</sup> . . . . .	26,851	(1,844)	(32,329)

*Notes:*

- (1) A non-IFRS measure. 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 certain expenses, gains and losses, including general and administrative expenses, and exchange gains and losses incurred at the group and holding company levels.

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. 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,			2020–2022 CAGR	2022 Market Share
	2020	2021	2022		
	(in millions)				
Southeast Asia . . . . .	1,153.8	2,160.8	2,513.2	47.6%	22.5%
China . . . . .	2,083.5	8,334.3 <sup>(1)</sup>	12,025.6	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.

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### OUR STRENGTHS

#### **A global express delivery operator with the leading position in Southeast Asia, serving largest and fastest-growing 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.

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. 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.

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

We have a proven track record of enabling 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.

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Our business model allows us to maintain effective management over our network. At the same time, our regional sponsors, who are the culture carriers of our Company, 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 and superior 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 superior 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 have a proven track record of tackling 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



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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 December 31, 2022, we had a research and development team of 1,899 personnel across the globe, and our global R&D expenses have been growing at a CAGR of 77% from 2020 to 2022.

### **High-quality services catering to regional customer and market needs**

We provide high-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, high-quality shipping experience to consumers and customers. For example, we have pioneered providing express delivery services with unique features such as 365-day operation and 24-hour customer service in Indonesia and Malaysia, according to Frost & Sullivan, which had raised local industry standards.

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. According to a consumer survey conducted by Frost & Sullivan in Southeast Asia in March 2022, we achieved an average Net Promoter Score, or NPS, of 8.4 out of 10, which was the best among our peers with respect to speed, timeliness and service quality satisfaction. In China, based on figures reported by the State Post Bureau of the PRC, we achieved a lost parcel rate of 0.32 per million parcels, a complaint rate of 0.78 per million parcels and an effective complaint rate of 0.02 per million parcels in the first three months of 2023, compared to industry averages of 2.88, 10.29 and 3.16 per million parcels, respectively, for the first three months of 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 deep professional management bench and an extensive regional sponsor group. Our regional sponsors also collectively form a pool of deep entrepreneurial and industry experience, bringing critical 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.

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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 our Company, 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.

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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 May 2023, we achieved a daily peak volume of over 630,000 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.

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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 Superior Service Quality.** We strive to deliver a reliable, high-quality shipping experience with 365-day service. We provide high-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.

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- **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

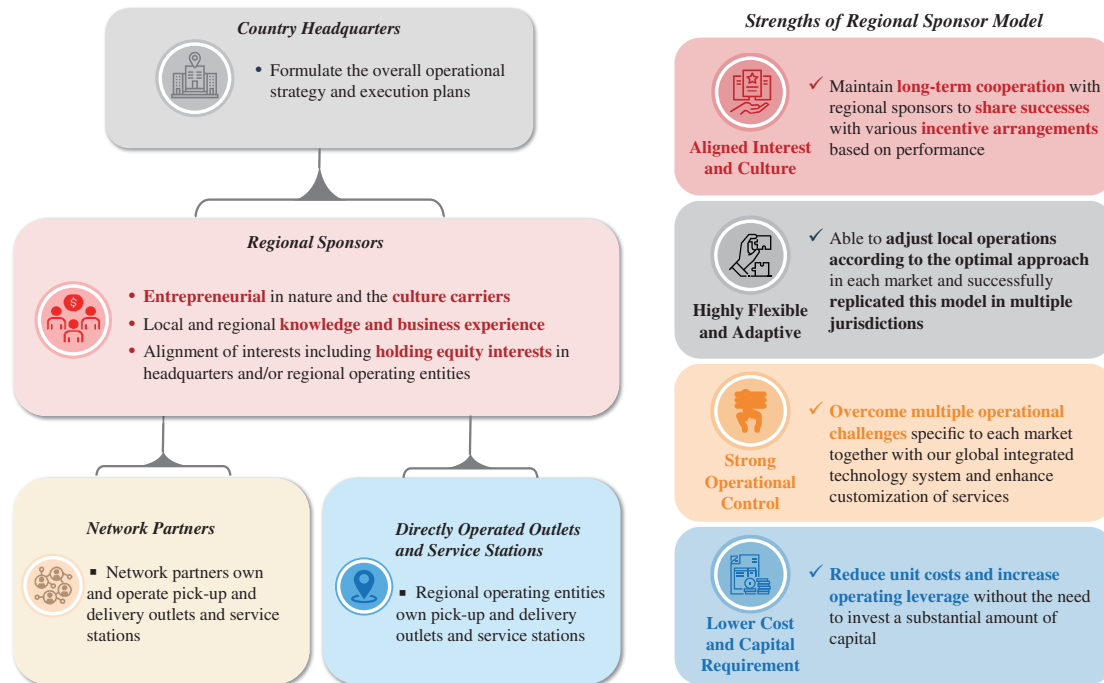
- **Earnings Potential and Economic Stimulus.** Network partners gain access to the sheer volume of packages delivered through our network as well as exposure to the largest e-commerce platforms and global opportunities. We also diversify the revenue sources of local communities by offering positions 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.

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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 December 31, 2022, 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 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.

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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 the Group's 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 the Group's 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

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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 December 31, 2022. 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 May 2023, we achieved a daily peak volume of over 630,000 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 the 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 the Company and its 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.



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

	As of December 31,		
	2020	2021	2022
<b>Countries with regional sponsors</b>			
– without unconsolidated regional operating entities <sup>(1)</sup>	Vietnam, Malaysia, the Philippines, China	Indonesia, Vietnam, Malaysia, the Philippines, Thailand, China	Indonesia, Vietnam, Malaysia, the Philippines, Thailand, China, Saudi Arabia, UAE, Brazil, Egypt <sup>(4)</sup>
– with unconsolidated regional operating entities <sup>(2)</sup>	Indonesia, Thailand	N/A <sup>(5)</sup>	Mexico
Countries without regional sponsors <sup>(3)</sup>	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 the market. During the Track Record Period, we acquired certain unconsolidated regional operating entities. See “– Consolidation of Certain Regional Operating Entities” in this section. 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 the Group, 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.
- (2) In Indonesia and Thailand, where it 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 the geographic regions of Singapore and Cambodia is each relatively small, the Company operates in these regions without involving any regional sponsors.
- (4) Our regional sponsors initially planned to operate in Egypt through unconsolidated regional operating entities. However, due to regulatory compliance concerns, we and our regional sponsors decided to change this structure soon after we launched our operations in Egypt. As such, certain unconsolidated regional operating entities as of December 31, 2022 had subsequently been consolidated into our Group.
- (5) 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.

Regional sponsors invest resources into local operations in various forms, including providing capital to regional operating entities, 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. 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

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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. 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 the success of our Group 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. 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.

### *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. 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.

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

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### Role of Regional Sponsors

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<b>Setup and management of sorting centers and logistics network</b>	Regional sponsors help execute regional strategies by assisting in the setup and management of sorting centers, line-hauls and personnel, among others.
<b>Sales and marketing</b>	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.
<b>Setup of outlets</b>	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.
<b>Customer services</b>	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.
<b>KPI and execution</b>	In applicable regions, regional sponsors set KPIs for network partners and supervise their performance and execute rewards and penalties.

### *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:

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### Role of Country Headquarters

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<b>Network planning</b>	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.
<b>Network setup</b>	Our country headquarters are typically in charge of procuring line-haul vehicles, and establishing and constructing major sorting centers.
<b>Pricing guidelines</b>	Our country headquarters set pricing guidelines based on market demand, seasonality, operational costs, and others.

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### Role of Country Headquarters

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<b>Technology infrastructure</b>	Our country headquarters operate, maintain and upgrade the technology system for daily operations.
<b>Partnership and customer relations</b>	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.
<b>KPI and supervision</b>	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.

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.

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### *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. 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 upon completing these KPIs. Discretionary awards or bonus to regional sponsors are based on (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 with us or regional operating entities, 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. Historically, we 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.

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## BUSINESS

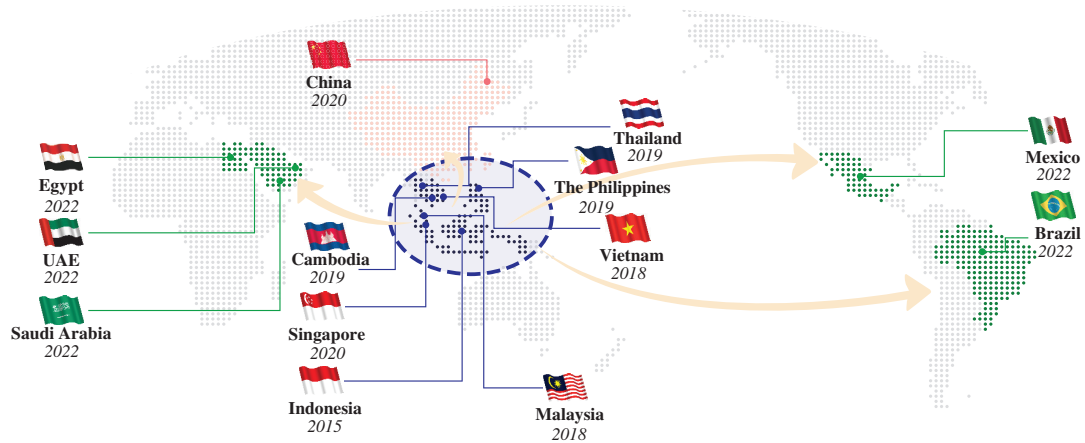
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- *Business operations.* Our cooperation agreements with network partners assign specific geographic regions of operations for each network partner which vary in size depending on the capabilities of the network partner and the needs of our network, 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. During the Track Record Period, we entered into cooperation agreements with exclusivity clauses with network partners in certain jurisdictions such as Indonesia, Thailand and China. In other jurisdictions, the cooperation agreements by and between the Group and network partners typically did not contain an exclusivity clause.

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### 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.

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 December 31, 2022, our network consisted of approximately 9,600 network partners, 280 sorting centers and over 8,100 line-haul vehicles, including more than 4,020 self-owned line-haul vehicles with approximately 3,800 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.

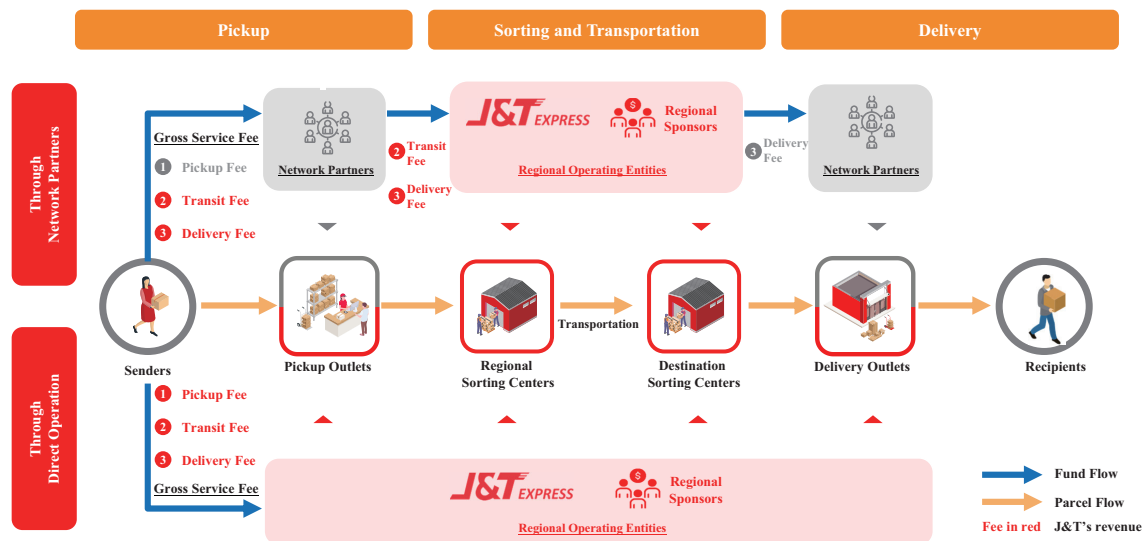
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### OUR SERVICES

Through our network and together with our regional sponsors and network partners, we provide express delivery services and cross-border services. 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.

### 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.

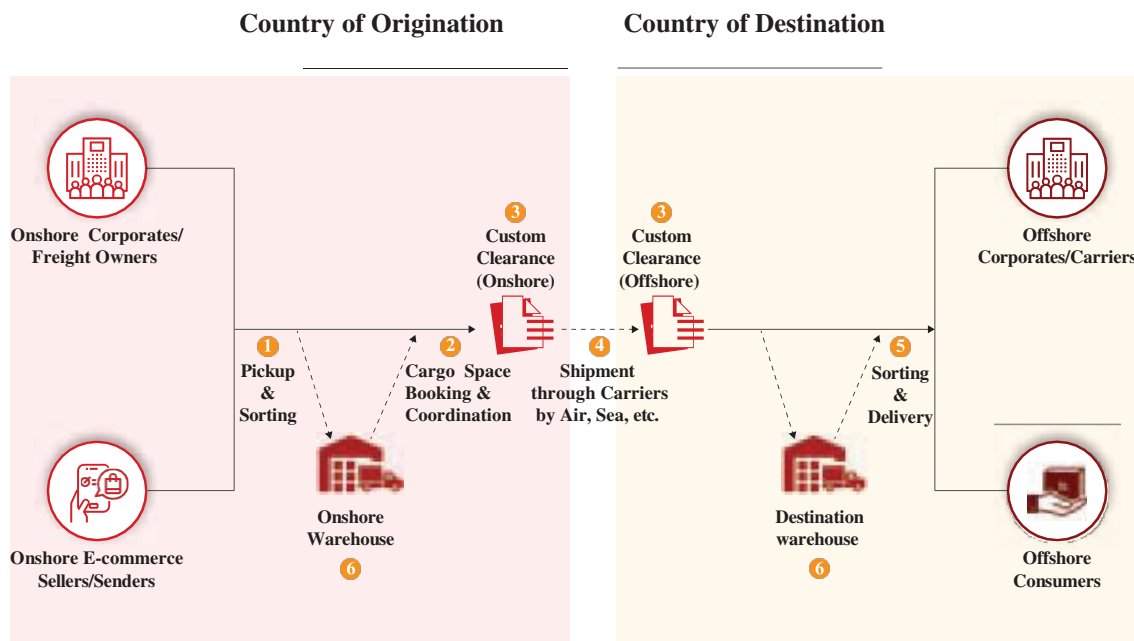


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*Step 3: Parcel Delivery.* The destination sorting center unloads and sorts the parcels before sending the parcels to local delivery outlets or service stations in preparation for last-mile delivery to the recipients via couriers. Once the recipients 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 comprehensive 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 comprehensive 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).

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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 customer-facing price 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 loss, operating loss and net operating cash outflow. Excluding the impact from fair value gain of financial liabilities at fair value through profit or loss, we had adjusted loss for each period during the Track Record Period.

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,					
	2020		2021		2022	
	US\$	%	US\$	%	US\$	%
	(in thousands, except for percentages)					
Southeast Asia . . . . .	1,046,504	68.1	2,377,544	49.0	2,381,726	32.7
China . . . . .	478,847	31.2	2,181,368	45.0	4,096,177	56.4
Others <sup>(1)</sup> . . . . .	10,074	0.7	292,888	6.0	789,525	10.9
<b>Total . . . . .</b>	<b>1,535,425</b>	<b>100.0</b>	<b>4,851,800</b>	<b>100.0</b>	<b>7,267,428</b>	<b>100.0</b>

## BUSINESS

*Note:*

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

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. Our revenue from Southeast Asia grew at a CAGR of 50.9% from 2020 to 2022, and our revenue from China grew at a CAGR of 192.5% during the same period. As we have been expanding our operations to new markets and enriching our service offerings, our revenue from New Markets and cross-border services grew from US\$10.1 million in 2020 to US\$292.9 million in 2021, and further by approximately 169.6% to US\$789.5 million in 2022.

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

	Year ended December 31,					
	2020		2021		2022	
	Gross profit/ (loss)	(Negative) Gross margin	Gross profit/ (loss)	(Negative) Gross margin	Gross profit/ (loss)	(Negative) Gross margin
	US\$	%	US\$	%	US\$	%
	(in thousands, except for percentages)					
Southeast Asia . . .	311,953	29.8	662,131	27.8	476,002	20.0
China . . . . .	(576,734)	(120.4)	(1,218,693)	(55.9)	(664,760)	(16.2)
Others <sup>(1)</sup> . . . . .	3,293	32.7	11,818	4.0	(81,480)	(10.3)
<b>Total . . . . .</b>	<b><u>(261,488)</u></b>	<b>(17.0)</b>	<b><u>(544,744)</u></b>	<b>(11.2)</b>	<b><u>(270,238)</u></b>	<b>(3.7)</b>

*Note:*

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

We had a gross loss of US\$261.5 million, US\$544.7 million and US\$270.2 million in the years ended December 31, 2020, 2021 and 2022, respectively. Our negative gross margin narrowed from 17.0% in 2020 to 11.2% in 2021, and further to 3.7% in 2022, reflecting the improved network effects of our global operation and economies of scale, and demonstrating a clear trajectory of profitability improvement. We achieved gross profit in Southeast Asia during the Track Record Period. Specifically, we had a gross profit in Southeast Asia of US\$312.0 million in 2020, US\$662.1 million in 2021 and US\$476.0 million in 2022, respectively. Our gross margin in Southeast Asia was 29.8%, 27.8% and 20.0% in the years ended December 31, 2020, 2021 and 2022, respectively. The decline in gross margin from 2020 to 2021 was mainly due to the change of service scope after our acquisition 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. The decline in gross margin from 2021 to 2022 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) increased costs in relation to new customer relationship acquisition.

## BUSINESS

In China, we had a gross loss of US\$576.7 million, US\$1,218.7 million and US\$664.8 million in the years ended December 31, 2020, 2021 and 2022, respectively. Our negative gross margin in China narrowed from 120.4% in 2020 to 55.9% in 2021, and further to 16.2% in 2022, demonstrating a significant improvement in our margins from 2020 to 2022. 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 have built a vast network of regional sponsors, network partners and end consumers, becoming 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, 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.

For others, namely, our cross-border and New Markets operations, we had a gross loss of US\$81.5 million in 2022, compared to gross profits in 2020 and 2021, as we tapped into the New Markets and continued to expand our cross-border operation in 2022. We expect to continue to selectively invest in our cross-border operations and ramp up our operations in 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 the gross loss incurred in our operations in China during each period of the Track Record Period and to a much lesser extent, cross-border and New Markets business in 2022.

In the long term, to continue to realize our revenue potential and achieve profitability, we plan to further (i) grow our parcel volume, (ii) maintain a flexible pricing strategy, (iii) control costs and narrow gross loss and 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. Our global annual parcel volume in 2022 was 14.6 billion, representing a CAGR of 112.3% from 3.2 billion in 2020.

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

	Year ended December 31,			2020-2022 CAGR
	2020	2021	2022	
	(in millions)			
Southeast Asia . . . . .	1,153.8	2,160.8	2,513.2	47.6%
China. . . . .	2,083.5	8,334.3	12,025.6	140.2%

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

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### 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, which has resulted in changes in our average revenue per parcel during such period. 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,		
	2020	2021	2022
	(US\$, per parcel)		
Southeast Asia . . . . .	0.91	1.10	0.95
China. . . . .	0.23	0.26	0.34

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, given that we operate across markets using different currencies, (ii) our acquisition and consolidation of the SEA entities to expand the scope of our services and, improve service quality, and (iii) our strategic pricing adjustment in 2022 to stay competitive in Southeast Asian markets and acquire new customer relationships. Leveraging our dominant market leading positions, extensive network and mature infrastructure in Southeast Asia, we will be able to maintain an adaptive and flexible pricing strategy while growing our parcel volume and increasing market share.

Our revenue per parcel in China increased during the Track Record Period due largely to our expansion of our network in China and adjustment of pricing terms based on market conditions. We have commenced to serve a wide range of end customers including end customers of higher quality through additional e-commerce platform partners. As we continue to improve service quality, attract these end customers and help network partners improve their results of operations, we expect to maintain and improve our pricing terms.

### Control costs and improve gross margin

Our negative gross margin was 17.0%, 11.2% and 3.7% in 2020, 2021 and 2022, respectively. Our gross loss in China and, to a much lesser extent, our expansion into the New Markets and cross-border business, contributed to our overall gross loss during each period of the Track Record Period, as we were still in the process of ramping up our business operations in those markets. However, our gross loss has narrowed and our negative gross margin has improved since 2020, primarily due to optimization of our operation, manifested by a decrease in average cost per parcel in China. Our average cost per parcel in Southeast Asia experienced certain mild fluctuations in 2021 due to our acquisition of certain unconsolidated regional operating entities in Southeast Asia, which changed our cost mix in Southeast Asia. However, our average cost per parcel was otherwise generally stable despite a slight decrease in 2022. The table below illustrates the average cost per parcel in our geographical segment during the Track Record Period:

	Year ended December 31,		
	2020	2021	2022
	(US\$, per parcel)		
Southeast Asia . . . . .	0.64	0.79	0.76
China. . . . .	0.51	0.41	0.40

## BUSINESS

Utilizing our regional sponsor model, we rapidly scaled our business operations and our parcel volume experienced significant growth during the Track Record Period. With higher utilization rates resulted from increased parcel volume flowing through our sorting centers and transportation network, we can achieve greater operational efficiency and lower fulfillment costs going forward. In Southeast Asia, we expect the cost per parcel to decline as we continue to improve our technology system and optimize our operations. In China, we will continue to achieve better economies of scale as our parcel volume increases.

### Enhance operating leverage

Our selling, general and administrative expenses primarily consist of employee benefits, including salaries and bonus, share-based compensation expenses related to employee benefits and share-based payments related to equity transactions. As our business scales and expands, we expect these expenses, excluding share-based payments and expenses, as a percentage of our revenue, to decline as the relevant headcounts and compensation may not grow proportionally with revenue. The table below illustrates our selling, general and administrative expenses, excluding share-based payments in relation to equity transactions, share-based compensation expenses, and impairment of goodwill, which are not directly related to our daily operations, as a percentage of our revenue.

	Year ended December 31,		
	2020	2021	2022
	As percentage of our revenue (%)		
Selling, general and administrative expenses . . . . .	23.8	23.3	15.1
Selling, general and administrative expenses (excluding share-based payments and expenses and impairment of goodwill) <sup>(1)</sup> . . . . .	11.6	10.5	9.6

*Note:*

- (1) Exclude the share-based payments and expenses of US\$188.3 million, US\$619.0 million and US\$281.4 million in 2020, 2021 and 2022, respectively.

As we further expand our global footprint and solidify our brand recognition, we expect our selling, general and administrative expenses as a percentage of our revenue to gradually decline in the medium to longer term.

	Year ended December 31,		
	2020	2021	2022
	(in US\$ thousands)		
(Loss)/Profit for the year . . . . .	(664,163)	(6,192,258)	1,572,567
<b>Add</b>			
Share-based payments and expenses <sup>(1)</sup> . . . . .	188,302	619,012	281,366
Integration cost <sup>(2)</sup> . . . . .	–	266,319	387,752
Fair value change of financial assets and liabilities at fair value through profit or loss . . . . .	–	4,383,532	(3,050,694)
Depreciation and amortization . . . . .	97,302	220,489	505,947
[REDACTED] expense . . . . .	–	[REDACTED]	[REDACTED]
Finance income . . . . .	(1,965)	(9,476)	(22,002)
Finance costs . . . . .	13,831	99,077	99,499
Income tax expense . . . . .	45,530	73,126	10,763

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	Year ended December 31,		
	2020	2021	2022
	(in US\$ thousands)		
<b>Adjusted EBITDA</b> . . . . .	(321,163)	(528,131)	(204,442)
Southeast Asia . . . . .	266,561	427,436	331,582
China . . . . .	(616,227)	(939,695)	(334,906)
Others <sup>(3)</sup> . . . . .	1,652	(14,028)	(168,789)
Un-allocated <sup>(4)</sup> . . . . .	26,851	(1,844)	(32,329)

*Notes:*

- (1) Include share-based compensation expenses related to employee benefits and share-based payments related to equity transactions.
- (2) Include (i) certain compensation packages for the employees of BEST Express China as part of the integration plan, (ii) impairment of property, plant and equipment that are identified as redundant as integrated BEST Express China, (iii) impairment of property, plant and equipment that we have identified as redundant, and other impairment of goodwill, property, plant and equipment and intangible assets, (iv) accrued provision for terminated customers and legal claims in relation to historical operation of BEST Express China, and (v) other miscellaneous integration costs.
- (3) Include our cross-border services and express delivery services in the New Markets.
- (4) Represent certain expenses, gains and losses, including general and administrative expenses, and exchange gains and losses incurred at the group and holding company levels.

As a result, we recorded negative adjusted EBITDA of US\$321.2 million, US\$528.1 million, and US\$204.4 million, for the year ended December 31, 2020, 2021 and 2022, respectively, and adjusted loss of US\$475.9 million, US\$911.3 million, and US\$798.6 million, for the corresponding periods, respectively.

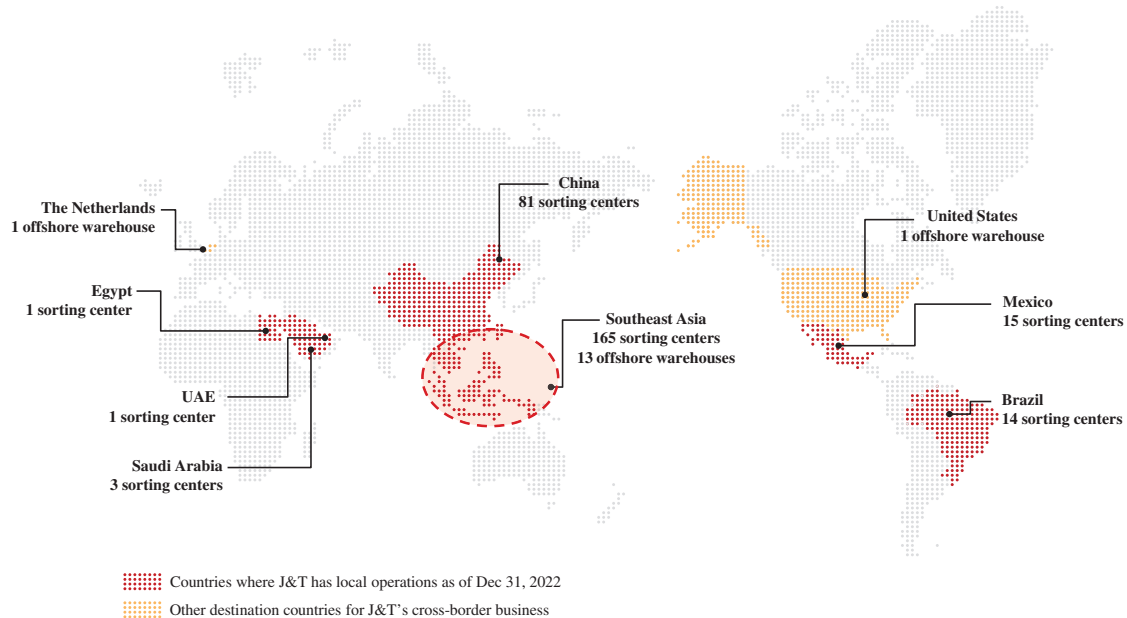
In summary, we had gross loss, negative adjusted EBITDA, and adjusted loss in 2020, 2021 and 2022, as we focused on long-term growth strategies such as enhancing our leading positions in Southeast Asia and China, growing our market share in core markets, expanding our geographic coverage and logistics network and investing in technology, talent, customer service and environmental sustainability. 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.

## BUSINESS

### 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 December 31, 2022, our express delivery network had 280 sorting centers in operation. The following map shows our network of sorting centers and warehouses in operation as of December 31, 2022.



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 customized integrated logistics centers are equipped with diverse functions including storage, parcel



## BUSINESS

sorting, parcel transportation and other after-sale services. 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 2,500 well-planned line-haul routes in Southeast Asia and China, respectively, as of December 31, 2022. 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 1,170 and 2,850 self-owned line-haul vehicles in Southeast Asia and China, respectively, as of December 31, 2022.

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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 December 31, 2022, we had more than 21,000 pickup and delivery outlets in our network, of which over 15,300 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. 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.

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### 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.

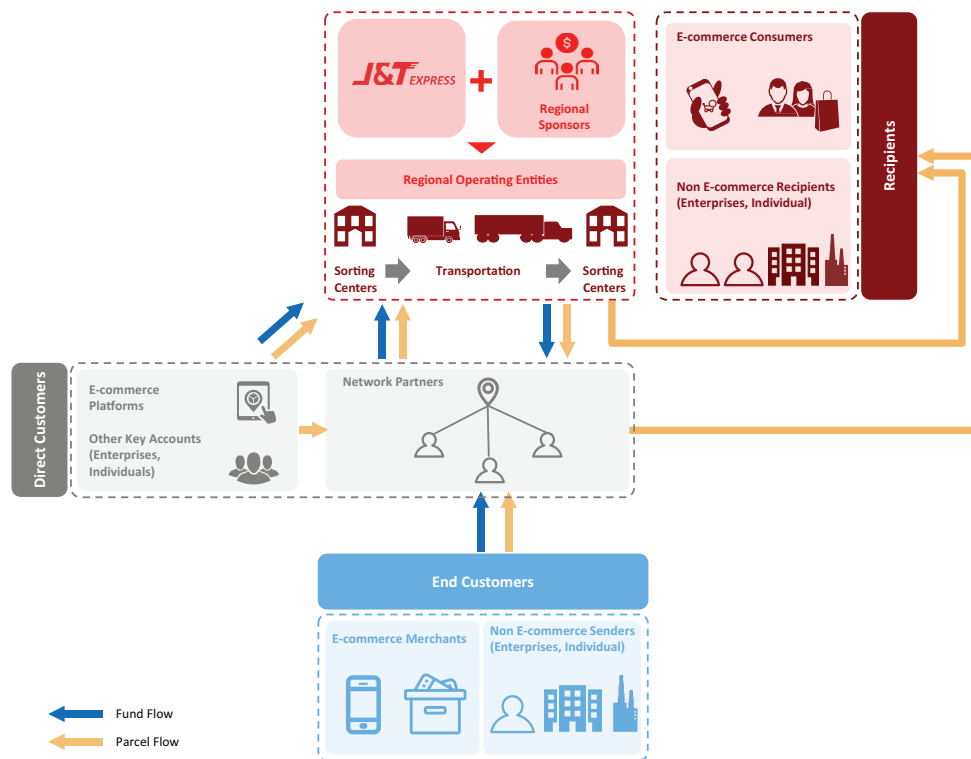
We consider our network partners as part of our direct customer group, as our regional operating entities provide parcel sorting and line-haul services to them and collect fees from them for use of our network.

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.

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 chart illustrates our direct and end customers for an express delivery parcel.



Note:

- (1) During the ramp-up period, we also consider the unconsolidated regional operating entities, which are owned and operated by regional sponsors, our customers. The fund flow and parcel flow mechanism, whether a regional operating entity is consolidated or not, is the same.

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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.

Our direct customers in China are primarily our network partners. 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. In 2020, 2021 and 2022, our top five customers contributed to 44.6%, 39.4% and 25.7% of our total revenue, respectively. For the same periods, our largest customer, an e-commerce platform, contributed to 35.4%, 35.4% and 16.9% of our total revenue, respectively. 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  (in US\$ thousands)	Percentage of our total revenue	Typical credit period
Customer A . . .	Express delivery and cross-border services	E-commerce platform	2017	542,963	35.4%	within 30 days
Customer B <sup>(1)</sup> . .	Express delivery	Express delivery service	2016	74,767	4.9%	30 days
Customer C . . .	Express delivery	Express delivery service	2020	27,993	1.8%	upfront payment
Customer D <sup>(1)</sup> . .	Express delivery	Express delivery service	2015	21,247	1.4%	30 days
Customer E <sup>(1)</sup> . .	Express delivery	Express delivery service	2015	18,118	1.2%	30 days

*Note:*

- (1) 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.”

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### 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 (in US\$ thousands)	Percentage of our total revenue	Typical credit period
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 . . . .	Express delivery	Express delivery service	2020	42,637	0.9%	upfront payment
Customer G . . . .	Express delivery	Express delivery service	2020	42,357	0.9%	upfront payment
Customer B <sup>(1)</sup> . . .	Express delivery	Express delivery service	2016	34,621	0.7%	30 days

*Note:*

(1) 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 (in US\$ thousands)	Percentage of our total revenue	Typical credit period
Customer A . . . .	Express delivery and cross-border services	E-commerce platform	2017	1,231,324	16.9%	within 30 days
Customer H . . . .	Express delivery and cross-border services	Social e-commerce platform	2021	482,887	6.6%	30 days
Customer I . . . .	Cross-border services	E-commerce platform	2022	54,160	0.7%	90 days
Customer J . . . .	Express delivery and cross-border services	E-commerce platform	2021	51,505	0.7%	30 days
Customer C . . . .	Express delivery and cross-border services	Express delivery service	2020	48,102	0.7%	upfront payment

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.

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## BUSINESS

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### 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 and unconsolidated regional operating entities, see “– our Regional Sponsor Model – Partnership with Regional Sponsors” and “– 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.

<b>Key Terms</b>	<b>Description</b>
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:

<b>Key Terms</b>	<b>Description</b>
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

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### CUSTOMER SERVICE

We believe our superior 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 monitor a series of key service quality indicators to monitor our customer service quality. According to Frost & Sullivan, based on a consumer survey conducted in Southeast Asia in March 2022, with respect to Net Promoter Score (NPS), we achieved an average score of 8.4 out of 10, which was the best among our peers with respect to speed, timeliness and service quality satisfaction. In China, based on figures reported by the State Post Bureau of the PRC, we achieved a lost parcel rate of 0.32 per million parcels, a complaint rate of 0.78 per million parcels and an effective complaint rate of 0.02 per million parcels in the first three months of 2023, compared to industry averages of 2.88, 10.29 and 3.16 per million parcels, respectively, for the first three months of 2023.

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. In 2020, 2021 and 2022, our five largest suppliers accounted for 15.6%, 12.3% and 10.0% of our total purchases, respectively. For the same periods, our largest supplier accounted for 6.2%, 3.6% and 2.5% of our total purchases, respectively.

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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. During the Track Record Period, some of them were both our top five customers and top five suppliers. Customer B, a major customer of 2020, and Customer C, a major customer of 2021, were both suppliers of our Group. 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 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.



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### **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 also are able to track per-person processing capacity and the usage of sustainable materials in our operations to enhance our overall efficiency.

### **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.

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### **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.

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### 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. 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."

### 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.

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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**

We have implemented a data security management protocol that sets out policies for our data-related operations, including the collection, transmission, storage, sharing, destruction, backup and recovery of data. Our data security policies include mechanisms for 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 certification of the ISO27001 for information security management system.

We have developed our internal policies and procedures with the goal of meeting industry standards and good practice. A few examples of our measures include (i) instituting a governance framework to ensure senior management are empowered to address any privacy issues, (ii) subjecting internal group data transfers to procedures providing for 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.

During the Track Record Period, we did not experience any material information leakage or loss of sensitive data.

### **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.

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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 full-time employees as of December 31, 2020, 2021 and 2022, respectively. The following table sets forth the breakdown of our full-time employees as of December 31, 2022 by function:

<u>Function</u>	<u>Number of Employees</u>	<u>Percentage of Total</u> (%)
Operations	104,710	82.8
Sales and Marketing	1,838	1.5
Research and Development	1,899	1.5
General Administration	15,440	12.2
Customer services	2,624	2.0
<b>Total</b>	<b>126,511</b>	<b>100.0</b>

As of December 31, 2022, we had 112,490, 7,831 and 6,190 employees in Southeast Asia, China and other jurisdictions, 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.

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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 December 31, 2022, the properties that we occupied or managed as sorting centers and warehouses had a total GFA of approximately 4.5 million square meters, including self-owned and leased properties.

#### Self-owned Properties

As of December 31, 2022, our self-operated sorting centers and warehouses that are located on premises we own represented a GFA of approximately 62 thousand square meters, accounting for approximately 1.4% of the total GFA of sorting centers and warehouses occupied or managed by us.

#### Leased Properties

As of December 31, 2022, we leased approximately 4.4 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 Group's 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."

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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 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.

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 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.

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 engage internal and external stakeholders to 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.

### **Environmental Sustainability**

#### ***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.

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### *Mitigation of Environmental and Climate Impact*

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 across the country, 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 December 31, 2022, we had deployed over 17 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 December 31, 2022, our reusable transit bags had been used over 355 million times, reducing carbon emissions by over 59,995 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 December 31, 2022, we have purchased over 28,000 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 and dual-sheet e-waybills, our single-sheet e-waybill saves 80% and 45% of paper consumables respectively. By the end of 2022 we had fully implemented this e-waybill system throughout our network. Based on one gram of paper saved per single-sheet e-waybill, approximately 2,406 tons of base paper had been saved in 2022, which is equivalent to over 210,900 fewer trees and approximately 17,650 tons reduced in carbon emissions.



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### 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:

- **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.

- **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.

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- **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 our Group. 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.

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### 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.

### 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:

<u>Holder</u>	<u>License, certificate or registration</u>	<u>Date of grant</u>	<u>Date of expiry</u>
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
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

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### **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.

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### 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
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
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

## BUSINESS

Award/recognition	Country	Award year	Awarding institution/authority
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