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Post Hearing Information Pack of



J&T Global Express Limited

極兔速遞環球有限公司

(the “Company”)

(A company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability)

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J&T Global Express Limited

極兔速遞環球有限公司

(A company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under : [REDACTED] (subject to the
the [REDACTED] [REDACTED])
Number of [REDACTED] : [REDACTED] (subject to [REDACTED])
Number of [REDACTED] : [REDACTED] (subject to [REDACTED]
and the [REDACTED])
Maximum [REDACTED] : [REDACTED]
Nominal value : US\$[0.000002] per Share
[REDACTED] : [REDACTED]

Joint Sponsors and [REDACTED]



[REDACTED]

[●]

[REDACTED] and [REDACTED]

[●]

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The [REDACTED] is expected to be determined by agreement between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and our Company on or around [REDACTED] and, in any event, on or before [REDACTED]. The [REDACTED] will not be more than [REDACTED] per [REDACTED] and is expected to be not less than [REDACTED] per [REDACTED], unless otherwise announced. [REDACTED] under the [REDACTED] per [REDACTED], [REDACTED], the maximum [REDACTED] of [REDACTED] per [REDACTED], [REDACTED] if the [REDACTED] as [REDACTED] is less than [REDACTED] per [REDACTED].

If, for any reason, our Company and the [REDACTED] (for themselves and on behalf of the [REDACTED]) are unable to reach agreement on the [REDACTED] on or before [REDACTED], the [REDACTED] will not proceed and will lapse. The [REDACTED].

Prior to making an [REDACTED] decision, prospective [REDACTED] should consider carefully all of the information set out in this document, including the risk factors set out in "Risk Factors."

[REDACTED] of the [REDACTED] should note that the obligations of the [REDACTED] under the [REDACTED] to [REDACTED], the [REDACTED], are subject to termination by the [REDACTED] (for themselves and on behalf of the [REDACTED]) if certain grounds arise prior to [REDACTED] on the [REDACTED]. Such grounds are set out in "[REDACTED] – [REDACTED] – [REDACTED]." It is important that you refer to that section for further details.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered, sold, pledged or transferred within the United States or for the account or benefit of U.S. persons in offshore transactions, except that [REDACTED] may be offered, sold or delivered within the United States to QIBs in reliance on Rule 144A under the U.S. Securities Act or other exemption(s) from registration under the U.S. Securities Act or outside the United States in reliance on Regulation S under the U.S. Securities Act.

The Company will be controlled through weighted voting rights upon [REDACTED]. Prospective [REDACTED] should be aware of the potential risks of [REDACTED] in a company with a WVR structure, in particular that the WVR Beneficiary, whose interests may not necessarily be aligned with those of our Shareholders as a whole, will be in a position to exert significant influence over the outcome of Shareholders' resolutions, irrespective of how other Shareholders vote. For further information about the risks associated with our WVR structure, see "Risk Factors – Risks Related to the [REDACTED]." Prospective [REDACTED] should make the decision to [REDACTED] in the Company only after due and careful consideration.

[REDACTED]

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

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IMPORTANT NOTICE TO [REDACTED]

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You should rely only on the information contained in this document and the [REDACTED] to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representation not made in this document must not be relied on by you as having been authorized by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] and [REDACTED], the [REDACTED], any of our or their respective directors or any other person or party involved in the [REDACTED].

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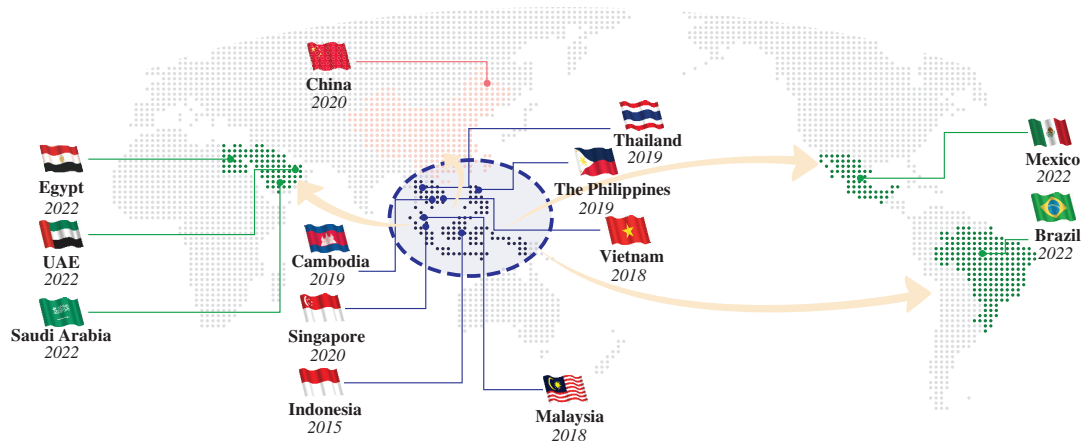
SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to [REDACTED] in the [REDACTED].

There are risks associated with any investment. Some of the particular risks in [REDACTED] in the [REDACTED] are set out in “Risk Factors.” You should read that section carefully before you decide to [REDACTED] in the [REDACTED].

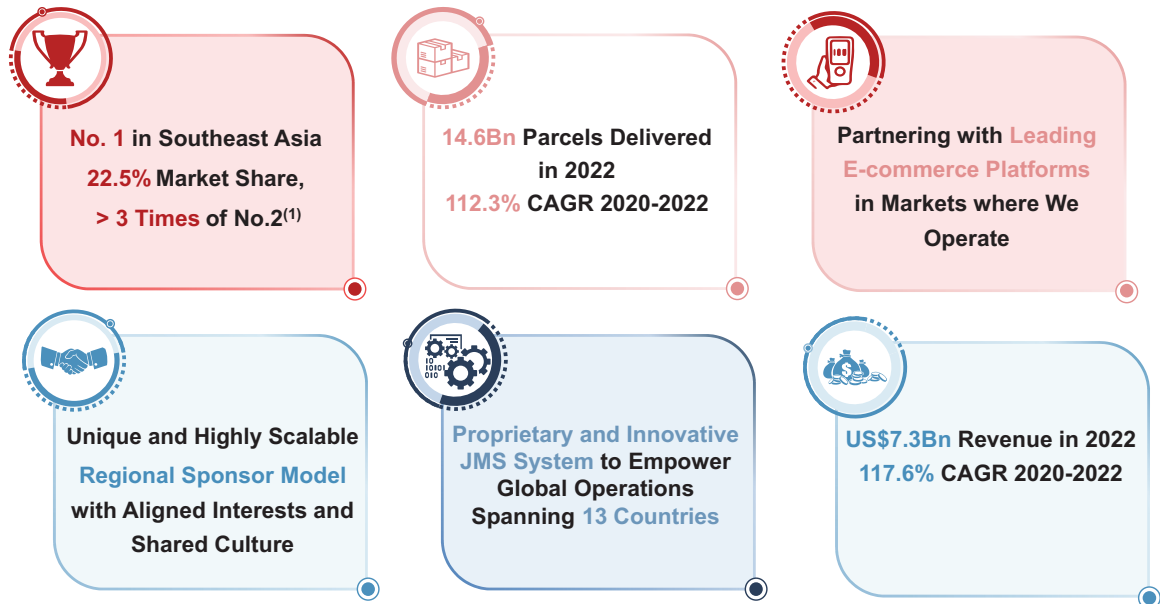
BUSINESS OVERVIEW

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



SUMMARY

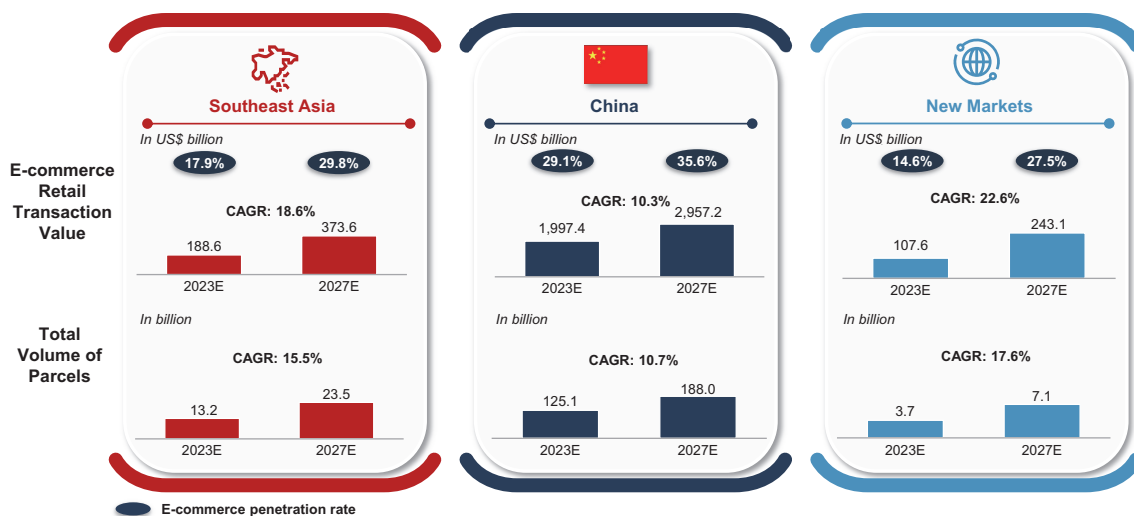
We provide express delivery services to leading e-commerce platforms enabling the rapid development of our partners as they expand into new markets. We have historically helped e-commerce platforms access regions that were underserved by traditional logistics service providers. We provide a suite of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



Note:

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

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



Source: Frost & Sullivan

SUMMARY

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

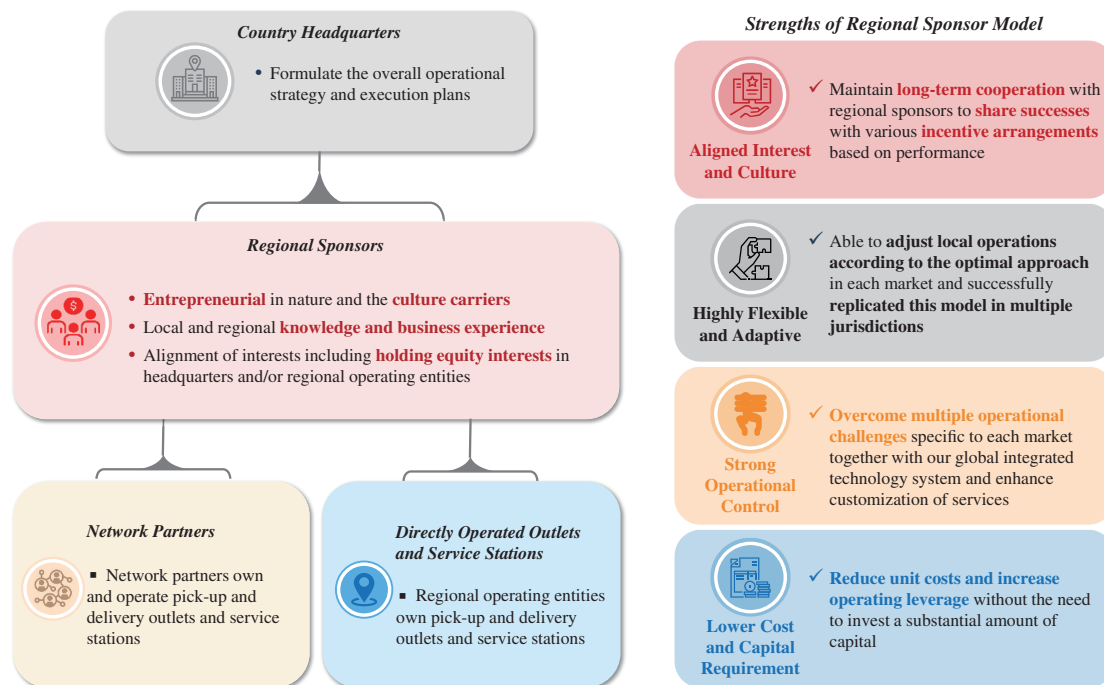
Demand for express delivery services. Benefiting from the significant e-commerce market, Southeast Asia and China combined form the largest and fastest-growing express delivery service market in the world, according to Frost & Sullivan. In Southeast Asia, total volume of parcels shipped rapidly increased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

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

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

SUMMARY

Our success is attributable to our innovative business model. 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. For more details of our innovative business model, please see “Business – Our Regional Sponsor Model – Advantages and Innovations of Our Business Model.”



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

SUMMARY

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

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

Notes:

- (1) See “Financial Information – Non-IFRS Measures” for more details.
- (2) Includes our cross-border services and domestic express delivery services in the New Markets.
- (3) Represents (i) certain expenses, gains and losses, including general and administrative expenses, and exchange gains and losses incurred at our group and holding company levels, and (ii) fair value change of financial assets and liabilities of other group entities that will not be re-designated from liabilities to equity upon the completion of the [REDACTED], which amounted to US\$301.9 million, US\$32.9 million, and US\$8.9 million for the year ended December 31, 2022, and the six months ended June 30, 2022 and 2023.

SUMMARY

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

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

Note:

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

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

OUR STRENGTHS

We believe that the following competitive strengths contribute to our success and differentiate us from our competitors:

- A global express delivery operator with the leading position in Southeast Asia, serving largest and fastest-growing express delivery emerging markets;
- Independent e-commerce enabler, connecting marketplaces and merchants to new markets and consumers;
- Scalable regional sponsor model that promotes rapid penetration and growth in new markets;
- Adaptive technology system and continued focus on innovation to empower global operations;
- Quality services catering to regional customer and market needs; and
- Entrepreneurial and experienced management team and regional sponsors dedicated to cultivating leaders and promoting development of our network.

SUMMARY

OUR STRATEGIES

To achieve our vision and mission, we intend to pursue the following strategies:

- Solidify our leading position and continue to grow our market share;
- Expand our capacity while enhancing the efficiency and connectivity of our logistics network;
- Expand into new markets and new service offerings; and
- Invest in innovation, technology and environmental sustainability.

RISK FACTORS

Our operations and the [REDACTED] involve certain risks and uncertainties, which are set out in “Risk Factors.” You should read that section in its entirety carefully before you decide to invest in our Shares. Some of the major risks we face include:

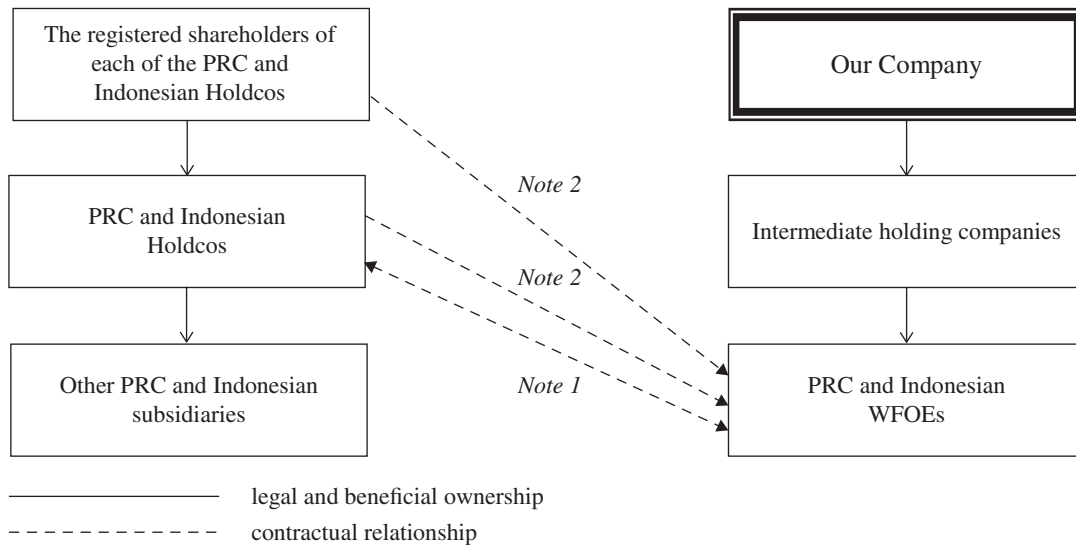
- Our business and growth are highly dependent on the development of the e-commerce industry in the markets where we operate.
- We face risks in managing global operations, entering into and expanding across a number of countries.
- We have relied, and may continue to rely, on certain prominent e-commerce platforms.
- We face risks associated with our regional sponsors, unconsolidated regional operating entities, network partners, and their employees and personnel.
- The possible impairment losses for intangible assets may adversely affect our financial condition and results of operations.

CONTRACTUAL ARRANGEMENTS

Our Group operates or may operate in certain industries that are subject to restrictions under the current PRC and Indonesian laws and regulations. In order to comply with such laws and regulations, while availing ourselves of international capital markets and maintaining effective control over all of our operations, we control our Consolidated Affiliated Entities through the PRC Contractual Arrangements entered into on January 18, 2023 and the Indonesian Contractual Arrangements entered into on March 29, 2022. We do not directly own any equity interest in our Consolidated Affiliated Entities. Pursuant to the Contractual Arrangements, we have effective control over the financial and operational policies of our Consolidated Affiliated Entities and are entitled to all the economic benefits derived from the Consolidated Affiliated Entities’ operations. We do not maintain any insurance with respect to our Contractual Arrangements. For further details, see “Risk Factors – Risks Related to Our Corporate Structure” and “Contractual Arrangements.”

SUMMARY

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Company stipulated under the Contractual Arrangements:



Notes:

- (1) The PRC WFOE provides technical support, business support and relevant consulting services in exchange for service fees from the PRC Holdco. See “Contractual Arrangements – Our Contractual Arrangements – Summary of the agreements under the PRC Contractual Arrangements and other key terms thereunder – Exclusive Business Cooperation Agreement.” The Indonesian WFOE provides comprehensive management consulting services to the Indonesian Holdco in exchange for service fees. See “Contractual Arrangements – Our Contractual Arrangements – Summary of the agreements under the Indonesian Contractual Arrangements and other key terms thereunder – Exclusive Technical Service Agreement.”
- (2) The Registered Shareholders of the PRC Holdco executed the exclusive option agreement in favor of the PRC WFOE for the acquisition of all or part of the equity interests in and all or part of the assets in the PRC Holdco. See “Contractual Arrangements – Our Contractual Arrangements – Summary of the agreements under the PRC Contractual Arrangements and other key terms thereunder – Exclusive Option Agreement.” The Registered Shareholders of the PRC Holdco executed Shareholders’ Rights Proxy Agreement in favor of the PRC WFOE, for the exercise of all shareholders’ rights in the PRC Holdco. See “Contractual Arrangements – Our Contractual Arrangements – Summary of the agreements under the PRC Contractual Arrangements and other key terms thereunder – Shareholder Rights Proxy Agreement.” The Registered Shareholders of the PRC Holdco granted security interests in favor of the PRC WFOE, over the entire equity interests in the PRC Holdco. See “Contractual Arrangements – Our Contractual Arrangements – Summary of the agreements under the PRC Contractual Arrangements and other key terms thereunder – Equity Pledge Agreement.” The Indonesian Individual and Corporate Registered Shareholders executed a number of agreements in favor of the Indonesian WFOE to allow the Indonesian WFOE to consolidate control over the Indonesian Holdco and derive the full economic benefits from the Indonesian Holdco. See “Contractual Arrangements – Our Contractual Arrangements – Summary of the agreements under the Indonesian Contractual Arrangements and other key terms thereunder.”

Development in the PRC legislation on foreign investment

On March 15, 2019, the National People’s Congress approved the Foreign Investment Law, which became effective on January 1, 2020. On December 26, 2019, the State Council promulgated the Implementation Rules to the Foreign Investment Law, which came into effect on January 1, 2020. The Foreign Investment Law replaced the Equity Joint Venture Law, the Wholly Foreign-owned Enterprise Law, and the Cooperative Joint Venture Law to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law stipulates

SUMMARY

certain forms of foreign investment, but does not explicitly stipulate contractual arrangements as a form of foreign investment. The Implementation Rules to the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements.

Therefore, without any other promulgated national laws, administrative regulations, administrative rules or regulatory requirements prohibiting or restricting the operation of or affecting the legality of contractual arrangements, the Foreign Investment Law will not have a material adverse impact on the PRC Contractual Arrangements, and each of the agreements under the PRC Contractual Arrangements and the legality and validity of the PRC Contractual Arrangements would not be affected.

For the risks relating to the Contractual Arrangements, see “Risk Factors – Risks Related to Our Corporate Structure” for further details.

WEIGHTED VOTING RIGHTS STRUCTURE AND OUR CONTROLLING SHAREHOLDERS

We are proposing to adopt a weighted voting rights structure effective immediately upon the completion of the [REDACTED]. Under this structure, our share capital will comprise Class A Shares and Class B Shares. Each Class A Share shall entitle its holder to 10 votes, and each Class B Share shall entitle its holder to one vote on each resolution subject to a vote at our general meetings on a poll, except for resolutions with respect to the Reserved Matters, in relation to which each Class A Share and each Class B Share shall entitle its holder to one vote on a poll at a general meeting of the Company.

In recognition of Mr. Li’s continuous contributions to the Company and to ensure further alignment of Mr. Li’s interests with those of the Company and its shareholders, the existing Shareholders of the Company unanimously agreed to issue 24,557,934 class B ordinary shares of par value of US\$0.00001 each (the “**Founder Award Shares**”) at par value to Jumping Summit Limited, a company controlled by Mr. Li, on May 17, 2023. Such class B ordinary shares of par value of US\$0.00001 each will be redesignated to Class A Shares following the Reclassification, Redesignation and Share Subdivision. Mr. Li has undertaken to proportionately relinquish the Founder Award Shares (Class A Shares equivalent, assuming completion of Reclassification, Redesignation and Share Subdivision) if he ceases to serve as Chairman of the Board, or as the Chief Executive Officer, or such other position equivalent to the Chief Executive Officer within the four year period commencing on the [REDACTED]. See “History and Corporate Structure – Issuance of Founder Award Shares” for further details.

Immediately upon the completion of the [REDACTED], the WVR Beneficiary will be Mr. Li. Assuming (i) the [REDACTED] is not exercised and (ii) the Reclassification, Redesignation and Share Subdivision are completed, (a) Mr. Li will be interested in and will control, through Jumping Summit Limited, 979,333,410 Class A Shares, representing approximately [REDACTED]% of our total issued share capital, and approximately [REDACTED]% of the total voting rights in our Company with respect to the Reserved Matters, and approximately [REDACTED]% of the total voting rights in our Company with respect to matters other than the Reserved Matters, (b) without taking into account the Founder Award Shares (Class A Shares equivalent, assuming completion of Reclassification, Redesignation and Share Subdivision), which are subject to potential relinquishment, Mr. Li will be interested in and will control, through Jumping Summit Limited, 856,543,740 Class A Shares, representing approximately [REDACTED]% of our total issued share capital, and approximately [REDACTED]% of the total voting rights in our Company with respect to the Reserved Matters, and approximately [REDACTED]% of the total voting rights in our Company with respect to matters other than the Reserved Matters.

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Topping Summit Limited, Mr. Li’s wholly-owned entity, holds 5% equity interest and exercises all the voting rights in Jumping Summit Limited, the remaining 95% equity interest in Jumping Summit Limited, which do not carry any voting rights, is held by Exceeding Summit Holding Limited, the entire equity interest of which is held by Vistra Trust (Singapore) Pte. Limited (the “**Trustee**”) as trustee for the family trust established by Mr. Li (as settlor) for himself and his family (the “**Jet Family Trust**”). Further, as the sole director of Jumping Summit Limited, Mr. Li is responsible for managing, directing and supervising the operations and affairs of Jumping Summit Limited pursuant to its articles of association, and thus Mr. Li retains direct control over Jumping Summit Limited and the voting rights underlying the Class A Shares held by Jumping Summit Limited. Therefore, Mr. Li, Jumping Summit Limited, Topping Summit Limited and Exceeding Summit Holding Limited will be our Controlling Shareholders after the [REDACTED].

See “Share Capital – Weighted Voting Rights Structure” and “Relationship with the Controlling Shareholders” for further details.

Our WVR Structure will enable the WVR Beneficiary to exercise voting control over us notwithstanding the WVR Beneficiary does not hold a majority economic interest in the share capital of our Company. This will enable us to benefit from the continuing vision and leadership of the WVR Beneficiary who will control us with a view to our long-term prospects and strategy.

Mr. Li founded our Company and currently serves as an Executive Director, Chief Executive Officer and Chairman of the Board and is responsible for executive decisions, leading our rapid growth over the years. Mr. Li is a serial entrepreneur with over 20 years of sales and entrepreneurial experience.

Mr. Li has been integral to our growth and success and has been, and will continue to be, responsible for leading our strategic direction, business management and development, commercialization, new business initiatives, corporate culture, publicity, government affairs, brand, maintenance and development of the our ecosystem, strategic acquisition, finance, legal, talent acquisition and overseas expansion.

Mr. Li has been the central figure in forming the regional sponsor model. Mr. Li, leveraging on his experience and insights, first identified, recruited and organized the regional sponsors who contributed to our success in Indonesia. He further devised the methodology to engage them to participate in the operations of their respective regions and led the effort to tailor the model as J&T’s operation expanded into other jurisdictions.

Envisaging the potential markets and demands for reliable, customer-centric logistic solutions across Southeast Asia markets, Mr. Li promulgated the initiative to expand our global presence, led the research on the market competitive landscape and made the decisions to enter into other jurisdictions based on their strategic positions. Mr. Li led the collaboration with major e-commerce platforms in Southeast Asia. Mr. Li also integrates the cross-border and international operations under the brand of J&T International.

We are committed to continuously capitalizing on our innovative business model and leading position in the express delivery industry in Asia. Under Mr. Li’s innovative vision and leadership, we seek to continue innovating and remain at the forefront of the industry, expanding logistics access to underserved regions, becoming the go-to partner for growing e-commerce platforms and implementing new technologies to transform the landscape of express delivery services in Asia and globally. We consider that the adoption of the proposed WVR structure to be an integral element to achieving this vision.

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Prospective investors are advised to be aware of the potential risks of investing in companies with weighed voting rights structures, in particular that interests of the WVR Beneficiary may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR Beneficiary will be in a position to exert significant influence over the affairs of our Company and the outcome of shareholders’ resolutions, irrespective of how other shareholders vote. Prospective investors should make the decision to invest in our Company only after due and careful consideration. For further information about the risks associated with the WVR Structure adopted by our Company, see “Risk Factors – Risks Related to the WVR Structure.”

PRE-[REDACTED] INVESTORS

We received multiple series of equity financing from our Pre-[REDACTED] Investors to support our expanding business operations from 2017 to 2023. Our broad and diverse base of Pre-[REDACTED] Investors consist of, among others, Tencent, Boyu, ATM, D1, Hillhouse, GLP, Sequoia, SF Express, Dahlia, SAI Growth and CMBI. See “History and Corporate Structure – Pre-[REDACTED] Investments” for more details.

OUR CUSTOMERS AND SUPPLIERS

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. 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. Our five largest customers in each of 2020, 2021, 2022 and the six months ended June 30, 2023 contributed to 44.6%, 39.4%, 25.7% and 29.9% of our total revenue for their respective period. For details, see “Business – Customers.”

During the Track Record Period, our suppliers primarily included service providers of third-party transportation, human resources services and express delivery services including our network partners and unconsolidated regional operating entities. Our five largest suppliers in each of 2020, 2021, 2022 and the six months ended June 30, 2023 accounted for 15.6%, 12.3%, 10.0% and 10.3% of our total purchases for their respective period. For details, see “Business – Suppliers.”

OUR TECHNOLOGY

Our success is also attributable to our innovative technologies. In Southeast Asia, our technology innovations began in 2015 and has introduced market leading technologies that allow the rapid expansion of our network. In China, we commenced operations in 2020, facing intense competition from incumbent players but has achieved strong growth and leading market shares, as backed by our innovations and technologies.

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. See “Business – Technology” for more details.

SUMMARY

COMPETITIVE LANDSCAPE

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.”

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary consolidated financial data from our consolidated financial information for the Track Record Period, extracted from the Accountant’s Report set out in Appendix I to this document. The summary consolidated financial data set forth below should be read together with, and is qualified in its entirety by reference to, our consolidated financial statements in this document, including the related notes. Our consolidated financial information was prepared in accordance with IFRS.

Consolidated Income Statements Data

The following table sets forth a summary of our consolidated income statements data for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%
	(in thousands, except for percentages)									
	(Unaudited)									
Revenue	1,535,425	100.0	4,851,800	100.0	7,267,428	100.0	3,402,543	100.0	4,030,439	100.0
Cost of revenue	(1,796,913)	(117.0)	(5,396,544)	(111.2)	(7,537,666)	(103.7)	(3,468,602)	(101.9)	(3,836,899)	(95.2)
Gross (loss)/profit	(261,488)	(17.0)	(544,744)	(11.2)	(270,238)	(3.7)	(66,059)	(1.9)	193,540	4.8
Selling, general and administrative expenses	(365,869)	(23.8)	(1,129,024)	(23.3)	(1,095,528)	(15.1)	(526,328)	(15.5)	(1,767,875)	(43.9)
Research and development expenses	(14,129)	(0.9)	(41,031)	(0.8)	(44,483)	(0.6)	(20,912)	(0.6)	(18,874)	(0.5)
Net impairment losses on financial assets	(9,488)	(0.6)	(41,320)	(0.9)	(37,219)	(0.5)	(25,033)	(0.7)	(11,814)	(0.3)
Other income	17,056	1.1	82,542	1.7	98,149	1.4	48,080	1.4	12,228	0.3
Other gains/(losses), net	27,474	1.8	26,370	0.5	(40,246)	(0.6)	(31,659)	(0.9)	(43,423)	(1.1)
Operating loss	(606,444)	(39.5)	(1,647,207)	(34.0)	(1,389,565)	(19.1)	(621,911)	(18.3)	(1,636,218)	(40.6)
Finance income	1,965	0.1	9,476	0.2	22,002	0.3	8,025	0.2	11,367	0.3
Finance costs	(13,831)	(0.9)	(99,077)	(2.0)	(99,499)	(1.4)	(44,647)	(1.3)	(56,002)	(1.4)

SUMMARY

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%
	(in thousands, except for percentages)									
	(Unaudited)									
Finance cost, net	(11,866)	(0.8)	(89,601)	(1.8)	(77,497)	(1.1)	(36,622)	(1.1)	(44,635)	(1.1)
Fair value change of financial assets and liabilities at fair value through profit or loss	–	–	(4,383,532)	(90.3)	3,050,694	42.0	2,028,151	59.6	1,020,747	25.3
Share of results of associates	(323)	(0.0)	1,208	(0.0)	(302)	(0.0)	(222)	0.0	(84)	0.0
(Loss)/profit before income tax	(618,633)	(40.3)	(6,119,132)	(126.1)	1,583,330	21.8	1,369,396	40.2	(660,190)	(16.4)
Income tax (expense)/credit	(45,530)	(3.0)	(73,126)	(1.5)	(10,763)	(0.2)	2,876	0.1	(6,579)	(0.1)
(Loss)/profit for the year/period	<u>(664,163)</u>	<u>(43.3)</u>	<u>(6,192,258)</u>	<u>(127.6)</u>	<u>1,572,567</u>	<u>21.6</u>	<u>1,372,272</u>	<u>40.3</u>	<u>(666,769)</u>	<u>(16.5)</u>
Attributable to:										
Owners of the Company	(564,836)	(36.8)	(6,046,983)	(124.6)	1,656,168	22.8	1,413,479	41.5	(640,967)	(15.9)
Non-controlling interests	(99,327)	(6.5)	(145,275)	(3)	(83,601)	(1.2)	(41,207)	(1.2)	(25,802)	(0.6)
	<u>(664,163)</u>	<u>(43.3)</u>	<u>(6,192,258)</u>	<u>(127.6)</u>	<u>1,572,567</u>	<u>21.6</u>	<u>1,372,272</u>	<u>40.3</u>	<u>(666,769)</u>	<u>(16.5)</u>

Non-IFRS Measures

To supplement our consolidated results which are prepared and presented in accordance with IFRS, we use adjusted (loss)/profit (a non-IFRS measure) and adjusted EBITDA (a non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating the potential impact of items, such as certain non-cash items, transactions and items associated with the [REDACTED]. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, as a substitute for, or superior to, our results of operations or financial conditions as reported under IFRS. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies, and may not be comparable to other similarly titled measures used by other companies.

We define our adjusted loss for the year/period (a non-IFRS measure) as (loss)/profit for the year/period adjusted by adding back (i) share-based payments and expenses, (ii) fair value change of financial liabilities at fair value through profit or loss, and (iii) [REDACTED] expenses. We define our adjusted EBITDA (a non-IFRS measure) as (loss)/profit for the year/period) adjusted by adding back (i) share-based payments and expenses, (ii) fair value change of financial liabilities at fair value through profit or loss, (iii) [REDACTED] expenses, (iv) depreciation and amortization, (v) finance income, (vi) finance costs, and (vii) income tax expense/(credit). Specifically, (i) fair value change of financial liabilities at fair value through profit or loss are non-cash in nature, because all the preferred shares of the Company will be automatically converted into ordinary shares upon the completion of the [REDACTED], (ii) share-based compensation expenses relating to employee benefits, share-based payments relating to equity transactions and other share-based compensation expenses are non-cash expenses, (iii) [REDACTED] expenses are related to [REDACTED], and (iv) depreciation and amortization, finance income, finance costs and income tax expense/(credit) are items that we believe should be adjusted for when assessing our underlying core performance, especially in making period-to-period comparisons of, and assessing the profile of, our operating and financial performance.

SUMMARY

The following table sets forth a reconciliation of our non-IFRS financial measures for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023 to the nearest measures prepared in accordance with IFRS:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	(in US\$ thousands)				
	(Unaudited)				
(Loss)/Profit for the year/period . .	(664,163)	(6,192,258)	1,572,567	1,372,272	(666,769)
Add					
Share-based payments and expenses ⁽¹⁾	188,302	619,012	281,366	260,594	1,426,868
Fair value change of financial liabilities at fair value through profit or loss ⁽²⁾	–	4,383,532	(3,352,590)	(2,061,022)	(1,029,661)
[REDACTED] expenses	–	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted loss for the year/period (a non-IFRS measure)	(475,861)	(1,177,666)	(1,488,297)	(418,983)	(264,026)

Notes:

- (1) Include share-based compensation expenses related to employee benefits, share-based payments related to equity transactions and other share-based compensation expenses.
- (2) Includes financial instruments which will be converted into equity upon [REDACTED].

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	(in US\$ thousands)				
	(Unaudited)				
(Loss)/Profit for the year/period . .	(664,163)	(6,192,258)	1,572,567	1,372,272	(666,769)
Add					
Share-based payments and expenses ⁽¹⁾	188,302	619,012	281,366	260,594	1,426,868
Fair value change of financial liabilities at fair value through profit or loss ⁽²⁾	–	4,383,532	(3,352,590)	(2,061,022)	(1,029,661)
Depreciation and amortization . . .	97,302	220,489	505,947	246,512	251,981
[REDACTED] expense	–	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Finance income	(1,965)	(9,476)	(22,002)	(8,025)	(11,367)
Finance costs	13,831	99,077	99,499	44,647	56,002
Income tax expense/(credit)	45,530	73,126	10,763	(2,876)	6,579
Adjusted EBITDA (a non-IFRS measure)	(321,163)	(794,450)	(894,090)	(138,725)	39,169
Southeast Asia	266,561	427,436	331,582	156,737	184,060
China	(616,227)	(1,206,014)	(722,658)	(222,158)	(44,967)
Others ⁽³⁾	1,652	(14,028)	(168,789)	(45,613)	(66,431)
Unallocated ⁽⁴⁾	26,851	(1,844)	(334,225)	(27,691)	(33,493)

SUMMARY

Notes:

- (1) Include share-based compensation expenses related to employee benefits, share-based payments related to equity transactions and other share-based compensation expenses.
- (2) Includes financial instruments which will be converted into equity upon [REDACTED].
- (3) Include our cross-border services and express delivery services in the New Markets.
- (4) Represents (i) certain expenses, gains and losses, including general and administrative expenses, and exchange gains and losses incurred at the group and holding company levels, and (ii) fair value change of financial assets and liabilities of other group entities that will not be re-designated from liabilities to equity upon the completion of the [REDACTED], which amounted to US\$301.9 million, US\$32.9 million, and US\$8.9 million for the year ended December 31, 2022, and the six months ended June 30, 2022 and 2023.

We incurred a net loss of US\$664.2 million, US\$6,192.3 million, US\$1,572.6 million and US\$666.8 million in 2020, 2021, 2022 and the six months ended June 30, 2023, respectively. We incurred net losses during the Track Record Period primarily because of (i) gross losses with respect to our operations in China and, to a much lesser extent, our cross-border operations and expansion into the New Markets in 2022, and (ii) non-operating losses including fair value changes of our convertible redeemable preferred shares. We had net profit of US\$1,572.6 million in 2022, primarily because of significant fair value gain of our convertible redeemable preferred shares. On an adjusted non-IFRS basis, we also incurred a net loss in 2022. We had a gross loss of US\$261.5 million, US\$544.7 million and US\$270.2 million in 2020, 2021 and 2022, primarily because of the the costs we incurred in connection with our entry into the China market in March 2020, our continued efforts to expand our market shares and our expansion into the New Markets in 2022. We recorded a gross profits of US\$193.5 million in the six months ended June 30, 2023, as we further improved our economies of scales in China and Southeast Asia and optimized our operations.

In addition, our results of operations in 2021 and 2022 were also impacted by our integration costs in relation to the acquisition of BEST Express China, which amounted to US\$266.3 million and US\$387.8 million, respectively. In the six months ended June 30, 2022, we also incurred integration costs of US\$28.9 million. After our integration was completed in 2022, we stopped incurring such integration costs. The integration costs mainly include (i) certain severance 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 BEST Express China became integrated, (iii) impairment of property, plant and equipment that we have identified as redundant for the same reason, 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. During the Track Record Period, we recorded certain impairment losses primarily in connection with property, plants and equipment that we identified as redundant and planned to dispose of in connection with our integration of BEST Express China. In 2021, in connection with our acquisition of BEST Express China, we recorded a significant amount of goodwill. In 2022, we recorded certain one-off impairment of goodwill based on peers' performance and general industry trend.

During the Track Record Period, we continued to improve our gross margin. We had a negative gross margin of 17.0%, 11.2% and 3.7% in 2020, 2021 and 2022, respectively. We achieved a gross margin of 4.8% in the six months ended June 30, 2023. The improved gross margin reflected the network effects of our global operation and economies of scale.

SUMMARY

Consolidated Balance Sheets Data

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(in US\$ thousands)			
Total non-current assets	628,286	3,028,218	3,089,262	3,325,390
Total current assets	1,614,754	3,516,424	2,846,297	2,747,389
Total assets	2,243,040	6,544,642	5,935,559	6,072,779
Total non-current liabilities	1,966,519	10,975,327	9,188,190	9,681,802
Total current liabilities	1,147,020	2,205,739	1,731,617	1,920,567
Total liabilities	3,113,539	13,181,066	10,919,807	11,602,369
Net current assets	467,734	1,310,685	1,114,680	826,822
Share capital	7	14	14	17
Share premium	33,184	607,734	603,829	598,256
Other reserves	(166,468)	(525,822)	(434,108)	(243,798)
Accumulated losses	(625,953)	(6,672,936)	(5,016,768)	(5,657,735)
Equity/(deficits) attributable to owners of the Company	(759,230)	(6,591,010)	(4,847,033)	(5,303,260)
Non-controlling interests	(111,269)	(45,414)	(137,215)	(226,330)
Total deficits	(870,499)	(6,636,424)	(4,984,248)	(5,529,590)

Our net current assets decreased from US\$1,114.7 million as of December 31, 2022 to US\$826.8 million as of June 30, 2023, primarily due to (i) a decrease of US\$308.8 million in cash and cash equivalent, (ii) an increase in current liabilities driven by increases in borrowings, accruals and other payables and lease liabilities, and (iii) a decrease of trade receivables of US\$108.6 million.

Our net current assets decreased from US\$1,310.7 million as of December 31, 2021 to US\$1,114.7 million as of December 31, 2022, primarily due to (i) a decrease of US\$598.4 million in cash and cash equivalents, and (ii) a decrease of US\$179.2 million in prepayments, other receivables and other assets.

Our net current assets increased from US\$467.7 million as of December 31, 2020 to US\$1,310.7 million as of December 31, 2021, primarily due to (i) an increase of US\$136.8 million in prepayments, other receivables and other assets, (ii) an increase of US\$154.1 million in trade receivables as our business grew and (iii) an increase of US\$1,502.0 million in cash and cash equivalents. The increases were partially offset by (i) an increase of US\$611.0 million in accruals and other payables because we increased our purchases in line with our expansion and (ii) an increase of US\$351.6 million in trade payables.

SUMMARY

As of December 31, 2020, 2021, 2022 and June 30, 2023, we had net liabilities of US\$870.5 million, US\$6,636.4 million, US\$4,984.2 million and US\$5,529.6 million, respectively, due to (i) the accounting treatment for the changes in the fair values of our convertible preferred shares driven by the changes in the valuation of our Company, and (ii) to a lesser extent, changes in equity, influenced by our awards of share-based compensation, repurchase of ordinary and convertible shares, and dividends paid to shareholders, among other things. For details, see “Consolidated Statements of Changes in Equity” in Appendix I to this document. Upon the [REDACTED] and completion of the [REDACTED], our financial liabilities at fair value through profit or loss relating to our convertible preferred shares would be re-designated from liabilities to equity, and our net liabilities as of June 30, 2023 would become net assets immediately after the [REDACTED].

Consolidated Statements of Cash Flows Data

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	(in US\$ thousands)				
	(Unaudited)				
Net cash (used in)/generated from operating activities	(154,700)	(967,174)	(519,817)	(350,120)	2,797
Net cash used in investing activities	(635,086)	(1,001,006)	(859,757)	(551,475)	(366,038)
Net cash from financing activities	1,285,166	3,469,507	881,328	1,000,146	64,171
Net (decrease)/increase in cash and cash equivalents	495,380	1,501,327	(498,246)	98,551	(299,070)
Cash and cash equivalents at the beginning of the year/period . .	97,173	600,425	2,102,448	2,102,448	1,504,048
Effects of foreign exchange rate changes on cash and cash equivalents	7,872	696	(100,154)	(67,768)	(9,714)
Cash and cash equivalents at the end of the year/period. . .	<u>600,425</u>	<u>2,102,448</u>	<u>1,504,048</u>	<u>2,133,231</u>	<u>1,195,264</u>

For the six months ended June 30, 2023, our net cash generated from operating activities was US\$2.8 million. We had a loss before income tax of US\$660.2 million, which was adjusted by adding back non-cash items including (i) share-based payments and compensation expenses of US\$1,426.9 million, (ii) depreciation of right-of-use assets and depreciation of property, plant and equipment of US\$134.0 million and US\$104.4 million, respectively, incurred in relation to the optimization of our operations and adjustment of our network, partially offset by items including fair value change of financial assets and liabilities at fair value through profit or loss of US\$1,020.8 million. The amount was further adjusted by changes in working capital, which primarily comprised of (i) an increase in trade receivables of US\$95.1 million, (ii) placement of restricted cash of US\$16.0 million, offset by (i) a decrease in prepayments, other receivables, and other assets of US\$86.1 million, and (ii) a decrease in accruals and other payables of US\$29.3 million.

SUMMARY

From 2020 to 2022, we incurred net operating cash outflows. See “– Business Sustainability – Our Historical Performance” for more details on reasons for our net operating cash outflows. In 2022, our net cash used in operating activities was US\$519.8 million, which was primarily attributable to our profit before income tax of US\$1,583.3 million in 2022, adjusted by adding back non-cash items including (i) share-based compensation of US\$346.6 million, (ii) depreciation of right-of-use assets and depreciation of property, plant and equipment of US\$257.2 million and US\$227.9 million, respectively, incurred in relation to the optimization of operation and adjustment of network, (iii) impairment losses on long-term assets of US\$219.1 million, (iv) fair value change of financial assets and liabilities at fair value through profits or loss of US\$3,050.7 million, (v) net loss on disposal of property, plant and equipment of US\$1.9 million, and (vi) impairment losses on financial assets of US\$37.2 million, partially offset by items including finance cost of US\$99.5 million and foreign exchange losses of US\$17.3 million. The amount was further adjusted by changes in working capital, which primarily comprised of (i) an increase in trade receivables of US\$191.1 million, (ii) a decrease in trade payables of US\$84.7 million, (iii) a decrease in advances from customers of US\$73.6 million, and (iv) an increase in prepayments, other receivables, and other assets of US\$42.2 million, offset by (i) an increase in accruals and other payables of US\$118.2 million, and (ii) return of restricted cash of US\$45.8 million.

In 2021, our net cash used in operating activities was US\$967.2 million, which was primarily attributable to our loss before income tax of US\$6,119.1 million in 2021, adjusted by adding back non-cash items including (i) fair value changes on convertible preferred shares of US\$4,383.5 million, (ii) share-based compensation of US\$619.0 million driven by the increase in the number of employees to support the our global expansion, (iii) depreciation of right-of-use assets of US\$113.9 million, (iv) depreciation of property, plant and equipment of US\$104.4 million, and (v) impairment losses on long-term assets of US\$250.3 million, partially offset by items including other income of US\$82.5 million and foreign exchange gain of US\$19.9 million. The amount was further adjusted by changes in working capital, which primarily comprised (i) a decrease in trade payables of US\$305.4 million, (ii) an increase in prepayments, other receivables and other assets of US\$105.5 million, (iii) an increase in inventories of US\$8.6 million, and (iv) an increase in trade receivables of US\$4.3 million, offset by (i) an increase in accruals and other payables of US\$128.3 million, and (ii) an increase in advances from customers of US\$62.8 million.

In 2020, our net cash used in operating activities was US\$154.7 million, reflecting our loss before income tax of US\$618.6 million, adjusted by non-cash items including (i) share-based compensation of US\$188.3 million driven by the increase in the number of employees to support the our global expansion, (ii) depreciation of right-of-use assets of US\$56.0 million, and (iii) depreciation of property, plant and equipment of US\$39.3 million, offset by the foreign exchange gains of US\$29.4 million. The amount was further adjusted by changes in working capital, which primarily comprised (i) an increase in prepayments, other receivables and other assets of US\$203.9 million, (ii) an increase in trade receivables of US\$128.1 million, and (iii) an increase in inventories of US\$9.9 million, offset by (i) an increase in accruals and other payables of US\$324.1 million, (ii) an increase in trade payables of US\$189.5 million, and (iii) an increase in advances from customers of US\$68.8 million.

SUMMARY

IMPACT OF COVID-19 PANDEMIC ON OPERATIONS

On January 30, 2020, the International Health Regulations Emergency Committee of the World Health Organization declared the COVID-19 outbreak a public health emergency of international concern, and on March 11, 2020, the World Health Organization declared the global COVID-19 outbreak a pandemic. Countries where we have our operations were subject to the impact of the COVID-19 pandemic and various governmental measures from time to time. Our offices, sorting centers and outlets closed and opened in accordance with applicable measures. Our facilities in all Southeast Asia countries were under sporadic closures and reopening in 2020 and 2021. In addition, our facilities are spread out across China and the pickup and delivery outlets across cities experienced different levels of labor shortages, closures or capacity reductions due to the pandemic in many cities from 2020 to 2022. Such sporadic closures of our facilities and labor shortages did not have any material adverse impact on our operations. The timelines for business resumption varied across different localities and countries. On a global level, our business operations started to return to normal levels in the first quarter of 2023.

The temporary, periodic closure of our facilities, labor shortages or delay in the delivery process did not have any material adverse impact on our operational results given our vast network. Despite an initial drop in our business activities at the start of the COVID-19 outbreak due to restrictive measures across different jurisdictions, many consumers, especially those in Southeast Asia, started to shop on e-commerce platforms to minimize exposure to public premises and potential spread of virus during the COVID-19 pandemic. Consequently, we experienced certain surge in demand for express delivery services across the countries where we operate. In addition, certain impacts from the COVID-19 pandemic on our financial performance were one-off and non-recurring. For example, after the COVID-19 pandemic ends, we may not be able to receive benefits from the COVID-19 related government policy support, such as one-off subsidies for social insurance or tax relief, which we believe are not material to our business and financial results.

Despite the impact of the COVID-19 pandemic, our revenue increased by 216.0% from US\$1,535.4 million in 2020 to US\$4,851.8 million in 2021, and further increased by 49.8% to US\$7,267.4 million in 2022. In addition, our revenue increased by 18.5% from US\$3,402.5 million in the six months ended June 30, 2022 to US\$4,030.4 million in the six months ended June 30, 2023. As the COVID-19 pandemic has since subsided, we do not anticipate further material adverse impact on our business and financial performance.

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. In the six month ended June 30, 2023, we achieved a gross profit. We expect that we will continue to record net losses for our results of operations in 2023 as we continue to incur significant non-operating expenses driven by our share-based payments and compensation expenses, finance costs and other selling, administrative and general expenses.

SUMMARY

Our Historical Performance

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

Our Path to Profitability

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

- **Grow our parcel volume and market share:** We focus on growing our parcel volume to solidify our market share and leading market positions. In Southeast Asia, we expect to increase our parcel volume and market share through (i) enhanced collaboration with existing e-commerce clients and expanding partnerships with more e-commerce platforms, (ii) continuously improving quality of our regional network and services and ability to retain existing customers and acquire new customers, and (iii) maintaining our market leadership to further capture growth. In China, we expect to increase our parcel volume and market share through (i) strengthened collaboration with existing e-commerce clients and expanding partnerships with more e-commerce platforms, (ii) improved and consistent service quality driven by optimized management of network partners, (iii) diversified sources of parcels from merchants on a wide range of e-commerce platforms, and (iv) continued efforts in developing non e-commerce customers to further diversify source of parcels.
- **Maintain a flexible pricing strategy:** We adjust pricing of our services based on the competitive landscape and operations across the markets in which we operated. In Southeast Asia, leveraging our leading positions, extensive network and established infrastructure, we expect to maintain an adaptive and flexible pricing strategy while growing our parcel volume and increasing market share. In China, we expect to maintain and improve our pricing terms, driven by our continued efforts to (i) deepen partnership with various e-commerce platforms, optimizing the management of our network partners and continuously improving service quality across our network, and (ii) a diversify customer base and acquire premium enterprise customers through our enhanced brand image. We expect to maintain a competitive but sustainable average revenue per parcel.

SUMMARY

- Control costs, narrow gross loss and improve gross margin: We focus on controlling our cost of revenue and decreasing our average cost per parcel to narrow gross loss and improve gross margin.
 - o When analyzing our cost per parcel, we also evaluate costs incurred in each process, including our pickup and delivery cost, transportation cost, sorting cost and other cost per parcel. For more details on the components of our average cost per parcel, see “Business – Business Sustainability”.
 - o In Southeast Asia, we expect our average cost per parcel to decrease as we optimize operations, increase self-owned fleet capacity and improve technology system. Specifically, we plan to (i) optimize our pickup and delivery cost per parcel by selectively engaging network partners to own and operate the pickup and delivery outlets, which reduces the overall costs associated with us operating an outlet while maintaining service quality of the overall network, (ii) maintain resilient sorting cost per parcel by merging certain sorting centers in Southeast Asia, upgrading automated equipment, and enhancing the efficiency of staff and external labor at sorting centers to drive further efficiency gains, and (iii) optimize transportation cost through selectively utilizing third-party fleets whilst building up our self-operated fleet, increasing the efficiency of our line-haul trips by optimizing the coverage arrangement of our sorting centers, and improving the efficiency of transportation staff as we enhance the efficiency of our fleet with higher capacity vehicles.
 - o In China, we expect our average cost per parcel to decrease as we achieve better economies of scale, increase our self-owned fleet capacity and optimize operating efficiency of our sorting centers. Specifically, we plan to (i) maintain pickup and delivery cost per parcel through stable delivery fees paid to network partners as the scale and density of our parcel volume further increases, (ii) enhance transportation efficiency by enlarging our self-owned fleet for transportation, especially in terms of high capacity line-haul vehicles, and optimize transportation routes through better planning and monitoring of an enlarged network, and (iii) increase efficiency of sorting centers by further deploying automated sorting equipment, enhance management and training of employees and external labor force, and continuously optimize planning of sorting center facilities post integration of BEST Express China.
- Enhance operating leverage: Our operating expenses consists mainly of selling, general and administrative expenses, and to a lesser extent, research and development expenses. During the Track Record Period, our operating expenses (excluding share-based payments), which included impairment of goodwill of US\$117.5 million in 2022, as a percentage of revenue was 12.5%, 11.4%, 11.8%, and 8.9% for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, respectively. We expect our selling, general and administrative expenses as percentage of revenue to gradually decline through (i) achieving enhanced economies of scale with increasing global scale of operations as certain headquarter functions can support our operations in growth initiatives, and (ii) growing promotion and marketing expenses at a pace slower than the growth of revenue, as our past strategic marketing events and activities enhances brand recognition and increases user mindshare. We expect our research and development expenses as percentage of revenue to remain stable as we carefully expand our research and development team and selectively invest in technology upgrades.

SUMMARY

For detailed strategies and measures we plan to take to achieve profitability, see “Business – Business Sustainability” for more details.

Working Capital Sufficiency

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, our available financing facilities and the estimated net [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present requirements and for at least the next 12 months from the date of this document. We also proactively review and adjust our cash management policy and working capital needs according to general economic conditions and our short-term business plans. As of the Latest Practicable Date, we had unutilized banking facilities of US\$54.6 million, which we will be able to draw down to support our working capital requirements. In addition, in view of our net cash outflow from operating activities during the Track Record Period, we plan to ensure our working capital sufficiency by leveraging the above-mentioned measures to narrow down our net loss and improve our profitability, which will also translate into improved net operating cash flows. As evidenced by our historical equity financing activities, we have a proven record of successfully raising funds from renowned investors to finance our business. See the section headed “History and Corporate Structure – Pre-[REDACTED] Investments” of this document. We believe that potential external financing sources, including those to which we will gain access after the [REDACTED], will provide additional funding to fuel our business operation and expansion until we achieve profitability and positive operating cash flow.

Taking into account the working capital management policies adopted by us, and the due diligence work conducted by the Joint Sponsors including but not limited to (i) reviewing the Accountant’s Report as set out in Appendix I to the [REDACTED], (ii) the financial due diligence conducted on our historical financial information during the Track Record Period and discussions with management on its working capital projections, and (iii) written confirmation provided by us in respect of working capital sufficiency, nothing material has come to the attention of the Joint Sponsors that would cast doubt on our conclusion that we have sufficient working capital to meet our present needs and at least the next 12 months from the date of this document.

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We are applying for [REDACTED] with a WVR structure under Chapter 8A of the Listing Rules and satisfy the market capitalization requirement under Rule 8A.06(1) of the Listing Rules which requires that a new applicant seeking a listing with a WVR structure must have a market capitalization of at least HK\$40 billion at the time of listing.

We are also applying for [REDACTED] under Rule 8.05(3) of the Listing Rules and satisfy the market capitalization/revenue test with reference to (i) our revenue for the year ended December 31, 2022, being approximately US\$7.3 billion (equivalent to approximately HK\$57.0 billion), which is significantly over HK\$500 million as required by Rule 8.05(3); and (ii) our expected market capitalization at the time of [REDACTED], which, based on the low-end of the indicative [REDACTED] Range, significantly exceeds HK\$4 billion as required by Rule 8.05(3).

SUMMARY

We have applied to the Listing Committee for the granting of the [REDACTED] of, and permission to deal in, the Class B Shares in issue (including the Class B Shares on conversion of the Pre-[REDACTED] Preferred Shares) and the Class B Shares to be issued pursuant to the (i) [REDACTED], (ii) the exercise of the [REDACTED] and (iii) conversion of Class A Shares into Class B Shares on a one to one basis and that are issuable upon conversion of the Class A Shares.

RECENT DEVELOPMENTS

We have maintained our growth in parcel volume globally in July and August 2023. In Southeast Asia, our average daily parcel volume (being the parcel average volume in a given month divided by the number of days in such month) was 9.7 million and 10.5 million in July and August 2023, representing a 36.7% increase and a 48.4% increase compared to the average daily parcel volume of 7.1 million and 7.1 million in July and August 2022. In China, we achieved 43.9 million and 46.0 million average daily parcel in July and August 2023, representing a market share of 12.6% in July 2023 and a 21.3% increase and a 32.6% increase compared to the average daily parcel volume of 36.2 million and 34.7 million in July and August 2022. In the New Markets, we achieved average daily parcel of 0.8 million and 0.8 million in July and August 2023, representing a 395.7% increase and a 331.9% increase from the average daily parcel volume of 0.2 million and 0.2 million in July and August 2022.

Acquisition of Fengwang Information

On May 12, 2023, we entered into a share transfer agreement with Shenzhen Fengwang Holdings Company Limited (深圳市豐網控股有限公司) (“**Fengwang Holdings**”), a subsidiary of S.F. Holding Co., Ltd. (順豐控股股份有限公司) (stock code: 002352.SZ), to acquire the entire equity interest of Fengwang Holdings’ wholly-owned subsidiary, Shenzhen Fengwang Information Technology Company Limited (深圳市豐網信息技術有限公司) (“**Fengwang Information**”), at a total consideration of RMB1,183 million. The acquisition was completed on June 27, 2023. For more information regarding the acquisition of Fengwang Information, see “History and Corporate Structure – Major Acquisitions, Disposals and Mergers – Acquisition of Fengwang Information.”

Regulations Relating to Overseas [REDACTED]

On February 17, 2023, as approved by the State Council, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and five supporting guidelines, or the Filing Rules. The Filing Rules, effective on March 31, 2023, require PRC domestic enterprises that directly or indirectly offer or list their securities in an overseas market to file with the CSRC within three business days after submitting their listing application documents to the relevant regulator in the place of intended listing. Pursuant to these regulations, a domestic enterprise applying for listing abroad shall, among others, complete record filing procedures and report relevant information to the securities regulatory authority as required. Furthermore, with respect to the issuers with contractual arrangements, at a press conference held for these new regulations, officials from the CSRC clarified that the CSRC will seek opinions from relevant government authorities on the contractual arrangements in PRC and allow those issuers with contractual arrangements as well as being in compliance with relevant regulatory requirements to file its overseas offering and listing with the CSRC. For details, see “Regulatory Overview – Regulations Relating to Overseas Listing and M&A” in Appendix III to this document.

SUMMARY

On September 15, 2023, the CSRC issued a notification on our Company’ completion of the PRC filing procedures for the [REDACTED] of our Class B Shares on the Stock Exchange and the [REDACTED].

As advised by our PRC Legal Adviser, our Company has completed all necessary filings with the CSRC in the PRC in relation to the [REDACTED] and the [REDACTED].

Recent Overseas Regulatory Developments

The Indonesian Ministry of Trade recently promulgated Regulation No. 31 of 2023 on Business Licensing, Advertising, Training and Supervision of Business Actors in Trades Through Electronic System (“**MoTR 31/2023**”), which became effective on September 26, 2023. MoTR 31/2023 places certain restrictions on electronic trade activities occurring on social media platforms. Pursuant to Article 21 (2) and (3) of MoTR 31/2023, “Business Actors” (as defined in MoTR 31/2023) that conduct trades through an electronic system are prohibited from acting as manufacturers of products, and social media platforms are also prohibited from facilitating payment transactions on their electronic systems. While we are not an e-commerce or a social media platform, we collaborate with a number of e-commerce and social media platforms in Indonesia. As MoTR 31/2023 was recently enacted, there remain significant uncertainties on how and the new regulation would impact different e-commerce and social media platforms in Indonesia, some of which are our customers. During the Track Record Period, our revenue from social e-commerce platforms in Indonesia remained immaterial. Our Directors believe that the MoTR 31/2023 will not have a material adverse effect on our business operations and financial performance. Please refer to “Risk Factors – Our business and growth are highly dependent on the development of the e-commerce industry in the markets where we operate” for a description of the risks. We will continue to monitor the developments in the implementation and interpretation of MoTR 31/2023, as well as practices adopted by e-commerce and social media platforms in Indonesia as a result of MoTR 31/2023.

No Material Adverse Change

Our Directors confirm that up to the date of this document, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since June 30, 2023, the end of the period reported on as set out in the Accountants’ Report included in Appendix I to this document.

FUTURE DIVIDENDS

We are a holding company incorporated under the laws of the Cayman Islands. Any future decision to declare and pay any dividends will be at the discretion of our Board and will depend on, among other things, the availability of dividends received from our subsidiaries, our earnings, capital and investment requirements, level of indebtedness, and other factors that our Board deems relevant. As advised by our Cayman Islands counsel, under Cayman Islands law, a position of accumulated losses does not necessarily restrict us from declaring and paying dividends to our shareholders out of either our profit or our share premium account, provided that in no circumstances may a dividend be paid if this would result in, immediately following the date on which the distribution or dividend is proposed to be paid, the company being unable to pay its debts as they fall due in the ordinary course of business. Investors should not purchase our shares with the expectation of receiving cash dividends. Dividend distribution to our shareholders is recognized as a liability in the period in which the dividends are approved by our shareholders or Directors, where appropriate. We do not have a fixed dividend payout ratio.

SUMMARY

[REDACTED]

SUMMARY

[REDACTED]

[REDACTED] EXPENSES

Based on the mid-point [REDACTED] of [REDACTED], the total estimated [REDACTED] expenses in relation to the [REDACTED] is approximately HK\$[REDACTED] million, assuming the [REDACTED] is not exercised, the Reclassification, Redesignation and Share Subdivision are completed. The total estimated [REDACTED] expenses will represent approximately [REDACTED]% of the total gross [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] billion assuming that [REDACTED] is not exercised. US\$[REDACTED] million of the [REDACTED] expenses was charged to our consolidated income statement for the six months ended June 30, 2023. We estimate that the total [REDACTED] expenses for the year of 2023 in the amount of US\$[REDACTED] million will be charged to our consolidated income statement for the year ending December 31, 2023. The balance of approximately US\$[REDACTED] million, which mainly includes [REDACTED] commission, is expected to be accounted for as a deduction from equity upon the completion of the [REDACTED]. These [REDACTED] mainly comprise professional fees paid and payable to the professional parties for their services rendered in relation to the [REDACTED] and the [REDACTED] and the [REDACTED] commission and incentive fee payable to the [REDACTED] in connection with the [REDACTED] of [REDACTED] under the [REDACTED].

The table below sets forth the breakdown of our [REDACTED] expenses.

[REDACTED] expenses (including commissions and fees)	HK\$[REDACTED] million
[REDACTED] expenses	HK\$[REDACTED] million
– fees and expenses of legal advisors and accountants	HK\$[REDACTED] million
– other fees and expenses	<u>HK\$[REDACTED] million</u>
Total	<u><u>HK\$[REDACTED] million</u></u>

USE OF [REDACTED]

Assuming an [REDACTED] of [REDACTED] per Share (being the mid-point of the [REDACTED] Range of between [REDACTED] and [REDACTED] per Share), we estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] from the [REDACTED] after deducting the [REDACTED] commissions and other estimated expenses paid and payable by us in connection with the [REDACTED] and assuming that the [REDACTED] is not exercised. In line with our strategies, we intend to use our [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to expand our logistics networks, improve our infrastructure, and strengthen our sorting and warehouse capacity and capabilities in Southeast Asia and other existing markets;

SUMMARY

- approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to expand in new markets and diverse our service offering;
- approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for research and development and technology innovations; and
- approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for general corporate purposes and working capital needs.

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

DEFINITIONS

In this document, unless the context otherwise requires, the following expressions have the following meanings.

“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“Articles” or “Articles of Association”	the seventh amended and restated articles of association of the Company adopted on [●], which will become effective upon the [REDACTED] Date, as amended from time to time, a summary of which is set out in Appendix IV to this document
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	our board of Directors
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAC”	Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室)
“CAGR”	compound annual growth rate
“[REDACTED]”	the [REDACTED] as named in “Directors and Parties Involved in the [REDACTED]”
“Cayman Companies Act” or “Companies Act”	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time

[REDACTED]

DEFINITIONS

[REDACTED]

“Class A Shares”	class A shares of the Company with a par value of US\$0.000002 each, following the Reclassification, Redesignation and Share Subdivision, conferring weighted voting rights in the Company such that each Class A Share shall entitle its holder to ten votes on each resolution subject to a vote at the Company’s general meetings, save for resolutions with respect to any Reserved Matters, in which case each Class A Share and each Class B Share shall entitle its holder to one vote on a poll at a general meeting
“Class B Shares”	class B shares of the Company with a par value of US\$0.000002 each, following the Reclassification, Redesignation and Share Subdivision, such that each Class B Share shall entitle its holder to one vote on each resolution subject to a vote at the Company’s general meetings
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Ordinance” or “Hong Kong Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time

DEFINITIONS

“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended and supplemented from time to time
“Company”, “our Company”, “the Company” or “J&T Global”	J&T Global Express Limited (極兔速遞環球有限公司), an exempted company incorporated in the Cayman Islands with limited liability on October 24, 2019
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it in the Listing Rules
“Consolidated Affiliated Entities” or “consolidated affiliated entities”	the entities we control through the Contractual Arrangements, namely the PRC Holdco and Indonesian Holdco and their respective subsidiaries. For further details of these entities, see “Contractual Arrangements”
“Contractual Arrangements”	the series of contractual agreements entered into by the PRC and Indonesian WFOE, the PRC Holdco, the Indonesian Holdco, the PRC Registered Shareholders and the Individual and Corporate Registered Shareholders of our Indonesian Holdcos, details of which are described in “Contractual Arrangements”
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Jet Jie Li, Jumping Summit Limited, Topping Summit Limited and Exceeding Summit Holding Limited, details of whom are set out in “Relationship with the Controlling Shareholders”
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“Corporate Governance Committee”	the corporate governance committee of the Board
“CSRC”	China Securities Regulatory Commission of the PRC (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company
“EIT rate”	enterprise income tax rate
“ESG”	environmental, social and governance
“ESG Committee”	the environmental, social and governance committee of the Company

DEFINITIONS

“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
“GDP”	gross domestic product
“GDP per capita”	a country’s GDP divided by its population
“[REDACTED]”	the [REDACTED] and the [REDACTED]

[REDACTED]

“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	our Company, its subsidiaries and consolidated affiliated entities, or where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries and consolidated affiliated entities, the subsidiaries and consolidated affiliated entities as if they were the subsidiaries and consolidated affiliated entities of our Company at the time
“Group entities”	our subsidiaries and consolidated affiliated entities
“HK\$” or “Hong Kong dollars” or “HK dollars” or “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

[REDACTED]

“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
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[REDACTED]

DEFINITIONS

[REDACTED]

“Hong Kong Stock Exchange” or “Stock Exchange” The Stock Exchange of Hong Kong Limited

[REDACTED]

“Huisen Global” Huisen Global Limited, an exempted company incorporated in the Cayman Islands with limited liability on April 16, 2021

“IDR” Indonesian Rupiah, the lawful currency of Indonesia

“IFRS” International Financial Reporting Standards, amendments and interpretations issued by the International Accounting Standards Board

“independent third party(ies)” or “Independent Third Party(ies)” any entity or person who is not a connected person of our Company or an associate of such person within the meaning ascribed to it under the Listing Rules

“Indonesian Legal Adviser” Hutabarat Halim & Rekan, acting as legal counsel as to Indonesian law to our Company

“Indonesian Postal Law” Law of the Republic of Indonesia No. 38 of 2009 regarding Post, dated October 14, 2009, as amended by the Job Creation Law, as amended

“Indonesian WFOE” PT. Cahaya Global Berjaya, a limited liability company incorporated under the laws of the Republic of Indonesia on June 11, 2021 and our wholly-owned subsidiary

[REDACTED]

DEFINITIONS

[REDACTED]

“J&T Acme”	J&T Express (Shanghai) Acme Supply Chain Management Co., Ltd. (上海極兔極致供應鏈管理有限公司)
“J&T Express China”	J&T Express China Co., Ltd. (極兔速遞有限公司), a limited liability company incorporated under the laws of the PRC on September 29, 2007 and a consolidated affiliated entity of our Company
“J&T International Logistics China”	J&T International Logistics China Co., Ltd. (極兔國際物流有限公司), a limited liability company incorporated under the laws of the PRC on January 10, 2018 and our subsidiary
“[REDACTED]”	the [REDACTED] as named in “Directors and Parties Involved in the [REDACTED]”
“[REDACTED]”	the [REDACTED] as named in “Directors and Parties Involved in the [REDACTED]”
“[REDACTED]”	the [REDACTED] as named in “Directors and Parties Involved in the [REDACTED]”

DEFINITIONS

“Joint Sponsors” Morgan Stanley Asia Limited, Merrill Lynch (Asia Pacific) Limited and China International Capital Corporation Hong Kong Securities Limited

“Latest Practicable Date” June 12, 2023, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document

“Laws” all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, orders, judgments, decrees, or rulings of any Governmental Authority (including, without limitation, the Stock Exchange and the SFC) of all relevant jurisdictions

[REDACTED]

“Listing Committee” the Listing Committee of the Stock Exchange

[REDACTED]

“Listing Rules” the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)

“Main Board” the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange

“Memorandum” or “Memorandum of Association” the seventh amended and restated memorandum of association of our Company, adopted on [●], which will become effective upon the [REDACTED], as amended from time to time, a summary of which is set out in Appendix IV to this document

“MIIT” Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)

“MOC” or “MOFCOM” Ministry of Commerce of the PRC (中華人民共和國商務部)

DEFINITIONS

“Mr. Li”	Mr. Jet Jie Li (李傑), our Chairman of the Board of Directors, executive Director and Chief Executive Officer
“MYR”	Malaysian Ringgit, the lawful currency of Malaysia
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“New Markets”	Saudi Arabia, UAE, Mexico, Brazil and Egypt
“Nomination Committee”	the nomination committee of the Board

[REDACTED]

“[REDACTED]”	the [REDACTED] as named in “Directors and Parties Involved in the [REDACTED]”
“PH GJE”	PH Global Jet Express Inc., doing business under the name and style of J&T Express, a limited liability company incorporated under the laws of the Philippines on September 14, 2018 and our subsidiary
“PHP”	Philippine Peso, the lawful currency of the Philippines
“PRC”, “Mainland China” or “China”	the People’s Republic of China, but for the purposes of this document only (unless otherwise indicated) excluding Hong Kong, the Macau Special Administrative Region and Taiwan

DEFINITIONS

“PRC Legal Adviser”	DaHui Lawyers, acting as legal counsel as to PRC law to our Company
“PRC WFOE” or “Chongqing Yunqing”	Chongqing Yunqing Supply Chain Management Co., Ltd. (重慶紘慶供應鏈管理有限公司), a limited liability company incorporated under the laws of the PRC on April 22, 2020 and our wholly-owned subsidiary
“Pre-[REDACTED] Share Incentive Plan”	the Network Partners Equity Incentive Plan, as adopted by our Shareholders on February 26, 2022 and amended by way of Directors’ resolutions dated May 31, 2023
“Pre-[REDACTED] Investments”	the investments made by the Pre-[REDACTED] Investors, the principal terms of which are summarized in “History and Corporate Structure – Pre-[REDACTED] Investments”
“Pre-[REDACTED] Investor(s)”	the investors in our Company prior to the [REDACTED] as described in “History and Corporate Structure — Pre-[REDACTED] Investments”
“Pre-[REDACTED] Preferred Shares” or “preferred shares”	collectively, Series Pre-A1 Preferred Shares, Series Pre-A2 Preferred Shares, Series A Preferred Shares, Series B Preferred Shares, Series B+ Preferred Shares, Series C1 Preferred Shares, Series C2 Preferred Shares and Series D Preferred Shares, with a par value of US\$0.00001 each

[REDACTED]

[REDACTED]	this document being issued in connection with the [REDACTED]
“PT GJE” or “Indonesian Opco”	PT Global Jet Express, a limited liability company incorporated under the laws of Indonesia, which obtained its legal entity status on May 21, 2015 and a consolidated affiliated entity of our Company
“QIBs”	qualified institutional buyers within the meaning of Rule 144A

DEFINITIONS

“Reclassification, Redesignation and Share Subdivision”	(i) the reclassification and redesignation of 195,866,682 class B ordinary shares of a par value of US\$0.00001 each held by Jumping Summit Limited into class A shares of a par value of US\$0.00001 each and the subdivision of each such issued class A shares of a par value of US\$0.00001 each into five Class A Shares of a par value of US\$0.00002 each; (ii) the reclassification and redesignation of all of the issued and unissued class A ordinary shares of a par value of US\$0.00001 each and Pre-[REDACTED] Preferred Shares of a par value of US\$0.00001 each of the Company into class B shares of a par value of US\$0.00001 each and the subdivision of each such issued and unissued class B shares of a par value of US\$0.00001 each into five Class B Shares of a par value of US\$0.00002 each
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“Reserved Matters”	those matters with respect to which each Class A Share and each Class B Share shall entitle its holder to one vote on a poll at general meetings of the Company pursuant to the Articles of Association, being: (i) any amendment to the Memorandum or Articles, including the variation of the rights attached to any class of shares, (ii) the appointment, election or removal of any independent non-executive Director, (iii) the appointment or removal of the Company’s auditors, or (iv) the voluntary liquidation or winding-up of the Company
“RMB” or “Renminbi”	the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商管理總局)
“SAT”	State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
“SEA entities”	the 25 Indonesian unconsolidated regional operating entities and the 13 Thailand unconsolidated regional operating entities which we acquired in 2021
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shanghai Jiexiao”	Shanghai Jiexiao Information Technology Co., Ltd. (上海捷曉信息技術有限公司)
“Shanghai Yishangshiye” or “PRC Holdco”	Shanghai Yishangshiye Co., Ltd. (上海邑商實業有限公司), a limited liability company incorporated under the laws of the PRC on April 8, 2014 and a holding company of certain PRC subsidiaries
“Share(s)” or “Ordinary Share(s)”	the Class A Shares and/or Class B Shares in the share capital of our Company, as the context so requires
“Shareholder(s)”	holder(s) of our Shares
“Shareholders Agreement”	the Fifth Amended and Restated Shareholders Agreement dated May 17, 2023 entered into, amongst others, the Company and its Shareholders
“Shenzhen Yunlu”	Shenzhen Yunlu Information Technology Co., Ltd (深圳雲路信息科技有限責任公司)
“[REDACTED]”	the [REDACTED] as named in “Directors and Parties Involved in the [REDACTED]”
	[REDACTED]
“State”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Companies Ordinance
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“THB”	Thai Baht, the lawful currency of Thailand
“Track Record Period”	the period comprising the three financial years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023

DEFINITIONS

“UAE”	United Arab Emirates
[REDACTED]	
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”, “USD” or “U.S. dollars”	United States dollars, the lawful currency for the time being of the United States
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“VAT”	value-added tax
“VIE” or “VIEs”	variable interest entity or variable interest entities
“VND”	Vietnamese Dong, the lawful currency of Vietnam
“Winner Star”	WINNER STAR HOLDINGS LIMITED, a limited company incorporated in Hong Kong on April 2, 2015 with limited liability and a holding company of our foreign subsidiaries
“WVR” or “weighted voting rights”	has the meaning ascribed to it in the Listing Rules
“WVR Beneficiary”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Jet Jie Li, being the beneficial owner of the Class A Shares, entitling him to weighted voting rights, details of which are set out in “Share Capital”
“WVR Structure”	has the meaning ascribed to it in the Listing Rules

In this document, the terms “associate”, “close associate”, “connected person”, “core connected person”, “connected transaction”, “controlling shareholder” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this document have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this document in both the Chinese and English languages. In the event of any inconsistency, the Chinese versions shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain technical terms used in this document. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

“API”	application programming interface
“CGU”	cash-generating unit, the smallest group of assets that independently generates cash flow and whose cash flow is largely independent of the cash flows generated by other assets
“COD”	cash on delivery, when a recipient pays for the goods at the time of delivery
“Complaint rate”	the units of parcels for which the express delivery operators receive complaints from customers per million units of parcels, which is one of the indicators for service quality of express delivery operators
“Cost per parcel”	total cost of revenue of an applicable period divided by total parcel volume during the same period
“Effective complaint rate”	the number of complaints in which the authorities have attributed the major responsibility to express delivery operators per million units of parcels
“First-mile pickup”	initial collection of a package and transport to the local pickup outlet
“GFA”	gross floor area
“ISV”	independent software vendor
“JMS system”	J&T Information Management System
“Last-mile delivery”	transportation of a package from the local pickup outlet to the final delivery destination
“Network partners”	business partners that own and operate pickup and delivery outlets in our network within their respective designated geographic regions
“Parcel volume”	the number of parcels delivered during an applicable period
“Pickup and delivery outlets”	operation sites that perform pickup and/or delivery services

GLOSSARY OF TECHNICAL TERMS

“Regional sponsors”	individuals authorized by our Company to assist in operating local delivery networks in their respective designated geographic regions
“Revenue per parcel”	total revenue of an applicable period divided by total parcel volume during the same period
“Sorting centers”	transshipping and operating centers that connect transportation resources including for centralized parcel sorting, distribution and transshipment
“Transaction value”	transaction value of all orders actually sold through certain channels, excluding virtual products, unsettled or returned orders
“unconsolidated regional operating entities”	regional operating entities that are owned and operated by regional sponsors under our brand, typically during the ramp up period when we enter into new markets

FORWARD-LOOKING STATEMENTS

This document includes forward-looking statements. All statements other than statements of historical facts contained in this document, including, without limitation, those regarding our future financial position, our strategies, plans, objectives, goals, targets and future developments in the markets where we operate or are seeking to operate, and any statements preceded by, followed by or that include the words “believe,” “expect,” “estimate,” “predict,” “aim,” “intend,” “will,” “may,” “plan,” “consider,” “anticipate,” “seek,” “should,” “could,” “would,” “continue,” or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance, achievements or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- our business and prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory environment in the industry and markets in which we operate;
- our business model;
- our ability to control or reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital markets developments;
- the actions and developments of our competitors; and
- certain statements in “Financial Information” with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in “Risk Factors” and elsewhere in this document. We caution you not to place undue reliance on these forward-looking statements, which reflect our views only as of the date of this document. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document might not occur. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

An [REDACTED] in our Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an [REDACTED] in our Shares. The following is a description of what we consider to be the material risks. Any of the following risks could have a material adverse effect on our business, financial conditions and results of operations. In any such case, the market price of our Shares could decline, and you may lose all or part of your [REDACTED].

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after that date, and is subject to the cautionary statements in “Forward-looking Statements.”

Risks Related to Our Business and Industry

Our business and growth are highly dependent on the development of the e-commerce industry in the markets where we operate.

We generate a significant portion of our parcel volume by serving e-commerce platforms and merchants who conduct business on such e-commerce platforms, who rely on our services to fulfill orders placed by consumers on such platforms.

Our business and growth are highly dependent on the viability and prospects of the e-commerce industry in the markets where we operate. The development of the e-commerce industry is affected by a number of factors, most of which are beyond our control. These factors include:

- the consumption power and disposable income of e-commerce consumers, as well as changes in demographics and consumer tastes and preferences;
- the growth of broadband and mobile Internet penetration and usage;
- the selection, price and popularity of products offered on e-commerce platforms;
- the popularity of smartphones and other mobile devices and the cost of Internet access, mobile data, and the trust and confidence level of e-commerce sellers and consumers in countries where we operate, particularly in those developing countries where Internet penetration is relatively low;
- the development of fulfillment, payment and other ancillary services associated with e-commerce;
- changes in laws and regulations, government policies that govern the e-commerce industry and changes in practices by e-commerce players as a result of such changes in laws and regulations;
- the emergence of alternative channels or business models that better suit the needs of consumers; and
- changes of macroeconomic conditions, including inflation and deflation, fluctuation of currency exchange rate, tax rates and other government policies and changes in unemployment rate.

RISK FACTORS

In addition, in some regions where we operate, e-commerce is relatively new, and only recently did certain regional e-commerce companies become sizable. Future developments of the e-commerce industry, to a significant extent, would depend on improvements in transportation and logistics infrastructure, developments of electronic payment system, government policies that govern the e-commerce industry including the social e-commerce sector, and other factors that are beyond our control.

We face risks in managing global operations, entering into and expanding across a number of countries.

We have made, and expect to continue to make, significant investments to expand our global presence and international operations and compete with local competitors. Conducting our business internationally, particularly in countries in which we have limited experience, subjects us to a number of risks, including:

- operational challenges caused by distance, language, and cultural differences;
- investment of resources required to localize our business, such as the translation of our operating system into foreign languages and the adaptation of our operations to local practices, laws and regulations;
- underdeveloped logistics, delivery and digital payment landscape and lack of infrastructure support;
- compliance with laws and regulations, including laws and regulations governing competition, pricing, payment methods, data protection, privacy, Internet activities, transportation services, logistics services, real estate tenancy, tax and social security, employment and labor, foreign ownership, and other activities important to our business;
- difficulties in applying our business model into new markets, as well as difficulties in identifying, attracting and retaining regional sponsors with entrepreneurial and industry expertise and local knowledge;
- competition with existing players or other services providers in adjacent industries;
- different levels of Internet and e-commerce penetration across regions;
- exposure to business cultures in which improper business practices may be prevalent;
- difficulties in managing, growing, and staffing international operations;
- difficulties in cultivating and maintaining productive relationships with business partners;
- import and export restrictions and changes in trade regulations; and
- geopolitical events, including pandemic, war and terrorism.

In addition, we have introduced our regional sponsor model across different markets, and we expect to expand our global footprint under the same or similar business model. The success of our business is dependent on our ability to identify, attract and retain regional sponsors with entrepreneurial and industry expertise and local knowledge. There is no assurance that we will be able to localize our operations and business model or find capable regional sponsors candidates in these markets.

RISK FACTORS

We have relied, and may continue to rely, on certain prominent e-commerce platforms.

Collaboration with major e-commerce platforms has been one of our key strategies to reach and expand our customer base. During the Track Record Period, we generated a majority of our parcels from or through e-commerce platforms for each period. Some of the e-commerce platforms have significant influence on how transactions take place, including how purchase orders are fulfilled by indicating the preferred express delivery companies for each order. To maintain and foster our cooperation with these e-commerce platforms, we may have to accommodate their demands and requirements, and provide customized value-added services, which may increase the cost of our operations. We cannot assure you that we are able to maintain our relationships with these e-commerce platforms in the future. We may not be able to successfully extend or renew our current arrangements with these e-commerce platforms on commercially reasonable terms, or at all, upon expiration or early termination of the current arrangements. If we are unable to retain our status as a preferred service provider for e-commerce platforms and the merchants on these e-commerce platforms, our business volume may decrease significantly, which could adversely affect our business and results of operations.

In Southeast Asia, due to market practice, e-commerce platforms typically have significant influence over the shipping method, for items sold on their platforms, and they enter into agreements with express delivery service providers like us to procure express delivery services. Therefore, e-commerce platforms are treated as our direct customers, and we generated a significant portion of our revenue from a number of major e-commerce platforms during the Track Record Period. In 2020, 2021, 2022 and the six months ended June 30, 2023, revenue generated from our largest customer, a major e-commerce platform, amounted to US\$543.0 million, US\$1,715.4 million, US\$1,231.3 million and US\$446.2 million, respectively, representing 35.4%, 35.4%, 16.9% and 11.1% of our revenue, respectively. Revenue contribution from this customer, as a percentage of our total revenue, has been declining as we expanded our operations and diversified our customer base, and is expected to continue to decline in the future. Therefore, we do not have any material reliance on any single e-commerce platform and a single e-commerce platform will not have any material and adverse impact on our results of operations and financial performance. However, if any major e-commerce platform customers, including our largest customer during the Track Record Period, terminates its business relationship with us or significantly reduces the demand for our services, or if any of them subject to investigations and proceedings by governmental authorities for alleged infringements of laws and regulations or experience any difficulty in their operations, we may not be able to find replacement customers in the near term and our results of operations could be materially and adversely affected. In China, express delivery services providers need to be connected to such platforms’ systems before they can start providing services to merchants and consumers on such platforms. Major e-commerce platforms typically maintain a list of approved express delivery service providers, and merchants on these platforms can choose from these service providers. Even though e-commerce platforms in China are not our customers, we need to maintain our status as an approved service provider across platforms to compete with our peers, and we need to acquire merchants who sell goods on such e-commerce platforms. We cannot assure you that we are able to maintain as an approved service provider on these e-commerce platforms. We may not be able to successfully renew our current arrangements with e-commerce platforms or extend such arrangements to other e-commerce platforms on commercially reasonable terms, or at all.

RISK FACTORS

We face risks associated with our regional sponsors, unconsolidated regional operating entities, network partners, and their employees and personnel.

Regional sponsors play an important role by working with our country headquarters to execute our strategies in various markets, and assume the role of managing regional daily operations. Regional sponsors manage our network partners through the relevant regional operating entities. Our network partners and their employees carry out a significant amount of direct interactions with our end customers, and their performance directly affects our brand image. As of June 30, 2023, we had a portfolio of 104 regional sponsors and approximately 8,700 network partners.

We do not fully supervise the daily operations of certain regional operating entities, as the commercial arrangements between us and our regional sponsors vary across regions. During the ramp-up period after we enter into new markets, certain regional operating entities, which we refer to as our “unconsolidated regional operating entities,” are wholly owned and operated by the relevant regional sponsors. We enter into cooperation agreements to allow these unconsolidated regional operating entities to operate under our brand in their respective jurisdictions. However, we do not control these unconsolidated regional operating entities and do not directly supervise their day-to-day operations. We may not be able to manage these regional operating entities and their employees and personnel as effectively as if we had full ownership of them. Furthermore, our regional sponsors or unconsolidated regional operating entities may fail to implement sufficient control over the performance of their employees and personnel, such as proper collection and handling of parcels by pickup and delivery personnel.

We do not directly supervise the day-to-day operations of our network partners. Contractual agreements between our network partners and us provide for performance incentives along with periodic evaluations. We may not be able to manage the network partners, their pickup and delivery outlets and service stations and their employees and personnel as effectively as if we had full ownership of them or operated their business directly. Although we have established and distributed service standards across our network and provide training to the employees and personnel of our network partners from time to time, we may not be able to successfully monitor, maintain and improve them. Their failure to provide satisfactory services may adversely impact our reputation and brand image. Furthermore, our network partners may fail to implement sufficient control over the performance of pickup and delivery personnel, such as proper collection and handling of parcels and delivery service fees, adherence to customer privacy standards and timely delivery of parcels. We and our network partners may suffer financial losses, incur liabilities and suffer reputational damages in the event of theft or late delivery of parcels, embezzlement of delivery service fees or mishandling of customer privacy.

Suspension or termination of the services of our network partners in a particular geographic area may cause interruption to or suspension of our services in the corresponding geographic area. Our network partners may suspend or terminate their services voluntarily or involuntarily due to various reasons, including disagreement or dispute with us, failure to make a profit, failure to maintain requisite approvals, licenses or permits or to comply with other governmental regulations, and events beyond our or their control, such as inclement weather, natural disasters, transportation interruptions or labor unrest or shortage. Due to the intense competition in the express delivery industry, our existing network partners may also choose to discontinue their cooperation with us and work with our competitors instead. We may not be able to promptly replace our network partners or find alternative ways to provide services in a timely, reliable and cost-effective manner, or at all. As a result of any service disruptions associated with our regional operating entities and network partners, our customer satisfaction, reputation, operations and financial performance may be materially and adversely affected.

RISK FACTORS

We cannot assure you that disputes will not arise between us and our regional sponsors, unconsolidated regional operating entities or network partners, or that our regional sponsors, unconsolidated regional operating entities and network partners will not breach their obligations to us. Their failure to provide satisfactory services may adversely impact our reputation and brand image.

The possible impairment losses for intangible assets may adversely affect our financial condition and results of operations.

We recorded intangible assets of US\$6.0 million, US\$1,129.2 million, US\$963.6 million and US\$982.0 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively, which mainly represented goodwill, customer relationship and others including software and trademarks and licenses. Goodwill and intangible assets that have an indefinite useful life are not amortized, but are tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Other intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. Adverse change in the future may result in decreases in the value of our intangible assets and goodwill, which in turn would result in an impairment loss. In addition, we make certain assumptions when assessing the value of our intangible assets, including assumptions on their useful lives. There are inherent uncertainties relating to these assumptions. We cannot assure you that our assumptions will prove to be correct. Any such change in our assumptions may require us to re-evaluate our intangible assets, which may in turn result in impairment losses. Significant impairment losses on intangible assets may have a material adverse effect on our financial condition and results of operations and may limit our ability to obtain financing in the future.

We may be exposed to impairment loss risks associated with our trade receivables, prepayments, other receivables and other assets.

Our prepayments, other receivables and other assets primarily consist of deposits, prepaid taxes, receivables from our issuance of convertible preferred shares consideration, loans to related parties, loans to third parties, prepaid expenses and others. Our prepayments, other receivables and other assets were US\$745.4 million, US\$882.2 million, US\$703.0 million and US\$801.8 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. Our trade receivables primarily represent the amounts due from customers for goods sold or services performed. Our trade receivables were US\$180.8 million, US\$334.9 million, US\$514.0 million and US\$622.6 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. We made provisions for impairment for trade receivables of US\$6.3 million, US\$44.6 million, US\$47.2 million and US\$44.1 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. Such impairment in 2021 and 2022 mainly consisted of impairment on trade receivables in relation to certain terminated network partners and impairment losses that were consolidated into our balance sheets primarily in connection with the acquisition of BEST Express China. Going forward, we cannot assure you that we will be able collect all of our receivables due to a variety of factors, some of which are out of our control. For example, if our relationship with our customers deteriorates or terminates, or if any of them experiences any difficulty in their operations or a decrease in their business or financial performance for any reasons, our customers may delay or default in their payment. If the relevant parties fail to provide relevant products or services in relation to our prepayments, or fail to perform their payment obligations to us in a timely manner or at all in relation to our trade receivables, we may be exposed to prepayment default risk and impairment loss risk in relation to the prepayments and trade receivables, which may in turn materially and adversely affect our business and financial position.

RISK FACTORS

We have a history of gross losses and net losses and negative cash flows from operating activities, which may continue in the future. Our limited operating history and evolving business model also make it difficult to evaluate our business, financial performance and prospects.

We recorded a gross loss of US\$261.5 million, US\$544.7 million and US\$270.2 million in 2020, 2021 and 2022, respectively. We achieved a gross profit of US\$193.5 million for the six months ended June 30, 2023. We incurred a net loss of US\$664.2 million, US\$6.2 billion and US\$666.8 million in 2020, 2021 and the six months ended June 30, 2023, respectively, and a net profit of US\$1.6 billion in 2022. We incurred net profit in 2022 mainly due to the fair value gain of financial liabilities at fair value through profit or loss. In addition, our net cash used in operating activities was US\$154.7 million, US\$967.2 million and US\$519.8 million in 2020, 2021 and 2022, respectively, and our net cash generated from operating activities was US\$2.8 million in the six months ended June 30, 2023. Our revenue is driven by parcel volume and revenue per parcel. These components are affected by the various factors driving the growth of e-commerce industry in countries where we operate, our ability to scale up our network to meet increases in demand and the ability of us and our network partners to provide high-quality services to end customers. We expect our costs and expenses to increase in absolute amounts due to (i) the continued expansion of our network, (ii) the continued investments in innovation and technology, (iii) our expansion into new markets and countries, and (iv) expansion of our service offerings. Our ability to achieve and maintain profitability depends on our ability to enhance our market position, maintain competitive pricing, replicate our successful business model, and increase our operational efficiency. These are affected by many factors which may be beyond our control. As a result of the foregoing and other factors, we cannot assure you that we will not continue to incur gross losses and cash outflow from operating activities in the future.

We commenced our operation in 2015 and thus have a limited operating history, which makes it difficult to evaluate our future prospects and performance. We have experienced significant growth and expansion since our inception and over the Track Record Period. Our total parcel volume grew by 224.2% from 3.2 billion in 2020 to 10.5 billion in 2021, and further by 38.5% to 14.6 billion in 2022, and grew by 16.9% from 6.8 billion in the six months ended June 30, 2022 to 8.0 billion in the six months ended June 30, 2023. Due to our limited operating history, our past revenues and historical growth rate may not be indicative of our future performance. In 2021, we acquired the SEA entities and also BEST Express China. In May 2023, we further entered into a share transfer agreement with Fengwang Holdings to acquire Fengwang Information. See “History and Corporate Structure – Major Acquisitions, Disposals and Mergers – Acquisition of Fengwang Information.” As a fast-growing company with a relatively limited operating history, particularly in the current consolidated form, our financial statements may not be indicative of our future performance and financial results.

Rather than relying on our historical operating and financial results to evaluate us, you should consider our business prospects in light of the risks and difficulties we may encounter as an early-stage company expanding globally. Our continued growth will depend on many factors and endeavours that will require substantial management efforts and are beyond our control. Our organizational structure is complex and will continue to grow as we involve additional network partners, line-haul vehicles, employees, products and offerings, and technologies, and as we continue to expand globally. All of these endeavours involve risks and difficulties. We may not be able to successfully address risks and difficulties, which could significantly harm our business, results of operations and financial condition.

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We face intense competition which could adversely affect our results of operations and market share.

The express delivery industry in most countries where we operate is fragmented. In these countries, we compete primarily with express delivery service provided by national postal agencies as well as leading domestic express delivery companies in each of the countries where we operate. We compete with them based on a number of factors, including business model, operational capabilities, service quality and cost control. In particular, we have historically experienced declines in the express delivery service market prices and may face downward pricing pressure again. If we cannot effectively control costs to remain competitive, our market share and revenue may decline. Additionally, if we have to subsidize our network partners to increase our competitiveness, our results of operations and financial conditions may be adversely affected.

Certain of our current and potential competitors may have broader services or network coverage, stronger brand recognition, greater capital resources and longer operational histories than we do. In addition, our competitors may reduce their prices to gain business, especially during times of slowed market demand growth, and such reductions may limit our ability to maintain or increase our prices and operating margins or achieve growth of our business. Our competitors may also establish collaborative relationships or strategic alliances to improve their ability to address the needs of customers. We may not be able to successfully compete against current or future competitors, and such competitive pressures may have a material and adverse effect on our business, financial condition and results of operations.

In addition, major e-commerce platforms may choose to build or further develop their respective in-house delivery capabilities to serve their logistics needs and compete with us, which may significantly affect our market share and total parcel volume. As we diversify our service offering and further expand our customer base, we may face competition from existing or new players in new business that we choose to expand. In particular, we and network partners may face competition from existing or new first-mile pick up and last-mile delivery service providers which may expand their service offerings to include express delivery or adopt a business model disruptive to our business and compete with our regional operating entities and network partners for delivery personnel. Similarly, existing players in an adjacent or sub-markets may choose to leverage their existing infrastructure and expand their services to serve our customers. If these players succeed in doing so, our market share may suffer and our business and financial performance may be significantly and adversely affected.

Our pricing strategy may not meet our clients' price expectations or result in profitability.

We operate in a highly competitive industry. We compete with other express delivery companies based on a number of factors, including network, business model and competitive pricing. Our competitors' pricing and marketing strategies are beyond our control and can significantly impact the results of our pricing strategies. We have historically experienced declines in the delivery service market prices in certain jurisdictions where we operate, and may continue to face downward pricing pressures. We may also need to proactively adjust our pricing strategies to maintain the growth of our market share in the markets where we operate. Our competitors may adopt more aggressive pricing strategies and reduce their prices to gain business and market share, especially during times of slowed market demand growth, and such reductions may limit our ability to maintain or increase our prices and operating margins or achieve growth of our business. If we and our network partners cannot effectively control our costs to remain competitive, our market share, revenue and profitability may decline. If we continue to implement our pricing strategies, our profitability in certain regions may not be sustainable and may deteriorate or we may continue to incur net losses.

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While we provide guidance on the pricing strategies, we do not control the pricing strategies of our network partners, which could affect our parcel volume and our ability to effectively compete with other express delivery service providers in certain areas.

Our pricing strategy and policy may not be effective in maintaining our financial performance and any unfavorable changes of market conditions may have a material adverse effect on our operations, financial condition and profitability. See “Business – Our Services – Service Pricing” for details of our pricing policy. As a result of the foregoing and other factors, we cannot assure you that we will successfully maintain the growth and profitability of our business in the future.

Any service disruption experienced by our sorting centers or the pickup and delivery outlets may adversely affect our operations.

Our daily operations heavily rely on the orderly performance of our sorting centers and the pickup and delivery outlets managed by our regional operating entities and network partners. Our sorting centers or the pickup and delivery outlets may experience service disruptions due to failure in their automated facilities, under-capacity during peak parcel volume periods, force majeure events, third-party sabotage, dispute between us, and network partners or any third party, employee delinquency or strike, governmental inspection of properties or governmental orders that mandate any service halt or temporary or permanent shutdown that would adversely impact our operations. The outbreak of a pandemic, such as the COVID-19, may also cause disruption to our business. If we are required by governmental authorities to implement emergency measures and temporarily close our facilities or service stations, our and our network partners’ operating costs may increase as a result. In the event of any service disruption, sorting, pickup and delivery of parcels at the relevant sorting centers or pickup and delivery outlets may be delayed, suspended or stopped. Parcels will need to be redirected to other nearby sorting centers or pickup and delivery outlets, and such rerouting of parcels will likely increase risks of delay and mishandling during delivery. At the same time, increased operational pressure on nearby sorting centers or pickup and delivery outlets may negatively impact their performance and adverse effects across our network. Any of the foregoing events may result in significant operational interruptions and slowdowns, customer complaints and reputational damage.

Our technology system is critical to our operations and growth prospects.

The satisfactory performance, reliability and availability of our technology system are critical to our ability to provide high-quality services. We rely on our centralized IT systems to efficiently manage and operate our network. The maintenance and processing of various operating and financial data are essential to the day-to-day operation of our business and formulation of our development strategies. Any system interruptions caused by telecommunications failures, errors encountered during system upgrades or system expansions, computer viruses, hacking or other attempts to harm our systems that result in the unavailability or slowdown of our technology systems, degraded order fulfillment performance, or additional shipping and handling costs may, individually or collectively, materially and adversely affect our business, reputation, financial condition and results of operations.

As our business grows, we expect to continue to invest in and implement upgrades to our information technology systems and infrastructure. However, we cannot assure you that we will be successful in executing these system upgrades and improvement strategies. In particular, our systems may experience interruptions during upgrades, and the new technologies or infrastructures may not be fully integrated with the existing systems on a timely basis, or at all. In addition, the upgrade and improvement of our information technology systems and infrastructure may require us to commit substantial financial, operational and technical resources, with no assurance that our business will increase. If we fail to respond to technological change or to adequately maintain and upgrade our systems and infrastructure in response to changing business needs in a timely, effective and cost-efficient fashion, our business could be adversely affected.

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Our long-term growth and competitiveness are highly dependent on our ability to control costs.

Our results of operations are affected by our ability to control costs including labor, transportation and lease costs, which may be subject to factors, including, among other things, fluctuations in wage rates, fuel prices, toll fees, and leasing costs. Effective cost-control measures have a direct impact on our financial condition and results of operations. Our fleets use large quantities of fuel to operate vehicles and pay toll fees along their routes. The availability and price of fuel and third-party transportation capacity are subject to political, economic, and market factors that are beyond our control. We also incur a significant amount of costs in relation to transportation and labor. Any unexpected increase in these costs, which is subject to factors beyond our control, could adversely impact our profitability. We have adopted, and expect to adopt, additional cost control measures. However, the measures we have adopted or will adopt in the future may not be as effective as expected. If we are not able to effectively control our costs and adjust the level of network transit fees based on operating costs and market conditions, our profitability and cash flow may be adversely affected.

Fluctuations in exchange rates could adversely affect our financial condition, results of operations and cash flows.

We operate in multiple jurisdictions, which exposes us to the effects of fluctuations in currency exchange rates. Our subsidiaries and consolidated affiliated entities operate in functional currencies other than the U.S. dollar, including Renminbi, Indonesian Rupiah, Vietnamese Dong, Malaysian Ringgit, Philippine Pesos, Thai Baht, Singapore Dollars, Brazilian Real or Mexican Peso among other currencies. For each Group entity, items included in its financial statements are generally measured with the currency of the country where such Group entity operates. Our financial information as expressed in U.S. dollars may be significantly affected by fluctuations in foreign exchange rates, and the figures may be substantially higher or lower than would be the case if exchange rates were to be stable. Therefore, our results of operations as expressed in U.S. dollars may be significantly affected by fluctuations in foreign exchange rates. There is no assurance that movements in foreign currency exchange rates will not have a material adverse effect on our results of operations in future periods. We may enter into derivatives transactions and incur relevant costs from time to time to manage our exposure to exchange rate risk. Such derivatives transactions, while intended to be non-speculative, are designed to protect us against increases or decreases in exchange rates, but not both. See “Financial Information – Foreign Currency Fluctuations.”

We rely on third-party service providers in relation to certain aspects of our operations.

We depend on certain third-party service providers for transportation, supplies of equipment and other services. The supplier base providing logistics equipment is relatively concentrated, which has resulted in a limited number of suppliers for certain types of equipment and supplies, while the market for third-party transportation services is fragmented, which have different standards of operations and internal control procedures. There is no assurance that (i) these service providers would operate in accordance with our instructions, policies and business guidelines, or that their service quality will not materially deteriorate, (ii) we can maintain good relationships with our third-party service providers, (iii) they will not unilaterally increase their service prices, or (iv) there will not be any wrongdoing or misconduct by their employees or by them which would materially and adversely affect their services. There is no assurance that we can find reliable service providers who can meet our standards at scale as we continue to expand globally. Decreased availability or increased costs of logistics, transportation and supply chain service and equipment provided by third parties could impact our cost of operations and our profitability.

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In addition, we also engage third-party human resources agencies to provide labor forces to supplement our capacity at different network facilities. The outsourcing activities and agreements are subject to local laws and regulations. Even if we may have contractual protection against claims from outsourced personnel, in the event that the outsourcing firms violate any relevant labor laws and regulations or their employment agreements with the outsourced personnel, such personnel may file a claim against us as they provide their services at our network facilities. As a result, we may incur legal liability, and our reputation, brand image as well as our business, financial condition and results of operations could be materially and adversely affected.

We face challenges in diversifying our service offerings and expanding our customer base.

We intend to further diversify our service offerings and expand our customer base to add to our revenue sources in the future. New services or new types of customers may involve risks and challenges we do not currently face. Such new initiatives may require us to devote significant financial and managerial resources and may not perform as well as expected. We may not be able to successfully address customer demands and preferences, and our existing network and facilities may not be adaptable to the new services or customers. In addition, we may not be able to assure adequate service quality and may receive complaints or incur costly liability claims, which would harm our overall reputation and financial performance. We may also selectively invest in emerging business opportunities in adjacent logistics market. We may not be able to achieve profitability or recoup our investments with respect to any new services or new types of customers in time or at all.

Our business and results of operations may be materially and adversely affected if we are unable to provide high-quality service.

The success of our business largely depends on our ability to maintain and further enhance our service quality. Together with our regional operating entities and network partners, we provide complete door-to-door express delivery services to our end customers. If we, our regional operating entities or our network partners are unable to provide express delivery services in a timely, reliable, safe and secure manner, our reputation and customer loyalty could be negatively affected. If our customer service personnel fail to satisfy customer needs or respond effectively to customer complaints, we may lose potential or existing end customers and experience a decrease in customer orders, which could have a material adverse effect on our business, financial condition and results of operations. See also “– We face risks associated with our network partners and their employees and personnel.”

It is difficult to forecast customer demand accurately, and as a result we may be unable to make planning and spending decisions to match customer demand.

We make planning and spending decisions, including capacity expansion, procurement commitments, personnel needs and other resource requirements based on our estimates of customer demand. The parcel volume we generate from end customers can vary significantly and unexpectedly, reducing our ability to accurately estimate future customer demand. In particular, we may potentially experience capacity and resource shortages in fulfilling customer orders during peak season of e-commerce consumption or following special promotional campaigns on any e-commerce platforms. Failure to meet customer demand in a timely fashion or at all may adversely affect our financial condition and results of operations.

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Our results of operations are subject to fluctuations due to seasonality and other events beyond our control.

Our results of operations are affected by seasonal patterns and other events peculiar to the jurisdictions where we operate. Our results of operations may vary and may not be comparable from months to months. Our parcel volume was typically lower in the first quarter of each year as a result of regional holidays, including the Lunar New Year, during which demand for is typically lower. In Southeast Asia, our parcel volume is also impacted by holidays such as Ramadan, as well as regional promotion periods such as the September 9 and October 10 sales promotion periods, during which we typically experience an increase in parcel volume and temporary shortage of labor. In addition, timing of certain major holidays such as Ramadan, as well as the associated promotional events from e-commerce platforms, may vary from year to year and is uncertain. 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, for example, the November 11 and December 12 sales promotion periods, see “– We have relied, and may continue to rely, on certain prominent e-commerce platforms.” Our financial condition and results of operations for future periods may continue to fluctuate. As a result, our results of operations and the trading price of our Shares may fluctuate from time to time due to seasonality, and 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.

Failure to renew our current leases or locate desirable premises for our facilities could materially and adversely affect our business.

We lease properties for our facilities including offices and sorting centers. Some of our regional operating entities and network partners lease properties for offices, pickup and delivery outlets and service stations that they directly operate. We and our network partners may not be able to successfully extend or renew such leases upon expiration of the current term on commercially reasonable terms or at all, and may therefore be forced to relocate the affected operations. This could disrupt our operations and result in significant relocation expenses, which could adversely affect our business, financial condition and results of operations. As our network scales up, we may need additional space for our sorting centers to meet our expansion demands. We compete with other businesses for premises at certain locations or of desirable sizes, and it can be difficult to find suitable premises to meet our standards. Even if we are able to extend or renew our leases, rental payments may significantly increase as a result of the high demand for the leased properties. In addition, we may not be able to locate desirable alternative sites for our facilities as our business continues to grow and failure in relocating our affected operations could adversely affect our business and operations.

- unanticipated issues in integrating logistics, information, communications and other systems;
- unanticipated changes in applicable laws and regulations affecting the acquired business;
- operating risks inherent in the acquired business;
- diversion of the attention and resources of management;
- consumers’ failure to accept product offerings by us or our licensees;
- assumption of liabilities not identified in due diligence; and
- other unanticipated issues, expenses and liabilities.

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In addition, there is no guarantee that once such process has been completed we will operate in a manner that is more efficient, organized, effective and competitive as a whole.

We may, however, fail to realize these anticipated synergies or they may be less significant than expected, which could adversely affect our business, financial condition or results of operations.

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.

Our business is labor-intensive and requires a substantial number of personnel. Any failure to retain stable and dedicated labor by us, our regional operating entities and network partners may lead to disruption to or delay in our services provided to end customers. We usually need to hire additional or temporary workers to handle the significant increase in parcel volume following special promotional events or during peak seasons of e-commerce. We may be subject to temporary labor shortage during major holiday seasons. We have observed an overall tightening and increasingly competitive labor market. We have experienced, and expect to continue to experience, increases in labor costs due to increases in salary, social benefits and employee headcount and changes in regulatory environment. We and our network partners compete with other companies in our industry and other labor-intensive industries for labor, and we may not be able to offer competitive salaries and benefits compared to them. In addition, some of our employees in the Philippines are unionized. Labor unions in the Philippines that have been certified as sole and exclusive bargaining agents may request management of companies to enter into collective bargaining agreements, negotiate employment terms on behalf of relevant employees and demand higher salaries and benefits, which could increase our labor costs.

We and our network partners have been subject to labor disputes initiated by our or their employees and personnel from time to time, although none of them, individually or in the aggregate, had a material adverse impact on us. We expect to continue to be subject to various legal or administrative proceedings related to labor dispute in the ordinary course of our business, due to the magnitude of labor force involved in our network. Any labor unrest directed against us, our regional operating entities or our network partners could directly or indirectly prevent or hinder our normal operating activities, and, if not resolved in a timely manner, lead to delays in fulfilling our customer orders and decreases in our revenue. We, our regional operating entities and our network partners are not able to predict or control any labor unrest, especially those involving labor not directly employed by us. Further, labor unrest may affect general labor market conditions or result in changes to labor laws, which in turn could materially and adversely affect our business, financial condition and results of operations.

Our business is dependent on the transportation, telecommunication and Internet infrastructure in countries and regions where we operate.

Our business depends on the performance and reliability of the transportation, telecommunication and Internet infrastructure in countries and regions where we operate.

Our network covers regions that have historically been underserved by logistics service providers and often present unique operational challenges, such as underdeveloped infrastructure or island archipelagos. The expansion of our network in these regions is, to a significant extent, dependent on the availability and proper operations of transportation infrastructure. We face operational challenges including, among others, unanticipated closure of airport, rail limitations due to unavailability of railcars and adverse weather condition, and delay in barge shipments caused by high or low seawater levels.

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Our business depends on the performance, reliability and security of the telecommunications and Internet infrastructure in regions where we operate. We may not have access to alternative networks in the event of disruptions, failures or other problems with the telecommunication and Internet infrastructure. The failure of telecommunication and Internet network operators to provide us with the requisite bandwidth could also interfere with the speed and availability of our platforms. Any of such occurrences could delay or prevent our platform users from accessing our online platforms and mobile applications, and frequent interruptions could frustrate customers and discourage them from using our services, which could cause us to lose customers and harm our results of operations. In addition, we have limited control over the service fees charged by telecommunication and Internet operators. If the prices we pay for telecommunications and Internet services rise significantly, our results of operations may be materially and adversely affected.

We are exposed to fair value changes of financial liabilities at fair value through profit or loss.

Since our inception, we have completed several rounds of financing by issuing different classes of convertible preferred shares. We accounted the preferred shares as financial liabilities at fair value through profit or loss. The convertible preferred shares are typically recognized at fair value, and subsequent to the initial recognition, the preferred shares are carried at fair value, with changes in fair value recognized in the consolidated income statements. As these instruments are not traded in active markets, their fair values have been determined by using applicable valuation techniques, which involve a significant degree of management judgment and are inherently uncertain. As of December 31, 2020, 2021 and 2022 and June 30, 2023, we recorded financial liabilities at fair value through profit or loss of US\$1,812.9 million, US\$10,487.3 million, US\$7,765.1 million and US\$8,261 million, respectively. The determination of the fair value changes requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. The fair value change of financial liabilities at fair value through profit or loss was nil in 2020. We recorded a fair value loss of financial liabilities at fair value through profit or loss of US\$4,383.5 million in 2021 and a fair value gain of financial liabilities at fair value through profit or loss of US\$3,086.7 million in 2022. We also recorded a fair value gain of financial liabilities at fair value through profit or loss of US\$1,027.5 million for the six months ended June 30, 2023. We cannot assure you that we can recognize comparable fair value gains in the future and we may on the contrary recognize fair value losses, which would affect our results of operations. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such assets and liabilities. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our results of operations and financial condition.

We had net liabilities position and net operating cash outflows in the past and may not be able to achieve or maintain net assets and net current assets position in the future.

We had net liabilities of US\$870.5 million, US\$6,636.4 million, US\$4,984.2 million and US\$5,529.6 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively, primarily due to the significant amounts of convertible preferred shares and accounts payable recorded as liabilities. Our convertible preferred shares will be re-classified and re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the [REDACTED], after which we do not expect to recognize any further gain or loss on fair value changes from convertible redeemable preferred shares and will return to a net assets position from a net liabilities position. However, there can be no assurance that we will not record net liabilities in the future.

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We had net operating cash outflows of US\$154.7 million, US\$967.2 million and US\$519.8 million for the years ended December 31, 2020, 2021 and 2022, respectively, and net cash generated from operating activities of US\$2.8 million for the six months ended June 30, 2023. If we fail to generate sufficient cash flow from our operations, or if we fail to maintain sufficient cash and financing, our liquidity position may be adversely affected. If we do not have sufficient cash flows to fund our business, operations and capital expenditure, our business and financial position will be materially and adversely affected.

Our business and the business of our network partners are subject to a broad range of laws and regulations.

Our business is subject to governmental supervision and regulation by the relevant governmental authorities. These governmental authorities promulgate and enforce regulations that cover many aspects of our day-to-day operations such as providing trainings to employees and preparing various technical and safety plans, and we may fail to fully comply with these regulations at all times. We are subject to various restrictions in markets in which we operate, which may limit our ability to replicate our success under the regional sponsor model. See “– Any lack of requisite approvals, licenses, permits or filings applicable to the business operation of ours or our network partners may have a material and adverse impact on our business, financial condition and results of operations.” and “Regulatory Overview” in Appendix III to this document.

The PRC Postal Law indicates that express delivery companies cannot engage in “posting and mail delivery business exclusively operated by postal enterprises”, which are not clearly defined under the PRC law. If the parcels delivered by us fall into the aforementioned category, we may be considered in violation of the PRC Postal Law. Noncompliance with new applicable laws, regulations and policies, or amendments to existing laws, regulations and policies, may subject us to administrative proceedings, fines or other penalties, and materially and adversely impact our business, reputation, financial condition and results of operations. In addition, in the PRC, each of the vehicles used for road freight transportation must have a Road Transportation Certificate and the drivers of these vehicles must have corresponding qualification certificates unless these vehicles are ordinary freight vehicles with a total mass of 4.5 tons or less. Although we have established an internal control system to help ensure our compliance with relevant laws and regulations, to renew our permits and obtain qualification certificates as required, we cannot ensure that we can fully comply with any new requirement all the time considering the periodic renewal requirements, the employee mobility, and the expansion of our business. If we fail to comply with these regulations, the competent government authorities may order us to rectify such violations, impose fines on us, revoke our permits, or suspend our business.

In addition, our value-added services, such as our COD services, are subject to various rules, regulations and requirements, regulatory or otherwise, governing electronic funds transfers, which could change or be reinterpreted in the future to make it difficult or costly, for us to comply with. If we fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and become unable to accept credit and debit card payments from our customers, process electronic funds transfers or facilitate other types of online payments, and our business, financial condition and results of operations could be materially and adversely affected.

Our network partners have broad discretion over their daily operations and make localized decisions with respect to their facilities, vehicles and hiring and pricing strategies. Their operations are regulated by various laws and regulations, including local administrative rulings, orders and policies that are pertinent to their localized express delivery business. Local

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regulations may specify the models or types of vehicles to be used in parcel pickup and delivery services or require our network partners to implement heightened parcel safety screening procedures, which could materially drive up the operating costs and delivery efficiency of the pickup and delivery outlets.

New laws and regulations may be enforced from time to time. Adjustments and changes exist regarding the interpretation and implementation of current and any future laws and regulations applicable to our businesses. For example, in Vietnam, the Law on Competition 2018 allowed relevant authority to prohibit anti-competition agreements. However, the applicable authority, the Viet Nam Competition Commission, has just been formed since April 1, 2023, and the corresponding regulations have not been formed as of the date of this document. Therefore, there are still significant uncertainties with respect to the type of contractual provisions that may be prohibited under the Law on Competition 2018. We cannot assure you that provisions in our existing agreements – including our cooperation agreements with network partners – will not be deemed as “anti-competition agreements” as prohibited under the Law on Competition 2018. See also “Regulatory Overview – Laws and Regulations in Relation to Our Business in Vietnam” in Appendix III to this document. If relevant authorities promulgate new laws and regulations that require additional approvals or licenses or imposes additional restrictions on our business and operations, they may have the authority, among other things, to levy fines, confiscate income, revoke business licenses, and require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Any of these actions by governments in the jurisdictions where we operate may have a material and adverse effect on our results of operations. If our regional operating entities or network partners are found to be in violation of any applicable laws or regulations then in effect, such regional operating entities or network partners may be subject to similar penalties or administrative orders and may not be able to continue to deliver satisfactory services or at all. As a result, we may suffer reputational damages due to negative publicity or compromised service quality.

Any lack of requisite approvals, licenses, permits or filings applicable to the business operation of ours or our network partners may have a material and adverse impact on our business, financial condition and results of operations.

We are required to hold a number of licenses and permits in connection with our operation. For example, in China, a company that provides express delivery services needs to obtain a Courier Service Operation Permit (快遞業務經營許可證) and make filings with relevant postal authorities to expand its regions of operation under such permit. Failure to make such filings may result in a correction order or fines. Companies are also subject to certain capacity requirements, such as the adequacy of delivery personnel, under the Courier Service Operation Permit. If any of our Group entities or network partners in the PRC is found to have failed to meet these requirements, such entity may be subject to a fine up to RMB30,000, its Courier Service Operation Permits may be revoked, and it cannot re-apply to obtain the permit for a period of three years. A company with the Courier Service Operation Permit is also required to maintain its express delivery operations during the validity of such permit. If the permit holder fails to initiate its operation within six months after obtaining the permit, or if the permit holder suspends its operations for more than six months without authorization, relevant authority may cancel the Courier Service Operation Permit. We are currently not aware of any such cancellation or notice of cancellation.

In Thailand, we cooperate with our network partners to provide express delivery services. Under Thai laws, a provider of transport management service is subject to the transport management license regime. The Department of Land Transport explicitly stated in its ruling, confirming its position that a transport management license is not required in the absence of any ministerial regulations. As of the date of the [REDACTED], the Department of Land

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Transport has not published any ministerial regulations on the criteria and procedures for obtaining a land transport management license yet. However, we cannot assure you that we will not be deemed a provider of transport management service and be required to obtain a transport management license if and when the ministerial regulations are published. Failure to obtain such license in time, or at all, may materially and adversely affect our business, financial condition and results of operations. The interpretation and application of laws and regulations, including the Land Transport Act and the Vehicle Act B.E. 2522 (1979), remain are still uncertain and evolving.

We may be required to make filings with respect to our cooperation with network partners in jurisdictions where we operate. As we frequently add new network partners to expand our network or terminate under-performed network partners, the pool of network partners is constantly changing, and we cannot assure that such filing are always completed or update to date. For example, in China, commercial franchising refers to the business activities where an enterprise that possesses the registered trademarks, enterprise logos, patents, proprietary technology or any other business resources allows such business resources to be used by another business operator through a contract and the franchisee follows the uniform business model to conduct business operation and pay franchising fees according to the contract. We and our network partners in China are subject to regulations on commercial franchising, and we are therefore required to file the cooperation arrangements with network partners with the Ministry of Commerce or its local counterparts. Otherwise, we may be required to file our commercial franchising agreements with the Ministry of Commerce or its local counterparts within a specified time limit and be subject to fines, and if we fail to make the filing within certain prescribed period, the relevant authority may issue a public announcement. In Malaysia, an enterprise is required to complete a registration process to allow third parties to use its name and logos as a franchise. We are required to complete such registration with respect to our cooperation with network partners in Malaysia. We have submitted the registration application and expect to complete the procedure in due course.

Our network partners also need to obtain necessary licenses and permits to operate express delivery and transportation business in jurisdictions such as Thailand, the Philippines, Indonesia, Vietnam and the PRC. We can provide no assurance that all of our network partners have obtained all of the licenses and permits necessary for their business. For example, certain of our network partners carry out their express delivery services while they are still in the process of obtaining Courier Service Operation Permits in the PRC, and we may be subject to fines or order of rectification as a result. Failure to obtain such licenses and permits may result in suspension of operation, and in some jurisdictions, fines or other penalties by government authorities. Any of these actions by relevant governments may have a material and adverse effect on our results of operations. See also “Regulatory Overview” in Appendix III to this document. Our consolidated regional operating entities are also subject to similar license and permit requirements under applicable laws. As of June 30, 2023, we only had one unconsolidated regional operating entity.

We are also subject to a number of requirements with respect to updating our licenses and certificates, implementing of rules and controls, as well as provisions of trainings applicable to express delivery service as well as road freight transportation. We cannot guarantee that we are in full compliance with all such requirements at all time. During the Track Record Period, information contained in certain licenses, certificates and permits that we obtained has not been updated in a timely manner, such as the basic corporate information or details of directorship. We are still in the process of fulfilling such requirements, and failure to complete the registration update in a timely manner may cause administrative fines and penalties.

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Although our Group, including our consolidated regional operating entities, and, to the best of our knowledge, our unconsolidated regional operating entity, have obtained all material permits or licenses required for conducting our business in all jurisdictions where we operate, we cannot assure you that we will be able to renew or maintain all necessary permits for our existing operations or obtain licenses we need for new service offerings or expansion into new markets. As we grow and expand, we continue to apply for new licenses and certificates, as well as renew our existing ones. Some of our filings or application with respect to applying or renewing some of the licenses are still under review. There is no guarantee that we will be able to obtain such license. If any government of any other jurisdictions in which we operate (i) considers that we historically operated, or are operating without proper or adequate approvals, licenses or permits, (ii) promulgates new laws and regulations that require additional approvals or licenses or impose additional restrictions on the operation of any part of our business, or (iii) considers that we have not duly renewed these licenses in a timely manner, it has the power, among other things, to levy fines, confiscate our income, revoke our business licenses, and require us to discontinue our relevant business or impose restrictions on the affected portion of our business. In particular, legal systems vary in different jurisdictions in which we operate. The interpretation and implementation of relevant laws and regulations and the enforcement practices by relevant governmental authorities are still in development. As a result, there may be significant changes regarding the interpretation and implementation of current and any future laws and regulations applicable to our businesses. Any of these actions by relevant governments may have a material and adverse effect on our results of operations.

We are subject to risks inherent in the logistics industry, including personal injury, product damage, and transportation-related incidents.

We handle a large volume of parcels across our network, and face challenges with respect to the protection and examination of these parcels. Parcels in our network may be stolen, damaged or lost for various reasons, and we, our regional operating entities and/or our network partners may be perceived or found liable for such incidents. We may fail to screen parcels and detect unsafe or prohibited/restricted items. Hazardous items, such as flammables and explosives, toxic or corrosive items and radioactive materials, may damage other parcels in our network, injure recipients and harm our personnel and assets as well as those of our regional operating entities and/or network partners. Furthermore, if we fail to prevent prohibited or restricted items from entering into our network and if we participate in the transport and delivery of such items, we may be subject to administrative or even criminal penalties, and if any personal injury or property damage is concurrently caused, we may be further liable for civil compensation.

The delivery of parcels also involves inherent risks. We constantly have a large number of vehicles and personnel in transportation. We are subject to risks associated with transportation safety, and the insurance maintained by us may not be sufficient to fully cover the damages caused by transportation-related injuries or loss. From time to time, our vehicles and personnel may be involved in transportation accidents, and the parcels carried by them may be lost or damaged. In addition, frictions or disputes may occasionally arise from the direct interactions between our pickup and delivery personnel with parcel senders and recipients. Personal injuries or property damages may arise if such frictions or disputes escalate.

Any of the foregoing could disrupt our services, cause us to incur substantial expenses and divert the time and attention of our management. We, our regional operating entities, whether consolidated or unconsolidated, and our network partners may face claims and incur significant liabilities if found liable or partially liable for any of injuries, damages or losses. Claims against us may exceed the amount of our insurance coverage, or may not be covered by insurance at all. Governmental authorities may also impose significant fines on us or require

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us to adopt costly preventive measures. Furthermore, if our services are perceived as insecure or unsafe by our end customers, e-commerce platforms and consumers, our parcel volume may be reduced, and our business, financial condition and results of operations may be materially and adversely affected.

The assessment of impairment losses involves a significant degree of management judgment as well as estimates in determining the key assumptions. Therefore, there is uncertainty on the prediction of the movement of impairment of prepayments, other receivables and other assets and trade receivables.

Damages to brand image and corporate reputation could materially and adversely impact our business.

We believe our brand image and corporate reputation will play an increasingly important role in enhancing our competitiveness and maintaining business growth. Many factors, some of which are beyond our control, may negatively impact our brand image and corporate reputation. These factors include our ability to provide services to our customers, successfully conduct marketing and promotional activities, manage relationship with and among our regional sponsors and network partners, address complaints and events of negative publicity, maintain positive perception of us, our peers and the express delivery industry in general. Any actual or perceived deterioration of our service quality, which is based on an array of factors including customer satisfaction, rate of complaint or rate of accident, could subject us to damages such as loss of important customers.

Negative publicity about us, including our services, management, business model and practices, compliance with applicable rules, regulations and policies or our network partners may materially and adversely harm our brand and reputation and have a material adverse effect on our business. There is no assurance that we will be able to mitigate the impact of such negative publicity within a reasonable period of time, or at all. Additionally, allegations, directly or indirectly against us, may be posted on the Internet by anyone on a named or anonymous basis, and can be quickly and widely disseminated. Information posted may be inaccurate, misleading and adverse to us, and it may harm our reputation, business or prospects. The harm may be immediate without affording us an opportunity for redress or correction. Our reputation may be negatively affected as a result of the public dissemination of negative and potentially inaccurate or misleading information about our business and operations. Negative publicity against us or our peers could cause damages to our corporate reputation and changes to the government policies and regulatory environment. If we are unable to promote our brand image and protect our corporate reputation, we may not be able to maintain and grow our customer base, and our business and growth prospects may be adversely affected.

We may not be able to maintain our corporate culture, which has been a key to our success.

Since our inception, our corporate culture has been defined by our values, and we believe that our culture has been critical to our success. In particular, our corporate culture has helped us serve our customers, and attract, retain and motivate employees, regional sponsors and network partners. We face a number of challenges that may affect our ability to maintain our corporate culture, including:

- failure to identify and promote people to leadership positions in our organization who share our culture and values;

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- the increasing number and geographic diversity of our regional sponsors and network partners;
- competitive pressures to move in directions that may divert us from our values;
- the continued challenges of an ever-changing business environment;
- the potential pressure from the public markets to focus on short-term results instead of long-term value creation; and
- the increasing need to develop expertise in new areas of business that affect us.

If we are not able to maintain our corporate culture or if our culture fails to deliver the long-term results we expect to achieve, our business and prospects may be materially and adversely affected.

We face risks related to severe weather conditions and other natural disasters, health epidemics and other outbreaks, such as the COVID-19 pandemic, which could significantly disrupt our operations.

Severe weather conditions and other natural or man-made disasters, including storms, floods, fires, earthquakes, typhoons, epidemics, pandemics, conflicts, unrest, or terrorist attacks, may disrupt our business and result in decreased revenues. Customers may reduce their demand for logistics services or shipments, or our costs to operate our business may increase, either of which could have a material adverse effect on us. Any such incidents could materially and adversely affect our ability to source services and supplies from our suppliers or to distribute packages throughout our markets.

The COVID-19 pandemic has resulted in significant disruptions in the global economy. We temporarily closed our branch offices, sorting centers and pickup and delivery outlets in the first quarter of 2020. Since the second quarter of 2020, the markets where we have our core operations continue to be subject to the impact of COVID-19 pandemic. The timelines for business resumption varied across different localities and countries. Our branch offices, sorting centers and pickup and delivery outlets closed and opened in accordance with measures adopted by their respective local government authorities.

Due to the surges in the number of cases of COVID-19 in December 2022 and January 2023 in China, we experienced temporary labor shortage, which has caused delays in our express delivery service. We did not experience any major parcel delivery delay during the Track Record Period and up to the Latest Practicable Date. However, our operations, results of operations and financial condition could be further adversely affected if a wide spread of COVID-19 pandemic happens again in the locations where we have operations.

We have made, and may need to continue to make, substantial capital expenditures, and we will face risks that are inherent to such investment.

To carry out our strategies and expansion plan, we have incurred, and may continue to incur, capital expenditures on acquisition of land use rights, construction of facilities and investment in delivery infrastructure in connection with the consolidation and organic growth of our business. We paid an aggregate of US\$257.7 million, US\$513.7 million, US\$573.2 million, and US\$249.5 million in 2020, 2021, 2022 and the six months ended June 30, 2023, respectively, for purchase of property, plant and equipment. To facilitate our future expansion, we may need to continue to make substantial capital expenditures.

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Significant capital expenditures are associated with certain inherent risks. We may not have the resources to fund such investment. Even if we have sufficient funding, assets that best suit our needs may not be available at reasonable prices or at all. We may also incur capital expenditures earlier than all of the anticipated benefits, and the return on these investments may be lower, or may be realized more slowly, than we expected. The carrying value of the related assets may be subject to impairment, which may adversely affect our financial condition and operating results.

We may not be able to obtain additional capital when desired, on favorable terms or at all.

We may require additional cash capital resources in order to fund future growth and the development of our businesses, including investments in equipment, land, facilities and technological systems to remain competitive. If our cash resources are insufficient to satisfy our cash requirements, we may seek to issue additional equity or debt securities or obtain new or expanded credit facilities. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including our future financial condition, results of operations, cash flows, share price performance, liquidity of international capital and lending markets, governmental regulations over foreign investment and the e-commerce industry. In addition, incurring indebtedness would subject us to increased debt service obligations and could result in operating and financing covenants that would restrict our operations. There can be no assurance that financing will be available in a timely manner or in amounts or on terms acceptable to us, or at all. Any failure to raise needed funds on terms favorable to us, or at all, could severely restrict our liquidity as well as have a material adverse effect on our business, financial condition and results of operations. Moreover, issuance of equity or equity-linked securities could result in significant dilution to our existing shareholders.

We may fail to successfully make necessary or desirable strategic alliances, acquisitions or investments, and we may not be able to achieve the benefits we expect from the alliances, acquisition or investments we make.

We may pursue selected strategic alliances and potential strategic acquisitions that are complementary to our business and operations, including opportunities that can help us further expand our service offerings and enhance our research and development and technology innovations.

Strategic alliances with third parties could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance or default by counterparties, and increased expenses in establishing these new alliances, any of which may materially and adversely affect our business. We may have limited ability to control or monitor the actions of our strategic partners. To the extent a strategic partner suffers any negative publicity as a result of its business operations, our reputation may be negatively affected by virtue of our association with such party. To expand, consolidate and optimize our delivery capacity in key geographic areas, we conducted certain acquisitions during the Track Record Period and in 2023. See “History and Corporate Structure.” If our investments do not subsequently generate the anticipated financial performance, we may need to revalue or write down the value of goodwill and other intangible assets in connection with such acquisitions, which would harm our results of operations.

In addition, we may fail to achieve the anticipated synergies and other benefits from acquisitions, which may adversely impact our business and results of operations.

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From time to time, we make acquisitions as we expand. For example, we completed the acquisitions of the SEA entities and BEST Express China in December 2021. See “History and Corporate Structure – Major Acquisitions, Disposals and Mergers.” In addition, we also completed the acquisition of Fengwang Information in June 2023. We could assume unknown or contingent liabilities and be exposed to claims and disputes by third parties. There could be unknown or undisclosed risks or liabilities in relation to such acquisition, and there is no assurance that we will be fully or sufficiently indemnified. Our future success, including the anticipated benefits and cost savings, depends, in part, on our ability to integrate the acquired business and optimize our operations. The potential difficulties of integrating the operations of an acquired business and realizing our expectations for an acquisition, including the benefits that may be realized, include, among other things failure to implement our business plan for the combined business, delays or difficulties in completing the integration of acquired companies or assets, and higher than expected costs, lower than expected cost savings or a need to allocate resources to manage unexpected operating difficulties.

Our business depends on the continuing efforts of our management and our ability to attract, train and retain qualified personnel.

Our business depends on the continuing efforts of our management. In particular, Mr. Li, our executive Director, Chief Executive Officer, chairman of the Board and our Controlling Shareholder, has been crucial to the development of our culture and strategic direction. If one or more of our management members were unable or unwilling to continue their employment with us, we may not be able to replace them in a timely manner, or at all. Members of our senior management team or other key personnel may also resign and join a competitor or form a competing company. Regional sponsors who help execute our regional strategy may also terminate their relationships with us voluntarily or involuntarily. The loss of qualified executives, regional sponsors and employees, or an inability to attract, retain, and motivate high-quality executives and employees required for the planned expansion of our business, may harm our operating results and impair our ability to grow.

We intend to hire and retain additional qualified employees to support our operations and planned expansion. Our future success depends, to a significant extent, on our ability to attract, train, retain and motivate qualified personnel, particularly management, operational personnel and regional sponsors with expertise in the express delivery industry, the e-commerce industry or markets that we plan to expand into. Our experienced mid-level managers are instrumental in executing our business plans, implementing our business strategies and supporting our operations and growth, and we cannot assure you that we will be able to attract or retain these qualified personnel.

We have granted, and may continue to grant, share incentives, which may result in increased share-based compensation expenses, dilution of our shareholders’ shareholding interest and negatively impact our results of operations.

We adopted certain share incentive schemes for the purpose of granting share based compensation awards to employees, directors, consultants, regional sponsors and network partners to incentivize their performance and align their interests with ours. In 2020, 2021, 2022 and the six months ended June 30, 2023, we recorded share-based compensation expenses related to employee benefits of US\$161.1 million, US\$367.3 million, US\$244.1 million and US\$10.3 million, respectively. We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel, parties and employees, and we will continue to grant share-based compensation awards in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations. Any newly granted RSUs, options, or any other share-based compensations that we may grant from time to time may result in an increase in our issued share capital when vested, which in turn may result in a dilution of our shareholders’ shareholding interests in our Company and a reduction in earnings per share.

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We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position.

We regard our trademarks, domain names, trade secrets, proprietary technologies and other intellectual property as critical to our business. We rely on a combination of intellectual property laws and contractual arrangements to protect our proprietary rights. It may be difficult to register, maintain and enforce intellectual property rights in some of the markets where we operate. The interpretation and implementation of relevant laws and regulations and the enforcement practices by relevant governmental authorities are still in development. Confidentiality agreements and license agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in all markets where we operate. Policing any unauthorized use of our intellectual property is difficult and costly and the steps we have taken may be inadequate to prevent the misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources. We can provide no assurance that we will prevail in such litigation. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

We may be accused of infringing the intellectual property rights of others.

From time to time, third parties may claim that we have infringed their intellectual property rights. Although we take steps to avoid knowingly violating the intellectual property rights of others, third parties may nonetheless claim infringement. Existing or future infringement claims against us, regardless of their validity, may be expensive to defend and may divert the attention of our management away from business operations. If a claim of infringement brought against us is successful, we may be required to pay substantial penalties or other damages and fines, enter into license agreements which may not be available on commercially reasonable terms or at all or be subject to injunctions or court orders.

We have limited insurance coverage which could expose us to significant costs and business disruption.

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 also provide social security insurance under applicable laws, including pension insurance, unemployment insurance, work-related injury insurance and medical insurance for our employees. We do not maintain business interruption insurance nor do we maintain product liability insurance or key-man insurance. Sometimes, relevant insurance policies may not be available even if we are willing to procure additional insurance. We cannot assure you that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policies on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected. Furthermore, our claim records may affect the premiums which insurance companies may charge us in the future. We may not be able to maintain insurance of the types or at levels which we deem necessary or adequate or at rates which we consider reasonable, in particular in case of significant increases in premium levels upon the renewal of our insurance policies.

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We are subject to anti-corruption, anti-bribery, governmental economic sanctions and other laws and regulations, and third party payment channels we cooperate with are subject to anti-money laundering laws.

We are subject to anti-corruption, anti-bribery, economic and trade sanctions laws and other relevant laws and regulations in various jurisdictions. For example, U.S. economic sanctions prohibit the provision of products and services to countries, governments, and persons targeted by U.S. sanctions. United Kingdom financial sanctions and European Union sanctions also have similar regime to prohibit the provision of products and services to countries, governments and persons on their respective target list. Although we perform compliance processes and maintain internal control systems, we may be subject to investigations and proceedings by governmental authorities for alleged infringements of these laws and regulations if our processes or systems are not conducted or are not operating properly. These proceedings may result in fines or other liabilities and could have a material and adverse effect on our reputation, business, financial condition, results of operations and prospects. If any of our subsidiaries, employees or other persons engage in fraudulent, corrupt or other unfair business practices or otherwise violate applicable laws, regulations or internal controls, we could become subject to one or more enforcement actions or otherwise be found to be in violation of such laws and regulations, which may result in adverse media coverage, investigations, severe administrative, civil and possibly criminal sanctions, penalties, fines and sanctions and in turn adversely affect our reputation, business, financial condition, results of operations and prospects.

In addition, we currently cooperate with third party payment channels to process payments for us. These third party payment channels are subject to anti-money laundering obligations under applicable anti-money laundering laws and regulations, which require them to comply with certain anti-money laundering requirements, including the establishment of a customer identification procedure, the monitoring and reporting of suspicious transactions, the preservation of customer information and transaction records, and the provision of assistance to the public security department and judicial authority in investigations and proceedings in relation to anti-money laundering matters. If a third-party payment channel fails to perform its anti-money laundering obligations, it may be subject to fines or other proceedings in accordance with the relevant regulations. If any of our third-party payment channel fails to comply with applicable anti-money laundering laws and regulations, our reputation could suffer and we could become subject to regulatory intervention, which could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Our business and reputation may be harmed by unethical or anticompetitive business conduct within or in connection with our network.

There has been and may continue to be unethical or anticompetitive conduct, misconduct or unlawful behavior by our network partners and, in some cases, our employees within, or in connection with, our network, such as with respect to the procurement of resources and the pricing of delivery service charges. Such conduct may include placing fabricated orders, mishandling of funds, accepting unlawful kick-backs during our raw material or equipment procurement. For example, we acquired J&T Express China, formerly known as Shanghai Longbang Express Delivery Co., Ltd. (上海龍邦速遞有限公司) (“**Shanghai Longbang**”) in 2020. We are aware that, prior to the acquisition in 2019, certain e-commerce merchants placed fabricated orders, such as parcels with valueless content, to themselves or to their designated parties with the intent to generate inflated sales records and consumer reviews and create perceived popularity among online consumers. We did not record revenue from fabricated orders identified by us and there was no overstatement of our revenue due to these fabricated orders. These fabricated orders do not directly impact our revenues as our regional operating

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entities and network partners are generally able to collect service charges from these merchants. We have implemented a series of internal control measures to identify and prevent placement of fabricated orders. For example, we request network partners and regional operating entities to inquire the shippers on content and check the package by weight to ensure it is not a fabricated order upon pickup and encourage network partners and regional operating entities to report any fabricated orders. We also impose penalties on the behavior of placing fabricated orders. Our Directors are of the view that these measures are adequate and effective, and the fabricated orders and unethical or anticompetitive conduct do not have a material and adverse effect on our business, financial condition and results of operations. Other than the Longbang incident stated above, we were not aware of any material fabricated order issue and were not subject to any administrative penalty, government inquiries or correspondence from relevant authorities of similar nature with respect to fabricated orders during the Track Record Period. It is difficult for us, our regional operating entities and our network partners to distinguish these orders from genuine orders through the ordinary parcel screening procedures. However, we do not have control over the behavior of all parties, including e-commerce merchants who may be attempted to engage in such actions, and we cannot assure you that our policies and efforts will be successful in fully eliminating such actions. We may be subject to heightened compliance costs or loss of business due to reduced e-commerce business volume if any government cracks down on these unethical practices. We also have little control over third parties involved in unethical or anticompetitive business conduct targeted at or in connection with our network, such as non-compliance with laws, third-party sabotage or allegations intended to harm us, our regional operating entities, or our network partners. We may incur substantial monetary losses and our reputation may suffer as a result of such conduct. We may also incur significant liabilities and penalties arising from such unethical conduct and may be required to allocate significant resources and incur material expenses to prevent such unethical or anticompetitive conduct in the future.

We, our directors, senior management and our regional sponsors, regional operating entities and network partners may be subject to claims, lawsuits and other legal proceedings that may adversely affect our reputation, business and results of operations.

We may be, and in some instances have been, subject to claims, lawsuits including class actions and individual lawsuits, government investigations, and other proceedings relating to intellectual property, consumer protection, privacy, labor and employment, import and export practices, competition, securities, tax, marketing and communications practices, commercial disputes, and other matters. The number and significance of our legal disputes and inquiries have increased as we have grown larger, as our business has expanded in scope and geographic reach, and as our services have increased in complexity. For example, in December 2021 and January 2022, two independent third parties claimed that they were entitled to certain equity interest in one of our controlled affiliated entities in the PRC. We have obtained final and binding judgments denying their requests for transferring equity interest in June 2023, and we have fully paid monetary damages in the judgments. The claims did not have a material and adverse effect on our business, financial condition and results of operations. As of the Latest Practicable Date, our Group, including our consolidated regional operating entities, and, to the best of our knowledge, our unconsolidated regional operating entity, were not subject to any material claims, arbitrations and other legal proceedings. However, we cannot assure you we will not be subject to claims of similar or greater significance in the future, or if we will be able to successfully defend ourselves in those actions. In addition, there may be changes regarding the scope and application of many laws and regulations that we are subject to, which increases the risk of claims alleging violations of those laws and regulations.

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Regardless of outcome, legal proceedings may have a material and adverse impact on us due to their costs, diversion of our resources, and other factors. We may decide to settle legal disputes on terms that are unfavorable to us. Furthermore, if any litigation to which we are a party is resolved adversely, we may be subject to an unfavorable judgment that we may not choose to appeal or that may not be reversed upon appeal. In addition, the terms of any settlement or judgment in connection with any legal claims, lawsuits, or proceedings may require us to cease some or all of our operations, or pay substantial amounts to the other party and could materially and adversely affect our business, financial condition and results of operations.

Our use of certain leased properties could be challenged by third parties or governmental authorities, which may cause interruptions to our operations.

In general, we conduct customary due diligence on relevant real estate properties before entering into the lease agreements in accordance with local market practice. Nevertheless, we cannot assure you that our reviews, surveys or inspections would have revealed all defects or deficiencies affecting our leased properties, including the titles thereof. Neither can we assure you that the lessors have taken all necessary actions to perfect their titles, ensure mandatory fire-control and explosion insurance, file fire-control registration or satisfy relevant requirements under applicable laws and regulations. If (i) our lessors are not the owners of the properties and they have not obtained consents from the owners or their lessors or permits from the relevant governmental authorities, or (ii) our lessors have granted certain security or encumbrances over the properties and they are in default, causing the lease property to be executable by the authorities, our leases could be invalidated. In the event that our use of properties is successfully challenged or that our leases are found invalid, we may be subject to fines and forced to relocate from the affected properties. In addition, we may become involved in disputes with the property owners or third parties who otherwise have rights to or interests in our leased properties. We cannot assure you that we will be able to find suitable replacement sites on terms acceptable to us on a timely basis, or at all, or that we will not be subject to material liability resulting from third parties' challenges on our use of such properties. Also, in the event that the actual use of our leased properties is inconsistent with the designated use specified by relevant authorities or our leased properties are on allocated land (劃撥土地), the competent authorities may require the lessors to return the land and impose fines on the lessors, or confiscate the proceeds from the leasing of the properties and impose fines on the lessor if such properties are leased without their consent or require the lessors to hand in such income, as applicable. Therefore, the relevant lease agreements may be deemed to be in breach of the law and therefore be void. Certain lessors of our leased properties in Malaysia have not provided us with certain certificates under applicable laws or leased the properties to us in contravention of permitted category of land use for such properties. Further, we have not obtained certain business premises licences from the relevant local councils and authorities in accordance with the Local Government Act 1976 and the relevant by-laws and regulations for certain material premises we rent in Malaysia. Pursuant to Malaysian laws, a Certificate of Completion and Compliance or Certificate of Fitness for Occupation should be obtained before a building can be occupied. Certain lessors of the leased properties that we deem important to our operation in Malaysia have not provided us with these certificates under applicable laws. Lack of such certificate may subject us to a fine of up to RM1.25 million (approximately US\$27,000). For certain leased properties that we plan to move out from soon, including a leased property in Malaysia, we do not have all necessary registration, filings, proof of underlying title or the most up-to-date premise-specific business certificate. As of the Latest Practicable Date, no penalty or enforcement action had been imposed on the properties we occupy or us by Malaysian authorities in relation to the outstanding certificates for certain properties or the outstanding business premises licences. In addition, some of our leasehold interests in leased properties have not been registered with the relevant PRC governmental

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authorities as required by relevant PRC laws. As of the Latest Practicable Date, some of the lessors of our leased properties had not provided us with their property ownership certificates or other documentation proving their right to lease those properties to us. Some of our leased properties in certain jurisdictions in which we operate do not have title certificates or approvals and the owner or lessor of such property may not have the right to lease such property to us. As of the Latest Practicable Date, we identified 152 leased properties in aggregate with certain defects and the maximum penalties that may be imposed amount to approximately US\$438,200. We do not believe that the defective leased properties will, individually or in the aggregate, have a material adverse effect on our business operations.

To our knowledge, for the pickup and delivery outlets operated by our network partners, some of the lessors of the leased pickup and delivery outlets have not provided our network partners with their property ownership certificates or other documentation proving their right to lease those properties. If our network partners were to find replacement premises for their outlets due to any lease deficiencies, the daily operations of such outlets may be negatively affected.

A severe or prolonged economic downturn in any countries or regions where we operate or globally could materially and adversely affect our business and our financial condition.

The success of our business depends, to a significant extent, on the development of e-commerce industry and the level of consumer demand and discretionary spending in the markets where we operate. Even before the outbreak of COVID-19 pandemic, the global macroeconomic environment was facing numerous challenges. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies which had been adopted by the central banks and financial authorities of some of the world’s leading economies. Additionally, constant changes in global trade practices and foreign policies, such as trade protectionism and ongoing trade disputes, including tariff actions by major countries such as the United States, may further affect the global economy and markets, including markets where we operate. We do not believe that changes in global trade practices and foreign policies will have any material adverse impact on our operations and financial performance because we primarily generate our revenue from domestic express delivery services, which are not materially sensitive to such changes. For our cross-border operations, which contributed to a rather insignificant portion of our revenue during the Track Record Period, we cover a vast number of different routes and geographic regions, and therefore changes in the trade practices and foreign policies in one or two particular country are not expected to have a material impact on our operations. Trade restrictions, including tariffs, quotas, embargoes, safeguards and customs restrictions, could restrict e-commerce merchants’ and our clients’ abilities to source products and sell products to other markets and thus negatively impact our results of operations. Moreover, regional political and trade tensions could reduce levels of investments, trades and other economic activities, which would have a material adverse effect on global economic conditions and the stability of global financial markets. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. Economic conditions in markets where we operate are sensitive to global economic conditions, as well as changes in economic and political policies and the expected or perceived overall economic growth rate in markets where we operate. Any severe or prolonged slowdown in the economy may materially and adversely affect our business, results of operations and financial condition.

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We collect, process and use data, some of which contains personal information. Any privacy or data security breach could damage our reputation and brand and substantially harm our business and results of operations.

We have access to a large amount of confidential information in our day-to-day operations. Each waybill contains the names, addresses, phone numbers and other contact information of the sender and recipient of a parcel. The content of the parcel may also constitute or reveal confidential information. The proper use and protection of confidential information are essential to maintaining customer trust and confidence in us.

Our technology system also processes and stores a significant amount of confidential information and data for the proper functioning of our network. Security breaches and hackings to our system might result in a compromise to the technology that we use to protect confidential information. We may not be able to prevent third parties, especially hackers or other individuals or entities engaging in similar activities, from illegally obtaining the confidential information. Such individuals or entities may further engage in various other illegal activities using such information. On the other hand, as each parcel moves through our network from pickup to delivery, a large number of personnel handle the parcel and have access to the relevant confidential information. Some of them may misappropriate the confidential information, although we have adopted security policies and measures. Most of the delivery and pickup personnel are not our employees, which makes it more difficult for us to implement sufficient and effective control over them.

Practices regarding the collection, use, storage, transmission and security of personal information have recently come under increased public scrutiny. Relevant regulatory frameworks worldwide are rapidly evolving and are likely to remain uncertain for the foreseeable future. Government bodies and agencies in Indonesia, Thailand, the Philippines, the PRC and Vietnam have in the past years adopted, and may in the future adopt, new laws and regulations on data protection and data privacy, all of which may subject us to additional compliance costs, divert management attention and adversely impact our results of operations. For example, in Thailand, on May 27, 2019, the Personal Data Protection Act B.E. 2562 (2019) (the “**PDPA**”) was published on the national gazette. After publication, there is a transition period of one year following publication in the national gazette for key provisions under the PDPA to become enforceable, enabling enterprises to prepare to be in compliance with the PDPA. The transition period was extended until May 31, 2022, and the PDPA has become effective on June 1, 2022. In Vietnam, with the recent passage of Decree No.53/2022/ND-CP (taking effect from October 1, 2022), the Vietnamese Government requires that personal data belonging to internet users in Vietnam, certain data generated by internet users in Vietnam and data on such users’ relationships (such as friends and groups with whom such users interact), of regulated entities be stored in Vietnam. The increased focus, scrutiny and enforcement, including more frequent inspections, could increase our compliance costs and subject us to heightened risks and challenges associated with data security and protection. In Indonesia, the Indonesian Government promulgated Law of the Republic of Indonesia No. 27 of 2022 on the Protection of Personal Data (“**PDP Law**”), which came into force on October 17, 2022. The controller, processor and other parties related to the processing of Personal Data must comply to the provisions of the PDP Law at the latest within 2 years of the promulgation of the PDP Law, i.e. no later by October 17, 2024. The PDP Law also provided that additional provisions on certain technical matters will be regulated in the implementing regulations (government regulation) of the PDP Law, which would cover among others: (i) filing on the objection of automatic personal data processing; (ii) violation on personal data processing as well as its compensation procedures; (iii) rights of a personal data subject to use and circulate personal data; (iv) implementation of personal data processing; (v) notification procedures on the storing, transfer, deletion, or destruction of personal data; (vi) personal data protection officer;

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(vii) transfer of personal data; and (viii) administrative sanctions. However, until the Latest Practicable Date, the Indonesian Government has not issued any further government regulations to serve as the implementing regulations to the PDP Law. If we fail to comply with any of these laws, regulations, standards, or other obligations, or such public representations, or are alleged to have done so, we may be subject to investigations, enforcement actions, civil litigation, fines, and other penalties, all of which may generate negative publicity and have a negative impact on our business.

Furthermore, as the interpretation and application of many laws and regulations relating to privacy, data protection, and data security, along with industry standards, are subject to changes, it is possible that these laws and regulations may be interpreted and applied in a manner that is inconsistent with our existing data management practices or the features of our products, and we could face fines, lawsuits, regulatory investigations, and other claims and penalties, and we could be required to fundamentally change our products or our business practices, which could have an adverse effect on our business. Any inability to adequately address privacy, data protection, and data security concerns, even if unfounded, or any actual or perceived failure to comply with applicable privacy, data protection, and data security laws, regulations, and other obligations, could result in additional cost and liability to us, damage our reputation, inhibit sales, and adversely affect our business. Privacy, data protection, and data security concerns, whether valid or not valid, may inhibit market adoption of our products. If we are not able to adjust to changing laws, regulations, and standards related to these matters, our business may be harmed.

Complying with evolving laws and regulations regarding cybersecurity, information security, privacy and data protection and other related laws and requirements may be expensive and may force us to make adverse changes to our business. Many of these laws and regulations are subject to changes, and any failure or perceived failure to comply with these laws and regulations could result in negative publicity, legal proceedings, suspension or disruption of operations, increased cost of operations, or otherwise harm our business.

Laws and regulations governing cybersecurity, information security, privacy and data protection, the use of the Internet as a commercial medium, the use of data in artificial intelligence and machine learning, and data sovereignty requirements are rapidly evolving, extensive and complex. When providing express delivery services, we have access to various operational and other data of shippers, buyers on e-commerce platforms, employees and others. If we are deemed to be a critical information infrastructure operator, we would be required to follow applicable cybersecurity review and/or extra mandatory protective procedures. During such procedures, we may be required to suspend providing any existing or new services to customers and/or experience other disruptions of our operations, and such review could also result in negative publicity with respect to us and diversion of our managerial and financial resources.

On June 10, 2021, the Standing Committee of the National People’s Congress of China promulgated the PRC Data Security Law, which became effective in September 2021. The PRC Data Security Law provides for data security and privacy obligations on entities and individuals carrying out data processing activities, introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used, provides for a national security review procedure for those data activities which may affect national security and imposes export regulations on certain data and information.

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On November 14, 2021, the CAC commenced to publicly solicit comments on the Regulations on the Administration of Cyber Data Security (Draft for Comments) (網絡數據安全管理條例(徵求意見稿)) (“**Draft Data Security Regulations**”). The Draft Data Security Regulations differentiates “listing in Hong Kong” from “listing in a foreign country,” the latter of which was mentioned in the Review Measures (as defined below). According to the Draft Data Security Regulations, data processors shall, in accordance with relevant state provisions, apply for cybersecurity review when carrying out the following activities: (i) the merger, reorganization or separation of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests, which affect or may affect national security; (ii) data processors that handle personal information of more than one million people contemplating to list its securities on a foreign stock exchange; (iii) data processors contemplating to list its securities on a stock exchange in Hong Kong, which affects or may affect national security; and (iv) other data processing activities that affect or may affect national security. According to the PRC National Security Law (中華人民共和國國家安全法), national security refers to a status in which the regime, sovereignty, unity, territorial integrity, welfare of the people, sustainable economic and social development, and other vital interests of the state are relatively not in danger and not threatened internally or externally and the ability to maintain a sustained security status. However, the criteria for determining “affect(s) or may affect national security” as stipulated in the Draft Data Security Regulations, are still subject to further clarification by the CAC.

On December 28, 2021, the CAC, the NDRC, the MIIT, and several other administrations jointly promulgated the Cybersecurity Review Measures (網絡安全審查辦法), or the Review Measures, which became effective on February 15, 2022. According to the Review Measures, (i) if a critical information infrastructure operator purchases network products and services or an online platform operator conducts data processing, either of which affects or may affect national security, a cybersecurity review shall be carried out according to the Review Measures; (ii) an issuer who is a Internet platform operator holding personal information of more than one million shall file for a cybersecurity review with respect to its proposed listing on a foreign stock exchange; and (iii) the relevant PRC governmental authorities may initiate cybersecurity review if such governmental authorities determine that the issuer’s network products or services, or data processing activities affect or may affect national security. These and other similar legal and regulatory developments could affect how we design our IT systems, how we operate our business, how our business partners and shippers process and share data, how we process and use data, and how we transfer personal data from one jurisdiction to another, which could impact demand for our solutions. We may incur relative costs to comply with such laws and regulations, to meet the demands of our customers relating to their own compliance with applicable laws and regulations, and to establish and maintain internal compliance policies.

On July 7, 2022, the CAC promulgated the Data Outbound Transfer Security Assessment Measures (數據出境安全評估辦法) (the “**Security Assessment Measures**”), which took effect on September 1, 2022. The Security Assessment Measures require that any data processor that processes or exports personal information exceeding certain volume threshold under such measures shall apply for security assessment by the CAC before transferring any personal information outbound. The security assessment requirement also applies to any transfer of important data outside of China. For details, see “Regulatory Overview – Regulations Relating to Data Security” in Appendix III to this document. Although J&T International engages in the cross-border logistics business, J&T International only processes certain business, non-personal information such as the names, addresses and contact information of the business entities. Based on a consultation meeting with the State Post Bureau of the PRC, such information shall be excluded from the category of personal information. In addition, J&T International has conducted a self-assessment, based on which J&T International concluded

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that no cross-border transfer of personal information takes place in its business operations with reference to its consultation with the State Post Bureau of the PRC. Upon a review of the self-assessment report, the Cyberspace Administration of Guangdong Province, as the responsible authority to accept filings for data cross-border transfer security assessment, has no objection to such conclusion. As advised by the PRC Legal Adviser, pursuant to Article 10 of the Critical Information Infrastructure Security Protection Regulations, the authority in-charge of the security protection of critical information infrastructure should promptly notify the relevant entities which are identified as a critical information infrastructure operator. As of the Latest Practicable Date, we have not received any official notification from relevant authorities that any of our PRC entities are considered as a critical information infrastructure operator. In addition, as further advised by the PRC Legal Adviser, the regulatory authority of a specific sector and the local government authority shall determine the types of “important data” according to the Data Security Law and, as of the Latest Practicable Date, none of the effective “important data” categories is applicable to our business. Therefore, as we do not process any important data under the relevant PRC laws and regulations, we do not fall into any of the circumstances listed in the Security Assessment Measures. On February 24, 2023, the CAC published the finalized Measures on Standard Contract for the Outbound Cross-Border Transfer of Personal Information (《个人信息出境标准合同办法》) (the “**Standard Contract Measures**”), which became effective on June 1, 2023, with a built-in six-month grace period (i.e., up to December 1, 2023). Under the Standard Contract Measures, handlers of personal information (“PI”) that do not meet the threshold requirements under the Security Assessment Measures and have not obtained a PI protection certification from a qualified certification institution designated by the CAC, but that nevertheless engage in the transfer of PI out of China based on contractual arrangements must (1) execute standard form contracts that strictly comply with the “Standard Contract” published by the CAC with the overseas recipients of the PI that the PI handlers transfer out of China; (2) complete PI protection impact assessments; and (3) file the relevant standard contracts and PI protection impact assessments to their provincial CAC branch within 10 business days of the taking effect of each standard contract. We have been conducting internal assessments in accordance with the Standard Contract Measures to identify whether a standard contract is required for any potential outbound cross-border transfer of PI. We would cause the relevant PRC entities to comply with the Standard Contract Measures by taking proper measures including executing standard contracts with the overseas recipients of PI upon the expiry of the six-month grace period when necessary. However, since the Security Assessment Measures and the Standard Contract Measures were newly promulgated, there may be changes from time to time as to their interpretations and applications. In the event if the regulatory authorities deem certain of our activities as a cross-border data transfer, we will be subject to the relevant requirements. Complying with new laws and regulations may substantially increase our costs or require us to change our business practices. Despite our continuous efforts to comply with all applicable data protection laws and regulations and the absence of any material data breach or similar incidents, any failure or perceived failure to comply with applicable laws, regulations or policy may result in inquiries, proceedings or actions against us, as well as negative publicity, each of which could damage our reputation, influence our corporate image, and have a material adverse impact on our business and results of operations.

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Risks Related to Our Corporate Structure

In certain jurisdictions, we are subject to restrictions on foreign ownership.

The laws and regulations in many markets place restrictions on foreign investment in, control over, management of, ownership of and ability to obtain licenses for entities engaged in a number of business activities.

PRC

Under the current PRC laws and regulations, foreign enterprises or individuals may not invest in or operate domestic delivery services of letters. According to the Negative List, foreign investment is prohibited in the establishment of any postal enterprise and in provision of any domestic mail delivery services. Postal enterprises refer to the China Post Group and its wholly owned enterprises or controlled enterprises that provide postal services and other services, including but not limited to mail delivery, postal remittances, savings and issuance of stamps and production and sale of philatelic products.

We are a Cayman Islands exempted company, and our PRC subsidiaries are considered foreign-invested enterprises. Accordingly, none of our PRC subsidiaries is eligible to operate domestic delivery services of letters in China. It is also practically and economically not possible to separate the delivery of letters from the delivery of non-letter items in our day-to-day services. To ensure strict compliance with the PRC laws and regulations, we conduct such business activities through Shanghai Yishangshiye (the “**PRC VIE**”), our PRC consolidated affiliated entity, and its subsidiaries. Chongqing Yunqing Supply Chain Management Co., Ltd. (“**PRC WFOE**”), our wholly owned subsidiary in China, has entered into a series of contractual arrangements with our PRC VIE and its shareholders, which allows us to (i) exercise effective control over our PRC VIE, (ii) receive substantially all of the economic benefits of our PRC VIE, and (iii) have an exclusive option to purchase all or part of the equity interests and assets in our PRC VIE when and to the extent permitted by the PRC laws and regulations. Because of these PRC Contractual Arrangements, we have control over and are the primary beneficiary of our PRC VIE and hence consolidate its financial results as our variable interest entity under IFRS. For a detailed discussion of these PRC Contractual Arrangements, see “Contractual Arrangements.”

In the opinion of our PRC Legal Adviser, DaHui Lawyers, (i) the ownership structures of our WFOE and our consolidated affiliated entities in China, currently and immediately after giving effect to this [REDACTED] are not in violation of any explicit provisions of the PRC laws and regulations currently in effect; and (ii) the PRC Contractual Arrangements between our PRC WFOE, our PRC VIE and its shareholders governed by the PRC laws are valid, binding and enforceable against each party thereto in accordance with their terms. However, we have been further advised by our PRC counsel that the interpretation and application of current and future PRC laws, regulations and rules are evolving, which may also be revised from time to time. Thus, the PRC regulatory authorities may take a view different from the opinion of our PRC legal counsel.

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Indonesia

Indonesian laws and regulations impose certain restrictions on foreign investment. In particular, under the Indonesian Postal Law and Law No. 25 of 2007 on Investment as partially amended by the Job Creation Law (Law No. 25 of 2007 as amended, the “**Indonesian Investment Law**”), a 49% foreign investment limit is imposed on companies engaged in courier services. Furthermore, under the Indonesian Postal Law, a foreign postal company (as defined in the Indonesian Postal Law) may subscribe for equity interest in an Indonesian Postal Services Company, provided that such Indonesian Postal Services Company does not engage in any operations outside provincial capitals in Indonesia. Because it is practically and economically impossible to separate our operations among provincial capitals from operations outside provincial capitals, we conduct our business through our Indonesian consolidated affiliated entity, the Indonesian Holdco and its subsidiaries in Indonesia. We have entered into a series of contractual arrangements with the Indonesian Holdco, the Indonesian Corporate Registered Shareholders and the Indonesian Individual Registered Shareholders, which enable us to (i) exercise effective control over our Indonesian consolidated affiliated entities; (ii) receive substantially all of the economic benefits of the Indonesian consolidated affiliated entities; and (iii) have an exclusive option to purchase all or part of the equity interests in the Indonesian consolidated affiliated entities when and to the extent permitted by Indonesian laws.

We have engaged Hutabarat Halim & Rekan as our legal counsel in Indonesia, and they are of the opinion that the Indonesian Contractual Arrangements that we adopted in Indonesia are legally binding and enforceable on the Indonesian Holdco, the Indonesian Corporate Registered Shareholders and the Indonesian Individual Registered Shareholders, respectively, and comply with all relevant laws and regulations of Indonesia.

If the authorities of PRC or Indonesia find that our Contractual Arrangements do not comply with their prohibition or restrictions on foreign investment, or if the relevant government authorities otherwise find that we or any of our subsidiaries are in violation of the relevant laws or regulations or lack the necessary registrations, permits or licenses to operate our businesses in such jurisdictions, they would have discretion in dealing with such violations or failures according to relevant laws and regulations, including, without limitation:

- revoking the business licenses and/or operating licenses of such entities;
- discontinuing or placing restrictions or onerous conditions on our operations through any transactions between our subsidiaries and consolidated affiliated entities;
- imposing fines, confiscating the income from our subsidiaries or consolidated affiliated entities, or imposing other requirements with which such entities may not be able to comply;
- requiring us to restructure our ownership structure or operations, such as terminating the Contractual Arrangements with our consolidated affiliated entities and deregistering the equity pledges of consolidated affiliated entities, which in turn would affect our ability to consolidate, derive economic interests from, or exert effective control over our consolidated affiliated entities;
- restricting or prohibiting our use of the proceeds of any of our financing outside relevant jurisdiction to fund our business and operations; and/or
- taking other regulatory or enforcement actions that could be harmful to our business.

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Any of these actions could cause significant disruption to our operations and severely damage our reputation, which could in turn materially and adversely affect our business, financial condition and results of operations. If any of these occurrences results in our inability to direct the activities of our consolidated affiliated entities that most significantly impact its economic performance, and/or our failure to receive the economic benefits from our consolidated affiliated entities, we may not be able to consolidate the entity in our consolidated financial statements in accordance with IFRS.

In addition, we have not purchased nor do we maintain any insurance policy to cover any of the risks relating to our Contractual Arrangements. In the event that our Contractual Arrangements are held or declared to be illegal, invalid or not legally binding, or if we fail to enforce our rights under our Contractual Arrangements, or if we fail to seek remedies against the relevant registered shareholders under our Contractual Arrangements, we may not be adequately compensated for our losses, which may materially and adversely affect our business, results of operations and financial condition.

Thailand

Thai laws and regulations impose certain prohibitions and restrictions on foreign participation in certain businesses in Thailand. In particular, the Land Transport Act imposes foreign ownership restrictions on companies that provide land transportation services. In addition, under the Thai Foreign Business Act B.E. 2542 (1999) (the “**FBA**”), foreigners are restricted from engaging in a number of businesses, which broadly include service businesses that J&T entities in Thailand operate. In Thailand, direct foreign ownership in each Thai company operating any foreign restricted business under the FBA cannot exceed 49% of the total outstanding shares, and genuine Thai shareholder(s) should own at least more than 50% of the total outstanding shares. Under the FBA, it is unlawful for a Thai national or entity to hold shares in a Thai company on behalf of a foreigner to circumvent the foreign ownership restrictions.

We primarily conduct our operations via Global Jet Express (Thailand) Co., Ltd. (“**GJE Thailand**”). GJE Thailand is structured as a majority Thai-owned company with the use of preference shares and ordinary shares with different voting rights and economic benefits at the level of the ultimate Thai holding company, under which the Thai shareholder receives a fixed rate of dividends, if distributed, based on its then paid-up capital contribution, and has less voting rights than the foreign shareholder.

We have obtained confirmations from the Thai Ministry of Commerce (“**MoC**”), with respect to the Foreign Business Act, that the shareholding structure adopted by GJE Thailand and its shareholder would not cause GJE Thailand to be considered as a foreign company under the FBA. According to the letters from the MoC, we believe that our current operations in Thailand does not require approval under the FBA and the current shareholding structure of GJE Thailand does not violate the FBA.

Based on our assessment and opinions of our Thai counsel Weerawong, Chinnavat & Partners Ltd., we believe our shareholding structure in Thailand is in compliance with applicable local laws and regulations. However, local or national authorities or regulatory agencies in Thailand may conclude that our arrangements are in violation of local laws and regulations, and GJE Thailand may be ordered to cease their businesses. Nonetheless, to date there are no cases in which MoC or the Thai Police Department has taken any action at Thai courts against any company adopting a similar shareholding structure and it would take approximately three to four years before a final court judgment is rendered. Our Thai legal counsel has advised that it would be possible to restructure our Thailand operations during the investigation or court

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proceedings in order to minimize the risk of a court order being issued for the cessation of the businesses of our Thai subsidiaries. Nonetheless, if we were not able to restructure our shareholding in a timely manner, or at all, we may also be subject to decisions or orders that require us to cease business operations or to dissolve. Any of the foregoing would materially and adversely affect our business, financial condition and results of operations.

Malaysia

The Malaysian Communications and Multimedia Commission (“MCMC”) is the regulatory body for courier services in Malaysia under the Postal Services Act 2012. The MCMC has proposed to implement a new courier service licensing regime for Malaysia by December 2022. Under the new framework, the MCMC proposed to introduce, among others, (i) a new licensing structure, (ii) new licensing criteria and scope of services, (iii) a new annual license fee model, (iv) new license conditions, and (v) mapping and migration processes. There are three new classes of courier service license proposed, namely N-Courier (National Delivery Service), U-Courier (Urban Delivery Service) and I-Courier (Pickup Drop Off Points (PUDO) and Intermediary Service). In the public consultation paper issued by the MCMC, special conditions on shareholding structure may be imposed for N-Courier license holders, being foreign shareholding must not exceed 49%. The consultation paper provides that no shareholding restriction is applicable for U-Courier or I-Courier licensee holders. As the framework is still under consultation and has not been adopted, it remains unclear whether the formal version adopted in the future will have any further material changes, and it is uncertain how the measures will be enacted, interpreted or implemented and how they will affect us. If the MCMC promulgates new laws and regulations that require additional approvals or licenses or imposes additional conditions or restrictions on our daily operations and we are unable or delay or fail to comply, the MCMC may have the authority, among other things, to levy fines, revoke business licenses, and requires us to discontinue our relevant business or imposes restrictions on the affected portion of our business. Any of these actions by the MCMC may have a material and adverse effect on our results of operations.

If government authorities in any countries in which we may establish entities in the future believe that our ownership of, or arrangements with respect to, relevant entities do not comply with applicable laws and regulations, including requirements, prohibitions or restrictions on foreign investment in our lines of business or with respect to necessary registrations, permits or licenses to operate our businesses in such jurisdictions, they would have discretion in dealing with such violations or failures, including imposing civil or criminal sanctions or financial penalties against us, deeming our arrangements void by law and requiring us to restructure our ownership structure or operations, revoking our business licenses and/or operating licenses, prohibiting payments from and funding to our entities or ordering us to cease our operations in the relevant jurisdictions.

Our Contractual Arrangements may not be as effective in providing operational control as direct ownership.

Since PRC and Indonesian laws and regulations impose certain restrictions on foreign investment, we operate our business in China and Indonesia through our consolidated affiliated entity, in which we have no ownership interest and rely on a series of contractual arrangements with our consolidated affiliated entities and their respective equity holders to control and operate these businesses. Our revenue and cash flow from our business are attributed to our consolidated affiliated entities. The Contractual Arrangements may not be as effective as direct ownership in providing us with control over our consolidated affiliated entities. Direct ownership would allow us, for example, to directly or indirectly exercise our rights as a shareholder to effect changes in the boards of directors of our consolidated affiliated entities,

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which, in turn, could effect changes, subject to any applicable fiduciary obligations at the management level. However, under the Contractual Arrangements, we rely on the performance by our consolidated affiliated entities and their shareholders of their obligations under the contracts to exercise control over our consolidated affiliated entities. In the event we are unable to enforce these Contractual Arrangements or we experience significant delays or other obstacles in the process of enforcing these Contractual Arrangements, we may not be able to exert effective control over our consolidated affiliated entities and may lose control over the assets owned by our consolidated affiliated entities. As a result, we may be unable to consolidate our consolidated affiliated entities in our consolidated financial statements, which could materially and adversely affect our financial condition and results of operations.

Any failure by our consolidated affiliated entities in the PRC or Indonesia or their shareholders to perform their obligations under our Contractual Arrangements with them would have a material and adverse effect on our business.

If our consolidated affiliated entities or their shareholders fail to perform their respective obligations under the Contractual Arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under laws of each jurisdiction where we operate, including seeking specific performance or injunctive relief, and contractual remedies, which we cannot assure you will be sufficient or effective under relevant laws. For example, if the shareholders of our consolidated affiliated entities were to refuse to transfer their equity interests in or assets of relevant consolidated affiliated entities to us or our designee when we exercise the purchase option pursuant to these Contractual Arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal actions to compel them to perform their contractual obligations.

All the agreements under our Contractual Arrangements are governed by local laws of the jurisdictions where we operate, and such agreements provide for the resolution of disputes through arbitration in relevant jurisdictions. Accordingly, these contracts would be interpreted in accordance with local laws, and any disputes would be resolved in accordance with legal procedures stipulated in each jurisdiction. The legal systems in many jurisdictions in which we operate are different from some other jurisdictions. As a result, differences and future changes in these legal systems could limit our ability to enforce these Contractual Arrangements. See “– Risks Related to Doing Business in Jurisdictions in Which We Operate – There may be changes from time to time with respect to the legal systems of certain markets where we operate, and any failure to comply with laws and regulations could adversely affect us.” Meanwhile, there are limited precedents as to how Contractual Arrangements in relation to consolidated affiliated entities structures should be interpreted or enforced under relevant laws. In addition, all the agreements under our Contractual Arrangements in the PRC are governed by PRC law and provide for the resolution of disputes through arbitration in China. Under PRC law, rulings by arbitrators are final. Parties generally cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which may cause additional expenses and delays in enforcement. Meanwhile, the Indonesian Contractual Arrangements are governed by the laws of the Republic of Indonesia, and provide the resolution of disputes through arbitration in Hong Kong International Arbitration Centre. Under the Indonesian laws, arbitration rulings are final and binding to the parties, and the parties cannot appeal the arbitration rulings in the Indonesian courts. However, since the agreed arbitration location is in Hong Kong (international arbitration ruling), in order for the ruling to be executable and enforceable in Indonesia, such ruling must be recognized and acknowledged by Central Jakarta District Court through ratification. The execution may then be carried out by the district court of the relevant

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jurisdiction. In the event we are unable to enforce these Contractual Arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these Contractual Arrangements, we may not be able to exert effective control over our consolidated affiliated entities, and our ability to conduct our business may be negatively affected.

The interests of the direct or indirect shareholders of our consolidated affiliated entities in the PRC and Indonesia may have actual or potential conflicts of our interests.

The interests of the direct or indirect shareholders of our consolidated affiliated entities may differ from our interests as what is in the interests of the shareholders of our consolidated affiliated entities, including matters such as whether to distribute dividends, may not be in the best interests of ours. The shareholders of our consolidated affiliated entities may breach, or cause our consolidated affiliated entities to breach the existing Contractual Arrangements with us, which would have a material and adverse effect on our ability to effectively control our consolidated affiliated entities and receive economic benefits from them. For example, these shareholders may be able to cause our agreements with our consolidated affiliated entities to be performed in a manner adverse to us by, among other things, failing to remit payments due under the Contractual Arrangements to us on a timely basis. We cannot assure you that when conflicts of interest arise, any or all of these shareholders will act in our best interests or such conflicts will be resolved in our favor. If we cannot resolve any conflict of interest or dispute between us and these shareholders, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

If we exercise the exclusive right to acquire equity ownership of Shanghai Yishangshiye, the ownership transfer may subject us to certain limitations and substantial costs.

Pursuant to the PRC Contractual Arrangements, we have the exclusive right to purchase all or any part of the equity interest in Shanghai Yishangshiye and from Shanghai Yishangshiye all or any part of the assets of Shanghai Yishangshiye and its subsidiaries at any time in our absolute discretion to the extent permitted by the PRC laws. The equity transfer may be subject to approvals from and filings with the relevant authorities. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax authority. Such tax amount could be substantial and as a result, our financial condition may be adversely affected.

There are restrictions for us to exercise our rights to transfer the shareholding in the Indonesian Holdco under our Indonesian Contractual Arrangements.

Due to the foreign ownership restriction under the relevant laws and regulations in Indonesia specifically in relation to the restriction in Article 11(1)d and 11(2) of the Indonesian Postal Law, a Foreign Postal Operator is not allowed to acquire the shares of an existing Indonesian Postal Services Company. A Foreign Postal Operator is allowed to own certain equity interest in an Indonesian Postal Services Company only if a Foreign Postal Operator forms a new joint venture company with an Indonesian Postal Services Company. In the event of bankruptcy of the shareholders of the Indonesian Holdco, we have to cause all of the shares registered under the name of the respective shareholder of the Indonesian Holdco to be transferred to a third party designated by us and such third party must also be Indonesian citizen(s) or legal entity fully owned by Indonesian citizen(s), and to procure such third party to take up and hold all such shares subject to arrangements similar to that of the Contractual Arrangements. In the event that we are unable to procure such a third party to replace the shareholders of the Indonesian Holdco to take up the shares subject to arrangements similar to that of the Indonesian Contractual Arrangements and in the event that we take up those shares and become the registered shareholder of those shares, as advised by our Indonesian Legal Counsel, (i) we

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may violate the Indonesia law which imposes the foreign ownership restriction and the restriction of Indonesian Postal Law, (ii) business license of the Indonesian Holdco may be revoked by the relevant government authority; (iii) the relevant government authority may not process the application for registration of change in our Company’s shareholders composition, directors or commissioners or articles of association; and (iv) any transfer of shares of the shareholders of the Indonesian Holdco that violates Indonesian laws and regulations may be declared null and void by Indonesian courts in case a party applies to the relevant Indonesian courts to nullify and void such transfers. In addition, such transfer of shares may also be subject to substantial costs including professional fees which may be incurred in preparing the relevant documentation and attending to the filing regarding such transfers.

We may lose the ability to use and enjoy assets held by our PRC or Indonesian consolidated affiliated entities that are critical to the operation of our business if our consolidated affiliated entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.

As part of our Contractual Arrangements, our consolidated affiliated entities in PRC and Indonesia and their subsidiaries hold certain assets that are material to the operation of a certain portion of our business, including sorting centers premises and sorting equipment. If any of our consolidated affiliated entities goes bankrupt and all or part of their assets become subject to liens or the rights of third-party creditors, we may not be able to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. Under the Contractual Arrangements, our consolidated affiliated entities may not, in any manner, sell, transfer, mortgage or dispose of their assets or legal or beneficial interests in the business without our prior consent. If our consolidated affiliated entities in the PRC or Indonesia undergo a voluntary or involuntary liquidation proceeding, the independent third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

Our current corporate structure and business operations in the PRC may be substantially affected by the PRC Foreign Investment Law and Implementing Rules.

The structure based on the PRC Contractual Arrangements has been adopted by many PRC-based companies to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions. Pursuant to the PRC Foreign Investment Law, “foreign investments” refer to investment activities conducted by foreign investors (including foreign natural persons, foreign enterprises or other foreign organizations) directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment in other methods as specified in laws, administrative regulations, or as stipulated by the State Council. The PRC Foreign Investment Law and the Implementing Rules do not introduce the concept of “control” in determining whether a company would be considered as a foreign-invested enterprise, nor do they explicitly provide whether the PRC Contractual Arrangements structure would be deemed as a method of foreign investment. However, the PRC Foreign Investment Law has a catch-all provision that includes the definition of “foreign investments” made by foreign investors in China in other methods as specified in laws, administrative regulations, or as stipulated by the State Council, and as the PRC Foreign Investment Law and the Implementing Rules are newly adopted and relevant government authorities may promulgate more laws, regulations or rules on the interpretation and implementation of the PRC Foreign

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Investment Law, the possibility cannot be ruled out that the concept of “control” may be embodied in, or the PRC Contractual Arrangements adopted by us may be deemed as a method of foreign investment by, any of such future laws, regulations and rules. If any of our PRC consolidated affiliated entities was deemed as a foreign-invested enterprise under any of such future laws, regulations and rules, and any of the businesses that we operate would be in any “negative list” for foreign investment and therefore be subject to any foreign investment restrictions or prohibitions, further actions required to be taken by us under such laws, regulations and rules may materially and adversely affect our business, financial condition and results of operations. Furthermore, if future laws, administrative regulations or provisions mandate further actions to be taken by companies with respect to existing PRC Contractual Arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure, business, financial condition and results of operations.

The Contractual Arrangements we have entered into with our consolidated affiliated entities may be subject to scrutiny by the tax authorities. A finding that we owe additional taxes could negatively affect our financial condition and the value of your investment.

The tax regimes where we operate through the Contractual Arrangements are rapidly evolving, and local taxpayers shall comply with the latest effective laws and regulations as new laws and regulations may be promulgated, existing laws and regulations may be amended from time to time, and our current interpretation and understanding of applicable laws and regulations may be significantly different from authorities’ interpretations in the future. The local tax authorities may determine that we or our subsidiaries or consolidated affiliated entities or their equity holders owe and/or are required to pay additional taxes on previous or future revenue or income. In particular, under applicable laws, rules and regulations, arrangements and transactions among related parties, such as the Contractual Arrangements with our consolidated affiliated entities, may be subject to audit or challenge by the tax authorities in accordance with applicable laws and regulations. If any Contractual Arrangements were not entered into on an arm’s length basis and therefore constitute a favorable transfer pricing, tax liabilities of the relevant subsidiaries and/or consolidated affiliated entities and/or equity holders of the consolidated affiliated entities could be increased, which could increase our overall tax liabilities. In addition, the local tax authorities may impose late payment fees or other penalties. Our profit may be materially reduced if our tax liabilities increase.

Certain terms of the PRC Contractual Arrangements may not be enforceable under PRC laws.

The PRC Contractual Arrangements provide for dispute resolution by way of arbitration at the Shanghai Arbitration Commission, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Shanghai.

The PRC Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the equity interests, assets or property interest of our PRC consolidated affiliated entities, injunctive relief or order the winding up of the PRC consolidated affiliated entities. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order for the purpose of protecting assets of or equity interests in the PRC consolidated affiliated entities in case of disputes, which may materially and adversely affect the enforcement of those provisions. In addition, interim remedies or enforcement order granted by overseas courts such

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as Hong Kong and the Cayman Islands may not be recognizable or enforceable in other countries or regions, including countries or regions where we operate, or enforceable under the local laws. PRC laws allow the arbitral body to grant an award of transfer of assets of or equity interests in the PRC consolidated affiliated entities in favor of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. The court will decide whether to take enforcement measures according to applicable laws and regulations.

Under PRC laws, courts of judicial authorities in the PRC generally would not grant injunctive relief or the winding-up order against our PRC consolidated affiliated entities as interim remedies for the purpose of protecting assets or equity interests in favor of any aggrieved party. In case the PRC Contractual Arrangements provide that courts in competent jurisdictions may grant and/or enforce interim remedies or in support of arbitration, such interim remedies (even if granted by courts in competent jurisdictions in favor of an aggrieved party) may still not be recognized, or enforced by courts including the courts in the PRC. As a result, in the event that our PRC consolidated affiliated entities or the shareholders of our PRC VIE breach any of the PRC Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our PRC consolidated affiliated entities and conduct our business could be materially and adversely affected.

Risks Related to Doing Business in Jurisdictions in Which We Operate

Changes in the economic, political or social conditions or government policies of the geographic markets in which we operate could have a material adverse effect on our business and operations.

We operate a significant portion of our business in a number of geographic markets across Asia and other emerging markets. Accordingly, our business, financial condition and results of operations may be influenced to a significant degree by political, economic and social conditions in these markets. The economies in emerging markets generally differ from developed markets in many respects, including the level of government involvement, level of development, growth rate, control of foreign exchange, government policy on public order and allocation of resources. In some of these markets, governments continue to play a significant role in regulating industry development by imposing industrial policies. Some local governments also exercise control over the economic growth and public order in their respective jurisdictions through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policies, and providing preferential treatment to particular industries or companies. Governmental actions to control inflation and other policies and regulations have often involved, among other measures, price controls, currency devaluations, capital controls and limits on imports.

Growth of the economy in each of our geographic markets has been uneven, both geographically and among various sectors of the economy. An economic downturn, whether actual or perceived, further decrease in economic growth rates or an otherwise uncertain economic outlook in our geographic markets or any other market in which we may operate could have a material adverse effect on our business, financial condition and results of operations. Some of these markets have experienced, and may in the future experience, political instability, including strikes, demonstrations, protests, marches, guerilla activity or other types of civil disorder. These instabilities and any adverse changes in the political environment could increase our costs, increase our exposure to legal and business risks, disrupt our office operations or affect our ability to expand our user base.

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There may be changes from time to time with respect to the legal systems of certain markets where we operate, and any failure to comply with laws and regulations could adversely affect us.

The legal systems markets where we operate vary significantly from jurisdiction to jurisdiction. Some jurisdictions have a civil law system based on written statutes and others are based on common law. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but are not legally binding on other courts.

Some of markets in which we operate have not developed a fully integrated legal system. Laws and regulations that are recently enacted may not sufficiently cover all aspects of economic activities in such markets. In particular, the interpretation and enforcement of these laws and regulations are subject to changes and evolving, and the application of some of these laws and regulations to our businesses is not settled. Since local administrative and court authorities have discretion in interpreting and implementing statutory provisions and contractual terms, the outcome of administrative and court proceedings and the level of legal protection we have in many of the localities in which we operate are unpredictable. Local courts may have discretion to reject enforcement of foreign awards or arbitration awards. These uncertainties may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or claims. In addition, the regulatory changes may be exploited through unmerited or frivolous legal actions, claims concerning the conduct of third parties, or threats in attempt to extract payments or benefits from us.

Furthermore, many of the legal systems in our markets are based in part on government policies and internal rules, some of which are not published on a timely basis or at all and may have retroactive effect. There are other circumstances where key regulatory definitions are unclear, imprecise or missing, or where interpretations that are adopted by regulators are inconsistent with interpretations adopted by a court in analogous cases. As a result, we may not be aware of our violation of certain policies and rules until sometime after the violation. In addition, any administrative and court proceedings in our markets may be protracted, resulting in substantial costs and diversion of resources and management attention.

It is possible that a number of laws and regulations may be adopted or construed to apply to us in our geographic markets and elsewhere that could affect our industries. Scrutiny and regulation of the industries in which we operate may further increase, and we may be required to devote additional legal and other resources to addressing this regulation. Changes in current laws or regulations or the imposition of new laws and regulations regarding our industries in our geographic markets may slow the growth of our industries and adversely affect our financial condition and results of operations.

It may be difficult for the Hong Kong regulators to obtain information or call for regulatory assistance in the Philippines and Cambodia where circumstances necessitate in the course of overseeing us as a [REDACTED] company by the regulations in Hong Kong.

Our Directors and us, which will be regulated by the SFO and other applicable laws and regulations in Hong Kong upon the [REDACTED], shall be required to provide the SFC with all information relating to our business in the Philippines and Cambodia that is necessary for its investigation of our affairs as may be required under Hong Kong laws or regulations. However, as the Philippines and Cambodia have not signed any regulatory cooperation agreement or memorandum of understanding with the SFC or the Hong Kong Stock Exchange, nor is it a member of the International Organization of Securities Commissions (the “IOSCO”) or a signatory to the IOSCO Multi-lateral Memorandum of Understanding (the “IOSCO MMOU”), it may be difficult for the Hong Kong regulators to obtain information or call for regulatory assistance in the Philippines and Cambodia where circumstances necessitate in the course of overseeing us as a [REDACTED] company by the regulations in Hong Kong.

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As we continue to grow our operations in our core markets and expand our presence into further global jurisdictions, we do not expect the relevant contributions in revenue or assets attributable to the Philippines and Cambodia to significantly increase in the future. Nevertheless, we will continuously monitor our local business operations and business expansion rate in the Philippines and Cambodia on an ongoing basis. Our management will also report periodic information of the revenue generated by our operating entities in the Philippines and Cambodia to our Board of Directors. In the event the contributions of our business in the Philippines and Cambodia grow in significance in relation to our overall operations, we will take steps with respect to access to our Philippine and Cambodian operating entities’ books and records and fully cooperate with all regulatory requests in order to facilitate the Hong Kong Stock Exchange and the SFC’s access to information of these operating entities based abroad. Our Directors believe these measures are adequate and effective in ensuring full compliance with Rule 8.02A of the Listing Rules.

Certain geographic markets where we operate have been subject to periods of political and social instability, and any renewed or continuous political violence or instability could materially and adversely affect our business, financial condition, results of operations and prospect.

Our business, financial condition, results of operations and prospects are significantly impacted by the political situation in countries where we operate, some of which have historically been subject to periods of instability, including political violence, contested elections and military coups. For example, in October and November 2020, Thailand has experienced mass political movements and protests against the government across certain provinces, and especially in the central business districts of Bangkok.

In recent years, there have been political protests, other protests, terrorist attacks and other types of instabilities which have particularly affected countries such as Thailand and the Philippines. In May 2017, the city of Marawi in the Philippines was assaulted by the Maute Group, terrorists. In October 2017, the city was declared liberated from the terrorists but the state of national emergency on account of lawless violence declared in 2016 in the Mindanao region (where the city of Marawi is located) has not been lifted. Similarly, Malaysia has also witnessed a period of political upheavals since 2018 to date.

Continued violence could lead to widespread unrest or a major terrorist incident similar to those in other parts of Southeast Asia. An increase in the frequency, severity or geographic reach of violent crimes, political turmoil and similar events could have a material adverse effect on investment and confidence in, and the performance of the economy of those countries where we operate. Any such destabilization could cause interruption to our business and materially and adversely affect our financial conditions, results of operations and prospects.

You may experience difficulties in effecting service of legal process, enforcing Shareholders’ rights and foreign judgments or bringing actions against us or our management named in the [REDACTED] based on foreign laws.

We are an exempted company incorporated under the laws of the Cayman Islands. The rights of the Shareholders and the fiduciary duties of our Directors under the Cayman Islands laws may differ in some respects from what they would be under statutes or judicial precedents in Hong Kong or other jurisdictions where investors may be located.

In addition, some of our Directors and executive officers reside in the PRC. As a result, it may be difficult to effect service of process outside of the PRC upon us, our Directors and executive officers. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts in the U.S., the U.K., Japan or some other countries.

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Therefore, recognition and enforcement in the PRC of judgments of a court in these jurisdictions may be difficult, and the outcomes of which are often unpredictable. In addition, you may not be able to bring original actions in the PRC based on the U.S. or other foreign laws against us, our Directors or executive officers. As a result, shareholder claims are subject to the laws of the jurisdictions where the investigation is conducted or action is being sought, and the outcomes of such claims may be unpredictable.

On July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》), or the 2006 Arrangement, and promulgated on July 3, 2008, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in China if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the 2006 Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the 2006 Arrangement may be unpredictable.

On January 18, 2019, the Supreme People’s Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》), or the 2019 Arrangement, which seeks to establish a bilateral legal mechanism that provides clarity and certainty for the recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong and mainland China, based on criteria other than a written choice of court agreement. The 2006 Arrangement will be superseded upon the effectiveness of the 2019 Arrangement. Although the 2019 Arrangement has been signed, it remains unclear as to its effective date and uncertain as to the outcome and effectiveness of any action brought under the 2019 Arrangement.

If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC Shareholders.

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with “de facto management body” within China is considered a “resident enterprise” and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. In 2009, the State Administration of Taxation, or SAT, issued the Circular of the State Administration of Taxation on Issues Relating to Identification of PRC-Controlled Overseas Registered Enterprises as Resident Enterprises in Accordance with the De Facto Standards of Organizational Management, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in

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China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect SAT’s general position on how the “de facto management body” text should be applied in determining the tax resident status of all offshore enterprises. According to the above circular, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in China; (ii) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in China; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in China; and (iv) at least 50% of voting board members or senior executives habitually reside in China.

We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” If the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, we could be subject to PRC tax at a rate of 25% on our worldwide income, which could reduce our net income, and we may be required to withhold a 10% withholding tax (unless a preferential tax treatment is available under an applicable tax treaty) from dividends we pay to our Shareholders that are non-resident enterprises, including the holders of our Shares. In addition, non-resident enterprise Shareholders may be subject to PRC tax at a rate of 10% (unless a preferential tax treatment is available under an applicable tax treaty) on gains realized on the sale or other disposition of our Shares, if such income is treated as sourced from within China. Furthermore, if we are deemed a PRC resident enterprise, dividends payable to our non-PRC individual Shareholders and any gain realized on the transfer of our Shares by such Shareholders may be subject to PRC tax at a rate of 20% unless a reduced rate is available under an applicable tax treaty. However, it is unclear whether our non-PRC Shareholders would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

We face uncertainties with respect to indirect transfer of equity interests in PRC resident enterprises by their non-PRC holding companies.

We face uncertainties regarding the reporting on and consequences of previous private equity financing transactions involving the transfer and exchange of shares in our Company by non-resident investors. In February 2015, the SAT issued the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises. Pursuant to this new regulation, an “indirect transfer” of PRC assets, including a transfer of equity interests in an unlisted non-PRC holding company of a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of the underlying PRC assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% (unless a preferential tax treatment is available under an applicable tax treaty) for the transfer of equity interests in a PRC resident enterprise. In October 2017, the SAT issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, which further clarifies the practice and procedure of the withholding of nonresident enterprise income tax.

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We face uncertainties on the reporting and consequences of future private equity financing transactions, share exchanges or other transactions involving the transfer of shares in our Company by investors that are non-PRC resident enterprises. The PRC tax authorities may pursue such non-resident enterprises with respect to a filing or the transferees with respect to withholding obligation, and request our PRC subsidiaries to assist in the filing. As a result, we and non-resident enterprises in such transactions may be subject to filing obligations or be taxed under the above mentioned two bulletins, and may be required to expend valuable resources to comply with them or to establish that we and our non-resident enterprises should not be taxed under these regulations.

If our preferential tax treatments and government subsidies are revoked or become unavailable or if the calculation of our tax liability is successfully challenged by the PRC tax authorities, we may be required to pay tax, interest and penalties in excess of our tax provisions.

The Chinese government has provided tax incentives to our PRC subsidiaries in China, including reduced enterprise income tax rates. We cannot assure you that we will continue to be eligible to receive such local government tax refunds or subsidies or that amount of such refunds or subsidies will not be reduced in the future. Our ability to continue enjoying local government tax refunds or subsidies is subject to changes in national or local policies that affect the validity of our agreements, and may be affected by the termination of, or amendments to, such agreements for reasons beyond our control. We cannot assure you that we will be able to enter into new agreements with local government authorities that provide local government tax refunds or subsidies to us on similar terms. Any increase in the enterprise income tax rate applicable to our PRC subsidiaries in China, or any discontinuation, retroactive or reduction or refund of any of the preferential tax treatments, or any significant decrease in or termination of such local government tax refunds or subsidies currently enjoyed by our PRC subsidiaries in China, could adversely affect our financial condition.

Laws and regulations in countries where we operate may affect our pursuit of growth through acquisitions.

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》) jointly issued by the MOFCOM and five other PRC regulatory authorities on August 8, 2006, and amended on June 22, 2009 (the “**M&A Rules**”), the Provisions of the Ministry of Commerce on the Implementation of the Safety Review System for Merger and Acquisition of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》) promulgated by the Ministry of Commerce on August 25, 2011, the Measures for the Examination of the Security of Foreign Investment (《外商投資安全審查辦法》) promulgated by the NDRC and the Ministry of Commerce on December 19, 2020, and some other regulations and rules concerning mergers and acquisitions established procedures and requirements for some acquisitions of Chinese companies by foreign investors. These include requirements in some instances that the Ministry of Commerce, be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. PRC laws and regulations also require certain merger and acquisition transactions to be subject to merger control review or security review. Mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the Ministry of Commerce, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement.

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Moreover, the Anti-Monopoly Law promulgated by the Standing Committee of the National People’s Congress of China and effective in 2008, as most recently amended on June 24, 2022 and effective from August 1, 2022, requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be cleared by the relevant anti-monopoly authority before they can be completed. It also requires business operators not to abuse data, algorithms, technology, capital advantages and platform rules to exclude or limit competition.

In Vietnam, when a foreign investor or a foreign investor equivalent entity acquires shares or equity interest, or makes capital contribution in a Vietnamese company, such investor may be required to obtain an approval from the competent investment authority under certain circumstances. See “Regulatory Overview – Vietnam Investment Law – M&A Approval” in Appendix III to this document. Similarly, in the Philippines, acquisitions of licensed entities, including domestic and international freight forwarders and courier service providers, require prior approvals from relevant regulatory authorities before such entity can implement the said transaction. Republic Act No. 10667, the Philippine Competition Act (the “PCA”), prohibits practices that restrict market competition. It also requires parties to notify and obtain clearance from the Philippine Competition Commission (“PCC”) for mergers and acquisitions that meet the notifiability thresholds. PCC also has the discretion to review any transaction that it believes is likely to substantially restrict competition in the market.

Under the Republic Act No. 11659 or an Act Amending Commonwealth Act No. 146, otherwise known as the Public Service Act (“PSA Amendment”) and its implementing rules, the President of the Philippines also has the power to suspend or prohibit any proposed merger or acquisition transaction, or any investment in a public service that effectively results in the grant of control, whether direct or indirect, to a foreigner or a foreign corporation or a foreign government where the proposed merger or acquisition transaction, or investment in a public service has national security implications.

We may pursue potential strategic acquisitions that are complementary to our business and operations. If we fail to fully comply with the requirements of the above-mentioned regulations and other relevant rules and any required approval processes in a timely manner, it may delay the process or affect our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

Any failure to comply with PRC regulations regarding the registration requirements for employee share incentive plans may subject our share incentive plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year and participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas-listed company, and complete certain other procedures. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or who reside in China for a continuous period of not less than one year and who have been granted options will be subject to these regulations when our Company becomes an overseas-[REDACTED] company upon the completion of this [REDACTED]. Failure to complete SAFE registrations may subject them to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals, and administration penalty and may also limit our ability to contribute additional capital into our PRC subsidiaries and limit our PRC subsidiaries’ ability to distribute dividends to us. We also face regulatory changes that could restrict our ability to adopt additional incentive plans for our directors, executive officers and employees under PRC law.

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In addition, SAT has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face administration penalty imposed by the tax authorities or other PRC government authorities.

Our failure to fully comply with labor-related laws may expose us to potential penalties.

Companies operating in China are required to participate in various employee benefit plans, including certain social insurance, housing funds, unemployment insurance, health insurance plans and other welfare oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of our employees up a maximum amount specified by the local government from time to time at locations where we operate our businesses. The requirement of employee benefit plans has not been implemented consistently by the local governments in China given the different levels of economic development in different locations. During the Track Record Period, there were shortfalls in our contributions to social insurance and housing funds for our China-based employees, and we have made provisions in connection with such shortfalls. For 2020, 2021, 2022 and the six months ended June 30, 2023, we had shortfalls of RMB19.4 million, RMB58.2 million, RMB77.7 million and RMB39.4 million, respectively, in our contributions to social insurance contributions and RMB15.9 million, RMB23.0 million, RMB20.6 million and RMB11.6 million, respectively, in housing fund contributions. As advised by our PRC Legal Advisor, an employer that has not made social insurance contributions at such rate and based on such amount as prescribed by the law, or at all, may be ordered to rectify the non-compliance and pay the required contributions within a stipulated timeframe and be subject to a late fee of up to 0.05% per day. Failure to fulfill the outstanding contributions within the stipulated timeframe may result in fines ranging from one to three times of the amount in arrears. As of the Latest Practicable Date, we had not received any notice for payment of penalties of social insurance premium and housing provident funds from the competent authorities. As advised by our PRC Legal Adviser, the likelihood of us receiving any notice of penalties from the competent authorities is relatively low, provided that we pay the outstanding contribution, and late fee (if any), for social insurance and house provident funds in full amount within the prescribed period after receiving notices to rectify such non-compliance from the competent authorities. However, there is no assurance that the competent government authorities will not require us to settle the outstanding amount within the specified time limit or impose late payment penalties on us, or any of our employees would not make complaints or demand for payment for any outstanding contribution. Pursuant to the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilizing the Levy of Social Insurance Payment (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) promulgated on September 21, 2018 by the Ministry of Human Resources and Social Security, administrative enforcement authorities are prohibited from organizing and conducting aggregated collection of enterprises’ historical social insurance arrears. As advised by our PRC Legal Adviser, (i) the likelihood of us being conducted aggregated collection of our historical social insurance arrears is remote; and (ii) if we receive notices from the competent authorities requiring us to rectify such non-compliance, and we pay such outstanding amounts and late fees (if any) within the required period, the likelihood of us being required to pay penalties is remote. In addition, we also engage outsourcing firms to provide a large number of personnel to work at our network facilities. The outsourcing activities and agreements are subject to local laws and regulations. For example, in the Philippines, outsourcing agreements are highly regulated and are subject to strict requirements under Philippine labor laws and regulations. Even if we may have contractual

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protection against claims from outsourced personnel, in the event that the outsourcing firms violate any relevant labor laws and regulations or their employment agreements with the outsourced personnel, such personnel may file a claim against us as they provide their services at our network facilities. As a result, we may incur legal liability, and our reputation, brand image as well as our business, financial condition and results of operations could be materially and adversely affected.

Our PRC subsidiaries may be subject to PRC regulations relating to offshore investment activities by PRC residents if they want to change their registered capital or distribute profits to us. We and our PRC resident beneficial owners may also be subject to be subject to liability and penalties under relevant PRC laws.

On July 4, 2014, SAFE promulgated the Notice on Issues Relating to Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles, or the SAFE Circular 37. The SAFE Circular 37 requires PRC residents (including PRC individuals and PRC corporate entities as well as foreign individuals that are deemed as PRC residents for foreign exchange administration purposes) to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. The SAFE Circular 37 further requires amendment to the SAFE registrations in the event of any changes with respect to the basic information of the offshore special purpose vehicle, such as change of a PRC individual shareholder, name and operation term, or any significant changes with respect to the offshore special purpose vehicle, such as increase or decrease of capital contribution, share transfer or exchange, or mergers or divisions. The SAFE Circular 37 is applicable to our Shareholders or beneficial owners who are PRC residents and may be applicable to any offshore acquisitions that we make in the future. According to the Notice of the SAFE on Further Simplifying and Improving the Foreign Exchange Administration Policies for Direct Investment, promulgated by the SAFE on February 13, 2015 and effective on June 1, 2015, local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under the SAFE Circular 37 from June 1, 2015.

If our Shareholders or beneficial owners who are PRC residents or entities do not complete their registration with the local SAFE branches or qualified local banks, our PRC subsidiaries may be prohibited from distributing to us its profits and proceeds from any reduction in capital, share transfer or liquidation, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. Moreover, failure to comply with the SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange administration.

We may not be informed of the identities of all the PRC residents or entities holding direct or indirect interest in our Company, nor can we compel our Shareholders or beneficial owners to comply with SAFE registration requirements. We cannot assure you that all shareholders or beneficial owners of ours who are PRC residents or entities have complied with, and will in the future make, obtain or update any applicable registrations or approvals required by, SAFE regulations.

The failure or inability of such Shareholders or beneficial owners to comply with SAFE regulations, or failure by us to amend the foreign exchange registrations of our PRC subsidiaries, could subject us or the non-compliant Shareholders or beneficial owners to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our PRC subsidiaries' ability to make distributions or pay dividends to us or affect our ownership structure. As a result, our operations and our ability to distribute any future profits to you could be materially and adversely affected.

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We may be materially adversely affected if our Shareholders and beneficial owners who are PRC entities fail to comply with the relevant PRC overseas investment regulations.

In December 2017, the NDRC promulgated the Administrative Measures on Overseas Investments, according to which non-sensitive overseas investment projects are subject to record-filing requirements with the local branch of the NDRC. In September 2014, the Ministry of Commerce promulgated the Administrative Measures on Overseas Investments, according to which overseas investments of PRC enterprises that involve non-sensitive countries and regions and non-sensitive industries are subject to record-filing requirements with a local branch of the Ministry of Commerce. According to the Circular of the State Administration of Foreign Exchange on Issuing the Regulations on Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions, PRC enterprises must register for overseas direct investment with a local SAFE branch.

We may not be fully informed of the identities of all our Shareholders or beneficial owners who are PRC entities, and we cannot provide any assurance that all of our Shareholders and beneficial owners who are PRC entities will comply with our request to complete the overseas direct investment procedures under the aforementioned regulations or other related rules in a timely manner, or at all. If they fail to complete the filings or registrations required by the overseas direct investment regulations, the relevant authorities may order them to suspend or cease the implementation of such investment and make corrections within a specified time.

We may rely to a significant extent on dividends and other distributions on equity paid by our principal operating subsidiaries to fund offshore cash and financing requirements. Any limitation on the ability of our operating subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business.

We are a holding company and rely on dividends and other distributions on equity paid by our principal operating entities, for our offshore cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our Shareholders, fund inter-company loans, service any debt we may incur and pay our expenses. When our principal operating entities incur additional debt, the instruments governing the debt may restrict their ability to pay dividends or make other distributions or remittances to us. Furthermore, the laws, rules and regulations applicable to our principal operating subsidiaries and certain other subsidiaries permit payments of dividends only out of their retained earnings, if any, determined in accordance with applicable accounting standards and regulations. For example, under Thai laws, rules and regulations, each of our subsidiaries and consolidated affiliated entities incorporated in Thailand is required to set aside, every time the dividend payment is made, at least 5% of the profits until the reserve fund reaches 10% of the capital of the company, and in the PRC, at least 10% of its net income each year to fund certain statutory reserves until the cumulative amount of such reserves reaches 50% of its registered capital. These reserves, together with the registered capital, are not distributable as cash dividends. As a result of these laws, rules and regulations, our principal operating entities and consolidated affiliated entities in Thailand and the PRC are restricted in their ability to transfer a portion of their respective net assets to their shareholders as dividends, loans or advances. In addition, registered capital and capital reserve accounts are also restricted from withdrawal in the PRC, up to the amount of net assets held in each operating subsidiary.

The distribution of dividends to us from the subsidiaries in the other geographic markets in which we operate is subject to restrictions imposed by the applicable laws and regulations in these markets. For example, although the current foreign exchange control regulations do not restrict the ability of our subsidiaries in Thailand to distribute dividends to us, the relevant regulations may be changed and the ability of these subsidiaries to distribute dividends to us

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may be restricted in the future. Further, Philippine law requires that dividends may only be declared out of unrestricted retained earnings; and there are regulations requiring registration of the foreign investment with the *Bangko Sentral ng Pilipinas* (“BSP”), the Philippine Central Bank, to be able to source from the Philippine banking system foreign currency to be used in repatriating capital or remitting dividends outside the Philippines.

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies may delay us from using the [REDACTED] of this [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries and to make loans to our VIE, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

In utilizing the [REDACTED] of this [REDACTED], we, as an offshore holding company, are permitted under PRC laws and regulations to provide funding to our PRC subsidiaries, which are treated as “foreign-invested enterprises” under PRC laws, through loans or capital contributions. However, loans by us to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE and capital contributions to our PRC subsidiaries are subject to the requirement of making necessary registration with competent governmental authorities in the PRC.

SAFE promulgated the Notice of the SAFE on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises, or Circular 19, effective on June 1, 2015. According to Circular 19, the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company is regulated such that RMB capital may not be used, whether directly or indirectly, for the issuance of RMB entrusted loans, the repayment of inter-enterprise loans (including third party advance) or the repayment of bank loans that have been transferred to a third party. Although Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within the PRC, it also reiterates the principle that RMB converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether SAFE will permit such capital to be used for equity investments in the PRC in actual practice. SAFE promulgated the Notice of the SAFE on Reforming and Regulating the Foreign Exchange Settlement Management Policy of Capital Account, or Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of Circular 19 and Circular 16 could result in administrative penalties. Circular 19 and Circular 16 may significantly limit our ability to transfer any foreign currency we hold, including the net [REDACTED] from this [REDACTED], to our PRC subsidiaries, which may adversely affect our liquidity and our ability to fund and expand our business in the PRC.

On October 23, 2019, the SAFE promulgated the Notice of the SAFE on Further Promoting the Convenience of Cross-border Trade and Investment, or the SAFE Circular 28, which permits non-investment foreign-invested enterprises to use their capital funds to make equity investments in the PRC, with genuine investment projects and in compliance with effective foreign investment restrictions and other applicable laws. However, as the SAFE Circular 28 was issued recently, there may be changes as to its interpretation and implementations in practice.

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In light of the various requirements imposed by PRC regulations on loans to, and direct investments in, PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans or future capital contributions by us to our PRC subsidiaries. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiaries when needed. If we fail to complete such registrations or obtain such approvals, our ability to use foreign currency, including the [REDACTED] we received from this [REDACTED], and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect the value of your investment.

We expect to receive a portion of any future revenues we earn in local currencies including Renminbi, Indonesian Rupiah, Vietnamese Dong, Malaysian Ringgit or Philippine Pesos, among other currencies. Under our current corporate structure, our Cayman Islands holding company may rely on dividend payments from our Group entities in Indonesia, the Philippines, the PRC and other countries to fund any cash and financing requirements we may have. The distribution of dividends to us from the subsidiaries in these markets as well as other markets where we operate is subject to restrictions imposed by the applicable laws and regulations in these markets. For example, in the Philippines, regulations requiring registration of the foreign investment with the Philippine Central Bank, to be able to source from the Philippine banking system foreign currency to be used in repatriating capital or remitting dividends outside the Philippines. Also, under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval of SAFE by complying with certain procedural requirements. Specifically, under the existing exchange policies, without prior approval of SAFE, cash generated from the operations of our PRC subsidiaries in the PRC may be used to pay dividends to our company. We need to obtain SAFE approval to use cash generated from the operations of our PRC subsidiaries to pay off their respective debt in a currency other than RMB owed to entities outside the PRC, or to make other capital expenditure payments outside the PRC in a currency other than RMB. The PRC government may exercise discretion in accordance with applicable laws and regulations and restrict access in the future to foreign currencies for current account transactions. Our failure to obtain sufficient foreign currencies to satisfy our foreign currency demands may have a material adverse impact on our ability to fund our operations in other jurisdictions and our ability to pay dividends in foreign currencies to our Shareholders.

The current tensions in international trade and rising global and cross-regional political tensions.

Our operations are adversely affected by the regional and global economic markets. Rising political tensions could reduce levels of trades, investments, technological exchanges, and other economic activities. Such tensions and any escalation thereof, may have a negative impact on the general, economic, political, and social conditions in jurisdictions where we operate. In case of a tightening of credit in financial markets globally, this could also impact the markets where we operate and our ability to arrange for financing for our capital requirements. In addition, any adverse impact on our customers or business partners arising from such tensions, sanctions or other events beyond their control, may disrupt our business relationships with them. Any difficulties we face in accessing financing on acceptable terms and conditions could have a material adverse effect on our business, financial condition, results of operations and prospects.

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Additionally, Russian actions with respect to Ukraine have resulted in certain sanctions and export controls being imposed by the United States, the European Union, the United Kingdom and other jurisdictions. Our cross-border delivery services does not cover, ship to or take orders from any of the sanctioned areas. However, we cannot assure you that our cross-border services will not be impacted by sanctions or export controls in the future. For example, we cannot assure you that areas and regions that we currently serve or where our transportation and shipment pass through will not become a sanctioned area in the future. The conflict between Russia and Ukraine, including related economic sanctions, could lead to disruption, instability and volatility in global markets and industries that could negatively impact our business. We cannot predict the impact of the Russia-Ukraine conflict and any heightened military conflict or geopolitical instability that may follow. Any such disruptions or resulting sanctions may adversely affect our business.

Risks Related to the WVR Structure

The concentration of our Share’s voting power limited our Shareholders’ ability to influence corporate matters.

Our proposed dual-class structure with weighted voting rights will limit your ability to influence corporate matters and could discourage others from pursuing any change of control transactions that holders of our Shares may view as beneficial. Our Company will be controlled through weighted voting rights upon the completion of the [REDACTED]. On each resolution subject to a vote at general meetings on a poll, each Class A Share shall entitle its holder to ten votes and each Class B Share shall entitle its holder to one vote, except for resolutions with respect to the Reserved Matters, in relation to which each Class A Share and each Class B Share shall entitle its holder to one vote on a poll at a general meeting of our Company. We will issue Class B Shares in the [REDACTED]. For further details about our shareholding structure, see “Share Capital – Weighted Voting Rights Structure” of this document.

Immediately upon the completion of the [REDACTED], the WVR Beneficiary will be Mr. Li. Mr. Li will beneficially own 979,333,410 Class A Shares, representing approximately [REDACTED]% of the total voting rights in our Company (assuming the [REDACTED] is not exercised) with respect to shareholder resolutions relating to matters other than the Reserved Matters. Mr. Li therefore has considerable influence over matters requiring shareholder approval, including the election of Directors (excluding the appointment, election or removal of any independent non-executive Director) and significant corporate transactions, such as such as a merger or other sale of our Company or our assets, for the foreseeable future. This concentrated control will limit or severely restricts our Shareholders’ ability to influence corporate matters and, as a result, we may take actions that holders of Class B Shares do not view as beneficial.

Our WVR Beneficiary has significant influence over our Company and may not act in the best interests of our other Shareholders.

Our WVR Beneficiary has substantial influence over our business and operations, including matters relating to management and policies, decisions in relation to acquisitions, expansion plans, business consolidation, the sale of all or substantially all of our assets, nomination of directors, dividends or other distributions, as well as other significant corporate actions. The concentration of voting power and the substantial influence of our WVR Beneficiary over our Company may discourage, delay or prevent a change in control of our Company, which could deprive other shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and reduce the price of our Shares. The interests of our WVR Beneficiary may differ from the interests of our other Shareholders. Subject to the Listing Rules, our Articles of Association and other applicable laws and regulations, our WVR Beneficiary will continue to have the ability to exercise substantial influence over us and to cause us to enter into transactions or take, or fail to take, actions or make decisions which conflict with the best interests of our other Shareholders.

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Risks Related to the [REDACTED]

There has been no public market for our Shares prior to the [REDACTED], and you may not be able to resell our Shares at or above the price you pay, or at all.

Prior to the completion of the [REDACTED], there has been no public market for our Shares. There can be no assurance that an active trading market for our Shares will develop or be sustained after completion of the [REDACTED]. The [REDACTED] is the result of negotiations between our Company and the [REDACTED] (for themselves and on behalf of the [REDACTED]), which may not be indicative of the price at which our Shares will be traded following completion of the [REDACTED]. The market price of our Shares may drop below the [REDACTED] at any time after completion of the [REDACTED].

The trading price of the Shares may be volatile which could result in substantial losses to you.

In addition, the trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located in Southeast Asia and China countries that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. A number of companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards companies with operations in China and listed in Hong Kong, which consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance, and may result in losses on your investment in our Shares.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our directors, executive officers and substantial shareholders, could adversely affect the market price of our Shares.

Future sales of a substantial number of our Shares, especially by our directors, executive officers and substantial shareholders, or the perception or anticipation of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our substantial shareholders are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future. In addition, certain existing shareholders of our Shares are not subject to lock-up agreements. Market sale of Shares by such shareholders and the availability of these Shares for future sale may have negative impact on the market price of our Shares. See “History and Corporate Structure – Pre-[REDACTED] Investments” for more details of the existing shareholders not subject to lock-up agreements.

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You will incur immediate and substantial dilution and may experience further dilution in the future.

As the [REDACTED] of Shares is higher than the net tangible book value per share of our Shares immediately prior to the [REDACTED], purchasers of our Shares in the [REDACTED] will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Shares in the [REDACTED] may experience further dilution in their shareholding percentage.

We cannot assure you that we will declare and distribute any amount of dividends in the future and you may have to rely on price appreciation of our Shares for return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings to fund the development and growth of our business. As a result, we have not yet adopted a dividend policy with respect to future dividends. Therefore, you should not rely on an investment in our Shares as a source for any future dividend income.

Our board of directors has discretion as to whether to distribute dividends, subject to certain restrictions under the Cayman Islands laws, namely that our Company may only pay dividends either out of profits or share premium account, and provided always that in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. In addition, our shareholders may approve, in a general meeting, any declaration of dividends, but no dividend may exceed the amount recommended by our board of directors. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiary, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no assurance that our Shares will appreciate in value or even maintain the price at which you purchased the Shares. You may not realize a return on your investment in our Shares and you may even lose your entire investment in our Shares.

Investors may experience difficulties in enforcing Shareholder rights.

Our Company is an exempted company incorporated in the Cayman Islands with limited liability and the laws of the Cayman Islands differ in some respects from those of Hong Kong or other jurisdictions where investors may be located. The corporate affairs of our Company are governed by the Memorandum and the Articles of Association, the Cayman Companies Act and the common law of the Cayman Islands. The rights of Shareholders to take legal action against our Company and/or our Directors, actions by minority Shareholders and the fiduciary duties of our Directors to our Company under Cayman Islands laws are to a large extent governed by the common law of the Cayman Islands. The rights of the Shareholders and the fiduciary duties of our Directors under Cayman Islands laws may differ in some respects as they would be under statutes or judicial precedents in Hong Kong or other jurisdictions where investors may be located. As a result, Shareholders may have more difficulties in exercising their rights against the management of our Company, Directors or major Shareholders than they would as shareholders of a Hong Kong company or company incorporated in other jurisdictions.

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There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications, market data providers and other independent third-party sources contained in this document.

This document contains information and statistics relating to the express delivery market. Such information and statistics have been derived from third-party reports, either commissioned by us or publicly accessible and other publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot assure you the quality or reliability of such source materials. The information has not been independently verified by us, the [REDACTED], the [REDACTED], the [REDACTED], the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED] or any other party involved in the [REDACTED], and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, and growth opportunities for existing operations, plans and objectives of management, certain [REDACTED] information and other matters.

The words “anticipate,” “believe,” “could,” “potential,” “continue,” “expect,” “intend,” “may,” “plan,” “seek,” “will,” “would,” “should” and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements, including, among others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessary estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in “Risk Factors” in this document. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the [REDACTED].

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [REDACTED]. Prior to the publication of this document, there has been press and media coverage regarding us and the [REDACTED]. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation

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as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and you should not rely on such information.

There will be a time gap of several business days between [REDACTED] and [REDACTED] of our Class B Shares [REDACTED] in the [REDACTED]. Holders of our Shares are subject to the risk that [REDACTED] prices of our Shares could fall during the period before [REDACTED] of our Shares begins.

The [REDACTED] of our Shares is expected to be [REDACTED] on the [REDACTED]. However, our Shares will not commence [REDACTED] on the Hong Kong Stock Exchange until they are delivered, which is expected to be five Hong Kong business days after the [REDACTED]. As a result, investors may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before [REDACTED] begins as a result of unfavorable market conditions, or other adverse developments, that could occur between the time of sale and the time [REDACTED] begins.

WAIVERS

In preparation for the [REDACTED], our Company has applied for the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong, which normally means that at least two executive directors must be ordinarily resident in Hong Kong. Since most of our Company’s core business operations are based, managed and conducted outside of Hong Kong, our Company does not have, and in the foreseeable future will not have, a sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with Rule 8.12 of the Listing Rules. We will ensure that there are adequate and efficient arrangements to achieve regular and effective communication between us and the Stock Exchange as well as compliance with the Listing Rules by way of the following arrangements:

1. **Authorized representatives:** we have appointed Mr. Li, our sole executive Director and Ms. Yin Shan Hui (“**Ms. Hui**”), our company secretary, as the authorized representatives (“**Authorized Representatives**”) for the purpose of Rule 3.05 of the Listing Rules. The Authorized Representatives will act as our principal channel of communication with the Stock Exchange and would be readily contactable by phone and email to deal promptly with enquiries from the Stock Exchange. Ms. Hui ordinarily resides in Hong Kong whereas Mr. Li ordinarily resides in the PRC, and Mr. Li possesses valid travel documents and is able to renew such travel documents when they expire in order to visit Hong Kong. Accordingly, the Authorized Representatives will be able to meet with the relevant members of the Stock Exchange to discuss any matters in relation to our Company within a reasonable period of time. The Company will also inform the Stock Exchange promptly in respect of any change in the Authorized Representatives. Please see “Directors and Senior Management” for more information about our Authorized Representatives.
2. **Directors:** to facilitate communication with the Stock Exchange, we have provided the Authorized Representatives and the Stock Exchange with the contact details (mobile phone numbers, office phone numbers, e-mail addresses) of each of our Directors such that the Authorized Representatives would have the means for contacting all our Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. In the event that any Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his/her accommodation to the Authorized Representatives. To the best of our knowledge and information, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period after requested by the Stock Exchange.
3. **Compliance adviser:** we have appointed Somerley Capital Limited as our compliance adviser (the “**Compliance Adviser**”) in compliance with Rule 3A.19 and Rule 8A.33 of the Listing Rules. The Compliance Adviser will, among other things and in addition to the Authorized Representatives, provide us with professional advice on continuing obligations under the Listing Rules and act as additional channel of communication of the Company with the Stock Exchange. The Compliance Adviser will be available to answer enquiries from the Stock Exchange and will act as the principal channel of communication with the Stock Exchange when the Authorized Representatives are not available.

WAIVERS

4. **Hong Kong legal adviser:** we will retain a Hong Kong legal adviser to advise us on the on-going compliance requirements, any amendment or supplement to and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after the [REDACTED].

WAIVER IN RELATION TO RULE 8A.12 OF THE LISTING RULES REGARDING MINIMUM ECONOMIC INTEREST AT [REDACTED]

Rule 8A.12 of the Listing Rules requires that the beneficiaries of weighted voting rights must beneficially own collectively at least 10% of the underlying economic interest in the applicant’s total issued share capital at the time of its initial listing.

The note to Rule 8A.12 further stipulates that the Stock Exchange may be prepared to accept a lower minimum shareholding percentage, on a case by case basis, if the lower underlying economic interest still represents a very large amount in absolute dollar terms (for example if the applicant has an expected market capitalization of over HK\$80 billion at the time of its initial listing) taking into account such other factors about the applicant as the Stock Exchange may in its discretion, consider appropriate.

To protect Mr. Li’s shareholding in the Company from being further diluted following the Series D Financing, in recognition of Mr. Li’s continuous contributions to the Company and to ensure further alignment of Mr. Li’s interests with those of the Company and its shareholders, the existing Shareholders of the Company unanimously agreed to issue 24,557,934 class B ordinary shares (the “**Founder Award Shares**”) (Class A Shares equivalent, assuming completion of Reclassification, Redesignation and Share Subdivision) at par value to Jumping Summit Limited, a company controlled by Mr. Li, on May 17, 2023. As at the date of the [REDACTED], Mr. Li beneficially owns, through Jumping Summit Limited, [195,866,682] class B ordinary shares, representing approximately [11.54]% of the underlying economic interest in our total issued share capital. Such class B ordinary shares will be redesignated to Class A Shares following the Reclassification, Redesignation and Share Subdivision. Mr. Li has undertaken to proportionately relinquish the Founder Award Shares (Class A Shares equivalent, assuming completion of Reclassification, Redesignation and Share Subdivision) if he ceases to serve as Chairman of the Board, or as the Chief Executive Officer, or such other position equivalent to the Chief Executive Officer within the four year period commencing on the [REDACTED] (the “**Undertaking**”). See “History and Corporate Structure – Issuance of Founder Award Shares” for further details.

Immediately following the completion of the [REDACTED], assuming the [REDACTED] is not exercised and the Reclassification, Redesignation and Share Subdivision are completed, (i) Mr. Li will beneficially own, through Jumping Summit Limited, [979,333,410] Class A Shares, representing approximately [REDACTED]% of the underlying economic interest in our total issued share capital at the time of the [REDACTED]; (ii) without taking into account the Founder Award Shares (Class A Shares equivalent, assuming completion of Reclassification, Redesignation and Share Subdivision), which are subject to potential relinquishment as a result of the Undertaking and thus should not be counted towards the minimum economic interest requirement under Rule 8A.12 of the Listing Rules, Mr. Li will beneficially own, through Jumping Summit Limited, [856,543,740] Class A Shares, representing approximately [REDACTED]% of the underlying economic interest in our total issued share capital at the time of the [REDACTED], which is less than the minimum economic interest as required under Rule 8A.12 of the Listing Rules.

WAIVERS

Immediately following the completion of the [REDACTED], assuming the non-exercise of the [REDACTED], based on the [REDACTED] of HK\$[REDACTED], being the low-end of the indicative [REDACTED] range, we expect to have a [REDACTED] of HK\$[REDACTED] billion (or US\$[REDACTED] billion), which is significantly larger than the market capitalization of HK\$80 billion as specified in the note to Rule 8A.12 of the Listing Rules.

We have applied to the Stock Exchange[, and the Stock Exchange has granted us,] a waiver from strict compliance with the requirements of Rule 8A.12 of the Hong Kong Listing Rules on the basis and condition that:

- i. the Company will have an expected [REDACTED] of HK\$[REDACTED] billion based on the low-end of the [REDACTED], which is over HK\$80 billion at the time of the [REDACTED];
- ii. Mr. Li has historically and consistently at all times been holding more than 10% of the Company’s interest and it is only attributable to the dilution effect as a result of the [REDACTED] that Mr. Li’s economic interests will be marginally diluted to below 10%;
- iii. Mr. Li will beneficially own [REDACTED]% of the underlying economic interests (equivalent to [REDACTED] of HK\$[REDACTED] billion upon [REDACTED] based on the low-end of the [REDACTED]) that are not subject to the Undertaking in the Company’s total issued share capital at the time of [REDACTED];
- iv. the Undertaking and the potential relinquishment arrangement thereunder would not result in a breach of the requirement under Rule 8A.13 of the Listing Rules; and
- iv. the Company will make appropriate disclosure of such lower economic interests percentage in this document, including the details of the issuance of the Founder Award Shares (Class A Shares equivalent, assuming completion of Reclassification, Redesignation and Share Subdivision), the class and number of Shares issued, the consideration received, the benefits to the Company and the terms of the Undertaking governing the Founder Award Shares (Class A Shares equivalent, assuming completion of Reclassification, Redesignation and Share Subdivision), and any relinquishment of shares shall be effected in a manner that is in full compliance with the applicable Listing Rules.

WAIVER IN RELATION TO THE DISCLOSURE REQUIREMENTS WITH RESPECT TO CHANGES IN SHARE CAPITAL

We have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements of paragraph 26 of Part A of Appendix 1 to the Listing Rules in respect of disclosing the particulars of any alterations in the capital of any member of the Group within two years immediately preceding the issue of this document.

We have identified 16 entities that we consider are the major subsidiaries and Consolidated Affiliated Entities primarily responsible for the track record results of our Group or that hold material intellectual properties of our Group (the “**Selected Entities**”, and each a “**Selected Entity**”). Globally, our Group has approximately 322 subsidiaries and Consolidated Affiliated Entities, across 22 different jurisdictions as at December 31, 2022. It would be unduly burdensome for our Company to disclose this information, which would not be material or meaningful to investors. By way of illustration, for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, (i) the aggregate revenue of the Selected Entities represented approximately 81.6%, 77.5%, 71.6% and 69.9% of the Group’s total

WAIVERS

revenues, respectively, and (ii) the aggregate total assets of the Selected Entities represented approximately 47.2%, 65.7%, 57.6% and 52.3% of our total assets, respectively. Accordingly, the remaining subsidiaries and Consolidated Affiliated Entities in our Group are insignificant to the overall results of the Group and none of which contributes more than 5% to our total assets for each period of our Track Record Period.

Particulars of the changes in the share capital of the Company and the Selected Entities have been disclosed in “Statutory and General Information – 1. Further Information about our Group – 1.2 Changes in the share capital of our Company” and “Statutory and General Information – 1. Further Information about our Group – 1.3 Changes in the share capital of our major subsidiaries and operating entities” in Appendix V to this document.

WAIVER IN RELATION TO THE PRE-[REDACTED] SHARE INCENTIVE PLAN OF THE COMPANY

Rule 17.02(1)(b) of the Listing Rules requires a listing applicant to, inter alia, disclose in the [REDACTED] full details of all outstanding options and awards and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per share arising from the issue of shares in respect of such outstanding options or awards.

As of the Latest Practicable Date, our Company had granted outstanding restricted share units (“RSUs”) under the Pre-[REDACTED] Share Incentive Plan to a total of 670 participants, who are network partners of the Company (the “Awardee(s)”) to subscribe for an aggregate of 6,398,100 class A ordinary shares (31,990,500 Class B Shares, following completion of the Reclassification, Redesignation and Share Subdivision), representing approximately [REDACTED]% of the total number of Shares in issue immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised). Among the outstanding RSUs, no connected persons of our Company were granted RSUs. 670 other Awardees (who are not Directors or connected persons of the Company) were granted RSUs for 6,398,100 class A ordinary shares (31,990,500 Class B Shares, following completion of the Reclassification, Redesignation and Share Subdivision). No awards (including options, RSUs and restricted shares) under the Pre-[REDACTED] Share Incentive Plan will be further granted upon [REDACTED]. For more details of our Pre-[REDACTED] Share Incentive Plan, see “Statutory and General information – 4. Pre-[REDACTED] Share Incentive Plan” in Appendix V to this document.

Our Company has applied to the Stock Exchange for a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules, on the grounds that strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons:

- (a) since the outstanding RSUs under the Pre-[REDACTED] Share Incentive Plan were granted to a total of 670 Awardees involved, strict compliance with the relevant disclosure requirements in this document will require substantial number of pages of additional disclosure that does not provide any material information to the investing public and would significantly increase the cost and timing for information compilation and [REDACTED] preparation;
- (b) key information of the outstanding RSUs granted under the Pre-[REDACTED] Share Incentive Plan to the Directors, senior management and connected persons of our Company has already been disclosed in “Statutory and General Information – 4. Pre-[REDACTED] Share Incentive Plan” in Appendix V to this document;

WAIVERS

- (c) the key information of the Pre-[REDACTED] Share Incentive Plan as disclosed in “Statutory and General Information – 4. Pre-[REDACTED] Share Incentive Plan” in Appendix V to this document is sufficient to provide potential investors with information to make an informed assessment of the potential dilution effect and impact on earnings per share of the RSUs granted under the Pre-[REDACTED] Share Incentive Plan in their investment decision making process;
- (d) given the nature of the business of the Company, it is extremely important for the Company to incentivize and reward its regional sponsors, network partners and franchisees, and the success of the Company’s long-term development plan will very much depend on the loyalty and contribution of the grantees, whereas the information relating to the RSUs granted to the grantees is highly sensitive and confidential, and disclosure of such information may adversely affect the Company’s cost and ability to recruit and retain such valuable network partners and franchisees;
- (e) with respect to the other Awardees, such number of Class B Shares (in aggregate representing approximately [REDACTED]% of the total issued share capital of our Company immediately following the completion of the [REDACTED], assuming the [REDACTED] Option is not exercised) is not material in the circumstances of our Company, and the vesting of such RSUs will not cause any material adverse change in the financial position of our Company; and
- (f) the lack of full compliance with such disclosure requirements will not prevent potential investors from making an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group and will not prejudice the interest of the investing public.

The Stock Exchange [has granted] us a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules on the condition that:

- (a) full details of all the RSUs granted under the Pre-[REDACTED] Share Incentive Plan to each of the Directors, senior management and connected persons of our Company (if any) be disclosed in this document, such details include all the particulars required under Rule 17.02(1)(b) of the Listing Rules;
- (b) in respect of the RSUs granted by our Company to the Awardees other than those referred to in sub-paragraph (a), the following details on an aggregate basis be disclosed in this document:
 - (i) the aggregate number of the Awardees and the number of Shares subject to the RSUs;
 - (ii) the purchase price of the RSUs; and
 - (iii) the vesting period for the RSUs;
- (c) a full list of the awardees under the Pre-[REDACTED] Share Incentive Plan, containing full particulars required under Rule 17.02(1)(b) of the Listing Rules, will be made available for public inspection in accordance with the section headed “Documents delivered to the Registrar of Companies and available on display – Document available for inspection” in Appendix VI to this document;

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- (d) the particulars of the waiver granted by the Stock Exchange be disclosed in this document; and
- (e) the total number of shares underlying the RSUs under the Pre-[REDACTED] Share Incentive Plan and the percentage of the Company’s issued share capital represented by these underlying shares as well as the dilution effect and impact on earnings per share upon full vesting of the RSUs under the Pre-[REDACTED] Share Incentive Plan be disclosed in this document.

Further details of the Pre-[REDACTED] Share Incentive Plan are set forth in “Statutory and General Information – 4. Pre-[REDACTED] Share Incentive Plan” in Appendix V to this document.

WAIVER IN RESPECT OF INVESTMENTS AFTER THE TRACK RECORD PERIOD

Pursuant to Rules 4.04(2) and 4.04(4)(a) of the Listing Rules, the accountants’ report to be included in a listing document must include the income statements and balance sheets of any subsidiary or business acquired, agreed to be acquired or proposed to be acquired since the date to which its latest audited accounts have been made up in respect of each of the three financial years immediately preceding the issue of the listing document.

Pursuant to Rule 4.02A of the Hong Kong Listing Rules, acquisitions of business include acquisitions of associates and any equity interest in another company. Pursuant to Note 4 to Rule 4.04 of the Hong Kong Listing Rules, the Hong Kong Stock Exchange may consider granting a waiver of the requirements under Rules 4.04(2) and 4.04(4) on a case-by-case basis, and having regard to all relevant facts and circumstances and subject to certain conditions set out thereunder.

Ordinary course Investment since June 30, 2023

Since June 30, 2023 and up to the Latest Practicable Date, we made a minority investment in a company (the “**Investment**”). The Investment was completed in August 2023. Details of the Investment are set out below:

<u>Name of the target company⁽¹⁾</u>	<u>Investment amount/consideration</u>	<u>Percentage of shareholding/ equity interest</u>	<u>Principal business activities</u>
Company A	RMB2 million	49%	A company providing pick-up and delivery services

Note:

- (1) None of the core connected persons at the level of the Company is a controlling shareholder of the target company.

According to the unaudited management accounts of Company A, (i) its total assets was approximately RMB3.15 million and RMB2.99 million as at December 31, 2021 and 2022, respectively, (ii) its total revenue was approximately RMB46.09 million and RMB36.42 million for the years ended December 31, 2021 and 2022, respectively; and (iii) its net loss (which is equivalent to loss before tax) was approximately RMB5.91 million and RMB8.84 million for the years ended December 31, 2021 and 2022, respectively.

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The investment amount was satisfied by the Group’s own source of funds and will not use any [REDACTED] from the [REDACTED]. The investment amount for the Investment is the result of commercial arm’s length negotiations, based on factors including market dynamics, a mutually agreed valuation, and/or capital required for the target company’s operations. The counterparties and the ultimate beneficial owners of the counterparties of the acquisition are independent third parties.

We believe that the Investment is expected to support the Group’s long-term business development as the target company is engaged in providing pick-up and delivery services in the PRC, which will allow the Company to expand its service network and service offerings in order to serve customers more efficiently. Accordingly, we believe that the Investment will complement and support the growth of the Group’s businesses, and accordingly, the Investment will be fair and reasonable and in the interests of the Shareholders as a whole.

Conditions for granting the waiver and its scope in respect of the Investment

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 4.04(2) and 4.04(4)(a) of the Listing Rules in respect of the Investment on the following grounds:

Ordinary and usual course of business

We make equity investments in sectors relating to our business as part of our ordinary and usual course of business.

The percentage ratios of the Investment are all less than 5% by reference to the most recent fiscal year of the Company’s Track Record Period.

The assets, revenue and consideration percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules for the Investment are all less than 5% by reference to the most recent fiscal year of the Track Record Period.

Accordingly, we believe that the Investment has not resulted in, and do not expect the Investment to result in, any significant changes to our financial position since June 30, 2023, and all information that is reasonably necessary for the potential investors to make an informed assessment of our activities or financial position has been included in this document. As such, we consider that a waiver from compliance with Rules 4.04(2) and 4.04(4)(a) of the Listing Rules would not prejudice the interests of the investors.

We are not able to exercise any control over the underlying company or business

We only hold and/or expect to only hold a minority equity interest in the Investment and do not control their boards of directors, and expect this to remain the case for any subsequent Investment. The minority rights given to us are generally commensurate to our status as a minority shareholder and are for the protection of our interests as a minority stakeholder in the Investment. These rights are neither intended, nor sufficient to compel or require the target company to prepare or to disclose in this document audited financial statements for the purposes of compliance with Rules 4.04(2) and 4.04(4)(a) of the Listing Rules. It could be prejudicial and potentially harmful to our portfolio relationships and commercial interests to make such disclosures. In addition, disclosing this information could harm the target company’s interests and bring it into an unfavorable competitive position. Accordingly, as we do not expect the Investment to result in any material changes to our financial position after the Track Record Period, we do not believe the non-disclosure of the required information pursuant to Rules 4.04(2) and 4.04(4)(a) of the Listing Rules would prejudice the interest of the investors.

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Alternative disclosure of the Investment in this document

We have disclosed alternative information about the Investment in this document, such information includes those which would be required for a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules that our directors consider to be material, including, the descriptions of the target company’s principal business activities; consideration of the investment; basis of determination of such consideration; the book value of assets, revenue and net loss of Company A for the two financial years immediately prior to the acquisition; the source of funds from which the consideration will be satisfied; the rationale and benefits of such investment to the Group; and the independence of the ultimate beneficial owners of the target company. We have however excluded disclosure on the name of company in connection with the Investment in this document because the investment agreement contains certain confidentiality clauses and we do not have consent for such disclosure. It is commercially sensitive to disclose the identity of the target company as such information may enable our competitors to anticipate our investment strategy. Since the relevant percentage ratio of the Investment is less than 5% by reference to the most recent fiscal year of the Company’s Track Record Period, we believe the current disclosure is adequate for potential investors to form an informed assessment of us.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions that will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon [REDACTED]. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers from strict compliance with (i) the announcement, circular and independent Shareholders’ approval requirements under Rule 14A.105 of the Listing Rules; (ii) the requirement of setting monetary annual caps for continuing connected transactions under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the term of certain continuing connected transactions to three years or less under Rule 14A.52 of the Listing Rules. For further details in this respect, see “Continuing Connected Transactions”.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
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Executive Director

Jet Jie Li (李傑)	Unit 301, No.16, Lane 899 Xinfeng Middle Road Huaxinzhen, Qingpu District Shanghai, PRC	Chinese
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Non-executive Directors

(in alphabetical order)

Alice Yu-fen Cheng (鄭玉芬)	10F-2, No. 451, Section 6 Min-Quan East Road Neihu District, Taipei 114 Taiwan	Chinese (Taiwan)
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Qinghua Liao (廖清華)	Unit 2-2-1301 Xinyi-Yicuihaoyuan Dezheng Middle Road, Changan Dongguan City, Guangdong Province, PRC	Chinese
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Yuan Zhang (張源)	Flat C, 19/F, Tower 1 Victoria Towers 188 Canton Road Kowloon, Hong Kong	Chinese (Hong Kong)
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Independent non-executive Directors

(in alphabetical order)

Charles Zhaoxuan Yang (楊昭烜)	Floor 8, Block 1, Chuang’s Tower 30-32 Connaught Road Central Hong Kong	Chinese (Hong Kong)
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Erh Fei Liu (劉二飛)	32H, Tower 2, The Avenue Phase 2 200 Queen’s Road East Hong Kong	Chinese (Hong Kong)
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Peng Shen (沈鵬)	No. 2253, Mingdu Garden Houshayu Area Shunyi District Beijing, PRC	Chinese
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For more information on our Directors, see “Directors and Senior Management”.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

Morgan Stanley Asia Limited
46/F, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Merrill Lynch (Asia Pacific) Limited
55/F, Cheung Kong Center
2 Queen's Road Central
Central, Hong Kong

**China International Capital Corporation
Hong Kong Securities Limited**
29/F, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

[REDACTED] and [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

Legal Advisers to Our Company

As to laws of Hong Kong and the U.S.:

Latham & Watkins LLP
18th Floor, One Exchange Square
8 Connaught Place, Central
Hong Kong

As to Indonesian laws:

Hutabarat Halim & Rekan
Jl. Kawi Raya No.46A
RT.6/RW.2, Guntur
Kecamatan Setiabudi
Kota Jakarta Selatan
Daerah Khusus Ibukota Jakarta 12980
Indonesia

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

As to laws of Vietnam:

Vietnam International Law Firm (VILAF)
HCO Building (Melia), 6th Floor
44B Ly Thuong Kiet Street
Hanoi, Vietnam

As to Malaysian laws:

Rahmat Lim & Partners
Suite 33.01, Level 33
The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

As to laws of the Philippines:

SyCip Salazar Hernandez & Gatmaitan
SyCipLaw Center
105 Paseo de Roxas
Makati City 1226
The Philippines

As to laws of Thailand:

Weerawong, Chinnavat & Partners Ltd.
22nd Floor Mercury Tower
540 Ploenchit Road, Lumpini
Pathumwan, Bangkok 10330
Thailand

As to laws of PRC:

DaHui Lawyers
Suite 3720 China World Tower A
1 Jianguomenwai Avenue
Beijing
100040 PRC

As to laws of Cayman Islands:

Harney Westwood & Riegels
3501, The Center
99 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Legal Advisers to the [REDACTED]

As to laws of Hong Kong and the U.S.:

**Skadden, Arps, Slate, Meagher & Flom
and affiliates**

42/F, Edinburgh Tower, The Landmark
15 Queen's Road Central
Hong Kong

As to laws of PRC:

Han Kun Law Offices

9/F, Office Tower C1, Oriental Plaza
1 East Chang An Ave, Dongcheng District
Beijing 100738, PRC

Commerce & Finance Law Offices

12-14th Floor, China World Office 2
No. 1 Jianguomenwai Avenue
Beijing 100004, PRC

Reporting Accountant and Auditor

PricewaterhouseCoopers

*Certified Public Accountants and Registered
Public Interest Entity Auditor*

22/F, Prince's Building
Central
Hong Kong

Industry Consultant

Frost & Sullivan Limited

3006, Two Exchange Square
8 Connaught Place
Central, Hong Kong

[REDACTED]

Compliance Adviser

Somerley Capital Limited

20/F China Building
29 Queen's Road Central
Hong Kong

CORPORATE INFORMATION

Registered office in the Cayman Islands	Harneys Fiduciary (Cayman) Limited 4th floor, Harbour Place 103 South Church Street P.O. Box 10240 Grand Cayman, KY1-1002 Cayman Islands
Principal place of business in the PRC	Room 1001, Block A, Tower 5 1777 Hualong Road, Huaxinzhen Qingpu District Shanghai PRC
Principal place of business in Hong Kong	5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
Company’s website	<u>www.jtexpress.com</u> <i>(The contents on this website do not form part of this document)</i>
Company Secretary	Yin Shan Hui (許燕珊), ACG, HKACG
Authorized Representatives	Jet Jie Li (李傑) Unit 301, No. 16, Lane 899 Xinfeng Middle Road Huaxinzhen, Qingpu District Shanghai PRC Yin Shan Hui (許燕珊), ACG, HKACG 5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
Audit Committee	Charles Zhaoxuan Yang (<i>Chairman</i>) Alice Yu-fen Cheng Erh Fei Liu
Remuneration Committee	Erh Fei Liu (<i>Chairman</i>) Jet Jie Li Peng Shen
Nomination Committee	Erh Fei Liu (<i>Chairman</i>) Jet Jie Li Peng Shen
Corporate Governance Committee	Peng Shen (<i>Chairman</i>) Charles Zhaoxuan Yang Erh Fei Liu

CORPORATE INFORMATION

**Principal share registrar
and transfer office**

Harneys Fiduciary (Cayman) Limited
4th floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman, KY1-1002
Cayman Islands

[REDACTED]

Principal bankers

**CTBC Bank Co., Ltd., Hong Kong
Branch**
8 Finance Street
Central, Hong Kong

Citibank, N.A., Hong Kong Branch
Champion Tower, Three Garden Road
Central, Hong Kong

**The Hong Kong and Shanghai Banking
Corporation Limited**
Head Office, 1 Queen's Road Central
Hong Kong

**Shanghai Pudong Development Bank
Offshore Banking Unit**
No. 12 Zhong Shan Dong Yi Road
Shanghai, PRC

INDUSTRY OVERVIEW

This section contains certain information, statistics and data which are derived from a commissioned report from Frost & Sullivan, an Independent Third Party. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading in any material respect. For discussion of risks related to our industry, please see “Risk Factors – Risks Related to our Business and Industry”.

SOURCE OF INFORMATION

We engaged Frost & Sullivan to conduct market research and prepare a report concerning the global express delivery market (the “Frost & Sullivan Report”). We believe that Frost & Sullivan has specialized research capabilities and experience in this industry. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report.

FROST & SULLIVAN REPORT

Frost & Sullivan is an independent market intelligence provider that provides market research, information and advice to companies in various industries, including the express delivery industry. We have agreed to pay a commission fee of approximately US\$455,000 for the Frost & Sullivan Report. The Frost & Sullivan Report was compiled using both primary and secondary research conducted in markets where we operate.

Frost & Sullivan’s projection on the size of each of the markets in the Frost & Sullivan Report takes into consideration various factors, such as (i) primary research including interviews with industry participants, competitors, downstream customers and recognized third-party industry associations; and (ii) secondary research including reviews of corporate annual reports, databases of relevant official authorities, as well as (iii) utilizing the exclusive database established by Frost & Sullivan over the past decades. Frost & Sullivan has prepared the Frost & Sullivan Report on the assumptions that (i) the social, economic and political conditions in the major overseas countries and China markets currently discussed will remain stable during the forecast period; (ii) government policies on express delivery industries in China and major overseas countries discussed will remain consistent during the forecast period; and (iii) the global and China express delivery markets will be driven by the factors which are stated in this report. The reliability of the Frost & Sullivan Report may be affected by the accuracy of the foregoing assumptions and factors.

Frost & Sullivan also conducted a consumer survey of the express delivery markets in the five main country markets of Southeast Asia (Indonesia, Vietnam, Malaysia, the Philippines and Thailand) and collected 1,500 valid replies (300 for each of the five main country markets) from respondents including business merchants and individual consumers. The results of the survey are included in the Frost & Sullivan Report.

We confirm that after taking reasonable care, there has been no adverse change in the market information since the date of the report prepared by Frost & Sullivan which may qualify, contradict or have an impact on the information set forth in this section in any material respect.

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REGIONAL MARKET DEFINITIONS

Our core operations, express delivery services, span across primarily seven Southeast Asian countries and China. We define our region of Southeast Asia (“SEA”) as the combined markets of Indonesia, Vietnam, Malaysia, the Philippines, Thailand, Cambodia and Singapore. We have also expanded globally into Saudi Arabia, UAE, Mexico, Brazil, and Egypt, all of which we define as our New Markets.

EXPRESS DELIVERY BUSINESS MODELS

Express delivery operators are primarily divided into three main business models, namely direct operation model, network partner model and regional sponsor model.

Direct operation model. Under a direct operation model, the express delivery operator controls the entire process of parcel pickup, transportation and delivery, and builds its own sorting centers, pickup and delivery outlets and delivery teams. Under this model, express delivery operators take on all revenues and costs in the express delivery process. The direct operation model typically allows for direct operational control and a higher price, but imposes a significant demand on capital which may slow the growth of the operations.

Network partner model. Under the network partner model, the express delivery operator is only responsible for the sorting and line haul transportation process, while network partners are primarily responsible for first- and last-mile pickup and delivery. Express delivery operators under a network partner model typically collect waybill fees from network partners and take on all costs in sorting and transportation. Such model is more demanding upon management and come with difficulties in controlling service quality.

Regional sponsor model. Under the regional sponsor model, which is currently employed by J&T, the express delivery operator partners with regional sponsors that assist country headquarters in operating local delivery networks in designated geographies. Critical parts of the network, including sorting and line-haul, are operated by country headquarters and the regional sponsors through regional operating entities, while local pickup and delivery outlets and service stations are typically either managed directly by regional sponsors or by network partners. In areas where the express delivery operator engages network partners, such network partners function similarly to network partners under a network partner model. Advantages of the regional sponsor model include aligned interest and culture, high flexibility and adaption, strong operational control and low cost and capital requirement.

Differences between express delivery models

Flexibility is one of the advantages of regional sponsor model over network partners model. Under the regional sponsor model, once the regional sponsors are appointed, they could, at their discretion, choose to directly operate their pickup and delivery outlets without any network partners or engage network partners to expand the network, depending on which is suitable for the respective market. The split between pickup and delivery outlets operated by the regional sponsors and by the independent network partners is an outcome reflecting the operational decision of each regional sponsor across markets.

Under a regional sponsor model, an express delivery operator relies on and partners with regional sponsors to expand and operate its network. In contrast, under a traditional network partners model, an express delivery operator predominantly expands the network via network partners, such express delivery operator directly manages these network partners, and network partners are their most important business partners.

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Additionally, the relationship between regional sponsors and the express delivery operator is closer and more binding than that between the thousands of network partners and express delivery companies using a network partner model, because the regional sponsor is fundamentally different from a network partner due to their investment into the network, scope of responsibility and alignment of interest. The regional sponsor model is only similar to the traditional network partner model when the operator under the regional sponsor model engages network partners for similar obligations (i.e., first-mile pickup and last-mile delivery) as under the network partner model.

Under a direct operation model, the express delivery operator is responsible for entire express delivery process. In different stages, the network partner model and regional sponsor model are different in the following aspects:

	<u>Network partner/franchise model</u>	<u>Regional sponsor model</u>
Ramp-up stage	<ul style="list-style-type: none"> • If the express delivery operator plans to enter into a new market, it needs to spend time and efforts in searching for every network partner locally to build the network. • The express delivery operators directly contract with and manage its network partners. 	<ul style="list-style-type: none"> • When the express delivery operator enters into a new market, it first engages the regional sponsors. The headquarters authorize regional sponsors to execute and tailor strategies based on local market requirements. Regional sponsors exercise discretions to invest resources, time and energy to expand the network.
Operation stage	<ul style="list-style-type: none"> • Express delivery operators predominantly rely on network partners to perform pickup and delivery obligations. • Network partners perform limited functions within a limited designated area. Network partners do not operate sorting centers or line-haul vehicles. • Network partners can use the express delivery operators’ brand and logos, software and system. 	<ul style="list-style-type: none"> • Subject to local conditions, the express delivery operator and regional sponsors may decide to (i) directly operate pickup and delivery outlets, or (ii) engage network partners. • In regions where network partners are engaged, regional sponsors manage the network partners. • Regional sponsors are responsible for the overall operation. Regional sponsors together with country headquarters operate sorting centers and line-haul vehicles. • Regional sponsors and network partners in the network can access to the express delivery operators’ brand, logos, software and system.

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OVERVIEW OF SEA EXPRESS DELIVERY MARKET

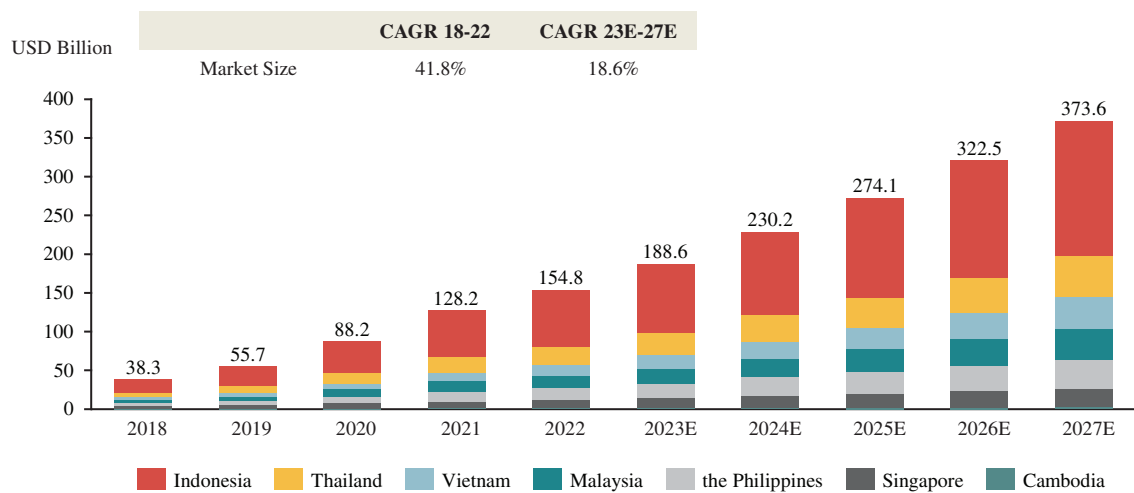
SEA economy

SEA is one of the fastest-growing regions in the world, with significant growth in GDP and per capita income in the historical period from 2018 to 2022. Nominal GDP of SEA grew from US\$2,959.7 billion in 2018 to US\$3,525.7 billion in 2022, representing a CAGR of 4.5% over the period. The SEA region is expected to maintain fast growth at a CAGR of 7.9% and reach US\$5,188.8 billion by 2027. Nominal GDP per capita of SEA is expected to increase from US\$6,216.9 in 2023 to US\$8,143.1 in 2027 at a CAGR of 7.0%, which will further drive the development of the e-commerce retail and express delivery markets in SEA. Among the SEA countries, Indonesia, the largest country in SEA, had nominal GDP of US\$1,289.4 billion in 2022, accounting for 36.6% of SEA’s nominal GDP in 2022, and will continue to be the largest GDP contributor in the region through 2027. Compared to the 65.2% urbanization rate of China in 2022, the urbanization rate of SEA was 54.4% in 2022 but is expected to reach 68.1% in 2027 due to continued urbanization and development of infrastructure in SEA. In terms of demographic structure, SEA has a relatively young population, indicating future growth potential for new technology and new retail markets including the e-commerce retail industry. For example, the percentage of the population aged 15 to 29 in SEA was approximately 25%, which is comparatively higher than the percentage in developed countries such as the United States, in which approximately 20% of the population was aged 15 to 29 in 2022.

SEA e-commerce retail market

With strong economic growth and increasing Internet and smartphone penetration rates, the e-commerce retail market in SEA experienced rapid growth from 2018 to 2022. An increasing number and variety of companies from multiple industries have applied omni-channel retail strategies that have boosted growth of e-commerce. In addition, social restrictions due to the COVID-19 pandemic have also contributed to the growth of e-commerce and associated parcel volumes in recent years. The total transaction value of the e-commerce retail market grew from US\$38.3 billion in 2018 to US\$154.8 billion in 2022, representing a CAGR of 41.8% during the period. In 2022, an estimated 11.1 billion parcels were delivered (including e-commerce and regular commerce) across SEA, representing year-over-year growth of 15.1%. Concurrently, demand for fast, high-quality express delivery services has increased.

**Market Size of E-commerce Retail Market (by Transaction Value),
Southeast Asia, 2018-2027E**



Source: Frost & Sullivan

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Indonesia has the largest e-commerce retail market in SEA. The size of Indonesia’s e-commerce retail market, measured by transaction value, grew at a CAGR of 44.1% from US\$17.1 billion in 2018 to US\$73.8 billion in 2022, which represented a 47.7% market share in SEA in 2022. The number of active e-commerce users in Indonesia increased from 100.4 million in 2018 to 168.6 million in 2022. Other SEA countries have experienced similar growth. The e-commerce retail market in terms of transaction value in Malaysia, Vietnam, the Philippines and Thailand have been growing at a CAGR of 44.1%, 41.7%, 37.1%, 42.2%, respectively, over the same period.

Leading e-commerce platforms in SEA, such as Shopee, Lazada, and Tokopedia, are expected to maintain fast growth rates, as the improvement of Internet infrastructure and smartphone penetration in SEA is expected to further facilitate transitions from offline retail into the e-commerce channel. In a leading market such as Indonesia, the e-commerce penetration rate is expected to increase from 23.6% in 2023 to 33.3% in 2027, with growth driven by increasing numbers of online shoppers and product categories. For Thailand, the second largest e-commerce retail market in SEA, the e-commerce penetration rate was only 14.2% in 2022, leaving significant room for future growth, and is expecting to reach 29.0% in 2027. The e-commerce penetration rate in SEA is expected to increase from 17.9% in 2023 to 29.8% in 2027.

As a result, the e-commerce retail market in SEA is expected to reach US\$373.6 billion in 2027 from US\$188.6 billion in 2023, representing a CAGR of 18.6%. The e-commerce retail market in Indonesia is expected to continue its leading position, and reach US\$175.2 billion by 2027 from US\$90.3 billion in 2023, representing a CAGR of 18.0%. The e-commerce retail market in Vietnam, Malaysia, the Philippines and Cambodia are expected to grow approximately 20% year over year to 2027.

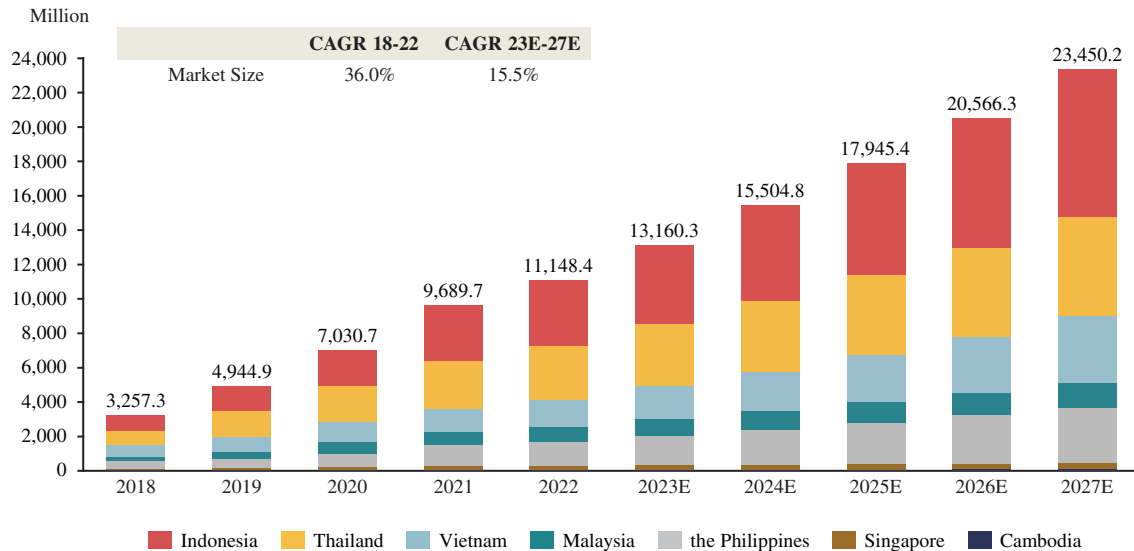
Social e-commerce is an emerging mode of e-commerce, adopted by companies such as TikTok and Facebook, which integrates e-commerce with social networks, leveraging on mobile internet technology, social networking, online payments, logistics and other tools, in order to sell merchandise online through social group sharing and interaction. Social e-commerce, as a subset of the e-commerce retail market in SEA, in terms of transaction value, increased 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, representing a CAGR of 22.2% from 2023 to 2027. As a percentage of the e-commerce retail market in SEA in terms of transaction value, social e-commerce grew from 24.0% in 2018 to 38.9% in 2022, and is expected to grow to 48.1% in 2027.

Historical trends and opportunities in the SEA express delivery market

The express delivery industry in SEA is at a nascent stage and is rapidly growing. Driven by continuous growth of per capita income, rapidly increasing internet penetration and growth of e-commerce, the SEA express delivery market grew from 3,257.3 million in parcel volume in 2018 to 11,148.4 million in 2022, representing a CAGR of 36.0%, and is expected to reach 23,450.2 million in parcel volume by 2027 from 13,160.3 million in 2023, representing a CAGR of 15.5%.

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Market Size of Express Delivery Market (by Parcel Volume), Southeast Asia, 2018-2027E



Source: Primary interviews, Frost & Sullivan

Drivers and opportunities for express delivery market in SEA

The following factors have historically contributed to and are expected to continue to fuel the growth of the SEA express delivery industry:

Growing GDP Per Capita and Consumer Purchasing Power

The rising level of GDP per capita in SEA has been a major force behind the booming retail market. The overall SEA market is expected to experience growth in GDP per capita from US\$6,216.9 in 2023 to US\$8,143.1 in 2027, representing a CAGR of 7.0%, which demonstrates growth in consumer purchasing power and will continue to support e-commerce development.

Improved Transportation and Local Infrastructure and Payment Systems

Along with improved transportation systems and infrastructure, express delivery services will see significant improvement in terms of service quality, coverage and timeliness, which will further stimulate the demand for e-commerce express logistics.

As online payments become more widely accepted by regional banks and timely settlement can be provided, this will encourage consumers to transact with e-commerce platforms. Additionally, express delivery service providers have begun to partner with local banks to offer cash on delivery (COD) services to resolve difficulties in payment where online payments are not available.

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Growth of E-commerce Platforms

The growth of major e-commerce platforms such as Shopee, Lazada, and Tokopedia, continues to support a shift in consumer behavior to online shopping, with more comprehensive services such as small value goods and community purchases, which depend heavily on express delivery services.

Growing popularity of social e-commerce will also lead to a shift in customer behaviors. Platforms such as Facebook and Tik Tok are typically more popular among younger consumers with stronger purchasing power. Social e-commerce has already grown to 38.9% as a percentage of the SEA e-commerce retail market in 2022.

Favorable Government Policies

To promote the sustainable development of express delivery industry in SEA, governments in the region have issued policies and guidelines to define the scope of express delivery activities and standardize the permitting processes to aid the orderly development of the express delivery industry. Favorable government policies and guidelines include The Logistics and Trade Facilitation Masterplan in Malaysia, which aims to provide the strategic framework to resolve bottlenecks in the logistics sector, and Indonesia’s digital roadmap 2021-2024, which aims to develop digital ecosystems covering logistics, governments, transportations and so on, as well as The Logistics Reform Development Policy Loan, which aims to improve logistics system, strengthen country’s connectivity and simplify current lengthy administrative procedures in Indonesia.

Competitive landscape

The SEA express delivery market historically had been relatively fragmented due to poor network coverage, underdeveloped transportation infrastructure, unavailability of settlement options, and difficulty in accessing remote locations. Many players in the express delivery industry have limited coverage across the region, while relatively few players offer delivery services across multiple countries in the region. In 2022, there were approximately 2,000 express delivery operators in SEA market, and the top five players in SEA had only 47.9% market share, compared to China where the top five players had over 70% market share. Furthermore, the Company has witnessed the exit of certain country level players due to competition in the past few years in SEA. Therefore, the SEA market presents significant potential for consolidation.

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Top 5 Express Delivery Operators (by Parcel Volume), SEA, 2022

Rank	Express Delivery Operators	Business Model	Country Coverage	Parcel Volume (Millions)	Market Share
1	J&T	Regional Sponsor Model (supported by network partner model)	Indonesia, Thailand, Malaysia, Singapore, Vietnam, Cambodia, the Philippines	2,513.2	22.5%
2	Company A	Direct Operation Model	Mainly Thailand	802.8	7.2%
3	Company B	Direct Operation and Network Partner Model	Mainly Indonesia	697.5	6.3%
4	Company C	Direct Operation Model	Mainly Thailand	668.5	6.0%
5	Company D	Direct Operation and Network Partner Model	Mainly Indonesia	657.6	5.9%

Source: Primary interviews, Frost & Sullivan

Notes:

Company A: Established in 1883 and headquartered in Bangkok, it is a state enterprise that provides postal services mainly in Thailand.

Company B: Established in 1990 and headquartered in Jakarta, it is an Indonesian express delivery and logistics courier that provides postal and delivery services mainly in Indonesia.

Company C: Established in 2006 and headquartered in Bangkok, it offers a comprehensive range of integrated parcel delivery services to customers in the C2C, B2C, and B2B segments mainly in Thailand.

Company D: Established in 2014 and headquartered in Jakarta, it offers shipping and logistics services for customers mainly in Indonesia.

The SEA express and parcel market had historically been supported by government with a focus on domestic mail and parcel delivery. However, this dynamic is changing due to (i) the inefficiencies of incumbent firms with higher costs and lower service quality, (ii) the impact from COVID-19 in the past three years, resulting in a shift of customer behavior and increasing reliance on online purchases and express delivery, (iii) government promotion of e-commerce and encouraging the collaboration between e-commerce and parcel delivery players to ensure that rural communities are covered, and (iv) the fact that SEA continues to serve as a major hub for cross-border e-commerce.

SEA presents multiple challenges for the development of the express delivery sector. The primary challenges are as follows:

- **Network coverage and difficulty of access.** Lack of network coverage, particularly outside of metropolitan areas, results in certain regions being underserved by express delivery service providers. Geographic features of certain regions such as Indonesia’s archipelagic geography also present a challenge for inter-island connectivity that often involves complex supply chain management.

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- **Infrastructure.** Many regions in SEA have poorly developed transport infrastructure, ambiguous location identification, as well as barriers caused by local languages and dialects, which requires address digitalization across jurisdictions to improve the accuracy and timeliness of deliveries.
- **Settlement.** Due to the more nascent developmental stage of the SEA e-commerce retail market, many regions require different modes of settlement. In particular, in certain regions such as the Philippines, many transactions are still settled in cash, which creates challenges for online transactions.
- **Data integration.** E-commerce platforms require real-time data to allow them to manage inventory and warehousing, as well as track shipments throughout the delivery process. However, many traditional delivery service providers in SEA only provide manual tracking.

These challenges leave great opportunities for players with coverage and standardized customer service across different countries. Competition in the express delivery market in SEA will continue to increase, with e-commerce platforms building their own express delivery teams and new players entering into the market. Despite increasing competition, existing top market players in the market are expected to maintain leadership supported by various competitive advantages.

Barriers to entry

New entrants into the SEA express delivery market face multiple major challenges that are increasing as the industry matures. These challenges are as follows:

- **Network.** SEA presents challenges in terms of the need to cover vast geographic regions with many remote locations. Many leading express enterprises have invested in and developed broad network coverage. It is difficult for new entrants to establish regional coverage and compete with more established enterprises in the short term.
- **Customized operations.** The diversity in levels of economic development in the region requires the adoption of customized operating modes, reducing economies of scale. For example, the Philippines, Vietnam and Cambodia are still cash-first markets which require express providers to offer additional services such as COD.
- **Capital.** New entrants require significant capital to build up adequate network coverage in a region and contracted volume that are vital to the survival in the early stage. Additionally, most markets in the region have underdeveloped transport infrastructure as well as location identification. Incumbents have invested significant resources to overcome these limitations by hiring local experts with knowledge of the region and building in-house databases to identify addresses.
- **Licensing and regulatory.** Several markets in SEA have unique licensing requirements to operate express delivery services. Within these markets the licensing structure requires a separate permit to operate within each region, further adding complexity to entering into and scaling in this market. Certain operators in the region are state-owned, creating conflicts of interest.

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OVERVIEW OF CHINA EXPRESS DELIVERY MARKET

China economy

China is one of the largest and fastest-growing economies in the world. The Chinese economy has experienced extraordinary growth over the past five years, with a nominal GDP increasing from US\$13,841.8 billion in 2018 to US\$17,994.9 billion in 2022, representing a CAGR of 6.8%. China’s nominal GDP is expected to further grow at a CAGR of 5.6% over the next five years. China’s GDP per capita increased from US\$9,849.0 in 2018 to US\$12,746.1 in 2022, and is expected to increase further to US\$16,961.4 by 2027.

E-commerce as the main driver of China express delivery market

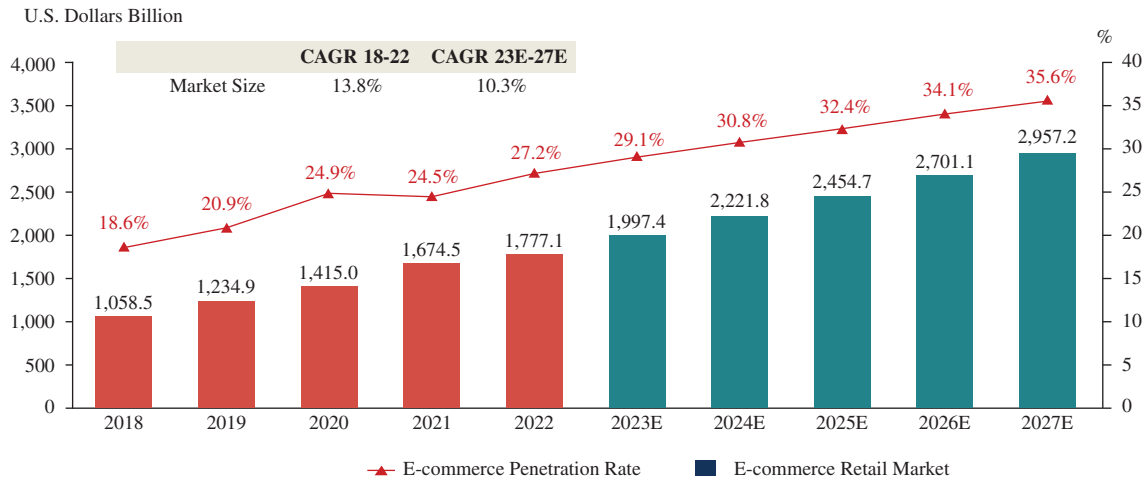
China has the largest e-commerce retail market in the world in terms of e-commerce retail value, amounting to US\$1,777.1 billion in 2022, which represented over 40% of the US\$3.9 trillion global market in 2022. The development of e-commerce in China has reshaped and promoted the development of the logistics sector as well as the express delivery industry.

The number of e-commerce users in China increased from 610.1 million in 2018 to 934.3 million in 2022 at a CAGR of 11.2% while the e-commerce user coverage ratio in China increased from 43.4% to 66.2% as a percentage of the total population during the same period due to the improvement of internet infrastructure under government support alongside continued development of mobile internet technology, social networking, online payment and logistics in China. As a result, the total e-commerce retail market in China, measured by transaction value, has grown from US\$1,058.5 billion in 2018 to US\$1,777.1 billion in 2022, representing a CAGR of 13.8%. With an increasing use of the Internet, smart devices, and associated suite of functionalities such as electronic payment and live streaming, e-commerce penetration is expected to further increase.

The COVID-19 pandemic has also contributed to an accelerated shift from offline consumption to online, advancing the development of the e-commerce industry, and thus supporting the development of the express delivery industry. Consumers in China are expected to become increasingly receptive to online shopping and generate larger demand for online shopping, and the number of e-commerce users is expected to grow from 1,000.7 million in 2023 to 1,202.1 million in 2027, representing a CAGR of 4.7%. The e-commerce retail market of China 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%.

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Market Size of E-commerce Retail Market (by Transaction Value) and Penetration Rate, Mainland China, 2018-2027E



Source: National Statistics Bureau, Frost & Sullivan

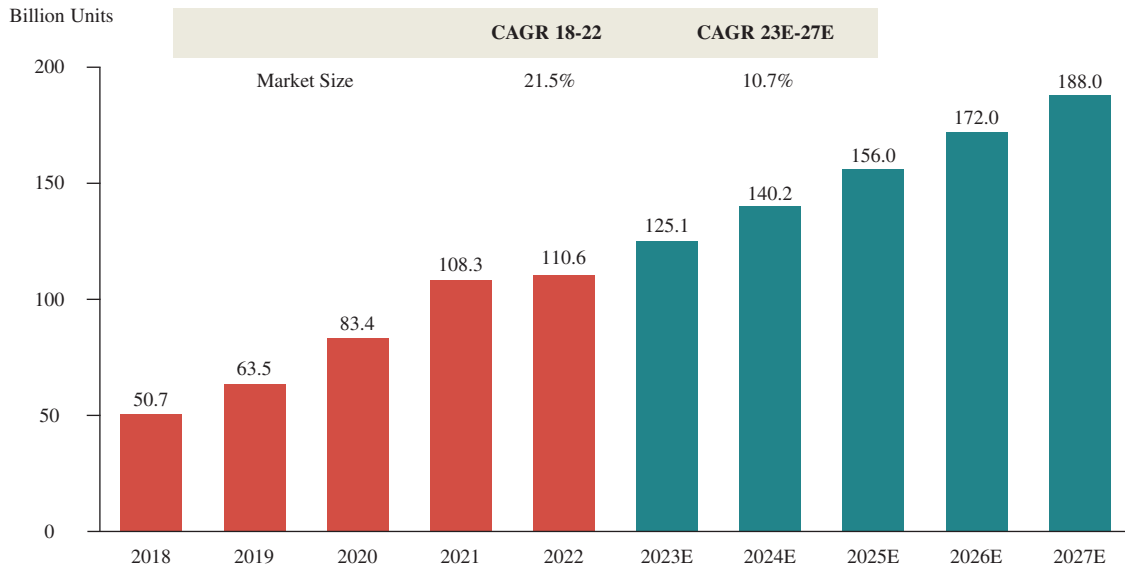
The dynamics of the e-commerce industry in China have been evolving rapidly in recent years and social e-commerce has become the new growth engine. From 2018 to 2022, with the rapid expansion of e-commerce user scale, a solid foundation has been placed for the development of the social e-commerce retail market in China. Rapid growth of social e-commerce has been witnessed alongside the development of social media platforms such as Kuaishou, WeChat and Douyin. Leading e-commerce platforms such as Tmall, Taobao, JD and Pinduoduo have also built up their social e-commerce and live-streaming businesses, which greatly expanded their online product categories and improved the efficiency of traffic conversion. The social e-commerce retail market in China increased from US\$98.5 billion in 2018 to US\$626.5 billion in 2022 at a CAGR of 58.8% and is expected to reach US\$1,660.4 billion in 2027 from US\$839.7 billion in 2023 at a CAGR of 18.6%. The number of social e-commerce users in China increased from 486.4 million in 2018 to 794.2 million in 2022, representing a CAGR of 13.0%, and is expected to further grow to 1,178.1 million in 2027 from 879.2 million in 2023 at a CAGR of 7.6%. Additionally, social e-commerce is expected to increase from 42.0% in 2023 to 56.1% in 2027, as a percentage of the e-commerce retail market in China. Driven by the fast growth of the social e-commerce sector, the express delivery market in China is expected to maintain sustainable growth in the forecasted period.

Historical trends and opportunities in China express delivery market

China is the largest express delivery market in the world in terms of parcel volume in 2022. The China express market has been growing at a CAGR of 21.5% over the past five years (from 2018 to 2022) in terms of parcel volume, and the market is expected to further grow at a CAGR of 10.7% from 2023 to 2027. The China express market is expected to reach 188.0 billion parcels by 2027 from 125.1 billion parcels in 2023.

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Market Size of Express Delivery Market (by Parcel Volume), Mainland China, 2018-2027E



Source: State Post Bureau, Frost & Sullivan

Drivers and opportunities for China express delivery market

Multiple drivers are expected to create additional opportunities in the China express delivery industry. These include:

- **Robust demand from e-commerce.** The rapid development of e-commerce business is the most crucial driver of the express delivery industry, as the majority of express delivery parcel demand comes from e-commerce.
- **Favorable government policies.** To promote the healthy and orderly development of express delivery industry and create a sound business environment, the government has issued policies and reforms to modernize the express delivery industry, encourage innovation, enhance branding of express delivery and logistics companies, and stabilize express delivery pricing. Favorable government policies and guidelines include Plan for the Development of Modern Logistics during the “14th Five-Year Plan” period 《“十四五”現代物流發展規劃》, which aims to develop and improve both domestic and cross-border logistic network, Implementation Plan for the Domestic Demand Expansion Strategy (2022-2035) 《擴大內需戰略規劃綱要(2022–2035年)》 which aims to improve the logistics infrastructure network, coordinate national logistics hubs and increase cross-regional logistics service capacity, and Special Action Plan for the High-quality Development of Trade Logistics (2021-2025) 《商貿物流高質量發展專項行動計劃(2021-2025年)》, which aims to build a smooth, efficient, collaborative modern commercial logistics system.
- **Advanced technology applications.** Successful applications of innovative technologies in the express delivery industry enable express delivery operators to further improve operational efficiency, shorten delivery times and optimize the logistics supply chain.

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- **Improving infrastructure and facilities.** Improvements in national transportation infrastructure lay out a solid foundation for the express delivery industry. Additionally, the focus on new infrastructure and new energy vehicles in the coming years will further enable the express delivery industry to achieve technological innovation and improve service.
- **Emerging cross-border e-commerce and express delivery demand.** Cross-border e-commerce is another growth opportunity for the express delivery industry in mainland China. As mentioned in 14th Five Year plan, the government encourages cross-border e-commerce development, expanding China’s established successful e-commerce and logistics experiences overseas, bridging domestic producers and suppliers directly with overseas consumers and selling domestically manufactured goods to them. Revenue of cross-border small parcels is anticipated to grow at a CAGR of 21.6% from 2023 to 2027, reaching approximately US\$92.0 billion by 2027.

Competitive landscape

In 2022, the express delivery industry in China was relatively concentrated and there were approximately 80 express delivery operators in China, with the top five players accounting for approximately 76.6% of the total business volume. In March 2020, J&T Global tapped into the China express market.

Top Express Delivery Operators (by Parcel Volume), China, 2022

Rank	Express Delivery Operators	Business Model	Parcel Volume (Billions)	Market Share
1	Company E	Network Partner Model	24.4	22.1%
2	Company F	Network Partner Model	17.6	15.9%
3	Company G	Network Partner Model	17.5	15.8%
4	Company H	Network Partner Model	12.9	11.7%
5	Company I	Direct Operation Model	12.3	11.1%
6	J&T Express	Regional Sponsor Model (supported by network partner model)	12.0	10.9%
7	Company J	Direct Operation Model	11.1	10.0%

Source: Company Reports, primary interviews, Frost & Sullivan

Notes:

Company E: Established in 2002 and headquartered in Shanghai, it is a express delivery operator that principally involved in the provision of express delivery services through its nationwide network as well as other value-added logistics services.

Company F: Established in 1999 and headquartered in Shanghai, it is a express delivery operator that offers delivery services, warehousing and international logistics.

Company G: Established in 2000 and headquartered in Shanghai, it is a large express enterprise in China and offers express delivery, general cargo warehousing, domestic air transportation and other related services.

Company H: Established in 1993 and headquartered in Shanghai, it is a express delivery service provider offering express services and other value-added services.

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Company I: Established in 2019 and headquartered in Beijing, it is a state-owned enterprise engaged in the delivery of parcels and postal items in China.

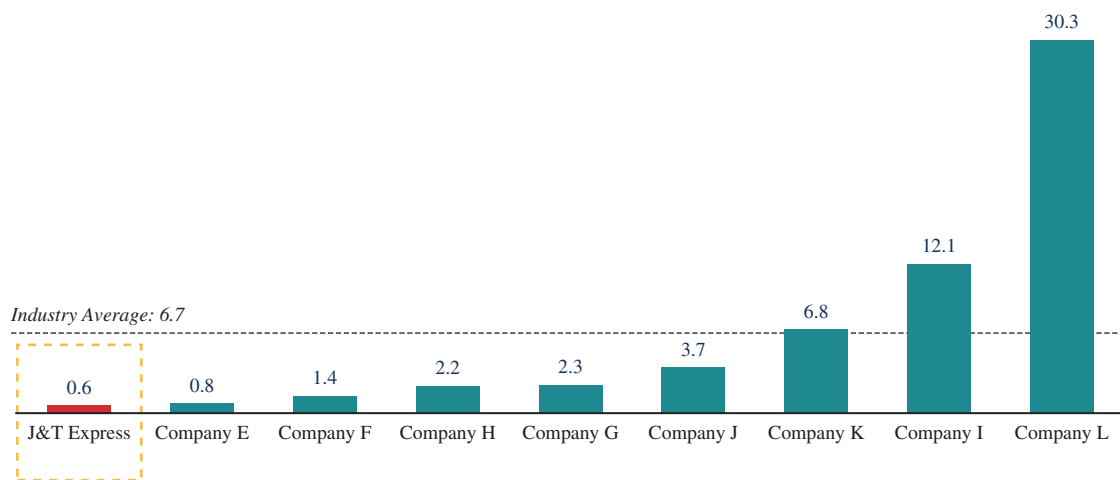
Company J: Established in 1993 and headquartered in Shenzhen, it is a multinational delivery services and logistics company and provides domestic and international express delivery.

Service Quality

Complaint rate, complaint handling composite index and 72 hours on-time rate disclosed by the State Post Bureau of the PRC are three metrics that can represent the service quality of the express delivery operators. Complaint rate refers to the units of parcels for which the State Post Bureau of the PRC receive complaints from customers related to specific express delivery operators per million units of parcels that they have delivered. The evaluation parameters of complaint handling composite index include one-time settlement rate, overdue rate, non-standard response rate of enterprise, false response rate of enterprise, and job satisfaction rate. 72 hours on-time rate refers to the percentage of parcels delivered within 72 hours over total sample domestic cross-city parcels.

The two comparison graphs set below are based on the available period data in 2023. For average complaint rate, the Company ranked as the first among major players in China in the first half of 2023 per available data, significantly better than the industry average level during the period. During the Track Record Period, the Company’s average complaint rate was 1.5, which was lower than the average level of 2.5 for other six top express delivery operators in China. The average complaint rate of Company E, Company F, Company H, Company G, Company J and Company I during the period was 0.5, 1.1, 1.7, 2.4, 4.1 and 5.1, respectively. Only complaint rate data from September 2020 to February 2022 are disclosed and available and such data are used for the comparison above. For complaint handling composite Index, the Company ranked as the first among major players in China in the first half of 2023 per available data. In addition, the State Post Bureau of the PRC arranged a survey regarding the on-time rates of major express delivery operators in China in the first half of 2023. The industry average 72 hours on-time rate is 79.81%, and the leading three players include Company J, Company E, and the Company as disclosed by the State Post Bureau of the PRC.

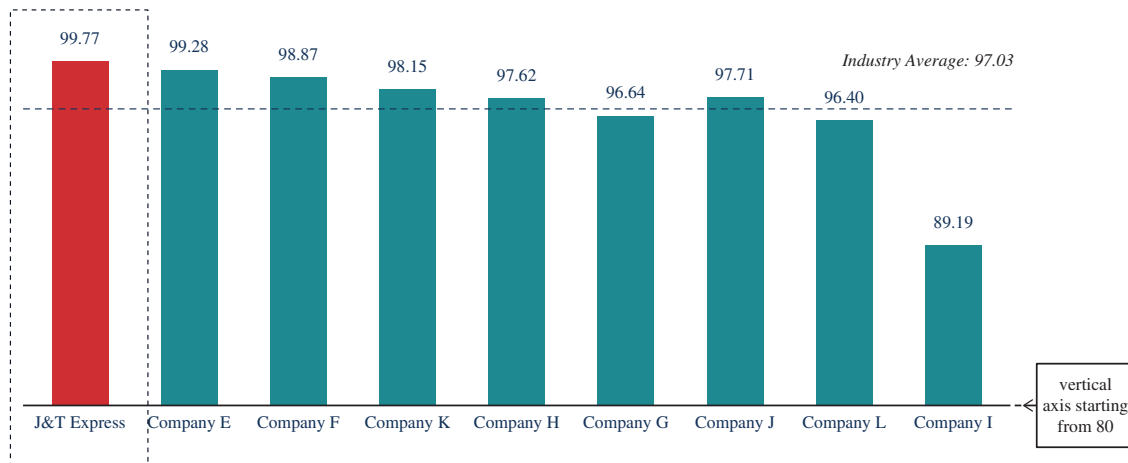
Average Complaint Rate of Top Express Delivery Operators, China, 2023H1



Source: State Post Bureau of the PRC, Frost & Sullivan

INDUSTRY OVERVIEW

Complaint Handling Composite Index of Top Express Delivery Operators, China, 2023H1



Source: State Post Bureau of the PRC, Frost & Sullivan

Barriers to entry

New entrants into the China express delivery market face multiple challenges that are increasing as the industry matures. These challenges are as follows:

- **Capital.** Fixed assets such as sorting centers and transportation vehicles, the basis for express delivery operators to achieve economies of scale, require heavy capital expenditures at early stages of market entry and continual investment as to expand capacity. Most new entrants lack stable operating cash flow while they face the substantial capital demand for capacity expansion, which creates difficulties in capital management and market penetration.
- **Network.** The express industry has experienced a period of rapid growth. As the industry competition intensifies, express delivery operations become less attractive to potential entrants, indirectly contributing to a rise in the cost of network expansion. Most leading express enterprises have nationwide logistics networks and continually consolidate their infrastructure in order to maintain competitiveness. New entrants are unable to compete in terms of network coverage with more established enterprises in the short term.
- **Economies of scale.** Economies of scale have become the key to profitability in the express delivery industry. Economies of scale enhance express delivery operators' ability to control costs. The costs of express delivery mainly consist of waybill cost, transportation cost, sorting center cost and delivery cost. Currently the line-haul transportation and transit costs are the main focal points in cost reduction for most operators. Most leading express delivery operators are ahead of the industry in line-haul transportation and transit costs due to their large volumes, number of sorting centers and line-haul vehicles, which reduce the unit cost of a parcel and also enhance the competitiveness of service. New entrants without adequate scale face challenges in effectively reducing line-haul transportation and transit costs, which results in higher unit cost.

INDUSTRY OVERVIEW

- Technology.** The design and application of technologies tailored for the challenges of each geography are key for express delivery operators to offer competitive services to cater to diverse and personalized customer needs while maintaining high service quality. Going forward, intelligent automation will become the core competitiveness of express delivery operators as it can significantly improve the parcel sorting efficiency and customer service quality of express delivery operators, and effectively reduce the labor and operation costs.

OVERVIEW OF NEW MARKETS

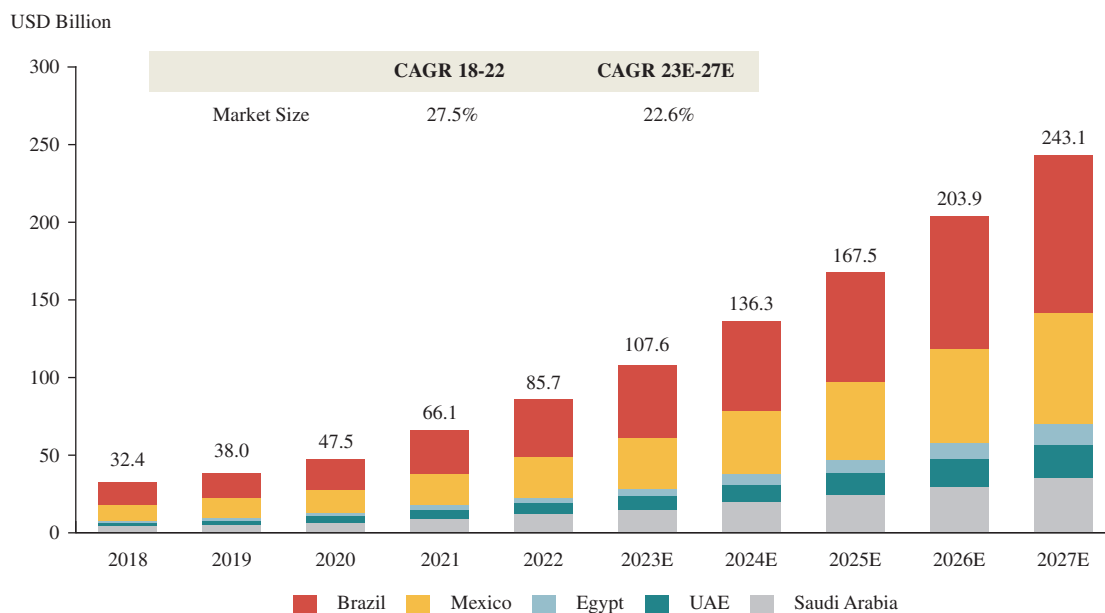
New Markets economies

Total nominal GDP of the New Markets including Saudi Arabia, UAE, Mexico, Brazil, and Egypt was US\$5,302.8 billion in 2022. Nominal GDP of the New Markets is expected to reach US\$7,217.9 billion in 2027, representing a CAGR of 6.3% from 2023 to 2027. Egypt, as a developing country, is expected to become the fastest-growing economy among the New Markets, growing at a CAGR of 16.0% during the same period. In addition, GDP per capita in the New Markets is expected to reach US\$13,785.1 in 2027, which is significantly higher than expected GDP per capita of US\$8,143.1 in SEA in 2027, representing a CAGR of 5.1% from 2023 to 2027.

E-commerce retail markets in New Markets

Retail markets in Saudi Arabia, UAE, Mexico, Brazil, and Egypt have been on the verge of a pivotal transition as consumers shift to online shopping. In the past years, these countries have all experienced significant growth in their e-commerce retail markets. The following chart sets forth a breakdown of the e-commerce retail markets in these countries for the period indicated:

**Market Size of E-commerce Retail Market (by Transaction Value),
New Markets, 2018-2027E**



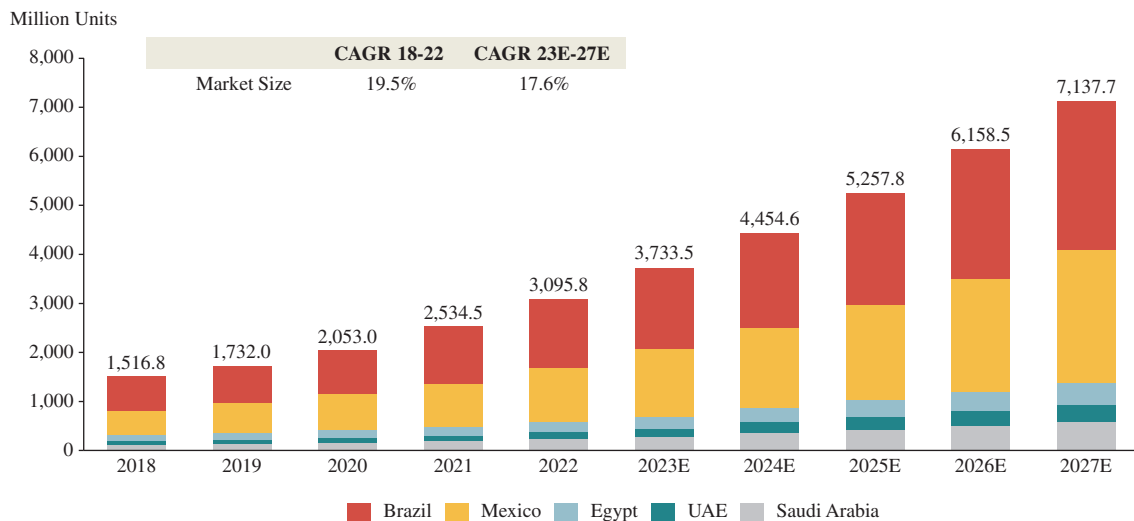
Source: Frost & Sullivan

INDUSTRY OVERVIEW

Each of Saudi Arabia, UAE, Mexico, Brazil, and Egypt is an important economy in their respective regions. The e-commerce markets in these countries have been growing rapidly and are expected to maintain the momentum due to fast developing internet infrastructure, growing national economies and evolving consumer behavior. E-commerce penetration rates have been growing in recent years. The e-commerce retail markets in Saudi Arabia, UAE, Mexico, Brazil, and Egypt have collectively grown from US\$32.4 billion in 2018 to US\$85.7 billion in 2022 in terms of transaction value, representing a CAGR of 27.5%, and are expected to further grow at a CAGR of 22.6% from 2023 to 2027 and reach US\$243.1 billion in 2027. The overall penetration rate for e-commerce of the New Markets is expected to increase from 14.6% in 2023 to 27.5% in 2027.

Strong development of express delivery markets in these countries presents significant opportunities. From 2018 to 2022, the express delivery markets in terms of parcel volume in Saudi Arabia, UAE, Mexico, Brazil, and Egypt grew at a CAGR of 20.2%, 18.5%, 22.3%, 18.7% and 12.7%, respectively. The express delivery markets in Saudi Arabia, UAE, Mexico, Brazil, and Egypt are expected to grow further from 2023 to 2027 at a CAGR of 20.6%, 21.0%, 18.7%, 16.1% and 15.3%, respectively. The growth is expected to benefit from a range of key trends including the development of the economy, infrastructure and e-commerce retail markets, as well as the emergence of cross-border logistics with supportive government policies, in these countries. Due to the early stage of development, express delivery service pricing in the New Markets are relatively higher compared to more developed markets.

**Market Size Express Delivery Market (by Parcel Volume),
New Markets, 2018-2027E**



Source: Primary interviews, Frost & Sullivan

Competitive landscape and entry barriers of New Markets

The express delivery industry in the New Markets is relatively fragmented. Competition remains split between local players and cross-regional players such as FedEx, UPS, DHL and Aramex Express. Revenue per parcel remains relatively high in these markets as compared to revenue per parcel in SEA or China due to fewer competition. Top local players include Braspress, TNT Express and RTE Rodonaves in Brazil, Estafeta Express in Mexico, Egypt Express in Egypt, Emirates Post in UAE and Saudi Post in Saudi Arabia.

INDUSTRY OVERVIEW

Major barriers to entry in the New Markets include:

- **Customers.** Large-scale express delivery operators such as DHL and FedEx have established strong and sustainable partnerships with leading e-commerce platforms in the New Markets, and some e-commerce platforms have built self-operated delivery centers. For example, the Mexico express delivery market is dominated by Estafeta and international express delivery operators such as FedEx, UPS, and DHL. With relatively mature logistics centers, distribution networks and other infrastructure, large-scale express delivery operators have established strong reputations and relationships with their customers. It is difficult for new entrants to establish close partnerships with e-commerce platforms in a short timeframe.
- **Capital.** Sorting centers, logistics infrastructure, and transportation vehicles are the foundations for express delivery operators to ensure the sustainable developments of their business, which require significant capital investments in the early development stages. Leading operators can continue to invest in and explore business opportunities in New Markets at limited profit margin to establish competitive advantages.
- **Technology.** With the rapid development of big data, artificial intelligence and new infrastructure such as 5G and IoT, most leading express operators are now improving their technological strengths in providing customized services and improving efficiency, which help meet diverse and personalized customer needs and enhance service differentiation to improve business competitiveness. In the future, intelligence and automation will become core competencies for express delivery operators, but the application of technology in the business requires operators to accurately capture and understand consumer needs in different scenarios. The leading players have acquired accurate and relevant data through years of experience in the industry, which will be a challenge for new entrants.
- **Network.** The logistics and distribution networks in the New Markets are scattered. Companies are required to build sufficient logistics infrastructure to cover the rural areas in the market. However, as price competition intensifies, express delivery operators are becoming less attractive to potential entrants, while the cost of network expansion is gradually rising. Even if new entrants can successfully establish and operate their networks, their coverage will not be able to compete with most of the established players in the short term.

OVERVIEW OF CROSS-BORDER LOGISTICS MARKET

China’s import and export markets

China, one of the major economies in the world, plays a vital role in global trade. Taking advantage of domestic scaled industry clusters and abundant resources, China is supplying the world with a great amount of goods. For both export and import goods value, China accounted for more than 10% in global trade, with CAGR of around 9.5% and 6.5% respectively from 2018 to 2022. Frequent and significant trade between China and the world create great demand for cross-border logistics services, and in the forecast period, it will remain as the fundamental driver for the cross-border logistics service industry.

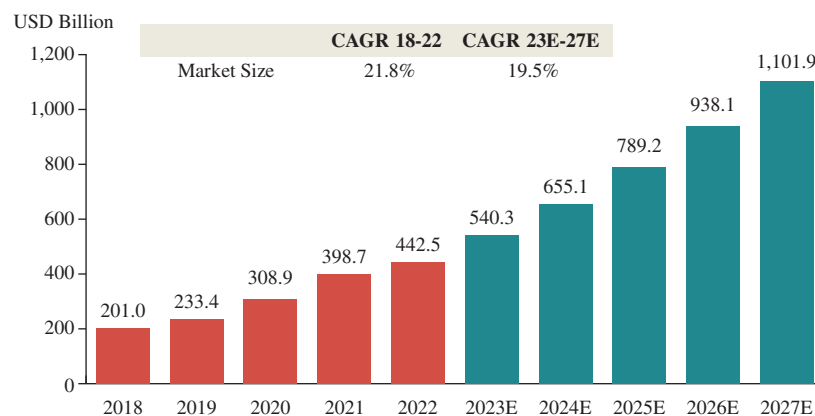
INDUSTRY OVERVIEW

Cross-border e-commerce retail market

China is the world’s largest exporter in terms of merchandise trade value in 2022, and China’s cross-border e-commerce retail business has competitive advantages in terms of policies environment, supply chains infrastructure, sources of supply and so on. Chinese manufacturers and merchants are shifting from OEM business models to direct sales via international e-commerce platforms such as Amazon and Ebay, or independent cross-border e-commerce platforms such as SHEIN and Temu. At the same time, overseas brands and retailers are establishing direct access to the Chinese retail market through China’s e-commerce platforms, such as Tmall Global, Kaola and JD Global.

The market size of cross-border e-commerce retail market in China increased from US\$201.0 billion in 2018 to US\$442.5 billion in 2022, representing a CAGR of 21.8% from 2018 to 2022. Driven by favorable policies toward cross-border e-commerce business, partnerships between e-commerce platforms and overseas brands, and development of international delivery express services, the cross-border e-commerce retail market is expected to reach US\$1,101.9 billion in 2027, with a CAGR of 19.5% from 2023 to 2027.

Market Size of Cross-border E-commerce Retail Market (by Transaction Value), Mainland China, 2018-2027E

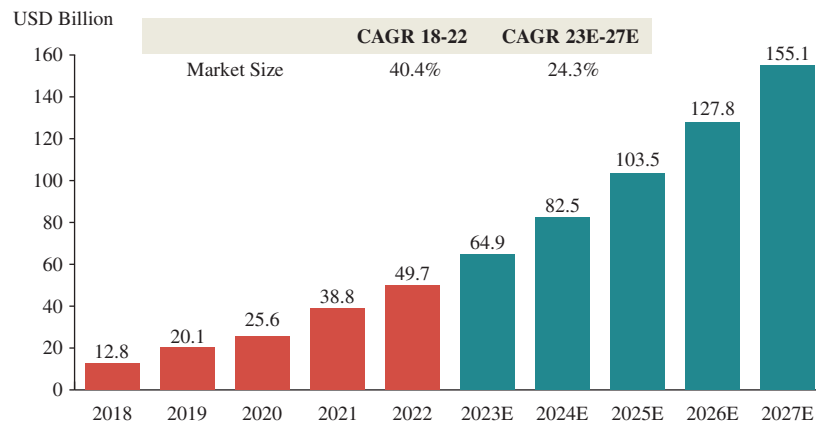


Source: Frost & Sullivan

The Chinese government has been ensuring the continuity and stability of supportive policies on the cross-border e-commerce retail market, including the promotion of the building of international warehouses serving cross-border e-commerce and streamlining the return and refund process for cross-border e-commerce transactions. Driven by the continuous development of cross-border e-commerce retail market in China, cross-border logistics market is expected to develop rapidly with the increasing service demands.

INDUSTRY OVERVIEW

Market Size of Cross-border E-commerce Retail Market (by Transaction Value), Southeast Asia, 2018-2027E



Source: Frost & Sullivan

Global cross-border e-commerce retail players such as Amazon, eBay, Alibaba and JD have been continuously investing into cross-border sector in Southeast Asia, the cross-border e-commerce retail market is expected to reach US\$155.1 billion in 2027 from US\$64.9 billion in 2023, with a CAGR of 24.3%. Driven by the rapid development of e-commerce retail market, construction of international delivery service in Southeast Asia and continuous development of Free Trade Area between SEA and China, the cross-border e-commerce retail market (in terms of transaction value) has increased from US\$12.8 billion in 2018 to US\$49.7 billion in 2022, representing a CAGR of 40.4% during the period, and is expected to become the future growing point of overall e-commerce retail market in the Southeast Asia.

Cross-border logistics market

The broader cross-border logistics markets in China and SEA have also seen significant growth due to the rapid development of cross-border e-commerce and China’s central role as an importer and exporter in the region. The business models of most market players in the cross-border logistics market fall into four categories: (i) cross-border freight forwarding service, (ii) cross-border standard express, (iii) cross-border small parcels, and (iv) international warehousing solutions.

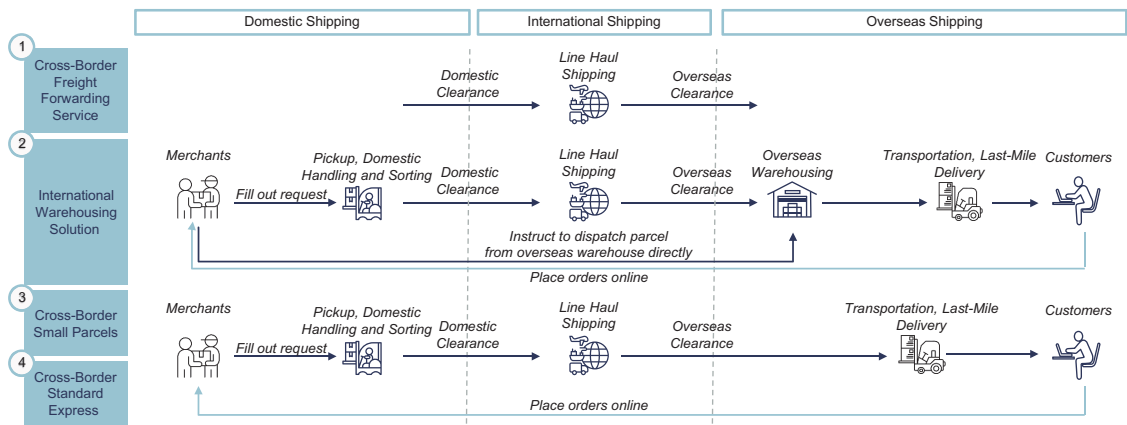
- **Cross-border freight forwarding service.** Cross-border freight forwarding services can be rendered through air, sea and rail freight forwarding. In addition to transport services, freight forwarding service providers also provide customs declaration and custom clearance services.
- **Cross-border standard express.** Cross-border Standard Express is a high-quality international express service typically provided by a single service provider to meet customers’ needs for sending urgent items, mainly for business purposes. Compared with cross-border small parcels, this service is typically more expensive and faster.
- **Cross-border small parcels.** Cross-border small parcels is currently the mainstream logistics solution for cross-border e-commerce item deliveries and involves multiple service providers partnering to serve consumers and business entities involved in cross-border e-commerce transactions. Compared with cross-border standard express, this service is more economical.

INDUSTRY OVERVIEW

- International warehousing solutions.** Primarily serves e-commerce businesses, especially for bulky items. After consumers make orders online, items will be sent out from a warehouse located in the same country. Warehousing services include safekeeping and storage, unloading and loading, inventory, packaging and disposal services.

Cross-border logistics involves complex processes with multiple parties such as local express delivery service providers, customs declaration and clearance service providers, freight forwarders and warehousing service providers. In order to ensure timeliness and delivery accuracy, the industry has been trending towards integration of the cross-border logistics supply chain. Companies with the capability to integrate the resources in the supply chain can streamline cross-border logistics services and improve operational efficiency and service quality.

Comparison of Different Business Models in Cross-Border Logistics Market



Benefiting from the robust growth in cross-border e-commerce, China’s cross-border logistics market witnessed growth of 43.3%, from US\$127.7 billion in 2018 to US\$538.4 billion in 2022. In 2022, cross-border logistics demonstrated a decline. Going forward, the market is gradually returning to normalcy, and driven by growing international trade, the cross-border logistic market is expected to reach US\$411.4 billion in 2027 from US\$260.9 billion in 2023, representing a CAGR of 12.1%.

Key growth drivers for cross-border logistics services

The rapid development of cross-border e-commerce has boosted consumer and business demand for cross-border logistics services. The cross-border logistics industry is primarily influenced by the factors below:

- Development of cross-border e-commerce.** The rapid development of cross-border e-commerce business is an important driver of cross-border logistics. Economic growth, improvements in quality of life, increase in consumer spending, rapid development of telecom services and internet quality, as well as convenience brought by emerging e-commerce platforms have contributed to increasing demand from local residents for goods and services in the global market. For instance, cross-border e-commerce platforms such as Temu have accelerated their business expansion and set up their footprints in North America, Brazil, Australia and Europe within one year, providing local residents with more shopping options and products to choose from.

INDUSTRY OVERVIEW

- **Favorable government policies.** In addition to robust economic growth, cross-border e-commerce business has been and is expected to further benefit from continued government support and favorable governmental policies in SEA, China, and the New Markets, such as the construction of Free Trade Area between SEA and China.
- **Development of cross-border logistics infrastructure.** With the rapid development of local economies and increasing scale of international trade, cross-border logistics infrastructure and facilities have also received local government attention is developing at a fast pace. The Chinese government is committed to innovate and upgrade the global supply chain, strengthening overseas warehouses and overseas logistics centers.
- **Advanced technology driving supply chain efficiency.** Cross-border logistics involves complex procedures. The application of advanced technology has greatly improved the service capability, timeliness and safety of cross-border logistics. Advanced technologies such as IoT, big data, AI and cloud computing can be utilized to support the operation of logistics systems.

Barriers to entry

New entrants in the cross-border express delivery market face significant competition from global players and associated entry barriers. These competitive factors include:

- **Supply chain coordination.** The entire cross-border logistics supply chain comprises multiple components such as parcel pickup, cross-border line-haul transportation, customs declaration and clearance, international freight, onshore and offshore warehousing and last-mile delivery, each of which requires certain expertise, knowledge and business licenses. As such, typically a large number of specialized agents and suppliers are involved in the process and complexity arises in the coordination among various parties. The capabilities to establish and maintain sound business relationships with business partners and to manage the complicated supply chain is crucial to ensure stability of service and timeliness of delivery.
- **Technology capability.** Due to the complicated and multiple procedures involved alongside the supply chain, it is essential for cross-border logistics players to accumulate modern information technology and application capabilities. Companies with advanced logistics information systems and proprietary and integrated technology platforms are better able to provide services, improve customer satisfaction and build customer trust.
- **Infrastructure and facilities.** Cross-border logistics is a capital intensive business that requires investment in logistics network, facilities and manpower. Self-built and self-owned logistics facilities enable the connection in between various business partners along the supply chain and smooths the entire cross-border logistics process. The industry is short of infrastructure and facilities, especially when faced with the COVID-19 pandemic. Companies that have invested in self-owned resources have greater advantages than new participants.
- **Qualification to carry out cross-border logistics.** Certain qualifications are required to conduct cross-border logistics businesses. Government authorities typically would require cross-border logistics companies to register and obtain related license to operate. Certain processes within the cross-border logistics supply chain require the service provider to either be a postal enterprise or an express operator that has completed the registration procedures with customs for cross-border items declaration.

HISTORY AND CORPORATE STRUCTURE

OVERVIEW

The Company was incorporated in the Cayman Islands on October 24, 2019 as an exempted company with limited liability, and is the holding company of the Group with businesses conducted through its subsidiaries and Consolidated Affiliated Entities controlled by the Company via the Contractual Arrangements. The Group is a global logistics service provider.

The Group was founded by Mr. Li, the Chairman of the Board, executive Director and Chief Executive Officer. The development history of the Group can be traced back to August 2015 when Mr. Li founded the Group in Indonesia. Under the leadership of Mr. Li, the Group has expanded 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 by parcel volume in 2022. We expanded into China in 2020. The Group is also the first Asian express delivery operator of scale to have expanded into Saudi Arabia, UAE, Mexico, Brazil and Egypt according to Frost & Sullivan. The Group also engages in cross-border logistics services, which now include freight forwarding, small parcels and warehousing solutions.

BUSINESS MILESTONES

The following is a summary of our key business development milestones:

Year	Event
2015	The Group was founded in August 2015 in Indonesia
2018	We expanded our business into Vietnam and Malaysia
2019	We expanded our business into the Philippines, Thailand and Cambodia
2020	We expanded our business into Singapore and China
2022	We expanded our business into Saudi Arabia, UAE, Mexico, Brazil and Egypt

OUR MAJOR SUBSIDIARIES AND OPERATING ENTITIES

Due to our business model, we have a large number of subsidiaries across multiple jurisdictions. The following entities are of strategic importance to us or have made material contributions to our results of operations during the Track Record Period:

Name of company	Principal business activities	Date and jurisdiction of establishment
PT. Global Jet Express	Our primary operating entity in Indonesia operated via contractual arrangements and primarily engages in express delivery services	May 21, 2015, Indonesia ⁽¹⁾

Note: The date May 21, 2015 refers to the date when PT. Global Jet Express obtained its legal entity status from the Ministry of Law and Human Rights of the Republic of Indonesia.

HISTORY AND CORPORATE STRUCTURE

Name of company	Principal business activities	Date and jurisdiction of establishment
Thuan Phong Express Company Limited	Our primary operating entity in Vietnam and primarily engages in express delivery services	January 13, 2016, Vietnam
J&T Express (Malaysia) Sdn. Bhd	Our primary operating entity in Malaysia and primarily engages in express delivery services	January 10, 2018, Malaysia
PH GLOBAL JET EXPRESS Inc., doing business under the name and style of J&T Express	Our primary operating entity in the Philippines and primarily engages in express delivery services	September 14, 2018, the Philippines
Global Jet Express (Thailand) Co., Ltd.	Our primary operating entity in Thailand and primarily engages in express delivery services	August 17, 2018, Thailand
J&T Express China (極兔速遞有限公司)	A consolidated affiliated entity of our Company and a holding company of certain PRC subsidiaries that primarily engages in courier and logistics services	September 29, 2007, PRC
J&T International Logistics China (極兔國際物流有限公司)	A subsidiary of our Company and a holding company of certain PRC subsidiaries that primarily engage in cross-border delivery services	January 10, 2018, PRC
J&T Express (Guangzhou) Supply Chain Co., Ltd. (廣州極兔供應鏈有限公司)	A consolidated affiliated entity of our Company and primarily engages in courier services	October 18, 2019, PRC
J&T Express (Jinhua) Supply Chain Co., Ltd. (金華極兔供應鏈有限公司)	A consolidated affiliated entity of our Company and primarily engages in courier services	October 28, 2019, PRC
J&T Express (Shandong) Supply Chain Co., Ltd. (山東極兔供應鏈有限公司)	A consolidated affiliated entity of our Company and primarily engages in courier services	October 31, 2019, PRC

HISTORY AND CORPORATE STRUCTURE

Name of company	Principal business activities	Date and jurisdiction of establishment
J&T Express (Henan) Acme Supply Chain Co., Ltd. (河南極兔極致供應鏈有限公司)	A consolidated affiliated entity of our Company and primarily engages in courier services	November 1, 2019, PRC
J&T Express (Jieyang) Supply Chain Management Co., Ltd. (揭陽極兔供應鏈管理有限公司)	A consolidated affiliated entity of our Company and primarily engages in courier services	November 5, 2019, PRC
J&T Express (Fujian) Supply Chain Management Co., Ltd. (福建極兔供應鏈管理有限公司)	A consolidated affiliated entity of our Company and primarily engages in courier services	November 7, 2019, PRC
J&T Express (Hebei) Acme Supply Chain Management Co., Ltd. (河北極兔極致供應鏈管理有限公司)	A consolidated affiliated entity of our Company and primarily engages in courier services	November 13, 2019, PRC

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY AND MAJOR SUBSIDIARIES

The Company was incorporated in the Cayman Islands on October 24, 2019 as an exempted company with limited liability. At the time of formation, it had an authorized share capital of US\$50,000 divided into 5,000,000,000 ordinary shares with a par value of US\$0.00001 each.

On May 17, 2023, our Shareholders resolved, among other things that the authorized share capital of the Company be reclassified and re-designated as follows: (i) 3,719,302,324 Class A Ordinary Shares of a par value of USD0.00001 each; (ii) 195,866,682 Class B Ordinary Shares of a par value of USD0.00001 each; (iii) 74,666,665 Series Pre-A1 Preferred Shares of a par value of USD0.00001 each; (iv) 54,266,667 Series Pre-A2 Preferred Shares of a par value of USD0.00001 each; (v) 269,921,165 Series A Preferred Shares of a par value of USD0.00001 each; (vi) 22,462,293 Series B Preferred Shares of a par value of USD0.00001 each; (vii) 255,864,131 Series B+ Preferred Shares of a par value of USD0.00001 each; (viii) 266,173,696 Series C1 Preferred Shares of a par value of USD0.00001 each; (ix) 115,332,586 Series C2 Preferred Shares of a par value of USD0.00001 each; and (x) 26,143,791 Series D Preferred Shares of a par value of USD0.00001 each.

Between July 15, 2017 and May 17, 2023, we conducted seven rounds of pre-[REDACTED] financing, which raised approximately US\$5.57 billion. See “– Pre-[REDACTED] Investments” in this section for subsequent shareholding changes resulting from the Pre-[REDACTED] Investments. See also “Statutory and General Information – 1. Further Information about our Group – 1.2 Changes in share capital of our Company” in Appendix V to this document for details of changes in the share capital of our Company during the two years immediately preceding the date of this document.

HISTORY AND CORPORATE STRUCTURE

For Shareholding changes of our major subsidiaries, see “Statutory and General Information – 1. Further Information about our Group – 1.3 Changes in the share capital of our major subsidiaries and operating entities” in Appendix V to this document for details of changes in the share capital of our major subsidiaries and operating entities during the two years immediately preceding the date of this document.

We have entered into shareholder agreements with investors of our subsidiaries Jet Global Express Limited (“**Jet Global**”), our holding company of operating entities in New Markets and JNT Express KSA LLC (“**JNT KSA**”), our operating entity for Saudi operations. For details of the shareholder agreements of Jet Global and JNT KSA, see note five to “Corporate structure before the [REDACTED]” in this section for further details.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

Acquisition of SEA Entities

In June 2021, we acquired majority equity interest of 13 operating entities established by our Thai regional sponsors (the “**Thai entities**”), who are all independent third parties. Similarly, in August 2021, we acquired equity interest in 25 operating entities established by our Indonesian regional sponsors (the “**Indonesian entities**”, and together with the Thai entities, the “**SEA entities**”). The consideration for the acquisition of the SEA entities was settled by the Company issuing approximately 449.77 million new Shares. For more information regarding our acquisition of the SEA entities, see Notes 36 and 37 to the Accountant’s Report in Appendix I to this document.

The acquisition of the SEA entities has enabled the Company to achieve synergies under our regional sponsor business model and further incentivize these regional sponsors to share the Company’s vision of long-term growth and value proposition. The consideration for the acquisition was determined after arm’s length negotiation among the parties, taking into account the SEA entities’ business operations and assets. The Directors confirm that the acquisition of the SEA entities was properly and legally completed and all applicable requisite regulatory approvals have been obtained.

Acquisition of BEST Express China

On October 29, 2021, the Group entered into an agreement with BEST Inc., Hangzhou BEST Network Technologies Co., Ltd. (“**Hangzhou BEST**”, together with its subsidiaries, “**BEST Express China**”), Zhejiang BEST Technology Co., Ltd., BEST Logistics Technologies (China) Co., Ltd. (collectively, “**BEST**”), who are all independent third parties, to acquire BEST Express China at an enterprise value of approximately RMB6.8 billion with a cash consideration of US\$715.5 million paid by our Group in 2021. The acquisition was completed on December 8, 2021. For more information regarding the acquisition of BEST Express China, see Note 38 to the Accountant’s Report in Appendix I to this document.

BEST was founded in 2007 and conducts business as a smart supply chain service provider in China. BEST Express China is a wholly-owned subsidiary of BEST and mainly engages in express delivery business in China. The acquisition of BEST Express China represents an opportunity for the Group to further expand and optimize the Group’s service network in China, leverage BEST Express China’s infrastructure to strengthen the Group’s capacity and contribute to the Group’s path to profitability through economies of scale and a more diverse customer base. Immediately prior to the completion of the acquisition of BEST on December 8, 2021, BEST Express China reached revenue of over US\$2.4 billion and had losses of approximately US\$307.7 million for the period from January 1, 2021 to December 8, 2021, according to its management account. The acquisition of BEST Express China has enabled our existing logistics network to expand further in China. We believe the acquisition of BEST Express China demonstrates our capability to successfully execute large scale acquisitions in

HISTORY AND CORPORATE STRUCTURE

a short timeframe. The consideration for the acquisition was determined after arms’ length negotiations among the parties, taking into account BEST Express China’s business operations in China which would rapidly scaled up our network capacity and diversify our customer base, give us access to major e-commerce platforms in China and expand our express delivery services to merchants on these platforms, and lead to potential significant synergies and opportunities for our Group. The Directors confirm that the acquisition of BEST Express China has been properly and legally completed from PRC perspective, with all applicable requisite regulatory approvals obtained.

Acquisition of Fengwang Information

On May 12, 2023, the Group entered into a share transfer agreement with Shenzhen Fengwang Holdings Company Limited (深圳市豐網控股有限公司) (“**Fengwang Holdings**”), a subsidiary of S.F. Holding Co., Ltd. (順豐控股股份有限公司) (stock code: 002352.SZ), to acquire the entire equity interest of Fengwang Holdings’ wholly-owned subsidiary, Shenzhen Fengwang Information Technology Company Limited (深圳市豐網信息技術有限公司) (“**Fengwang Information**”), at a total consideration of RMB1,183 million. The acquisition of Fengwang Information was completed on June 27, 2023. According to the share transfer agreement, the profit or loss of Fengwang Information during the period from March 31, 2023 until the closing date (“**Profit or Loss Adjustment during Transition Period**”) shall be enjoyed or borne by Fengwang Holdings. The payment made by the Group for the acquisition of Fengwang Information after Profit or Loss Adjustment during Transition Period is RMB461 million, subject to confirmation by the Group and Fengwang Holdings.

Fengwang Information is the holding company of Shenzhen Fengwang Express Co., Ltd. (深圳豐網速運有限公司) (“**Fengwang Express**”). Fengwang Information mainly provides express delivery services to e-commerce customers. According to the unaudited financial statements of Fengwang Information prepared in accordance with accounting principles generally accepted in the PRC, the total assets of Fengwang Information as at March 31, 2023 was RMB716 million, the revenue and net loss for the year ended December 31, 2022 was RMB3,275 million and RMB7,473 million, respectively. The Group believes that Fengwang Information is complementary to its business, and that the acquisition of Fengwang Information will enhance the integrated service capabilities of the Group, further increase the Group’s competitive advantages in the e-commerce delivery sector and contribute to the high-quality development of the industry in China. The consideration for the acquisition was determined after arm’s length negotiations among the parties, taking into consideration Fengwang Information’s business operations and the capital markets environment.

RECLASSIFICATION, RE-DESIGNATION AND SHARE SUBDIVISION OF OUR SHARES

On [●] 2023, our Shareholders [resolved], among other things, subject to the [REDACTED] becoming unconditional, that (i) 195,866,682 class B ordinary shares of a par value of US\$0.00001 each held by Jumping Summit Limited be reclassified and redesignated into class A shares of a par value of US\$0.00001 each and each such issued class A share of a par value of US\$0.00001 each be subdivided into five Class A Shares of a par value of US\$0.000002 each; (ii) all of the issued and unissued class A ordinary shares of a par value of US\$0.00001 each and Pre-[REDACTED] Preferred Shares of a par value of US\$0.00001 each of the Company be reclassified and redesignated into class B shares of a par value of US\$0.00001 each and each such issued and unissued class B shares of a par value of US\$0.00001 each be subdivided into five Class B Shares of a par value of US\$0.000002 each.

As a consequence of the Reclassification, Redesignation and Share Subdivision, immediately prior to the completion of the [REDACTED], the authorized share capital of the Company shall be US\$50,000 divided into (i) 979,333,410 Class A Shares with a par value of

HISTORY AND CORPORATE STRUCTURE

US\$0.000002 each and (ii) 24,020,666,590 Class B Shares with a par value of US\$0.000002 each, and among which the issued share capital shall be US\$16,971,231,67 divided into (i) 979,333,410 Class A Shares with a par value of US\$0.000002 each and (ii) 7,506,282,425 Class B Shares with a par value of US\$0.000002 each.

HISTORICAL AND CURRENT PRE-[REDACTED] SHARE INCENTIVE PLANS

Previously, the Company adopted an employee share incentive plan that was initially approved and further amended by the Shareholders on December 30, 2020 and February 26, 2022, respectively. All share awards under the employee share incentive plan have been granted, fully vested and issued to the Company’s shareholding platforms, namely Confortune Holding Limited, Colormin Holding Limited, Supertu Holding Limited, Cotron Holding Limited and Woncher Holding Limited, and there are no outstanding shares under this plan.

In order to align the interests of the Company’s network partners and regional sponsors with those of the Company’s shareholders, the Network Partner Equity Incentive Plan was initially approved by the Shareholders on February 26, 2022, and further amended by the Board on May 31, 2023. No additional share awards will be granted under the Network Partner Equity Incentive Plan upon [REDACTED]. For further information, a summary of the principal terms of the Network Partner Equity Incentive Plan is set out in “Statutory and General Information – 4. Pre-[REDACTED] Share Incentive Plan – Network Partner Equity Incentive Plan” in Appendix V to this document.

ISSUANCE OF FOUNDER AWARD SHARES

In recognition of Mr. Li’s continuous contributions to the Company and to ensure further alignment of Mr. Li’s interests with those of the Company and its shareholders, the Shareholders of the Company unanimously agreed to issue 24,557,934 class B ordinary shares at par value to Jumping Summit Limited (the “**Founder Award Shares Issuance**”) upon the completion of the Series D financing. The Founder Award Shares Issuance was completed on May 17, 2023. Such Class B shares will be redesignated to Class A Shares following the Reclassification, Redesignation and Share Subdivision. In connection with the Founder Award Shares Issuance, Mr. Li undertakes to serve as the Chairman of the Board, or as the Chief Executive Officer, or such other position equivalent to the Chief Executive Officer (the “**Executive Positions**”) for a consecutive period of at least four years (the “**Restricted Period**”) commencing on the [REDACTED]. Mr. Li is entitled to exercise the voting rights and receive dividends underlying the Founder Award Shares (Class A Shares equivalent, assuming completion of Reclassification, Redesignation and Share Subdivision) during the Restricted Period. Mr. Li undertakes to relinquish the Founder Award Shares (Class A Shares equivalent, assuming completion of Reclassification, Redesignation and Share Subdivision) according to the following schedule if he ceases to serve in any and all of the Executive Positions within the four years period commencing on the [REDACTED]:

Year if and when Mr. Li ceases to serve in any and all Executive Positions during the Restricted Period	Percentage of Founder Award Shares subject to relinquishment
Year 1	100%
Year 2	75%
Year 3	50%
Year 4	25%

HISTORY AND CORPORATE STRUCTURE

If Mr. Li no longer serves in any and all Executive Positions during the Restricted Period under certain agreed circumstances (including (i) the Founder voluntarily resigns or otherwise ceases to serve in any or all Executive Positions at his own election; (ii) the Company terminates Mr. Li from any or all Executive Positions for cause; (iii) the Company and Mr. Li otherwise mutually agree to terminate the Founder’s employment or services in any or all Executive Positions; or (iv) a combination of any of (i) to (iii)), subject to any mandatory lock-up requirements under applicable laws and regulations, the Company shall automatically be entitled to use any lawful means to procure or otherwise obtain a certain percentage of the Founder Award Shares (Class A Shares equivalent, assuming completion of Reclassification, Redesignation and Share Subdivision) at par value based on the year when the Founder ceases to serve in any and all Executive Positions, and Mr. Li undertakes to relinquish such percentage of Founder Award Shares (Class A Shares equivalent, assuming completion of Reclassification, Redesignation and Share Subdivision) at par value by way of any lawful means.

Upon completion of the Series D financing and the Founder Award Shares Issuance, Mr. Li, through Jumping Summit Limited, holds approximately 11.54% of the total issued and outstanding shares of the Company and is entitled to 72.29% of the total voting power of the Company’s issued shares. Upon completion of the [REDACTED], assuming the [REDACTED] is not exercised, the Reclassification, Redesignation and Share Subdivision are completed, Mr. Li, through Jumping Summit Limited, will hold approximately [REDACTED]% of our total issued share capital, and approximately [REDACTED]% of the total voting rights in our Company with respect to the Reserved Matters, and approximately [REDACTED]% of the total voting rights in our Company with respect to matters other than the Reserved Matters, among which, the Founder Award Shares (Class A Shares equivalent, assuming completion of Reclassification, Redesignation and Share Subdivision) would present [REDACTED]% of our total issued share capital, and approximately [REDACTED]% of the total voting rights in our Company with respect to the Reserved Matters, and approximately [REDACTED]% of the total voting rights in our Company with respect to matters other than the Reserved Matters.

CAPITALIZATION OF THE COMPANY

The following table sets out our shareholding structure as of the date of this document and immediately upon the completion of the [REDACTED], assuming the [REDACTED] is not exercised.

Shareholders	Aggregate number of shares of par value US\$0.00001 each as of the date of this document ⁽¹⁾	Aggregate Ownership percentage as of the date of this document ⁽¹⁾	Aggregate number of shares of par value US\$0.00002 each upon the completion of the [REDACTED] ⁽²⁾	Aggregate Ownership percentage upon the completion of the [REDACTED] ⁽²⁾
Jumping Summit Limited	195,866,682	11.54%	[REDACTED]	[REDACTED]%
<i>Tencent</i>				
Deep Red Holdings Limited	26,143,791	1.54%	[REDACTED]	[REDACTED]%
Rhododendron Investment Limited	26,142,654	1.54%	[REDACTED]	[REDACTED]%
TB RACING RABBITS INVESTMENT HOLDINGS L.P.	19,607,843	1.16%	[REDACTED]	[REDACTED]%
Eternal Earn Holding Limited	19,607,843	1.16%	[REDACTED]	[REDACTED]%
Parallel Cluster Investment Limited	15,686,274	0.92%	[REDACTED]	[REDACTED]%
<i>Sub-total</i>	107,188,405	6.32%	[REDACTED]	[REDACTED]%

HISTORY AND CORPORATE STRUCTURE

Shareholders	Aggregate number of shares of par value US\$0.00001 each as of the date of this document ⁽¹⁾	Aggregate Ownership percentage as of the date of this document ⁽¹⁾	Aggregate number of shares of par value US\$0.00002 each upon the completion of the [REDACTED] ⁽²⁾	Aggregate Ownership percentage upon the completion of the [REDACTED] ⁽²⁾
Boyu				
Jaunty Global Limited	68,282,305	4.02%	[REDACTED]	[REDACTED]%
Joyous Tempinis Limited	20,912,399	1.23%	[REDACTED]	[REDACTED]%
Jallion Global Limited	14,379,085	0.85%	[REDACTED]	[REDACTED]%
Sub-total	103,573,789	6.10%	[REDACTED]	[REDACTED]%
ATM Capital				
Fast Creative Zone Limited	79,993,268	4.71%	[REDACTED]	[REDACTED]%
Ultra Height Fund L.P.	13,223,298	0.78%	[REDACTED]	[REDACTED]%
Sub-total	93,216,566	5.49%	[REDACTED]	[REDACTED]%
D1				
D1 SPV Master Holdco I (Hong Kong) Limited	36,581,713	2.16%	[REDACTED]	[REDACTED]%
D1 SPV Jupiter (Hong Kong) Limited	16,049,006	0.95%	[REDACTED]	[REDACTED]%
Sub-total	52,630,719	3.11%	[REDACTED]	[REDACTED]%
Hillhouse				
JNRY III Holdings Limited	33,986,019	2.00%	[REDACTED]	[REDACTED]%
GLP				
China Logistic Investment Holding (12) Limited	18,808,445	1.11%	[REDACTED]	[REDACTED]%
China Logistic Investment Holding (11) Limited	7,022,190	0.41%	[REDACTED]	[REDACTED]%
Hidden Hill SPV VIII	6,535,947	0.39%	[REDACTED]	[REDACTED]%
Hidden Hill Investment 112	1,480,270	0.09%	[REDACTED]	[REDACTED]%
Sub-total	33,846,852	2.00%	[REDACTED]	[REDACTED]%
Sequoia				
SC GGF III Holdco, Ltd.	27,450,070	1.62%	[REDACTED]	[REDACTED]%
SF Express				
CELESTIAL OCEAN INVESTMENTS LIMITED	26,143,791	1.54%	[REDACTED]	[REDACTED]%
Temasek				
Dahlia Investments Pte. Ltd.	13,071,896	0.77%	[REDACTED]	[REDACTED]%
SAI Growth				
SAI Growth Fund I, LLLP	9,150,326	0.54%	[REDACTED]	[REDACTED]%
CMBI				
Blessed Tiger Limited	6,535,663	0.39%	[REDACTED]	[REDACTED]%
Other Pre-[REDACTED]				
Investors				
Fast Rabbit Global Limited	75,993,543	4.48%	[REDACTED]	[REDACTED]%
Team Spirit Group Limited	74,635,182	4.40%	[REDACTED]	[REDACTED]%
Lead Sky Capital Limited	68,003,712	4.01%	[REDACTED]	[REDACTED]%
Joyous Sound Limited	65,939,639	3.89%	[REDACTED]	[REDACTED]%
Long Origin Limited	65,542,414	3.86%	[REDACTED]	[REDACTED]%
Starlight Hero Limited	65,542,414	3.86%	[REDACTED]	[REDACTED]%
Grow Profit Enterprises Limited	59,708,146	3.52%	[REDACTED]	[REDACTED]%
Top Valley limited	57,702,788	3.40%	[REDACTED]	[REDACTED]%
Constant Power Investment Limited	55,132,038	3.25%	[REDACTED]	[REDACTED]%

HISTORY AND CORPORATE STRUCTURE

Shareholders	Aggregate number of shares of par value US\$0.00001 each as of the date of this document ⁽¹⁾	Aggregate Ownership percentage as of the date of this document ⁽¹⁾	Aggregate number of shares of par value US\$0.00002 each upon the completion of the [REDACTED] ⁽²⁾	Aggregate Ownership percentage upon the completion of the [REDACTED] ⁽²⁾
NP Investment Platform Limited ⁽³⁾	38,000,000	2.24%	[REDACTED]	[REDACTED]%
Ambitious River Limited	37,546,504	2.21%	[REDACTED]	[REDACTED]%
Easy Innovation Limited	28,676,171	1.69%	[REDACTED]	[REDACTED]%
Uranus Holding Limited	25,922,105	1.53%	[REDACTED]	[REDACTED]%
Vast Admire Limited	23,883,258	1.41%	[REDACTED]	[REDACTED]%
Super Explorer Holding Limited ⁽⁴⁾	22,700,294	1.34%	[REDACTED]	[REDACTED]%
Yimeter Holding Limited	22,688,541	1.34%	[REDACTED]	[REDACTED]%
GCM Grosvenor JT SPV, LLC	21,568,627	1.27%	[REDACTED]	[REDACTED]%
Strict Forward Limited	20,504,349	1.21%	[REDACTED]	[REDACTED]%
Tickking Holding Limited	16,113,553	0.95%	[REDACTED]	[REDACTED]%
Long Shining Limited	15,849,967	0.93%	[REDACTED]	[REDACTED]%
Confortune Holding Limited ⁽⁴⁾	15,301,848	0.90%	[REDACTED]	[REDACTED]%
LINK Delivery Investment Limited	14,564,703	0.86%	[REDACTED]	[REDACTED]%
Precision World Limited	14,171,268	0.84%	[REDACTED]	[REDACTED]%
Woncher Holding Limited ⁽⁴⁾	13,453,629	0.79%	[REDACTED]	[REDACTED]%
AMF-9 Holdings Limited	13,071,896	0.77%	[REDACTED]	[REDACTED]%
Vast Elegance Limited	9,682,558	0.57%	[REDACTED]	[REDACTED]%
Supertu Holding Limited ⁽⁴⁾	9,336,288	0.55%	[REDACTED]	[REDACTED]%
XN Origin International Limited	6,535,663	0.39%	[REDACTED]	[REDACTED]%
ZWC JT Investment Limited	6,535,663	0.39%	[REDACTED]	[REDACTED]%
Colormin Holding Limited ⁽⁴⁾	6,184,536	0.36%	[REDACTED]	[REDACTED]%
Portland Street Partners Limited	4,947,773	0.29%	[REDACTED]	[REDACTED]%
Speedy Innovation L.P.	4,947,773	0.29%	[REDACTED]	[REDACTED]%
Hidden Hill Investment 123	4,575,163	0.27%	[REDACTED]	[REDACTED]%
Cotron Holding Limited ⁽⁴⁾	4,542,072	0.27%	[REDACTED]	[REDACTED]%
Square Lord Limited	2,979,201	0.18%	[REDACTED]	[REDACTED]%
Tranquility Ventures Limited	1,979,110	0.12%	[REDACTED]	[REDACTED]%
[REDACTED] shareholders	Nil	Nil	[REDACTED]	[REDACTED]%
Total	1,697,123,167	100.00%	[REDACTED]	100%

Notes:

- (1) Our Company will adopt a WVR structure comprising two classes of Shares, Class A Shares and Class B Shares. Each Class A Share shall entitle its holder to ten votes and each Class B Share shall entitle its holder to one vote except for the Reserved Matters.
- (2) Assuming the [REDACTED] is not exercised, the Reclassification, Redesignation and Share Subdivision are completed, and not taking into account any [REDACTED] that may be subscribed for the existing Shareholders.
- (3) Shareholding platform for the Network Partner Equity Incentive Plan.
- (4) Confortune Holding Limited, Colormin Holding Limited, Supertu Holding Limited, Cotron Holding Limited, Woncher Holding Limited and Super Explorer Investment Limited are shareholding platforms for a certain number of the Company’s current and former employees and consultants. All share awards granted under these shareholding platforms vested upon grant and have been issued to the designated awardees.

HISTORY AND CORPORATE STRUCTURE

PRE-[REDACTED] INVESTMENTS

1. Series Pre-A1 Financing

On July 15, 2017, our wholly-owned subsidiary, Onwing Global Limited entered into the initial investment agreement with our Series Pre-A1 investors pursuant to which 74,666,665 Series Pre-A1 Preferred Shares were issued to our Series Pre-A1 investors. The cost per Series Pre-A1 Preferred Share was approximately US\$1.3849 and the total consideration was approximately US\$103.41 million. Based on this round of pre-[REDACTED] financing, the estimated valuation of the Group (on a non-fully diluted basis) was approximately US\$433.18 million. The consideration was determined based on arm’s length negotiations between our Company and the Series Pre-A1 investors after taking into consideration the timing of the investments and the status of our business and operating entities. The settlement date for the Series Pre-A1 investment was on March 8, 2018. The discount to the [REDACTED] was [REDACTED]%. The discount to the [REDACTED] is calculated based on the assumption that (i) the [REDACTED] is [REDACTED] per Share, being the mid-point of the indicative [REDACTED] range of [REDACTED] to [REDACTED], and (ii) the completion of the Reclassification, Redesignation and Share Subdivision.

2. Series Pre-A2 Financing and Share Swap

On August 20, 2018, our wholly-owned subsidiary, Onwing Global Limited entered into the initial investment agreement with our Series Pre-A2 investors pursuant to which 54,266,667 Series Pre-A2 Preferred Shares were issued to our Series Pre-A2 investors. The cost per Series Pre-A2 Preferred Share was approximately US\$1.4749 and the total consideration was approximately US\$80.04 million. Based on this round of pre-[REDACTED] financing, the estimated valuation of the Group (on a non-fully diluted basis) was approximately US\$582.09 million. The consideration was determined based on arm’s length negotiations between our Company and the Series Pre-A2 investors after taking into consideration the timing of the investments and the status of our business and operating entities. The settlement date for the Series Pre-A2 investment was on October 30, 2018. The discount to the [REDACTED] was [REDACTED]%. The discount to the [REDACTED] is calculated based on the assumption that (i) the [REDACTED] is [REDACTED] per Share, being the mid-point of the indicative [REDACTED] range of [REDACTED] to [REDACTED], and (ii) the completion of the Reclassification, Redesignation and Share Subdivision. On October 24, 2019, we entered into a share swap agreement with our Pre-A1 and Pre-A2 investors among others, pursuant to which their respective shareholdings in Onwing Global Limited were swapped for shares in our Company on a pro-rata basis.

3. Series A Financing

On May 15, 2020, we entered into the initial investment agreement with our Series A investors pursuant to which 269,921,165 Series A Preferred Shares were issued to our Series A investors. The cost per Series A Preferred Share was approximately US\$4.3962 and the total consideration was approximately US\$1.19 billion. Based on this round of pre-[REDACTED] financing, the estimated valuation of the Group (on a non-fully diluted basis) was approximately US\$1.97 billion. The consideration was determined based on arm’s length negotiations between our Company and the Series A investors after taking into consideration the timing of the investments and the status of our business and operating entities. The settlement date for the Series A investment was on August 11, 2020. The discount to the [REDACTED] was [REDACTED]%. The discount to the [REDACTED] is calculated based on the assumption that (i) the [REDACTED] is [REDACTED] per Share, being the mid-point of the indicative [REDACTED] range of [REDACTED] to [REDACTED], and (ii) the completion of the Reclassification, Redesignation and Share Subdivision.

HISTORY AND CORPORATE STRUCTURE

4. Series B Financing

On December 10, 2020, we entered into the initial investment agreement with our Series B investors pursuant to which 22,462,293 Series B Preferred Shares were issued to our Series B investors. The cost per Series B Preferred Share was approximately US\$4.4519 and the total consideration was approximately US\$100 million. Based on this round of pre-[REDACTED] financing, the estimated valuation of the Group (on a non-fully diluted basis), was approximately US\$3.64 billion. The consideration was determined based on arm’s length negotiations between our Company and the Series B investors after taking into consideration the timing of the investments and the status of our business and operating entities. The settlement date for the Series B investment was on December 31, 2020. The discount to the [REDACTED] was [REDACTED]%. The discount to the [REDACTED] is calculated based on the assumption that (i) the [REDACTED] is [REDACTED] per Share, being the mid-point of the indicative [REDACTED] range of [REDACTED] to [REDACTED], and (ii) the completion of the Reclassification, Redesignation and Share Subdivision.

5. Series B+ Financing

On February 5, 2021, we entered into the initial investment agreement with our Series B+ investors pursuant to which 255,864,131 Series B+ Preferred Shares were issued to our Series B+ investors. The cost per Series B+ Preferred Share was approximately US\$7.1225 and the total consideration was approximately US\$1.82 billion. Based on this round of pre-[REDACTED] financing, the estimated valuation of the Group (on a non-fully diluted basis), was approximately US\$6.00 billion. The consideration was determined based on arm’s length negotiations between our Company and the Series B+ investors after taking into consideration the timing of the investments and the status of our business and operating entities. The settlement date for the Series B+ investment was on March 25, 2021. The discount to the [REDACTED] was [REDACTED]%. The discount to the [REDACTED] is calculated based on the assumption that (i) the [REDACTED] is [REDACTED] per Share, being the mid-point of the indicative [REDACTED] range of [REDACTED] to [REDACTED], and (ii) the completion of the Reclassification, Redesignation and Share Subdivision.

6. Series C1 Financing

Between October 19, 2021 and February 25, 2022, we entered into the initial investment agreement with our Series C1 investors pursuant to which 147,428,024 Series C1 Preferred Shares were issued to our Series C1 investors. The cost per Series C1 Preferred Share was approximately US\$14.1000 and the total consideration was approximately US\$2.08 billion. Based on this round of pre-[REDACTED] financing, the estimated valuation of the Group (on a non-fully diluted basis), was approximately US\$18.00 billion. The consideration was determined based on arm’s length negotiations between our Company and the Series C1 investors after taking into consideration the timing of the investments and the status of our business and operating entities. The settlement date for the Series C1 investment was on March 21, 2022.

On May 17, 2023, the Company issued 118,745,672 Series C1 Preferred Shares to Series C1 investors at par value of US\$0.00001 per Share, see “– Pre-[REDACTED] Investments – 9. Issue of Series C1 Preferred Shares and Series C2 Preferred Shares” in this section.

The average cost per Series C1 Preferred Share was approximately US\$7.8097, and the discount to the [REDACTED] was [REDACTED]%. The discount to the [REDACTED] is calculated based on the assumption that (i) the [REDACTED] is [REDACTED] per Share, being the midpoint of the indicative [REDACTED] range of [REDACTED] to [REDACTED], and (ii) the completion of the Reclassification, Redesignation and Share Subdivision.

HISTORY AND CORPORATE STRUCTURE

7. Share Repurchase and Concurrent Series C2 Preferred Share Issuance

Between December 31, 2021 and September 30, 2022, a number of our Shareholders entered into a series of transaction agreements with certain shareholders of Yimeter Holding Limited and Tickking Holding Limited (the “**relevant Yimi Dida shareholders**”) in order to restructure their respective shareholdings. Yimeter Holding Limited and Tickking Holding Limited are shareholding platforms for certain shareholders of Yimi Dida Supply Chain Group Co., Ltd. (“**Yimi Dida**”). Yimi Dida is engaged in the provision of less-than-truckload transportation services in China.

As a result of the shareholding restructure, (i) the relevant Yimi Dida shareholders would become Shareholders of the Company and became our Series C2 Preferred Shareholders subject to our currently effective shareholders agreement and (ii) the relevant Shareholders of the Company would indirectly acquire equity interest in Yimi Dida. Pursuant to these arrangements, 55,528,307 Shares held by our Shareholders were repurchased by the Company and 55,528,307 Series C2 Preferred Shares were issued to the relevant Yimi Dida shareholders at the cost per Series C2 Preferred Shares of approximately US\$15.67 as agreed between the Shareholders and relevant Yimi Dida shareholders.

8. Issue of Series C1 Preferred Shares and Series C2 Preferred Shares

Concurrently with our Series D round financing, on May 17, 2023, we entered into agreements with our Series C1 investors and our Series C2 investors, pursuant to which we agreed to issue an aggregate of 118,745,672 Series C1 Preferred Shares and 43,082,204 Series C2 Preferred Shares at total consideration of US\$1,618.27876 at par value of US\$0.00001 per Share, in return for which our Series C1 investors and Series C2 investors agreed to the waiver of or amendments to certain of their shareholder rights under our currently effective articles of association and shareholders agreement. Such consideration was settled in full on May 18, 2023.

9. Series D Financing

On May 12, 2023, we entered into an investment agreement with our Series D investor, pursuant to which 26,143,791 Series D Preferred Shares were issued to our Series D investor. The cost per Series D Preferred Shares was approximately US\$7.6500 and the total consideration was approximately US\$200 million. Based on this round of pre-[REDACTED] financing, the estimated valuation of the Group (on a non-fully diluted basis), was approximately US\$13 billion. The consideration was determined based on arm’s length negotiations between our Company and the Series D investor after taking into consideration the timing of the investments and the status of our business and operating entities. The settlement date for the Series D investment was on May 18, 2023. The discount to the [REDACTED] was [REDACTED]%. The discount to the [REDACTED] is calculated based on the assumption that (i) the [REDACTED] is [REDACTED] per Share, being the mid-point of the indicative [REDACTED] range of [REDACTED] to [REDACTED], and (ii) the completion of the Reclassification, Redesignation and Share Subdivision.

HISTORY AND CORPORATE STRUCTURE

10. [REDACTED] Commitment by Existing Shareholders

Each of AMF-9 Holdings Limited, Ultra Height Fund L.P., Jallion Global Limited, Precision World Limited, D1 SPV Jupiter (Hong Kong) Limited, D1 SPV Master Holdco I (Hong Kong) Limited, GCM Grosvenor JT SPV, LLC, Deep Red Holdings Limited, Eternal Earn Holding Limited, Hidden Hill SPV VIII, JNRY III HOLDINGS LIMITED, Parallel Cluster Investment Limited, SC GGF III Holdco, Ltd., SAI Growth Fund I, LLLP, TB RACING RABBITS INVESTMENT HOLDINGS L.P., Dahlia Investments Pte. Ltd., Hidden Hill Investment 123 and CELESTIAL OCEAN INVESTMENTS LIMITED (together, "[REDACTED] Commitment Shareholder(s)") has provided undertaking to the Company to invest a total amount of US\$[REDACTED] to [REDACTED] for [REDACTED] at the [REDACTED] in the [REDACTED], to the extent permitted under the applicable laws and Listing Rules and subject to approval from the Stock Exchange. Unless such [REDACTED] is being made pursuant to the anti-dilution rights of the Pre-[REDACTED] Investors, the Company has the right, but not obligation, to [REDACTED] such number of [REDACTED] to the [REDACTED] Commitment Shareholders as the Company determines in its absolute discretion. Each of the [REDACTED] Commitment Shareholders undertakes that any [REDACTED] which it subscribes for shall be subject to a lock-up period of six months from the date on which dealings of the Shares of the Company commences of the Stock Exchange. Assuming (i) all the [REDACTED] Commitment Shareholders have been allocated [REDACTED] in full to their committed subscription amount, (ii) the [REDACTED] is determined to be [REDACTED] per [REDACTED], being the mid-point of indicative [REDACTED] ranged stated in this document, and (iii) the [REDACTED] is not exercised, the [REDACTED] Commitment Shareholders will [REDACTED] (rounded down to the nearest whole [REDACTED] of [REDACTED] Class B Shares), representing approximately [REDACTED]% of the total number of [REDACTED], among which, (a) [REDACTED] (representing approximately [REDACTED]% of the total number of [REDACTED] and approximately [REDACTED]% of the total issued share capital of the Company at the time of the [REDACTED]) will be [REDACTED] pursuant to the exercise of anti-dilution rights of such [REDACTED] Commitment Shareholders, and (b) [REDACTED] (representing approximately [REDACTED]% of the total number of [REDACTED] and approximately [REDACTED]% of the total issued share capital of the Company at the time of the [REDACTED]) will be [REDACTED] in excess to the anti-dilution [REDACTED] entitled to the [REDACTED] Commitment Shareholders.

[REDACTED].

11. Principal Terms of the Pre-[REDACTED] Investments and Pre-[REDACTED] Investors' Rights

Basis of determining the consideration paid

The consideration for the Pre-[REDACTED] Investments were determined based on arm's length negotiations between our Company and the Pre-[REDACTED] Investors after taking into consideration the timing of the investments and the status of our business and operating entities.

HISTORY AND CORPORATE STRUCTURE

Use of [REDACTED] from the Pre-[REDACTED] Investments

We utilized the [REDACTED] from the Pre-[REDACTED] Investments involving the issue of Shares to the Pre-[REDACTED] Investors for the operations of our Company and in accordance with the business plan or budget as approved by the Board. As of the Latest Practicable Date, approximately 78.09% of the funds raised from the Pre-[REDACTED] Investments had been utilized.

Lock-up requirement under Guidance Letter HKEX-GL93-18

Whilst the Pre-[REDACTED] Investors are not subject to any lock-up arrangement at the time of their Pre-[REDACTED] Investments pursuant to the relevant agreements, lock-up undertakings will be given to the [REDACTED], pursuant to which [each] Pre-[REDACTED] Investors will agree that, subject to the terms of such lock-up undertakings, it will not, whether directly or indirectly, at any time during the period of six months from the [REDACTED] dispose of any of the Shares held by such Pre-[REDACTED] Investor. For further information about lock-up arrangements by the Pre-[REDACTED] Investors to the [REDACTED], please refer to “[REDACTED]”.

Principal Pre-[REDACTED] Investors which are sophisticated investors (including Boyu and ATM, the information of which are set out under “14. Information on the Pre-[REDACTED] Investors” in this section below) will retain at least an aggregate of 50% of their investment at the time of [REDACTED] for a period of at least six months following the [REDACTED], in accordance with the Stock Exchange’s Guidance Letter HKEX-GL93-18.

Strategic benefits of the Pre-[REDACTED] Investors brought to our Company

At the time of the Pre-[REDACTED] Investments, our Directors were of the view that our Company would benefit from the additional capital provided by the Pre-[REDACTED] Investors’ investments in our Company and their knowledge and experience. Our Pre-[REDACTED] Investors include renowned companies in relevant industries, which can help us achieve business synergies, and professional strategic investors, which can provide us with professional advice on our Group’s development and improve our corporate governance, financial reporting and internal control.

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In particular, with the established network of reputable and experienced financial investors such as Boyu, ATM and GLP, we could benefit from such commitment as we believe the investments demonstrate their confidence in the operations of our Group and serve as endorsements of our Group's performance, strength and prospects. Furthermore, the investments from several reputable institutional investors, such as Tencent and SF Express, will create potential strategic cooperation opportunities whereby they can provide us with professional insights and advice on our development and can help us achieve business synergies to reinforce our existing market position.

Anti-dilution Rights

To the extent permitted under applicable laws and Listing Rules, each Pre-[REDACTED] Investors holding Pre-[REDACTED] Preferred Shares may require the Company to issue [REDACTED] to such Pre-[REDACTED] Investors (and/or any of its affiliates) at the [REDACTED], so that the aggregate shareholding percentage of such Pre-[REDACTED] Investors (together with its affiliates) in the Company immediately after the completion of the [REDACTED] will be the same as the aggregate shareholding percentage of such Pre-[REDACTED] Investors (together with its Affiliates) in the Company immediately prior to the [REDACTED]. Assuming (i) all the Pre-[REDACTED] Investors holding Pre-[REDACTED] Preferred Shares (and/or any of its affiliates) have exercised their anti-dilution rights in full, (ii) the [REDACTED] is determined to be [REDACTED] per [REDACTED], being the mid-point of indicative [REDACTED] ranged stated in this document, and (iii) the [REDACTED] is not exercised, such Pre-[REDACTED] Investors holding Pre-[REDACTED] Preferred Shares (and/or any of its affiliates) will [REDACTED], representing approximately [REDACTED]% of the total number of [REDACTED] and approximately [REDACTED]% of the total issued share capital of the Company at the time of the [REDACTED].

12. Special Rights of the Pre-[REDACTED] Investors

All of our Pre-[REDACTED] Investors are currently bound by the terms of the currently effective articles of association of the Company, which will be replaced by our Articles effective upon the completion of the [REDACTED]. Pursuant to our Shareholders Agreement, the Pre-[REDACTED] Investors were granted certain special rights in relation to the Company.

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The redemption rights granted to the Pre-[REDACTED] Investors under the Shareholders Agreement have been suspended immediately prior to the first submission of the [REDACTED] to the Stock Exchange for the purpose of the [REDACTED], and will only be exercisable if the [REDACTED] does not take place, otherwise such redemption rights will terminate upon the [REDACTED]. All other special rights under the Pre-[REDACTED] Investments, including, among others, (a) registration rights; (b) information and inspection rights; (c) preemptive rights; (d) share transfer restrictions; (e) right of first refusal; (f) right of co-sale; (g) protective provisions granted to certain shareholders; (h) liquidation preference rights; (i) most favorable treatment right; and (j) certain corporate governance rights (including board nomination and board observer rights), shall cease to be effective and be discontinued upon the [REDACTED] in accordance with the Guidance Letter GL43-12, and the terms of the Shareholders Agreement.

All Ordinary Shares held by shareholders other than Jumping Summit Limited and all of the Pre-[REDACTED] Preferred Shares will convert into Class B Shares on a one-to-one basis immediately following the Reclassification, Redesignation and Share Subdivision and completion of the [REDACTED] at which time our share capital will comprise two classes of shares, Class A Shares and Class B Shares. For further information on the rights attached to our Class A Shares and Class B Shares, see “Share Capital.”

13.

[REDACTED]

14. Information on the Pre-[REDACTED] Investors

The following sets forth information of our Pre-[REDACTED] Investors.

Tencent

Rhododendron Investment Limited (“**Rhododendron Investment**”) and Deep Red Holdings Limited (“**Deep Red**”) are companies limited by shares incorporated in the British Virgin Islands. TB Racing Rabbits Investment Holdings L.P. (“**TB Racing Rabbits**”) is an exempted limited partnership registered in the Cayman Islands. Rhododendron Investment, Deep Red and TB Racing Rabbits are all wholly owned by

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Tencent Holdings Limited, a company listed on the Main Board of the Stock Exchange (HKEX: 00700, “**Tencent**”). Tencent is a leading provider of Internet value-added services in China, including communications and social networks, games, digital content, advertising, fintech and cloud services.

Eternal Earn Holding Limited is an exempted company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of TPP Fund II, L.P., whose general partner is TPP GP II, Ltd, which is ultimately controlled by Tencent.

Parallel Cluster Investment Limited is an exempted company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of Parallel Cluster Investment L.P., whose general partner is Parallel Cluster GP Limited, which is ultimately controlled by Tencent.

Boyu

Joyous Tempinis Limited is an exempted company with limited liability incorporated under the laws of the Cayman Islands. Jaunty Global Limited and Jallion Global Limited are BVI business companies incorporated under the laws of the British Virgin Islands. They are directly or indirectly controlled by Boyu Capital Fund IV, L.P., an exempted limited partnership registered under the laws of the Cayman Islands. Boyu Capital Fund IV, L.P. is advised by Boyu Capital Group Management Ltd. (together with its affiliates, “**Boyu**”). Boyu provides investment advisory services to multiple China-focused investment funds which aim at providing growth and transformational capital for fast-growing businesses in Greater China.

ATM

Fast Creative Zone Limited is a BVI business company incorporated in the British Virgin Islands and Ultra Height Fund L.P. is an exempted limited partnership registered in the Cayman Islands (the “**ATM Entities**”). Fast Creative Zone Limited is majority held by Global Express Fund L.P., a limited partnership established in Cayman Islands. Global Express Fund L.P. and Ultra Height Fund L.P. are managed by Global Express GP Limited and Global Freight Limited respectively, both of which are ATM Capital’s management entities. ATM Capital is an early to growth stage venture fund rooted in Southeast Asia. The ATM Capital team consists of Chinese and Southeast Asian professionals with significant experience in investment, entrepreneurship, technology and operations. ATM Capital focuses on three main sectors of high growth potential including e-commerce and its supporting infrastructure, consumer retail, fintech, and renewable energy. ATM Capital has approximately US\$1 billion AUM.

D1

D1 SPV Master Holdco I (Hong Kong) Limited, a company organized under the laws of Hong Kong, is wholly owned by D1 Master Holdco I LLC, a limited liability company organized under the laws of the State of Delaware, which is wholly owned by D1 Capital Partners Master LP, an exempted limited partnership organized under the laws of the Cayman Islands. D1 Capital Partners Master LP’s general partner is D1 Capital Partners GP Sub LLC, a limited liability company organized under the laws of the State of Delaware, and which is ultimately controlled by D1 Capital Partners GP LLC, a limited liability company organized under the laws of the State of Delaware. D1 Capital Partners Master LP’s limited partners are D1 Capital Partners Onshore LP, a limited partnership organized under the laws of the State of Delaware, and D1 Capital Partners Intermediate

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LP, an exempted limited partnership organized under the laws of the Cayman Islands. D1 Capital Partners Onshore LP's general partner is D1 Capital Partners GP LLC, and it has raised capital from limited partners that include high net worth individuals as well as institutional investors. D1 Capital Partners Intermediate LP's general partner is D1 Capital Partners GP LLC, and its sole limited partner is D1 Capital Partners Offshore LP, an exempted limited partnership organized under the laws of the Cayman Islands. D1 Capital Partners Offshore LP's general partner is D1 Capital Partners GP LLC and it has raised capital from limited partners that include high net worth individuals as well as institutional investors.

D1 SPV Jupiter (Hong Kong) Limited, a company organized under the laws of Hong Kong, is owned by (1) D1 Capital Series LLC – Series Jupiter, a separate series of D1 Capital Series LLC, a limited liability company organized under the laws of the State of Delaware, which is controlled by its investment manager, D1 Capital Partners L.P., a limited partnership organized under the laws of the State of Delaware, and by its managing member, Daniel Sundheim, and which is wholly-owned by employees of D1 Capital Partners L.P. and (2) D1 Jupiter Holdings LP, a limited partnership organized under the laws of the State of Delaware. D1 Jupiter Holdings LP's general partner is D1 Jupiter Holdings GP LLC, a limited liability company organized under the laws of the State of Delaware, and which is ultimately controlled by D1 Capital Partners GP LLC. D1 Jupiter Holdings LP's limited partners include institutional investors.

D1 SPV Master Holdco I (Hong Kong) Limited, D1 Capital Partners Master LP, D1 Capital Partners Onshore LP, D1 Capital Partners Intermediate LP, D1 Capital Partners Offshore LP, D1 SPV Jupiter (Hong Kong) Limited and D1 Jupiter Holdings LP are directly or indirectly controlled by D1 Capital Partners GP LLC, as well as their investment manager, D1 Capital Partners L.P., both of which are ultimately controlled by Daniel Sundheim. D1 Capital Partners L.P. manages private investment vehicles and other accounts which invest globally, in both public and private companies, primarily in the technology, media and telecom, industrials, healthcare, consumer, real estate and financial services sectors.

Hillhouse

JNRY III HOLDINGS LIMITED is an exempted company with limited liability incorporated under the laws of the Cayman Islands and is engaged in investment holding. JNRY III HOLDINGS LIMITED is ultimately managed and controlled by Hillhouse Investment Management, Ltd. ("**Hillhouse Investment**"), an exempted company incorporated under the laws of the Cayman Islands. Founded in 2005, Hillhouse Investment is a global private equity firm of investment professionals and operating executives who are focused on building and investing in high quality business franchises that achieve sustainable growth. Independent proprietary research and industry expertise, in conjunction with world-class operating and management capabilities, are key to Hillhouse's investment approach. Hillhouse partners with exceptional entrepreneurs and management teams to create value, often with a focus on innovation and growth. Hillhouse invests in the fields of healthcare, business services, broad consumption and industrials. Hillhouse manages assets on behalf of institutional clients from across the globe.

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GLP

China Logistic Investment Holding (11) Limited, China Logistic Investment Holding (12) Limited and Hidden Hill Investment 112 are exempted companies incorporated in the Cayman Islands with limited liability; Hidden Hill SPV VIII is a special purpose vehicle wholly-owned by Hidden Hill Foundation Fund L.P. Hidden Hill Foundation Fund L.P. is a private equity fund registered in the Cayman Islands. China Logistic Investment Holding (11) Limited, China Logistic Investment Holding (12) Limited, Hidden Hill Investment 112 and Hidden Hill SPV VIII are ultimately controlled by GLP Pte. Limited.

Sequoia

SC GGF III Holdco, Ltd. is an exempted company with limited liability incorporated under the laws of the Cayman Islands. The sole shareholder of SC GGF III Holdco, Ltd. is Sequoia Capital Global Growth Fund III – Endurance Partners, L.P., which is an investment fund whose primary purpose is to make equity investments in private companies.

SF Express

CELESTIAL OCEAN INVESTMENTS LIMITED is a company incorporated under the Laws of the British Virgin Islands and is wholly owned by S.F. Holding Co., Ltd. (順豐控股股份有限公司) (“**SF Holding**”). SF Holding is a joint stock company established in the PRC, whose shares are listed on the Shenzhen Stock Exchange (stock code: 002352.SZ). According to SF Holding, it is the largest integrated logistics service provider in China and the fourth largest in the world, providing domestic and international end-to-end one-stop logistics services.

Temasek

Dahlia Investments Pte. Ltd (“**Dahlia**”) is an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited (“**Temasek**”). Incorporated in 1974, Temasek is a global investment company with a net portfolio value of S\$403 billion (RMB1.89 trillion) as at 31 March 2022. Temasek’s purpose “So Every Generation Prospers” guides it to make a difference for today’s and future generations. Temasek’s Charter defines its three roles as an Investor, Institution and Steward, and shapes its ethos to do well, do right and do good. Sustainability is at the core of all that Temasek does. Temasek is committed to catalysing solutions to global challenges and activating capital – financial, human, social and natural – to bring about a better and more inclusive world for all.

SAI Growth

SAI Growth Fund I, LLLP (“**SAI Growth**”) is a Delaware limited liability limited partnership. SIG Asia Investment, LLLP, a Delaware limited liability partnership, is the investment manager for SAI Growth pursuant to an investment management agreement and, as such, has discretionary authority to vote and dispose of the shares in our Company held by SAI Growth. In addition, Heights Capital Management, Inc., a Delaware Corporation, is the investment manager for SIG Asia Investment, LLLP pursuant to an investment agreement and, as such, has discretionary authority to vote and dispose of the shares in our Company held by SAI Growth.

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CMBI

Blessed Tiger Limited is a British Virgin Islands business company incorporated under the laws of British Virgin Islands, which is an investment holding vehicle held by funds managed by a subsidiary of CMB International Capital Corporation Limited (“**CMBI**”). CMBI and its subsidiaries provide extensive financial services which mainly include, among others, corporate finance, asset management (over RMB100 billion in AUM as of 31 Dec, 2021), wealth management, equity and structured finance businesses. CMBI is a subsidiary of China Merchants Bank Co., Limited, a company listed on the Stock Exchange (HKEX: 3968).

Other Pre-[REDACTED] Investors

Fast Rabbit Global Limited is a limited company incorporated in the British Virgin Islands, the ultimate beneficial owners of which neither control more than 30% equity interest nor can be deemed to have majority control.

Team Spirit Group Limited, a limited company incorporated in the British Virgin Islands, is approximately 65.9% owned by the Labor Union Committee of Guangdong OPLUS Holdings Co., Ltd; approximately 33.6% owned by GLORY HILL HOLDINGS LIMITED (高耀集團有限公司) and approximately 0.5% owned by Mr. Jin Leqin. The Labor Union Committee of Guangdong OPLUS Holdings Co., Ltd is deemed to be controlled by Mr. Chen Mingyong⁽¹⁾. Mr. Chen Mingyong has more than 20 years of management experience in the telecommunications electronics industry and has significant experience investing in logistics and technology sectors.

Lead Sky Capital Limited is a limited company incorporated in the British Virgin Islands, which is a shareholding platform for a number of regional sponsors, the ultimate beneficial owners of which neither control more than 30% equity interest nor can be deemed to have majority control.

Joyous Sound Limited is a British Virgin Islands company, wholly-owned by Jin Leqin, an independent third party. Its main business scope is investment holding. Jin Leqin is an individual investor with extensive experience investing in telecommunications and electronics sectors.

Long Origin Limited is a British Virgin Islands company, wholly-owned by Yuan Zhang, a non-executive Director. Its main business scope is investment holding.

Starlight Hero Limited is a British Virgin Islands company, wholly-owned by Liang Xiaojing⁽¹⁾, an independent third party. Its main business scope is investment holding. Ms. Liang Xiaojing is an individual investor with extensive investment and management experience in both traditional and innovative technology segments.

Grow Profit Enterprises Limited is a limited company incorporated in the British Virgin Islands, the ultimate beneficial owners of which neither control more than 30% equity interest nor can be deemed to have majority control.

Note: Mr. Chen Mingyong and Ms. Liang Xiaojing are spouses of each other.

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Top Valley Limited is a limited company incorporated in the British Virgin Islands, which is a shareholding platform for a number of regional sponsors, the ultimate beneficial owners of which neither control more than 30% equity interest nor can be deemed to have majority control.

Constant Power Investment Limited is a limited company incorporated in the British Virgin Islands, which is a shareholding platform for a number of regional sponsors, the ultimate beneficial owners of which neither control more than 30% equity interest nor can be deemed to have majority control.

Ambitious River Limited is a British Virgin Islands company, wholly-owned by Jin Zhijiang, an independent third party. Its main business scope is investment holding. Jin Zhijiang is an individual investor with extensive management experience in the educational electronics sector.

Easy Innovation Limited is a Cayman Islands company, wholly-owned by Alice Yu-fen Cheng⁽¹⁾, a non-executive Director. Its main business scope is investment holding.

Uranus Holding Limited is a limited company incorporated in the British Virgin Islands. The largest shareholder is Glistening Volition Holdings Limited. None of the remaining shareholders hold more than 30%.

Vast Admire Limited is a limited company incorporated in the British Virgin Islands, the ultimate beneficial owners of which neither control more than 30% equity interest nor can be deemed to have majority control.

Yimeter Holding Limited is a limited company incorporated in the British Virgin Islands, which is an investment platform for a number of shareholders. The largest shareholder holding approximately 38.61% equity interest is Orient Alpha Limited, a Hong Kong incorporated company, wholly-owned by Bank of China Group Investment Limited. None of the remaining shareholders hold more than 30%.

GCM Grosvenor JT SPV, LLC (the “**GCM Shareholder**”), a Delaware limited liability company, is managed by GCM Investments GP, LLC, a Delaware limited liability company, which is wholly owned by Grosvenor Capital Management Holdings, LLLP, a Delaware limited liability limited partnership. The general partner of Grosvenor Capital Management Holdings, LLLP is GCM Grosvenor Holdings, LLC, a Delaware limited liability company, which is wholly owned by GCM Grosvenor Inc., a Delaware corporation whose Class A common stock is publicly traded on the Nasdaq Stock Market (Nasdaq: GCMG). GCMG is a global alternative asset management solutions provider. Michael J. Sacks (“**Mr. Sacks**”) is the Board Chairman and Chief Executive Officer of GCMG. Mr. Sacks disclaims beneficial ownership of the shares in the Company held by the GCM Shareholder. The GCM Shareholder purchased these shares in the ordinary course of business on behalf of its members, which includes institutional investors and D1 Capital Partners GP LLC. An affiliate of D1 Capital Partners GP LLC, D1 Capital Partners L.P., serves as a non-discretionary investment consultant to Grosvenor Capital Management, L.P., a limited partnership organized under the laws of the State of Illinois,

Note: Ms. Alice Yu-fen Cheng is currently in the process of setting up a trust for estate planning purposes.

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with respect to certain investments in the Company made by GCM Grosvenor JT SPV, LLC. In connection with such non-discretionary investment consulting relationship, D1 Capital Partners GP LLC makes certain de minimis investments in GCM Grosvenor JT SPV, LLC.

Strict Forward Limited is a British Virgin Islands company, wholly-owned by Qiu Yanjie, an independent third party. Its main business scope is investment holding.

Tickking Holding Limited is a limited company incorporated in the British Virgin Islands, which is an investment platform for a number of shareholders. The largest shareholder holding approximately 30.91% equity interest is Yang Xingyun, an independent third party. None of the remaining shareholders hold more than 30%.

Long Shining Limited is a British Virgin Islands company, ultimately controlled by Wu Ching Ho, an independent third party. Its main business scope is investment holding.

LINK Delivery Investment Limited is a limited liability company incorporated in the British Virgin Islands. LINK Delivery Investment Limited is wholly-owned by LINK Delivery Holding Limited, a limited liability company incorporated in the British Virgin Islands. LINK Delivery Holding Limited is wholly-owned by HOPU USD Master Fund III, L.P., a Cayman Islands limited partnership, acting through its general partner, HOPU Investments Co. III Ltd., which is part of and managed by HOPU Investments (an independent third party), an Asian alternative asset manager.

Precision World Limited is a limited liability BVI business company established under the laws of the British Virgin Islands, wholly-owned by Boyu Dinghui (Hainan) Business Management Partnership Enterprise (Limited Partnership) (博裕定慧(海南)企業管理合夥企業(有限合夥)), a limited partnership incorporated in the PRC, which is controlled by its general partner, Boyu Jingtai (Shanghai) Enterprise Management Co., Ltd. (博裕景泰(上海)企業管理有限公司).

AMF-9 Holdings Limited is a company limited by shares incorporated in the British Virgin Islands and wholly-owned by Aspex Master Fund. Aspex Master Fund (“**Aspex**”) is a Cayman Islands exempted company incorporated with limited liability operating as a private investment fund, which is managed by Aspex Management (HK) Limited (“**Aspex Management**”). Aspex Management is a licensed corporation established in Hong Kong to carry out type 9 (asset management) regulated activities under the SFO in Hong Kong and serves as investment manager to Aspex. Aspex’s investment objective is to achieve attractive absolute returns over the medium-to-long-term horizon through a bottom-up, research intensive, fundamentally-driven equity investment strategy focused on companies based in or heavily exposed to the Pan-Asia region.

Vast Elegance Limited is a British Virgin Islands investment holding company, 40% owned by Hui Group Capital L.P. and 60% owned by Yang’s Capital Limited. Hui Group Capital L.P. is managed by its general partner, Hui Investment Management Capital Limited. Hui Investment Management Capital Limited is controlled by Yang’s Capital Limited. The ultimate beneficial owner of Yang’s Capital Limited is Mr. Yang Longzhong, an independent third party.

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XN Origin International Limited, a limited liability company established under the laws of British Virgin Islands, is 40% owned by D1 Capital Partners Master LP; 30% owned by Nanjing Xingnayang Enterprise Management Partnership (Limited Partnership); 29.8% owned by Focustar Capital Investment Fund L.P.; 0.2% owned by Great Dipper Limited. Nanjing Xingnayang Enterprise Management Partnership (Limited Partnership) and Focustar Capital Investment Fund L.P. are investment vehicles controlled by Mr. Wang Jianguo.

ZWC JT Investment Limited is a limited liability company established under the laws of British Virgin Islands. ZWC JT Investment Limited focuses on investment in the logistics industry. It is controlled by ZWC Fund II General Partners Limited as its controlling shareholder.

Portland Street Partners Limited is a Guernsey limited company focusing on investment activities.

Speedy Innovation L.P. is a limited partnership formed in the British Virgin Islands, whose general partner is Honor Journey Limited. Honor Journey Limited is controlled by Liu Bin, an independent third party.

Hidden Hill Investment 123 is an exempted company incorporated in the Cayman Islands with limited liability, fully managed and controlled by NewQuest Asia Fund IV (Singapore) Pte. Ltd., a private limited company incorporated in Singapore.

Square Lord Limited is a British Virgin Islands company, wholly-owned by Fang Xiaoqiu, an independent third party. Its main business scope is investment holding.

Tranquility Ventures Limited is a limited liability company established under the laws of the British Virgin Islands, wholly-owned by Echo Investment L.P. focusing on investment activities.

COMPLIANCE WITH INTERIM GUIDANCE AND GUIDANCE LETTERS

Based on the documents provided by our Company relating to the Pre-[REDACTED] Investments, the Joint Sponsors are of the view that the Pre-[REDACTED] Investments are in compliance with the Guidance Letter HKEx-GL29-12 issued in January 2012 and updated in March 2017 by the Stock Exchange, Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 and in March 2017 by the Stock Exchange and Guidance Letter HKEx-GL44-12 issued in October 2012 and in March 2017 by the Stock Exchange.

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Notes:

- (1) For details on such Shareholders, see “– Pre-[REDACTED] Investments – 14. Information on the Pre-[REDACTED] Investors” in this section.
 - (2) This includes all our other Pre-[REDACTED] Investors. For additional information, see “– Pre-[REDACTED] Investments – 14. Information on the Pre-[REDACTED] Investors” in this section.
 - (3) The remaining 51% equity interest is held as to 1 share by Huo Wensheng and as to approximately 51% by Suteemon Aggarwal, who are Independent Third Parties. As per relevant investment agreements, the Company indirectly enjoys substantially 100% of the dividend interest of Global Jet Express (Thailand) Co., Ltd.
 - (4) The remaining equity interest is held as to approximately 0.34% by Cloud Road Limited, which is a shareholding entity for members of J&T International Logistics Limited’s management team.
 - (5) Jet Global is the holding company of the Group’s operating entities in new markets including Brazil, Egypt, Mexico, UAE and Saudi Arabia. Jet Global conducted a round of financing in 2021 to certain financial and institutional investors, following which such investors hold 36.19% of the shareholding in Jet Global. We have entered into a shareholders agreement in relation to Jet Global, which includes customary terms concerning corporate governance (including but not limited to number of director, election and removal of director, vacancy on director, reimbursement and indemnity for directors), shareholder protection (including but not limited to information right, restrictions on transfer, right of first refusal, co-sale rights, matters requiring approval of shareholders), arrangement for liquidation or winding up events, covenants (in relation to non-competition, compliance with law and tax matters) and termination provisions. Each of the Jet Global investors (“**Jet Global Investor(s)**”) has also been granted an exit right, under which it may request the Company to issue such number of Shares as is equal to the result of such Jet Global Investor’s exit price (to be calculated based on the results of operations in the new regions and the Jet Global Investor’s beneficial interest in such new region, or the Jet Global Investor’s investment amount in such new region) divided by the share price of the Company at the time of the Jet Global Investor Exit Right being exercised, in exchange for such Jet Global Investor’s holding in Jet Global (“**Jet Global Investor Exit Right**”). The Jet Global Investor Exit Right will only be exercisable during 30-day periods in each of 2026 and 2027. For illustration purpose of the potential dilutive impact on the shareholding of the Company upon exercise of the Jet Global Investor Exit Right, based on results of operations in the new regions in 2022, the Jet Global Investors’ beneficial interest in all new regions, the Jet Global Investors’ investment amount and a maximum [REDACTED] of [REDACTED], the Company would issue [REDACTED] Shares should all the Jet Global Investors fully exercise the Jet Global Investor Exit Right, representing approximately [REDACTED]% of the total number of issued and outstanding Shares immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised). The actual number of shares that may be issued by the Company will be based on the actual performance of the new regions and share price of the Company at the time of the Jet Global Investor Exit Right being exercised.
- The Company holds JNT KSA, the operating entity through which the Company conducts its Saudi operations, through J&T KSA HOLDING PTE. LTD.. JNT KSA is owned as to 50% indirectly by the Company and 50% by eWTP Arabia Technology Innovation Limited (“**eWTP**”), an Independent Third Party. We have entered into a shareholders agreement in relation to the JNT KSA, which includes customary terms concerning shareholders’ information rights and inspection rights, corporate governance (including but not limited to board composition, shareholder communication updates, related party transaction notification, quorum of board meeting, appointment of management, matters requiring approval of shareholders, signatory authority, etc.), shareholder protection (including but not limited to share transfer restrictions, right of participation to purchase new shares, right to dividends, etc.), shareholders’ cooperation and support to the company, representations and warranties, shareholders’ intellectual property rights and termination provisions. eWTP has also been granted an exit right, under which it may request the Company to issue such number of Shares as is equal to the results of eWTP exit price (to be calculated based on the results of operations of the JNT KSA group and eWTP’s beneficial interest in JNT KSA, or eWTP’s investment amount in JNT KSA).

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divided by the share price of the Company at the time of the eWTP Exit Right being exercised, in exchange for eWTP's holding in JNT KSA (“eWTP Exit Right”). The eWTP Exit Right will only be exercisable after December 31, 2026. For illustration purpose of the potential dilutive impact on the shareholding of the Company upon exercise of the eWTP Exit Right, based on the JNT KSA group's results of operations in 2022, eWTP's beneficial interest in JNT KSA, eWTP's investment amount and a maximum [REDACTED] of [REDACTED], the Company would issue [REDACTED] Shares should eWTP exercise the eWTP Exit Right, representing approximately [REDACTED] % of the total number of issued and outstanding Shares immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised). The actual number of shares that may be issued by the Company will be based on the actual performance of the JNT KSA group and share price of the Company at the time of the eWTP Exit Right being exercised.

The Company will comply with the relevant requirements of the applicable Listing Rules, in particular those under Chapters 14 and 14A and obtain the necessary shareholders' approval (if required), listing approval and mandate to issue new Shares of the Company for the purpose of effecting the Jet Global Investor Exit Right and the eWTP Exit Right if any Jet Global Investors and/or eWTP choose to exercise the Jet Global Investor Exit Right or the eWTP Exit Right respectively after the Proposed [REDACTED].

- (6) The remaining 1.03% equity interest is held as to 0.33% by Mr. John John Pacheco; as to 0.33% by Ms. Shiela Mae Casayuran; as to 0.33% by Ms. Christina Ma Aquino; all three of which are directors of PH Global Jet Express Inc., doing business under the name and style of J&T Express, 0.03% by J&T PH Holdings Pte Ltd, a subsidiary of the Company; 1 share by Mr. Lei Ding and 1 share by Mr. Yu Rong.
- (7) The remaining 15% equity interest is owned by Chongqing Jiesheng Supply Chain Technology Co., Ltd., ultimately controlled by regional sponsors who are responsible for J&T Express (Fujian) Supply Chain Management Co., Ltd.'s management team.
- (8) The remaining 15% equity interest is owned by Chongqing Jiehong Supply Chain Technology Co., Ltd., ultimately controlled by regional sponsors who are responsible for Hebei J&T Express (Hebei) Acme Supply Chain Management Co., Ltd.'s management team.
- (9) The remaining 15% equity interest is owned by Chongqing Jieben Supply Chain Technology Co., Ltd., ultimately controlled by regional sponsors who are responsible for Henan J&T Express (Henan) Acme Supply Chain Co., Ltd.'s management team.
- (10) The remaining 15% equity interest is owned by Chongqing Qiyue Supply Chain Technology Co., Ltd., ultimately controlled by regional sponsors who are responsible for J&T Express (Shandong) Supply Chain Co., Ltd.'s management team.
- (11) The remaining 15% equity interest is owned by Chongqing Zhujie Supply Chain Technology Co., Ltd., ultimately controlled by regional sponsors who are responsible for Jieyang J&T Express (Jieyang) Supply Chain Management Co., Ltd.'s management team.

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PRC REGULATORY REQUIREMENTS

According to the M&A Rules jointly issued by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, the SAIC and the SAFE on August 8, 2006, effective on September 8, 2006, and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise through relevant agreements and then invests such assets to establish a foreign-invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals, to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

Our PRC Legal Adviser is of the opinion that, based on their understanding of the current PRC laws and regulations, prior CSRC approval for the [REDACTED] is not required because (i) WFOE and its wholly-owned PRC subsidiaries were not established through a merger or acquisition of equity interest or assets of a PRC domestic company owned by PRC companies or individuals, as defined under the M&A Rules, that are the beneficial owners of our Company, and (ii) no provision in the M&A Rules clearly classifies contractual arrangements as a type of transaction subject to the M&A Rules. However, our PRC Legal Adviser further advised that uncertainties still exist as to how the M&A Rules and other PRC laws and regulations will be interpreted and implemented and whether the relevant authorities would promulgate new rules or regulations or requirements in the future to impose additional requirements on us. There can be no assurance that the relevant PRC government agencies, including the CSRC, would reach the same conclusion as our PRC Legal Adviser. If the CSRC or other PRC regulatory body subsequently determines that we need to obtain the CSRC's approval for this [REDACTED] or if the CSRC or any other PRC government authorities promulgates any interpretation or implements rules before our [REDACTED] that would require us to obtain CSRC or other governmental approvals for this [REDACTED], we may face adverse actions or sanctions by the CSRC or other PRC regulatory agencies. In any such event, these regulatory agencies may impose fines and penalties on our operations in China, limit our operating privileges in China, delay or restrict the repatriation of the [REDACTED] from this [REDACTED] into the PRC or take other actions that could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as our ability to complete this [REDACTED]. The CSRC or other PRC regulatory agencies may also take actions requiring us, or making it advisable for us, to halt this [REDACTED] before settlement and delivery of the Shares [REDACTED] by this document. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that such settlement and delivery may not occur. In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures for this [REDACTED] or future capital raising activities, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding such approval, filing or other requirements could materially and adversely affect our business, prospects, financial condition, reputation, and the trading price of the shares.

HISTORY AND CORPORATE STRUCTURE

SAFE REGISTRATION IN THE PRC

Pursuant to SAFE Circular 37, promulgated by SAFE and effective on July 14, 2014, replacing SAFE Circular 75, (i) a PRC resident must register with the local SAFE branch in connection with their contribution of offshore or domestic assets or equity interests in an overseas SPV that is directly established or indirectly controlled by the PRC resident for the purpose of conducting overseas investment or financing, and (ii) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change in respect of the Overseas SPV, including, among other things, a change of the Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties. In addition, due to such failure to comply with the registration procedures, the PRC subsidiaries of that Overseas SPV may be prohibited from distributing their profits and dividends to their offshore parent company or from carrying out other subsequent cross-border foreign exchange activities, and the Overseas SPV and its offshore subsidiary may be restricted in their ability to contribute additional capital to their PRC subsidiaries.

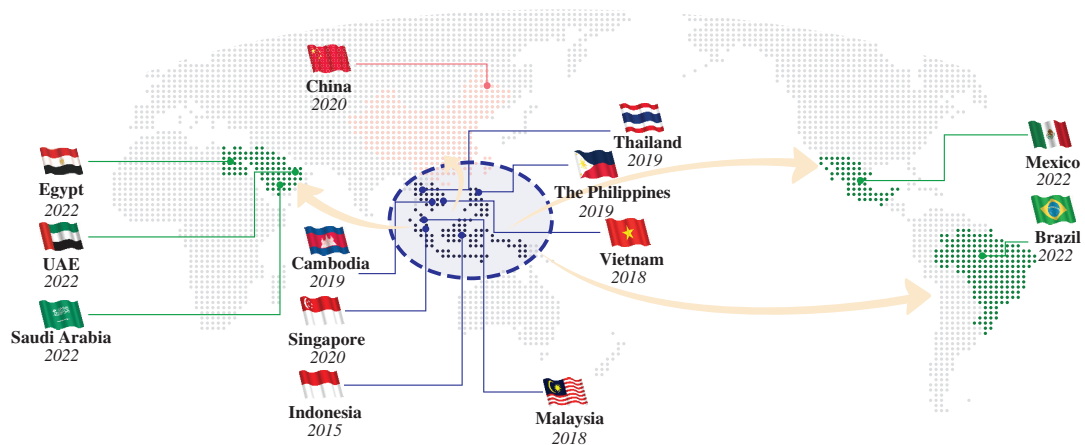
Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), promulgated by SAFE and effective on June 1, 2015, the power to accept foreign exchange registration was delegated from local SAFE to qualified banks.

As advised by our PRC Legal Adviser, Mr. Li, who is a PRC resident, has completed the required registration with the SAFE on November 28, 2019.

BUSINESS

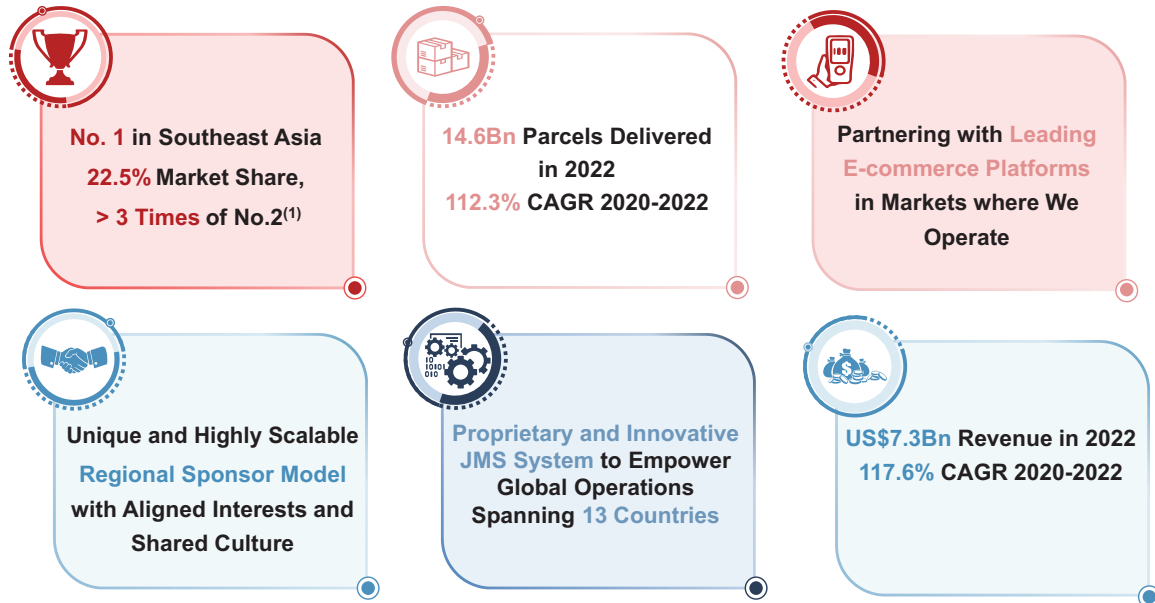
BUSINESS OVERVIEW

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



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

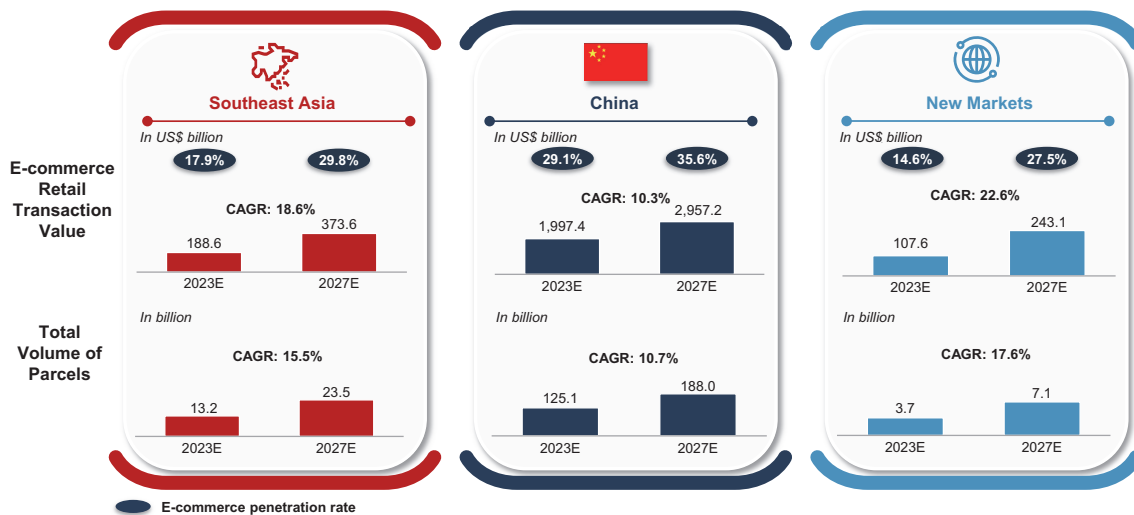
BUSINESS



Note:

- 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.

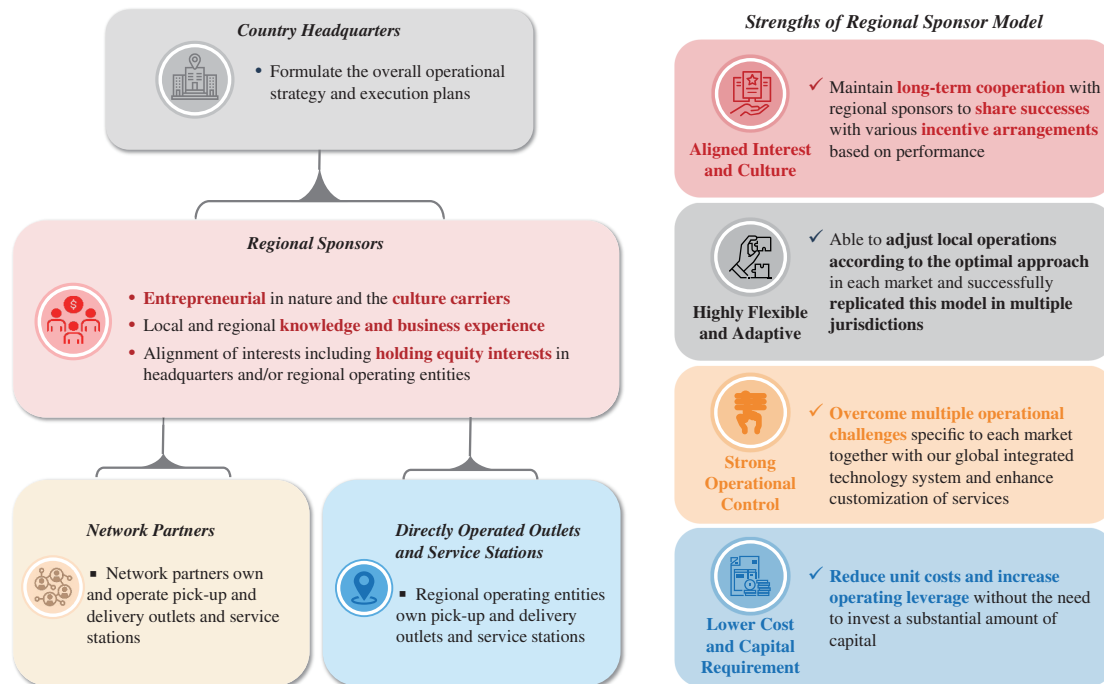
Demand for express delivery services. Benefiting from the significant e-commerce market, Southeast Asia and China combined form the largest and fastest-growing express delivery service market in the world, according to Frost & Sullivan. In Southeast Asia, total volume of parcels shipped rapidly increased 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 parcel volume in these markets in aggregate reached 3,095.8 million in 2022 and is expected to further grow to 7,137.7 million in 2027 at a CAGR of 17.6% from 2023.

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

BUSINESS

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



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

We have experienced significant growth since we commenced operations in Indonesia in 2015 and over the Track Record Period. In Southeast Asia, we experienced continuous growth in parcel volume and were able to achieve positive adjusted EBITDA (a non-IFRS measure) growth from 2020 to 2022 and from the six months ended June 30, 2022 to the six months ended June 30, 2023. We expanded into the China market in 2020 and have been focusing on

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consolidating our market position in China. The following table sets forth our revenue, adjusted loss (a non-IFRS measure) and adjusted EBITDA (a non-IFRS measure) in total amount and by geographic segment for the periods indicated:

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

Notes:

- (1) See “Financial Information – Non-IFRS Measures” for more details.
- (2) Includes our cross-border services and domestic express delivery services in the New Markets.
- (3) Represents (i) certain expenses, gains and losses, including general and administrative expenses, and exchange gains and losses incurred at the group and holding company levels, and (ii) fair value change of financial assets and liabilities of other group entities that will not be re-designated from liabilities to equity upon the completion of the [REDACTED], which amounted to US\$301.9 million, US\$32.9 million, and US\$8.9 million for the year ended December 31, 2022, and the six months ended June 30, 2022 and 2023.

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

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

Note:

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

BUSINESS

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

OUR STRENGTHS

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

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

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

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

BUSINESS

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

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

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

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

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

BUSINESS

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

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

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

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

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

BUSINESS

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

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

Quality services catering to regional customer and market needs

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

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

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

BUSINESS

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

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

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

OUR STRATEGIES

Solidify our leading position and continue to grow our market share

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

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

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

We will continue to expand the capacity of our logistics network in a selective, prudent and capital-efficient manner. We plan to strategically select sites for our new sorting centers and optimize density of our pickup and delivery outlets to deepen geographical coverage based on end customer demands. In addition, we expect to continue upgrading sorting machinery and investing in technology that will further improve the accuracy and efficiency of our sorting centers. Having obtained success in Southeast Asia and China, we seek to skip the

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trial-and-error process in other emerging markets and apply our industry insights, advanced machinery and equipment, and operational know-how that are readily accessible to us. Meanwhile, we will continue to expand our line-haul network, upgrade our fleets, and diversify means of transportation in accordance with local demands in each market. Through our unique business model, our regional sponsors will be incentivized to help us manage our facilities including line-haul vehicles and sorting centers, recruit and manage network partners, and help expand our network capacity to create a network that is resilient to peak volumes. In addition, we will continue to help our network partners grow their business and optimize their operations.

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

Expand into new markets and new service offerings

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

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

Invest in innovation, technology and environmental sustainability

We strive to continually apply technologies across all aspects of our business. We plan to develop and apply our self-developed JMS system in all the markets we operate in. We seek to develop and upgrade key functions within the JMS system to empower each stage of our business processes. For example, we will continue our research and development in our address digitalization system to improve accuracy and efficiency of the delivery process. We seek to

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

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

VALUE PROPOSITIONS TO OUR PARTICIPANTS

Value Propositions to Consumers and Customers

- **Connectivity.** Growing alongside significant e-commerce markets, we have built an extensive network, particularly in regions historically underserved by logistics providers. We believe we have helped promote regional and cross-regional connectivity in the Southeast Asian markets, allowing consumers to connect globally to a broader world of merchandise to enjoy door-to-door shipping services through our network.
- **Reliability and Service Quality.** We strive to deliver a reliable, high-quality shipping experience with 365-day service. We provide consistent, quality customer care to end customers globally. We monitor a series of key service quality indicators to ensure, among other things, timely delivery and responsiveness to inquiries.
- **Transparency and Cost-efficiency.** We offer competitive delivery fees and price transparency upfront so that consumers can make informed decisions about the cost of delivery. We also provide real-time updates on delivery status to senders and receivers of packages.
- **Ease of Use.** We have developed multiple ordering interfaces to cater to the diverse needs of customers. Customers can access our services from website, mobile applications, call center and social media applications anywhere and anytime.

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Value Propositions to E-commerce Platforms and Merchants

- **Consumer Reach.** Our broad regional and cross-regional network gives e-commerce platforms and their merchants greater reach to consumers beyond saturated markets in first- and second-tier cities as well as international consumers. We offer the broadest coverage of COD services in Southeast Asia, which allows e-commerce platforms and merchants to serve a broader range of consumers for whom online payments may not be an option.
- **Stable and Scalable Service.** Leveraging our integrated network that seamlessly connects us with our regional sponsors and network partners, we are able to handle periodic surges in volumes requiring significant capacity. We can scale with e-commerce and social e-commerce platforms as they grow in different regions.
- **Resources for Operation Management.** We provide a centralized technology platform to merchants on e-commerce platforms, helping them track packages in real time, manage inventory and better understand their business operations. Our system is easy to deploy and integrate with existing infrastructure via APIs, reducing the need for navigating disparate systems for order management and shipping. For certain merchants not affiliated with any e-commerce platforms and hence lack basic technology infrastructure, they can conveniently access our system via Independent Software Vendors (ISVs) to place delivery orders, enabling them to grow their business. According to Frost & Sullivan, we are one of the first express delivery operators in Southeast Asia to provide online logistics solutions to enterprise customers.

Value Propositions to Network Partners and Local Communities

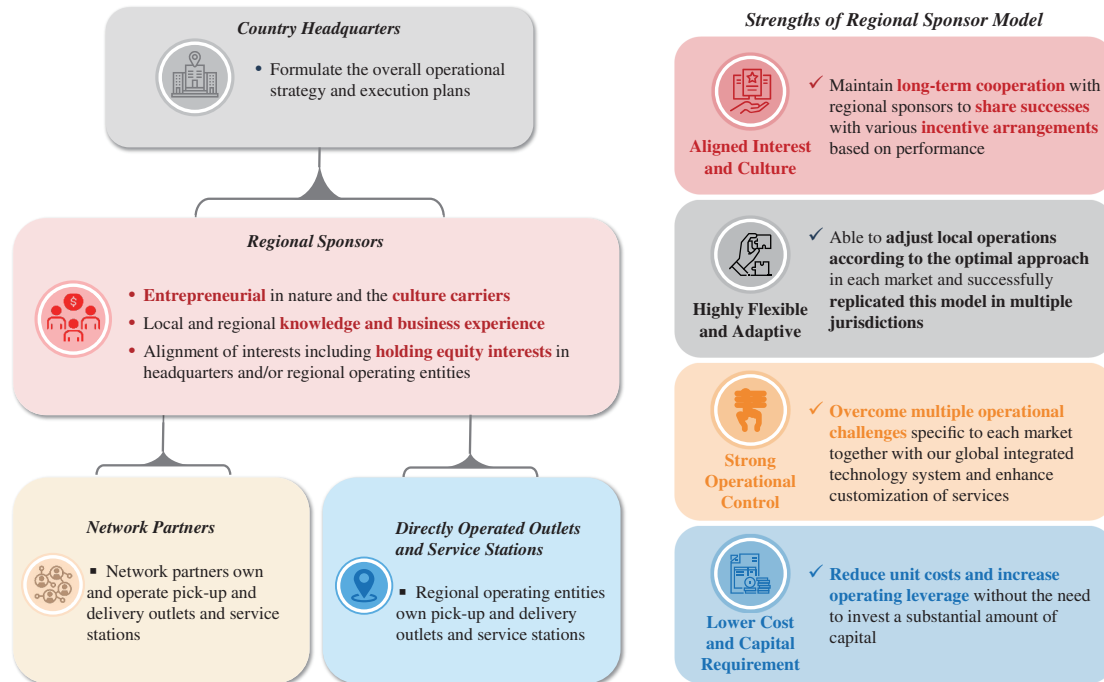
- **Earnings Potential and Economic Stimulus.** Network partners gain access to the sheer volume of packages delivered through our network as well as exposure to the largest e-commerce platforms and global opportunities. We also diversify the revenue sources of local communities by offering positions in our sorting centers, engaging pickup and delivery personnel and collaborating with local small enterprises, convenience stores and grocery stores to establish service stations.
- **Empowerment and Inspiration.** We empower our network partners with our technology solutions, such as our digital address libraries, data management system and proprietary waybill system, to improve their operational efficiency. We also provide our network partners with applications that provide digital settlement solutions and manage cash flow for delivery personnel. We also hold trainings, conferences and seminars, and sponsor local entrepreneurial events to help inspire business ideas.
- **Support during Challenging Times.** We are capable of supporting local communities during challenging times. Throughout the COVID-19 pandemic we have donated hundreds of thousands of medical supplies and care packages throughout our regions of operations. In 2022, we partnered with YDSF Malang to participate in the construction of local residences after the eruption of volcano Semeru in Indonesia.

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OUR REGIONAL SPONSOR MODEL

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

The diagram below illustrates our regional sponsor model:



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

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

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Advantages and Innovations of Our Business Model

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

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

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

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

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

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

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

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- ***Flexibility and expansiveness.*** Express delivery operators under the network partner model face difficulties in locating a sufficient number of qualified network partners to help build their network, while direct operation companies typically must invest a substantial amount of capital in a short time to achieve adequate coverage of their services. Leveraging our unique business model, we are not limited by the vast differences in local operating environments across regions, as we and our regional sponsors can decide on the optimal approach to establish local operations, including using a mix of network partner and full direct-operation models. In some regions, regional sponsors may also establish unconsolidated regional operating entities supported by our critical network infrastructure and technological capabilities. As our network expands, we and the regional sponsors adjust local operations to adapt to the evolving market demands to maintain our sustainable growth.
- ***Deep insights and strong control in local operations.*** Our regional sponsors form the foundation of our local operations. Our regional sponsors are knowledgeable of local markets and aware of acute changes in their regions. Our regional sponsors also help us manage our network partners. Regional sponsors are able to quickly respond to needs of network partners, as well as our end customers, handle complaints, adjust pricing based on local circumstances, and provide rewards or penalties for network partners and outlets, among others. Through our regional sponsors, we gather first-hand feedback, design strategies and solutions, and maintain operational excellence when launching and scaling our network and service offerings.
- ***Bonding with regional sponsors.*** Our interests are highly aligned with those of our regional sponsors, which incentivizes them to take ownership in local operations, tailor and execute our overall strategies and help achieve growth. We incentivize, supervise and provide institutional support to regional sponsors, continually building and strengthening our bonding with regional sponsors. We supervise regional sponsors’ work and review their performance on a regular basis with certain KPIs set by us, and we may choose to optimize the regional sponsor team.

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

In 2022, we expanded into Saudi Arabia, UAE, Mexico, Brazil and Egypt. Each of these countries presented unique operational challenges ranging from under-developed infrastructure, limited connectivity in certain areas, political instability to complex regulatory regimes. Drawing on the efforts of our regional sponsors, we quickly completed market research, navigated local environment, and formulated our operation strategies including transportation and route planning, construction of critical network infrastructure and setup of pickup and delivery outlets, allowing us to reach efficient scale and achieve geographic coverage of over 90% in these countries as of June 30, 2023. We leverage our proprietary JMS system, the backbone of our operations, to achieve efficient growth and expansion. In the New Markets, we were generally able to set up and launch our JMS system within three months, which allows us to build localized operations and provides indispensable support to regional sponsors to efficiently execute our growth strategies. In particular, in July 2023, we achieved

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a daily peak volume of over 1,100,000 parcels in Brazil. According to Frost & Sullivan, we are the fastest to achieve such level of parcel volume among our major local peers in Brazil. In those countries, where the e-commerce markets are significant but the express delivery markets are highly fragmented, we are well positioned to expand in and penetrate these markets by leveraging our regional sponsor model.

Partnership with Regional Sponsors

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

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

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

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

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

Notes:

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

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

- (2) In Indonesia and Thailand, where it is practical for each regional sponsor to obtain new express delivery licenses under local laws and regulations, regional sponsors set up multiple unconsolidated regional operating entities, each with its own express delivery license. In 2021, we acquired the unconsolidated regional operating entities in Indonesia and Thailand from relevant regional sponsors. For more details, see “Financial Information – Business Combination” and “History and Corporate Structure – Major Acquisitions, Disposals and Mergers.”
- (3) As Singapore and Cambodia are relatively small in terms of geography, we operate in these regions without involving any regional sponsors.
- (4) As of December 31, 2021, we had established operating entities in each of the New Markets in preparation for our expansion into these markets, but had not officially launched operations in these regions.

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

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

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

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

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

Note:

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

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

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Consolidation of Certain Regional Operating Entities

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

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

Role of Regional Sponsors

Regional sponsors work with our country headquarters to execute our strategies in the various markets of operations. Regional sponsors, whether they operate through consolidated or unconsolidated regional operating entities, play equally critical roles in our business operations and network expansion, enjoy substantially the same level of discretion, and are subject to the same KPI standards that we tailor based on local circumstances in each jurisdiction. In areas where network partners are engaged, regional sponsors identify, engage and manage network partners through the relevant regional operating entities. In certain locations, regional operating entities also manage the directly-operated pickup and delivery outlets and service stations. Typically, there is only one regional sponsor within a designated region. From time

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to time, we may designate more than one regional sponsors to jointly manage the same region. We only consider adopting this strategy in areas with enormous operational challenges, particularly during the ramp-up and expansion stage, where the collective efforts from regional sponsors are needed to establish our operations.

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

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

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

Role of Country Headquarters

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

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

Role of Country Headquarters

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

Identifying Regional Sponsors

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

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

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

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

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

Incentives to and Evaluation of Regional Sponsors

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

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Role of Network Partners

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

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

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

- *Fees.* Pursuant to our cooperation agreements with network partners, we collect fees from the network partners for the use of our delivery network. These fees are variable and based on guidelines, local market conditions and government guidance, where applicable. We also pay pickup and/or delivery fees to our network partners for the services fulfilled through their pickup and/or delivery outlets.
- *Business operations.* Our cooperation agreements with network partners assign specific geographic regions of operations for each network partner which vary in size depending on the capabilities of the network partner and the needs of our network, including business volume. Our network partners also have access to our proprietary software that is designed to be used by network partners and their delivery personnel and link them to our system.
- *Pricing.* Network partners are free to determine the customer-facing price, taking into account the service fee collected by the regional operating entity, the network partner’s own operating costs and our guidance.
- *Term.* The cooperation agreements with network partners are generally for a term of one or two years and each network partner may elect to negotiate with us for renewal of the agreement upon expiration.
- *Deposit.* Network partners are required to place deposits with us as a performance guarantee.
- *Termination.* The cooperation agreements can be terminated upon mutual agreement or by either party with prior notice after the occurrence of certain events including, but not limited to, one party’s failure to perform certain contractual obligations.
- *Service quality.* To ensure the performance and service quality of our network partners, the cooperation agreements also set out terms such as operation process, service standards and quality, maintenance and settlement. For example, our regional sponsors oversee the performance of our network partners, set performance targets and provide them with training. In practice, we review their key performance indicators through our systems so

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that our regional sponsors can help them improve operational performance. If there is a material violation of our operational standards by network partners, we are entitled to request such network partners to suspend business and rectify accordingly. We also have the right to impose monetary penalties according to the policies imposed by the relevant regional operating entities on our network partners for failure to adhere to the terms of the agreements.

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

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

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

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

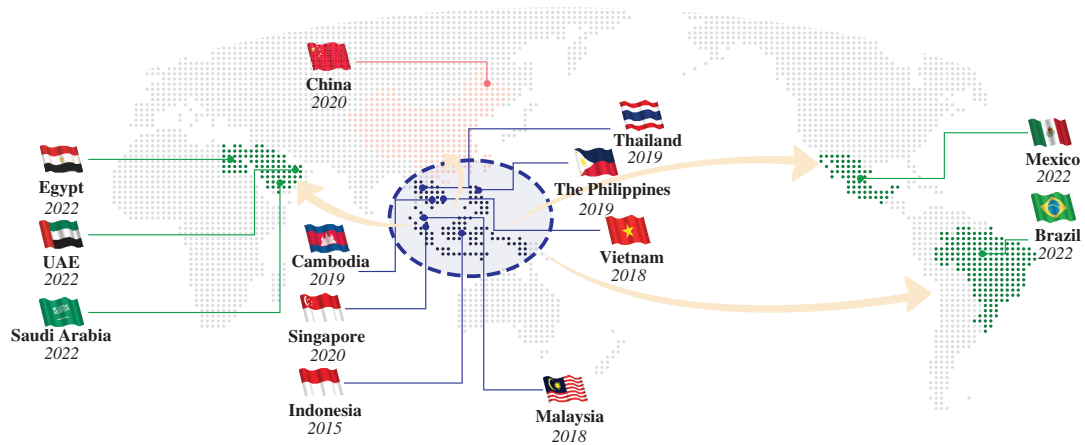
We entered into the New Markets in 2022 and have a very limited history of operating in these markets. We plan to expand with a prudent “hybrid” model in these markets.

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

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

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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 as of June 30, 2023.

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

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

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

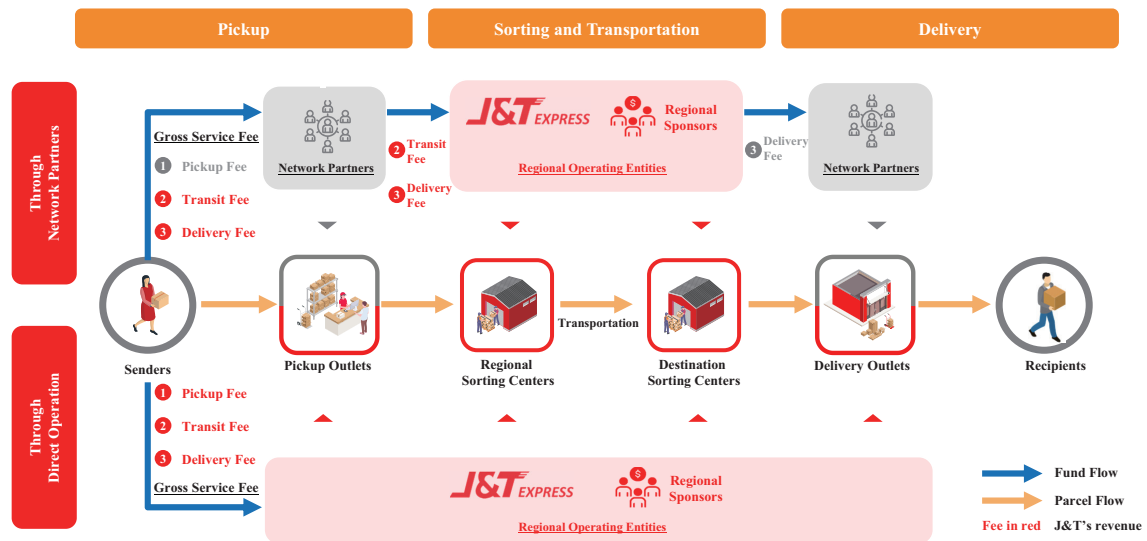
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OUR SERVICES

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

Express Delivery Process

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



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

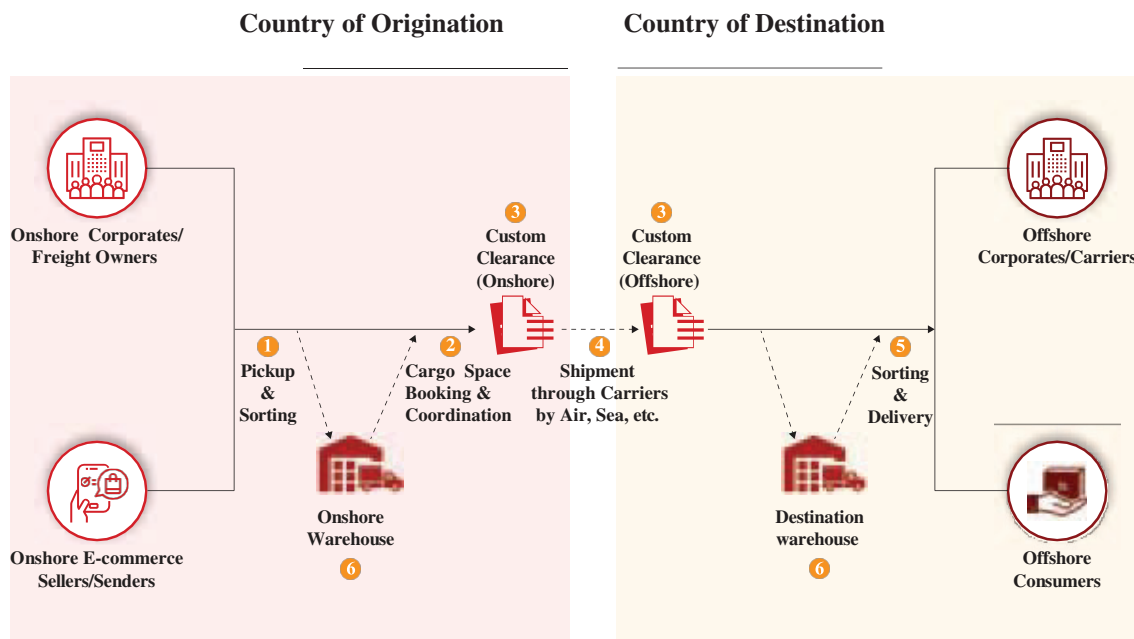
Step 2: Parcel Sorting and Transportation. Upon receipt of parcels shipped from various pickup outlets and service stations within its coverage area, the regional sorting center sorts, further packs and dispatches the parcels to the destination sorting center through line-haul as well as air and sea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

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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 cross-border services to e-commerce platforms, merchants and consumers through our own cross-border network. The following diagram illustrates the key components and steps of our cross-border network:



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

- (i) **Cross-border small parcels**, which includes (i) a door-to-door express service typically for e-commerce platforms and merchants covering pickup and sorting in the country of origin (step 1), custom clearance (step 3), shipment (step 4), all the way to sorting and delivery in the country of destination (step 5), and (ii) transshipment service for individual consumers covering consolidating e-commerce parcel in our warehouses (step 6), transshipment (step 4) and delivery in the country of destination (step 5);
- (ii) **Cross-border freight forwarding**, which primarily includes cargo space booking and coordination (step 2), custom clearance (step 3), and shipment through carriers by air or sea (step 4); and
- (iii) **International warehousing solutions**, which are integrated warehousing services mostly for e-commerce platforms and merchants with our self-operated warehouses (step 6).

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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 price charged to the shippers, who are considered our end-customers and customers of the network partners, under our guidance and market conditions, taking into account their own operating costs. By giving our network partners latitude in pricing, they are able to effectively respond to competitive dynamics in their local markets and business volume. We believe this model leverages our network partners’ entrepreneurship and insights in local markets, which strengthens our network.

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

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

Our Historical Performance

We originated in Indonesia in 2015 and entered into the Chinese market in 2020. Our Southeast Asia operations have been generating profits for us during the Track Record Period and are expected to maintain healthy margin. Compared to the incumbent players with decades of accumulated experience, we are a late comer to the Chinese market. Since 2020, we have quickly ramped up our parcel volume through expansion of our collaboration with e-commerce platforms, competitive pricing and capital expenditure into infrastructures to build up our logistics network. In December 2021, we acquired BEST Express and subsequently completed the integration of its network in 2022. In connection with the transaction, we experienced certain fluctuation in our service quality as well as market share in China, and we also identified certain redundancy of assets including sorting centers, equipment, and vehicles, which led to an increase in our impairment losses. Therefore, we incurred gross loss and operating loss for our China operations during the Track Record Period. The negative gross

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margin was further exacerbated by the “Others” segment, as we further expanded into cross-border business in 2021 and entered into the New Markets in 2022, both of which are still in the early stage of development. As of January 1, 2020, we had accumulated losses as a group, primarily due to our net loss position as of December 31, 2019 resulting from our expansion into certain new markets in Southeast Asia and preparation activities in relation to our expansion into China. As a group, we incurred gross loss and operating loss for China and other regions in 2022, which offset the gross profit and operating profit achieved in Southeast Asia during the Track Record Period. Some of the countries in Southeast Asia incurred a operating loss due to different operating environments and countrywide strategies or focuses during the Track Record Period, but we have achieved a healthy margin in Southeast Asia as a whole. We also incurred net operating cash outflow for each period during the Track Record Period for the aforementioned reasons.

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

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

Note:

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

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

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

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

Note:

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

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

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

Our businesses in certain countries in Southeast Asia incurred gross losses in different periods during the Track Record Period, but our businesses in most countries in Southeast Asia recorded gross profits during the Track Record Period. In Southeast Asia, we generated a substantial amount of our revenue from Indonesia, the Philippines, Malaysia and Thailand, which were our top four countries in terms of revenue contribution, aggregating to over 86% of our total revenues from Southeast Asia in each of 2020, 2021,

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2022 and the six months ended June 30, 2023. The average gross margin of our operations in the seven Southeast Asian countries, based on country-level management accounts, was 15%, 14%, 9%, and 9%, respectively, for the year ended December 31, 2020, 2021, 2022 and the six months ended June 30, 2023.

- **China:** We incurred gross losses in China during the Track Record Period. We recorded a gross loss of US\$576.7 million, US\$1,218.7 million, US\$664.8 million, US\$267.9 million and US\$17.1 million, and a negative gross margin of 120.4%, 55.9%, 16.2%, 13.7% and 0.8% in 2020, 2021, 2022 and for the six months ended June 30, 2022 and 2023, respectively. We have demonstrated significant improvements in our margins from 2020 to 2022 and in the six months ended June 30, 2023. Our historical loss-making positions in China were primarily attributable to our continued investments in technology infrastructure, scale and expansion. Capitalizing on such investments, we have grown rapidly in China since our entry into the market in March 2020, achieving significant growth in parcel volume and market share during the Track Record Period. In China, we handled 12,025.6 million parcels in 2022, representing a market share of 10.9% by parcel volume in 2022. We furthered increased our market share to 11.7% and 12.6% in June and July 2023, respectively. We were one of the very few newcomers in the industry that successfully took a sizable share of the market from major players. From the fourth quarter of 2020 to the fourth quarter of 2022, we were the fastest-growing express delivery operator in China among major players in terms of parcel volume, as well as the fastest among our peers in China to achieve a scale of 50 million peak daily parcel volume, according to Frost & Sullivan.
- **Others:** For our cross-border services and New Markets operations, we had a gross loss of US\$81.5 million in 2022, compared to gross profits of US\$3.3 million and US\$11.8 million in 2020 and 2021, as we just started to enter express delivery services in the New Markets and continued to expand our cross-border services in 2022. We recorded a gross loss of US\$9.5 million for the six months ended June 30, 2023. During the Track Record Period, each country in the New Markets incurred a gross loss, as our operations in these markets are still in the ramp-up stage. We expect to continue to selectively invest in our cross-border operations and ramp up our operations in the New Markets.

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

Our Path to Profitability

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

Grow our parcel volume and market share

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

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

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

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

- In Southeast Asia, a majority of our parcels directly came from e-commerce platforms during the Track Record Period, who have significant influence over the choice of delivery companies for the goods sold on these platforms. We grew our parcel volume mainly through (i) rapid ramp-up of our network and operations through the regional sponsor model and (ii) deepened and expanded relationships with e-commerce platforms. In addition, we have been expanding our business outreach to corporate customers with express delivery demand as well as individual customers. In the meantime, we have been exploring collaboration opportunities with emerging e-commerce platforms, whose business volumes have been rapidly growing and who need reliable express delivery partners to fulfill delivery orders. Our parcel volume in Southeast Asia grew at 87.3% year over year from 2020 to 2021, and further at 16.3% year over year from 2021 to 2022, representing market share of 16.4%, 22.3% and 22.5% in 2020, 2021 and 2022 by parcel volume, respectively. Our parcel volume in Southeast Asia increased by 18.4% from 1,215.0 million in the six months ended June 30, 2022 to 1,438.3 million in the six months ended June 30, 2023. On a quarterly basis, the average daily parcel volume, calculated by the parcel volume in a given quarter divided by the number of days in such quarter, grew from 7.3 million in the first quarter of 2023 to 8.5 million in the second quarter of 2023.
- In China, substantially all of our parcels originated from through e-commerce platforms, whose merchants have decision power over the choice of delivery companies for the goods sold on the platforms during the Track Record Period. We increased our parcel volume through (i) continued expansion of partnership with more e-commerce platforms and therefore more diversified parcel sources, (ii) expanded network of network partners acquiring a wide range of merchants across China, and (iii) continuously improving service quality and enhancing brand image which facilitated with our client sourcing abilities. In 2021, the acquisition of BEST Express China provided us with access to additional e-commerce platforms which we could not access before, and we also commenced partnership with social e-commerce platforms such as Douyin and Kuaishou, both of which diversified our sources of parcels and brought in new growth opportunities for us. As we expand our relationships with more e-commerce platforms, we are able to access additional merchants on these platforms. Satisfactory services provided to merchants and end customers on these platforms could solidify our relationships with e-commerce platforms, who closely monitor the performance of express delivery partners

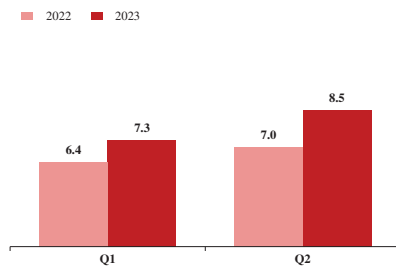
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and feedback on our delivery services from their end customers. With our enlarged network, established infrastructure and flexible pricing strategies, we can further grow parcel volume and market share in China. Our parcel volume in China grew at 300.0% year over year from 2020 to 2021, and further at 44.3% year over year from 2021 to 2022, representing market share of 2.5%, 7.7% and 10.9% in 2020, 2021 and 2022 by parcel volume, respectively. Our parcel volume in China increased by 15.1% from 5,602.3 million in the six months ended June 30, 2022 to 6,445.6 million in the six months ended June 30, 2023. On a quarterly basis, the average daily parcel volume, calculated by the parcel volume in a given quarter divided by the number of days in such quarter, grew from 30.0 million in the first quarter of 2023 to 41.2 million in the second quarter of 2023. In addition, we achieved a market share of 11.5% by parcel volume in the second quarter of 2023.

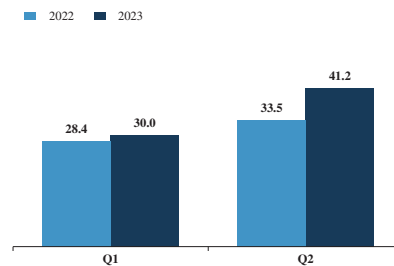
- We entered into the New Markets in 2022 and have a very limited history of operating in these markets. Our parcel volume in these markets was 49.1 million in total in 2022 and 83.2 million for the six months ended June 30, 2023. The average daily parcel volume grew from 323,200 in the first quarter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

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

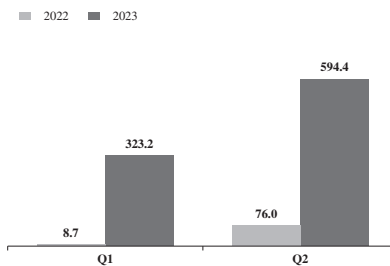
Southeast Asia Daily Average Parcel Volume (in millions)



China Daily Average Parcel Volume (in millions)



New Markets Daily Average Parcel Volume (in thousands)



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

- In Southeast Asia, we expect to continue increasing our parcel volume and market share through (i) deeper collaboration with existing e-commerce clients and expanding partnerships with more e-commerce platforms in the region, (ii) continuously improving our regional network, our service quality and our ability to retain existing customers and acquire new customers, and (iii) maintaining our dominant market position to further capture growth. According to Frost & Sullivan, the express delivery market in Southeast Asia is expected to further grow in the next five years, driven by (i) the growing GDP per capital and consumer purchasing power, (ii) improved transportation and local infrastructure and payment systems, (iii) the growth of e-commerce platforms, and (iv) favorable government policies. Leveraging our first-mover advantage and market leadership as well as our leading infrastructure and network in Southeast Asia, we believe we are capable of supporting the growing volumes of our e-commerce customers in Southeast Asia, which allows us to stand out among our competitors. We expect to maintain our dominant market leadership in Indonesia, Malaysia, the Philippines and Cambodia, where we were ranked No. 1 by parcel volume in 2022, and grow market share in Thailand, where we recently upgraded and improved the automation level of our sorting facilities in order to increase our capacity. Our Directors are of the view that given the established network, investments in logistics facilities and customer relationships, as well as cultivation of prospective customer relationships in the regions, it is feasible for us to achieve our goals. Furthermore, our achieved cost efficiency may also enable us to maintain flexible pricing and continue to grow our parcel volume so as to grow our market share.
- In China, we expect to increase our parcel volume and market share through (i) deeper collaboration with existing e-commerce clients and expanding partnerships with more e-commerce platforms, (ii) improved and consistent service quality driven by optimized management of network partners, (iii) diversified sources of parcels from merchants on a wide range of e-commerce platforms, and (iv) continued efforts in developing non e-commerce customers to further diversify source of parcels. In addition, due to the integration with BEST Express China, we encountered business fluctuations which may have impacted our post-acquisition market share in China during certain time throughout 2022. Such integration was completed in the six months ended June 30, 2022 and we expect to further release growth potential with an enlarged network going forward. According to Frost & Sullivan, the express delivery market in China is expected to further grow, driven by (i) robust demand from e-commerce, (ii) favorable government policies, (iii) advanced technology applications, (iv) improving infrastructure and facilities, and (v) emerging cross-border e-commerce and express delivery demand. We have been able to maintain our growth in market share in China since our entry into the market from 7.7% in 2021 to 10.9% in 2022. In July 2023, our market share by parcel volume amounted to 12.6%.

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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. The table below illustrates the average revenue per parcel in Southeast Asia and China over the Track Record Period as a result of our pricing strategy.

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

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

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

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

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Control costs, narrow gross loss and improve gross margin

Cost of revenue

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

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

Cost of revenue by segment

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

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

Note:

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

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

Average cost per parcel

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

Our average cost per parcel consists of:

- *Pickup and delivery cost per parcel.* In Southeast Asia, for pickup and delivery cost per parcel, pickup and delivery costs consist of (i) costs paid to unconsolidated regional operating entities in 2020 and part of 2021 prior to the acquisitions of the SEA entities, (ii) staff costs and external labor costs for the delivery personnel, depreciation and amortization expenses incurred for directly operated outlets, and (iii) pickup and delivery fees paid to the network partners since we directly contract with e-commerce platforms who are our customers. In China, pickup and delivery costs mainly consist of delivery fees paid to network partners.
- *Transportation cost per parcel.* Transportation costs include (i) transportation services costs paid to third-party fleet providers, and (ii) staff costs, fuel costs and tolls, and depreciation and amortization expenses in relation to our self-operated fleet, as well as air transportation expenses.
- *Sorting cost per parcel.* Sorting costs include (i) staff costs, (ii) external labor costs, and (iii) depreciation and amortization expenses which are mainly depreciation expenses in relation to sorting equipment and other types of fixed assets, as well as the right-of-use assets for certain logistics facilities under IFRS 16, namely the lease payments for sorting centers.
- *Other cost per parcel.* Other costs include (i) impairment losses for redundant property, plant and equipment identified after the acquisition and integration of BEST Express China, which is considered one-off given the size of the integration, and (ii) other miscellaneous costs including cost of packaging materials, rental costs, utility costs, other operating costs and maintenance expenses.

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

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

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

- *Optimized pick up and delivery cost per parcel.* Upon our acquisitions of the SEA entities, we operated a majority of pickup and delivery outlets directly through regional operating entities in Southeast Asia, which incurred costs for the first-mile pickup and last-mile delivery personnel. Therefore, our pickup and delivery cost per parcel increased from US\$0.39 in 2020 to US\$0.46 in 2021. In 2022, we started to dynamically adjust the density and locations of outlets based on local operating environment, such as selectively engaging network partners who own and operate their own pickup and delivery outlets, expanding coverage of each outlet operated by network partners, or increasing capacity of each outlet, which helped us reduce the pickup and delivery cost per parcel to US\$0.43 in 2022, and further to US\$0.40 in the six months ended June 30, 2023. We will continue to optimize our pickup and delivery cost structure by engaging network partners to operate more of our outlets and also increase their operating efficiency.
- *Resilient sorting cost per parcel.* In 2021, upon the acquisitions of unconsolidated regional operating entities, we also integrated sorting centers and relevant staff of such entities in Indonesia, which caused an increase in our sorting cost per parcel from US\$0.08 in 2020 to US\$0.09 in 2021 and 2022. We have been actively enhancing the efficiency of our sorting staff since 2022, which helped us maintain a sorting cost per parcel at US\$0.09 in the six months ended June 30, 2023. We strive to continuously increase sorting efficiency in Southeast Asia through consolidating sorting centers, upgrading automated equipment, and enhancing the efficiency of staff and external labor at sorting centers.
- *Optimization of transportation cost efficiency:* We continue to optimize routes connecting sorting centers, which helped us increase efficiency during the Track Record Period. Our transportation cost per parcel increased from US\$0.15 in 2020 to US\$0.22 in 2021, primarily due to the consolidation of transportation costs previously borne by the unconsolidated regional operating entities in Indonesia and Thailand. After the acquisitions of these entities, we were able to integrate resources, allowing us to increase capacity on every trip and optimize resource allocation between self-operated vehicles and third-party transportation service providers, which was partially offset by the inflation in labor and fuel prices in 2022. We have commenced optimizing and adjusting the coverage of each sorting center in Thailand, Malaysia and Vietnam in late 2022, which further reduce the number of line-haul trips needed among the sorting centers. Our transportation cost per parcel remained at US\$0.22 in 2022 and declined to US\$0.19 in the six months ended June 30, 2023. We expect to selectively utilize third-party fleets as we continue to build up our self-operated fleet which has higher efficiency.

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

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

- *Stabilized delivery costs:* After our entry into China in March 2020 and during the initial ramp-up phase, we compensated our network partners on delivery fees given the parcel volume was relatively low. Leveraging our rapid increase in parcel volume during the Track Record Period, we were able to adjust the delivery fees paid to our network partners, and have achieved a decrease in our average delivery cost per parcel from US\$0.25 in 2020 to US\$0.20 in 2022 and the six months ended June 30, 2023. As the scale and density of our parcel volume further increases, we will be able to further maintain stable delivery fees paid to network partners.
- *Enhancement of transportation cost efficiency:* We have been increasing the proportion of self-owned vehicles in our total fleet during the Track Record Period. By improving the utilization rate of fleet capacity as our parcel volume ramped up, we were able to decrease our average transportation cost per parcel from US\$0.12 in 2020 to US\$0.09 in 2022 and further to US\$0.08 in the six months ended June 30, 2023. In 2022, we experienced a slight increase in average transportation cost per parcel due to increases in fuel costs and line-haul trips as we consolidated additional sorting centers from BEST Express China. As we enlarge our self-owned fleet, especially in terms of high capacity line-haul vehicles and optimize transportation routes through better planning and monitoring of an enlarged network, we expect to increase line-haul efficiency further.
- *Higher efficiency of sorting centers:* In China, our average sorting cost per parcel mainly consists of labor costs incurred in relation to internal sorting staff and external labor force utilized to supplement capacity, as well as depreciation expenses which are mainly lease payments for sorting centers. Driven by improved capacity utilization of sorting centers from increases in parcel volume, our average sorting cost per parcel was US\$0.11, US\$0.06, US\$0.08 and US\$0.06 in 2020, 2021, 2022 and the six months ended June 30, 2023, respectively, demonstrating a general downward trend. In 2022, we experienced a slight increase in average sorting cost per parcel compared to 2021 due to temporary increase in labor costs and depreciation expense associated with the consolidation of sorting facilities from BEST Express China. We expect to further enhance the efficiency of our sorting operations in general with (i) further upgrade of the automated sorting equipment deployed at the sorting centers, (ii) enhancing management and training of the employees, (iii) better management of the external labor force, and (iv) continuously optimizing planning of our sorting center facilities post integration of BEST Express China.

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

Investment in infrastructure

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

Gross profit/loss and gross margin

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

Enhance operating leverage

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

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

Notes:

- (1) Include impairment of goodwill of US\$117.5 million in 2022.
- (2) Exclude share-based payments and expenses of US\$188.3 million, US\$619.0 million, US\$281.4 million, US\$260.6 million and US\$1,426.9 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively.

Selling, general and administrative expenses

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

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

Notes:

- (1) Include impairment of goodwill of US\$117.5 million in 2022.
- (2) Exclude share-based payments and expenses of US\$188.3 million, US\$619.0 million, US\$281.4 million, US\$260.6 million and US\$1,426.9 million in 2020, 2021, 2022 and the six months ended June 30, 2022 and 2023, respectively.

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

Research and development expenses

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

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

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

Working capital management policies

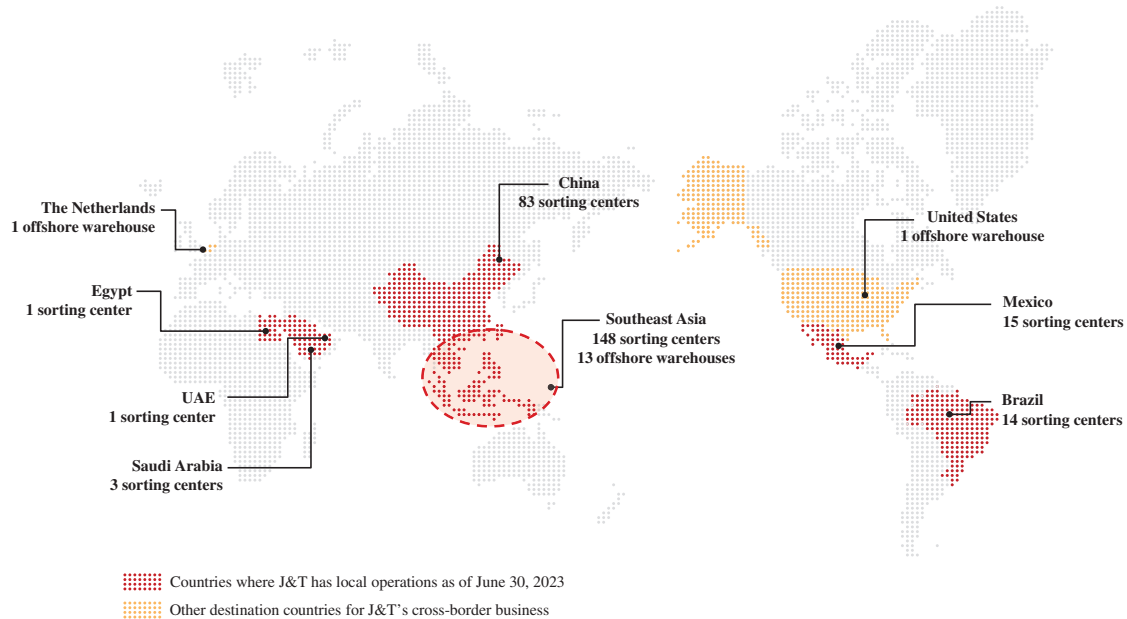
To ensure our working capital sufficiency, we maintain a suite of working capital management policies. We implemented various of procedures and policies, such as working capital management policy, bank account management policy, overall budget management policy and investment management policy to screen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

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 June 30, 2023, our express delivery network had 265 sorting centers in operation. The following map shows our network of sorting centers and warehouses in operation as of June 30, 2023.



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

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

BUSINESS

tracking system monitors the status of parcel movement and enables us to identify centers with the need for additional investment or resource allocation to increase sorting speed. We continue to upgrade and optimize operations of our sorting centers and further expand our network capacities.

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



Transportation network

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

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

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

Note:

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

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

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

CUSTOMERS

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

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

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

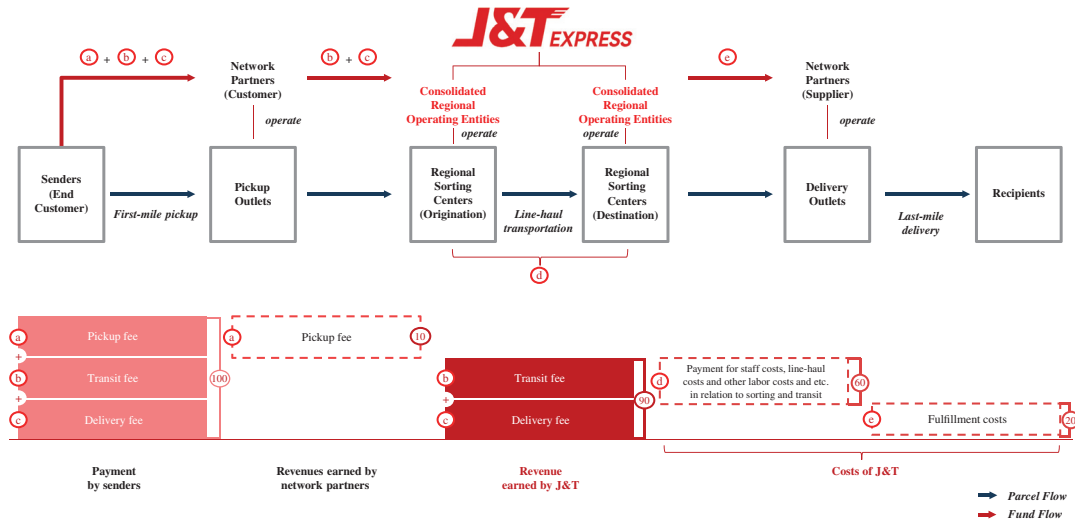
In addition, we consider the unconsolidated regional operating entities, which are owned and operated by regional sponsors during the ramp-up period, our customers until we acquire majority interests in them. In 2020, around 25% of the parcels in Southeast Asia were from unconsolidated regional operating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

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

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

Express Delivery Process through Consolidated Regional Operating Entities – Network Partners

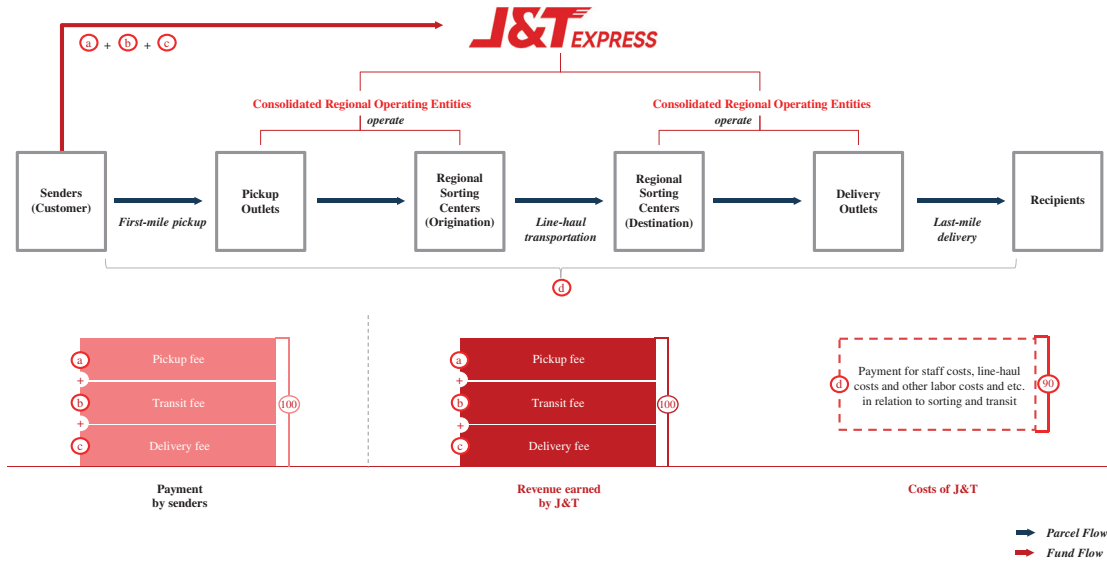


Notes:

- (1) The diagram is for illustrative purposes only and does not represent scale.
- (2) For parcel delivery process where network partners are engaged, network partners who pick up parcels charge end customers service fees for pickup, transit and delivery. Network partners then pay us (together with consolidated regional operating entities) fees for transit and delivery. Such network partners at the “pickup end” of the process are our customers. After sorting and line-haul transportation of parcels, we engage network partners to perform the last-mile delivery obligations, and we pay such network partners delivery fees. Network partners at the “delivery end” of the process are our suppliers. A parcel is typically picked up and delivered by different network partners.
- (3) For parcels directly from e-commerce platforms, in terms of fund flow, e-commerce platforms would pay fees to us directly (which include pickup, transit and delivery fees) for parcels delivered by our network partners. The flow of parcel delivery process is the same as illustrated above.

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Express Delivery Process through Consolidated Regional Operating Entities – Direct Operation

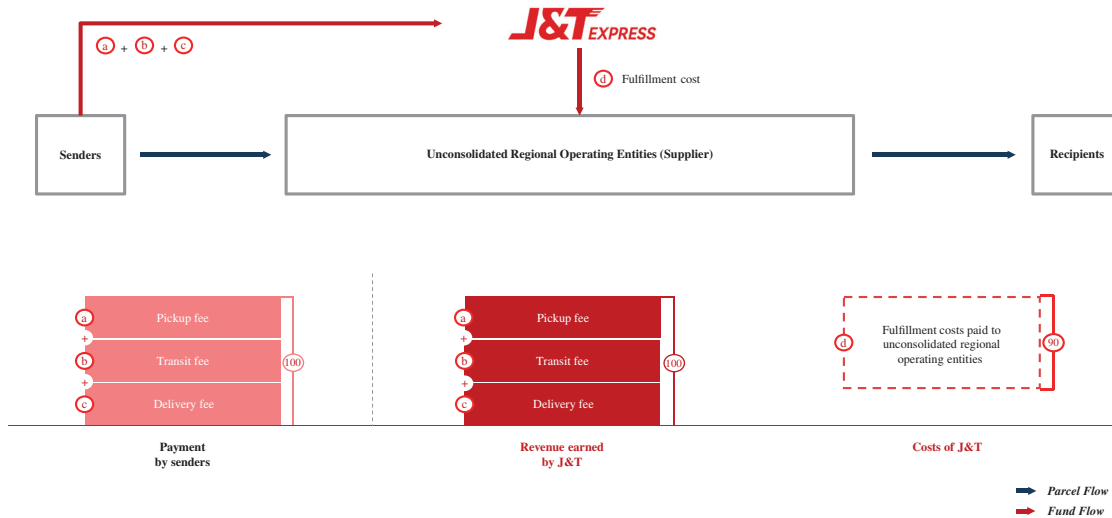


Notes:

- (1) The diagram is for illustrative purposes only and does not represent scale.
- (2) For parcels delivered under the “direct operation” model, we (along with consolidated regional operating entities) earn fees for the entire delivery process of parcels, including pickup, transit and delivery, from senders of parcels. Such senders could be enterprises, individuals, merchants or e-commerce platforms. We bear the costs of leasing pickup and delivery outlets, employing staff at the outlets and procuring equipment deployed at the outlets.

Express Delivery Process through Unconsolidated Regional Operating Entities

Scenario (i)



BUSINESS

Scenario (ii)



Notes:

- (1) The diagram is for illustrative purposes only and does not represent scale.
- (2) For parcel delivery process where unconsolidated regional operating entities are engaged, there could be two modes of collaborations, (i) we receive delivery orders from senders directly and earn fees for pickup, transit and delivery of the parcels. We then engage unconsolidated regional operating entities to deliver the parcel and pay them fees for the pickup, transit and delivery process of the parcels, during which such unconsolidated regional operating entities are our suppliers. (ii) unconsolidated regional operating entities receive delivery orders from senders directly and deliver the parcels themselves. They pay us fees for the use of our branding, platform and infrastructure, and we deem such unconsolidated regional operating entities our customers.

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

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

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

For the year ended December 31, 2020

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

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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
PT. KARYA NIAGA ABADI ⁽²⁾	Express delivery	Express delivery service	2015	21,247	1.4%	30 days
PT. SEMUT MERAH SQUAD ⁽²⁾	Express delivery	Express delivery service	2015	18,118	1.2%	30 days

Notes:

- (1) An e-commerce platform and online marketplace in Southeast Asia.
- (2) A SEA entity that has been acquired and consolidated into our Group in 2021. See “History and Corporate Structure – Major Acquisitions, Disposals and Mergers” and “Financial Information.”
- (3) An express delivery operator and a supply chain management company in China.

For the year ended December 31, 2021

Customer	Services provided by us	Principal business and background of the customer	Year of starting business relationship with us	Revenue contributed (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 ⁽¹⁾	Express delivery	Express delivery service	2020	42,637	0.9%	upfront payment
Customer G ⁽²⁾	Express delivery	Express delivery service	2020	42,357	0.9%	upfront payment
PT. GLOBAL BINTANG TIMUR EKSPRESS ⁽³⁾	Express delivery	Express delivery service	2016	34,621	0.7%	30 days

Notes:

- (1) An express delivery operator and a supply chain management company in Zhejiang, China.
- (2) An express delivery operator and a supply chain management company in Guangdong, China.
- (3) A SEA entity that has been acquired and consolidated into our Group in 2021. See “History and Corporate Structure – Major Acquisitions, Disposals and Mergers” and “Financial Information.”

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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 ⁽¹⁾ . . .	Express delivery and cross-border services	Social e-commerce platform	2021	482,887	6.6%	30 days
Customer I ⁽²⁾	Cross-border services	E-commerce platform	2022	54,160	0.7%	90 days
Customer J ⁽³⁾	Express delivery services	E-commerce platform	2021	51,505	0.7%	30 days
Customer C	Express delivery services	Express delivery service	2020	48,102	0.7%	upfront payment

Notes:

- (1) An international social e-commerce platform.
- (2) An e-commerce platform in China.
- (3) An international e-commerce company with operations mainly in Southeast Asia.

For the six months ended June 30, 2023

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

Note:

- (1) An e-commerce platform in China.

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

Key terms of agreements with our customers

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

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

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

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

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

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

CUSTOMER SERVICE

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

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

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

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SUPPLIERS

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

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

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

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

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

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

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

TECHNOLOGY

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

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

Integrated systems

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

- *Data management:* we established a standardized data management framework which unifies and integrates datapoints arising from all stages of business operations including orders, pickup and delivery outlets, sorting centers, flow of orders and transport, among others. Our data management platform visualizes the datapoints and generates insights for management.
- *Network management:* we map our overall express delivery network and manage the key information of each network partner such as their location, qualification, key management personnel and employees, among others, to facilitate efficient management of the network.

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- *Service quality management:* we rigorously monitor each completed delivery and display reminders on the status of the delivery to facilitate us in handling events that may lead to complaints in advance.
- *Customer relationship management:* our customer relationship management platform enables us to categorize and manage the end customer base, including merchants, individuals and enterprise customers. We track daily incoming and delivered orders in real time and regularly monitor the activeness and stickiness of these end customers.
- *Transportation management:* we have a command center monitoring and coordinating our fleet to optimize resource allocation and advise on alternative routes. The platform also identifies vehicles irregularities and provides early warnings, enabling us to enhance the efficiency of transportation.
- *Device and materials management:* we connect and manage our PDAs across our network. We can monitor the use of this equipment and timely report on any damage or malfunction. We have established solid redundancy systems to maintain databases and system backup, as well as backup hardware and equipment. In addition, we conduct regular data backup and data recovery tests. We leverage our technology infrastructure, cybersecurity expertise and our database to enhance the reliability, stability and security of our data. We also are able to track per-person processing capacity and the usage of sustainable materials in our operations to enhance our overall efficiency.

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

Global coverage and localization

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

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

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

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

INTELLECTUAL PROPERTY

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

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COMPETITION

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

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

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

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

SECURITY AND SAFETY

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

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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

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

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

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

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

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Sources, Types and Scope of Data Collection

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

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

Data Usage and Processing Methods

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

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

Data Protection Policies

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

We have developed our internal policies and procedures with the goal of meeting industry standards and establishing good practices. A few examples of our measures include (i) instituting a governance framework to ensure senior management fully equipped with procedures and solution toolkits to address any privacy issues, (ii) standardizing internal group data transfers with procedures to ensure lawful transfer of data to protect the security of

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personal information, (iii) implementing international information security and data privacy standards, (iv) updating our policies and procedures pursuant to periodic security impact assessments, and (v) implementing a framework to ensure the protection of personal data of customers and notification of customers if a data leakage event were to occur.

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

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

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

Data Sharing Arrangements

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

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

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

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BRANDING AND MARKETING

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

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

SEASONALITY

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

EMPLOYEES

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

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

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

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

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

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

PROPERTIES

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

Self-owned Properties

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

Leased Properties

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

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

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INSURANCE

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

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

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

ENVIRONMENT, SOCIETY, AND CORPORATE GOVERNANCE

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

ESG Governance

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

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Materiality Assessment

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

- We build and continue to update our own ESG issues database based on the ESG guidelines of the Hong Kong Stock Exchange, GRI, SASB and other relevant authorities, with reference to ESG rating indicators from MSCI, Sustainalitics and DJSI;
- We identify potential material ESG topics which may affect our business or stakeholders based on our actual development and characteristics of the industry;
- We engage internal and external stakeholders to participate in surveys to express their concerns and opinions regarding various potential material topics, identify specific ESG questions, determine the materiality of different issues and evaluate the impact of different ESG issues on us;
- Based on the results of the questionnaire, we identify material ESG issues by considering their respective impact on stakeholders and our sustainable development, and incorporate such ESG issues into our strategies and development plans.

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

Identifying ESG Risks

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

(a) Identification – industry benchmarking

- We identify important topics with reference to HKEX, SASB and MSCI standards, as well as benchmarking with leading domestic and foreign industry players.
- The materiality of each ESG area is determined based on the importance of each ESG area to us through internal discussion with our management.

(b) Prioritization – stakeholder engagement

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

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(c) Validation – determining material issues

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

Managing ESG Risks

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

Management of Environmental and Climate Changes

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

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

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

Promoting Green Express Delivery Practice

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

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

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

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

Metrics and Targets

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

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

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

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

Anti-bribery and Anti-corruption

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

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Supply Chain Management

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

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

Social Responsibilities

Human Capital

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

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

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

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

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

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

- **Remuneration and benefits.** We offered our employees competitive compensation packages. We determine employee remuneration based on factors such as qualifications, expertise and years of relevant experience. In accordance with applicable laws and regulations, we currently participate in social insurance contribution plan organized by the relevant local governments, including but not limited to, pension insurance plan, medical insurance plan, unemployment insurance plan, a work-related injury insurance plan, maternity insurance plan and housing provident fund.
- **Career Development.** We have established a solid talent cultivation mechanism and created an online-offline hybrid training platform. We continuously improve our training framework to empower every category of participant on our value chain and develop their careers. We offer a broad range of courses and programs covering professional training, general development, and management skills. We design training programs tailored for different positions at various career stages, meeting the training needs of employees, regional sponsors, network partners and delivery personnel. In 2022, we provided approximately 800 hours of trainings to over 290,000 participants.

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

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

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

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

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Charitable Endeavors

- **Poverty alleviation and community support.** We actively explore the rural market to promote the sales of commodities to, and sales of agricultural products by, residents in remote regions with the aim to help stimulate consumption in rural areas and increase the income of rural residents. We actively cooperate with local governments in Jilin, Shaanxi, Shanxi, Guangxi and other major agricultural provinces in China to bring local products to the broader market by using our network of sorting centers, and have a dedicated team to lead agricultural initiatives, including the setup of front-line warehouses designed specifically for agricultural products. We also promote digital inclusion of merchants, users and rural communities in countries where we operate, thereby helping alleviate poverty across the country. We have set up a special program in Vietnam to facilitate shipment of agricultural products and promote rural residents' participation in e-commerce via trainings and assistance programs.
- **Support in time of need.** Following the COVID-19 outbreak, we have been committed to helping people affected by the pandemic during the most difficult times. We launched initiatives in several countries to provide transportation and logistics support to local governments. We provided our frontline employees with masks and other protective equipment immediately after the outbreak. We also supported local communities in Indonesia, Vietnam, Malaysia and other jurisdictions where we operate by donating medical and rescue supplies, food, water and other basic necessities to frontline workers. For example, in Malaysia we donated over 60,000 face masks to the police in February 2021. This is just one example of the hundreds of thousands of care packages, meals and supplies that have been donated through the J&T network during the pandemic.

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

LEGAL PROCEEDINGS AND COMPLIANCE

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

Compliance

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

TRANSFER PRICING ARRANGEMENTS

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

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

- **Provision of technical service.** J&T Express (Shanghai) Acme Supply Chain Management Co., Ltd. (上海極兔極致供應鏈管理有限公司) (“**J&T Acme**”), Shenzhen Yunlu Information Technology Co., Ltd (深圳雲路資訊科技有限責任公司) (“**Shenzhen Yunlu**”) and Shanghai Jiexiao Information Technology Co., Ltd. (上海捷曉資訊技術有限公司) (“**Shanghai Jiexiao**”) provided technical services to J&T Express China including system development, software upgrade, maintenance and troubleshooting etc. Similarly, Shenzhen Yunlu and Shanghai Jiexiao provided technical services to Winner Star including system development, software upgrade, maintenance and troubleshooting etc. tailored for our Southeast Asia operations.
- **Provision of logistics services.** J&T Express China provided other Group entities express delivery services including sales of e-waybill, centralized parcel sorting, distribution and transportation etc. Other group entities also provided J&T Express China with various express delivery services such as centralized parcel sorting, distribution and transshipment as needed.
- **System and software licensing and Provision of technical support service.** Winner Star granted the licenses to other group entities for use of the system and software. Winner Star also provided technical support services to group entities who were counterparties of the software licensing transactions.
- **Trademark Licensing to subsidiaries.** Winner Star granted the license to other group entities to utilize the “J&T express” trademark.

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

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

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

Based on the functional profiles of Winner Star and other group related entities, the Comparable Uncontrolled Price method (“**CUP**”) and the Transactional Net Margin Method (“**TNMM**”) are selected as the most appropriate transfer pricing methods to evaluate the licensing arrangement between Winner Star and other group entities in Southeast Asia during the Track Record Period. The CUP and TNMM methods are commonly accepted in the OECD TP Guidelines and are stipulated in relevant TP regulations. Based on the transfer pricing

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review, it is indicated that the license fee rate and the profit level indicators of the licensees are generally within the profit range that was considered an appropriate range for the arm's length transactions during the Track Record Period.

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

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

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

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

- continue to engage third party tax advisers to carry out review on transfer pricing initiatives to ensure our transfer pricing arrangements are in line with arm's length principle;
- provide training to teams responsible of such transactions, keeping them informed of transfer pricing laws and regulations in different jurisdictions; and
- continue to monitor the profitability of our subsidiaries and controlled affiliated entities and adjust pricing arrangements as appropriate.

OUR GLOBAL OPERATION RISKS

Our Operations in the Philippines and Cambodia

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

- Our operations in the Philippines and Cambodia, on an aggregate basis, are comparatively not significant to our operations in jurisdictions. Our Company is incorporated in the Cayman Islands. We maintain a centralized management system that ensures that our Directors and senior management would have full and timely access to books and records regarding our operations in the Philippines and Cambodia. For example, we have an internal ERP system where a group entity can only enter into major transactions after management's review and approval. For our ledgers and management accounts, we have promulgated a list of action items and procedures for our account closing process on our group level. Our headquarters teams set monthly closing deadline for each region and review the compliance status of each region. The finance team of each region is required to submit the management accounts and relevant materials in our designated finance

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system by the relevant deadlines. These measures ensure that our management team will have full and timely access to relevant books and records regarding our business operations in the Philippines and Cambodia, including full sets of ledgers, management accounts, a full list of bank accounts and all major agreements. Given securities regulators of the Cayman Islands are signatories to the IOSCO MMOU, we believe we will be in compliance with Rule 8.02A of the Listing Rules.

- In the six months ended June 30, 2023, our operations in the Philippines and Cambodia in aggregate contributed to approximately 7.4% of our total revenue. As we continue to expand globally and enhances our market positions in markets such as China, we do not expect the materiality of our operations in the Philippines and Cambodia to increase in the near future. In the Philippines, private express and/or messenger delivery service as well as domestic airfreight forwarding, were previously considered “public utilities” which are subject to a minimum of 60% Filipino ownership requirement. However, the PSA Amendment has taken out these activities from the definition of “public utilities” and these activities are therefore no longer subject to minimum 60% Filipino ownership. For details, see “Regulatory Overview – Laws and Regulations in Relation to Our Business in the Philippines” in Appendix III to this document.” Although we indirectly own only 40% equity interests in PH GJE during certain periods of the Track Record Period, through certain agreements and arrangements, we are considered, from an accounting perspective, to have control over PH GJE, see “Financial Information – Critical Accounting Policies and Estimates – Subsidiaries and controlled affiliated entities.” We will continue to monitor the significance of our operations in these markets and, in the event there is a material increase in their materiality, we will consult the Stock Exchange on any additional suitable measures to ensure our compliance with Listing Rules.
- The Company undertakes that it will cooperate, and cause relevant employees and staff to cooperate in all investigations and proceedings conducted or initiated by the Listing Division and the Listing Committee of the Stock Exchange, the SFC, the Independent Commission Against Corruption (the “ICAC”), the Commercial Crimes Bureau of the Hong Kong Police Force (the “CCB”), the AFRC and other law enforcement agencies in Hong Kong. The SFC, the ICAC, the CCB, the AFRC or other law enforcement agencies in Hong Kong will be able to deliver service notice at our Company’s registered address in Hong Kong and will have full and timely access to materials that the Group uses to prepare its local financial statements in Cambodia and the Philippines.

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

Our Operations in China and Indonesia

China

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

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Indonesia

Foreign Ownership Restrictions in Indonesia

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

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

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

Necessity of the current Indonesian Contractual Arrangements

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

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

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

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lower-tier cities, counties and towns), and such operations are indispensable to our overall courier services in Indonesia. Therefore, to conduct express delivery services through a joint venture company under the Partnership Requirements would require us to abandon our current national express delivery network, curtail our ability to reach end customers and reduce our competitiveness in Indonesia, all of which are fundamentally detrimental to our operations and future prospects.

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

LICENCES AND REGULATORY APPROVALS

Licences, Permits and Registrations

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

<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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

Operational Risk Management

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

Human Resources Risk Management

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

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

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

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Information Technology Risk Management

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

Financial Reporting and Risk Management

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

AWARDS AND RECOGNITION

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

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

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

CONTRACTUAL ARRANGEMENTS

PRC CONTRACTUAL ARRANGEMENTS

Regulatory Background

Overview

Foreign investment activities in the PRC are mainly governed by the Special Administrative Measures (Negative List) for the Access of Foreign Investment (the “**Negative List**”) and the Catalog of Industries for Encouraging Foreign Investment (the “**Encouraging Catalog**”), which was promulgated and is amended from time to time jointly by the MOFCOM and the NDRC. The Negative List and the Encouraging Catalog divides industries into three categories in terms of foreign investment, namely, “encouraged”, “restricted”, and “prohibited.” Industries not listed in the Encouraging Catalog and the Negative List are generally deemed as falling into a fourth category “permitted.” The currently effective Negative List is the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Version) (the “**2021 Negative List**”), which became effective on January 1, 2022. As advised by our PRC Legal Adviser, a summary of our business/operation that is subject to foreign investment restriction or prohibition in accordance with the Negative List, the Encouraging Catalog and other applicable PRC laws and on certain interview with governmental authority is set out below (the “**Relevant Businesses**”):

As advised by our PRC Legal Adviser, Article 51 of the Postal Law of the PRC (中華人民共和國郵政法) prohibits foreign investment in a business that operates and provides domestic express delivery of letters. Similarly, according to the 2021 Negative List, promulgated by the NDRC and the MOFCOM, postal services and domestic express delivery of letters are industries where foreign investment is not permitted, i.e., prohibited categories.

Pursuant to the Administrative Measures on the Courier Service Market (快遞市場管理辦法) and the Administrative Measures on Courier Service Operation Permits (快遞業務經營許可管理辦法), any entity operating courier services within a province, autonomous region or municipality, including but not limited to delivery of letters, parcels and other items, must obtain a Courier Service Operation Permit (快遞業務經營許可證) from the provincial Postal Administrations, and any entity operating courier services across multiple provinces, including but not limited to delivery of letters, parcels and other items, must obtain a cross-provincial Courier Service Operation Permit (快遞業務經營許可證) from the State Post Bureau (國家郵政局).

Given that the Company provides an integrated service with respect to its express delivery services and it is unlikely for the Company to be able to successfully apply for two separate Courier Service Operation Permits for two separate entities using the same stations, facilities and service network, we believe that it is neither legally nor commercially practicable to separate the domestic express delivery of non-letters from the Company’s domestic express delivery of letters which rely on the Courier Service Operation Permit and/or are subject to foreign ownership restrictions pursuant to the 2021 Negative List (the “**Prohibited Businesses**”) for the following reasons:

- (a) we currently do not distinguish between letters and non-letters at our service stations and it would be impracticable from a manpower and cost perspective for us to enforce additional categorisations at such customer service stations as all customer service stations currently use the same finance, accounting and logistics management technology systems;

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- (b) our delivery facilities and personnel are currently fully integrated and it would incur significant additional costs for us to consciously delineate the delivery of letters and non-letters due to the need to form separate administrative systems, retrain our personnel and revamp our current service interface; and
- (c) the use of a single integrated system for both letters and non-letters would enable us to maximise economies of scale and our data integrated platforms allows us to enhance our network management, service quality management, customer relationship management, transportation management and device and materials management. This enhances the customer experience and also reduces inefficiencies and wastage across our network, allowing us to provide better service at a lower cost to retain our competitive advantage.

Our PRC Legal Adviser conducted verbal consultations in February and June 2023 with market regulation offices of 17 provincial Postal Administrations (the “**Regulatory Consultations**”), during which the corresponding officers confirmed that (i) applicants must fulfill a number of conditions to obtain a Courier Service Operation Permit, including whether the applicant has its own standalone delivery stations, facilities, delivery capability and service network; and (ii) a separate Courier Service Operation Permit will not be issued to two separate entities which use the same delivery stations, facilities, delivery personnel and service network. As advised by our PRC Legal Adviser, the daily duties of such provincial Postal Administrations, include, among others: (i) the review of application for provincial Courier Service Operation Permit; (ii) the review and verification for application of cross-provincial Courier Service Operation Permit under the direction of the State Post Bureau; (iii) the implementation of market entry and exit rules of courier and postal services in accordance with applicable laws; and (iv) the enforcement of the national and provincial courier and postal services related laws and regulations. In light of the foregoing, our PRC Legal Adviser is of the view that such consulted officials are competent persons to give the above confirmation.

Consequently, it is unlikely that our Company can obtain or will in the foreseeable future obtain separate cross-provincial Courier Service Operation Permits for two separate entities which use the same delivery stations, facilities, delivery personnel and service network. In other words, as advised by our PRC Legal Adviser, two separate entities under the Group may obtain a cross-provincial Courier Service Operation Permits only if their delivery stations, facilities, delivery personnel and service network do not overlap.

J&T Express China is currently holding a cross-provincial Courier Service Operation Permit. J&T Express China is a wholly-owned subsidiary of Shanghai Yishangshiye (the “**PRC Holdco**”), which is a Consolidated Affiliated Entity of the Company.

In addition, following the acquisition of BEST Express China, the Group acquired another cross-provincial Courier Service Operation Permit by acquiring 100% of the equity interests in Hangzhou BEST on December 8, 2021. The two cross-provincial Courier Service Operation Permits held by each of J&T Express China and Hangzhou BEST are based on their respective standalone delivery stations, facilities, delivery personnel and service network before the acquisition of BEST Express China. As of the Latest Practicable Date, all of the aforesaid delivery stations, facilities, delivery personnel and service network had been all consolidated to have been possessed and operated by J&T Express China. After the completion of the consolidation, Hangzhou BEST will not possess any delivery stations, facilities, delivery personnel or service network, and will dispose of its cross-provincial Courier Service Operation Permit in due course.

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The Contractual Arrangements also include certain business that are not relying on the Courier Service Operation Permit and/or not subject to foreign ownership restrictions pursuant to the 2021 Negative List, which is the short messaging service (“SMS”) business. The revenue contribution of the SMS business under the Contractual Arrangements to our Group amounted to approximately 0.03%, 0.03% and 0.06% for the years ended December 31, 2020, 2021 and 2022, respectively, with the remaining revenue contribution under the Contractual Arrangements arising from Prohibited Businesses. As at the date of this document, the Company has started the separation of the SMS business from the PRC Contractual Arrangements by transferring the entire equity interests of the Consolidated Affiliated Entity which operates the SMS business to a wholly owned subsidiary of the Company. The restructuring is expected to be completed within 6 months. Before completion of the restructure, the Company confirms that it will (and will have measures in place to) ensure the SMS business under the PRC Contractual Arrangements will remain immaterial after the [REDACTED] and its annual revenue contribution relative to the Group will be below 5%. Our finance department will monitor the proportion of revenue generated from the SMS business and report the status to our senior management on a quarterly basis, and, our audit committee will also review the proportion of the revenue generated from the SMS business on a quarterly basis, to ensure it will remain below 5% and will make adequate disclosure on an ongoing basis in our Company’s annual report after the [REDACTED].

For further details of the limitations on foreign ownership in PRC companies conducting the aforementioned business under PRC laws and regulations, see “Regulatory Overview”.

Overview of Our PRC Contractual Arrangements

Because foreign investment in certain areas of the industry in which we currently operate is subject to restrictions under current PRC laws and regulations as outlined above, and to maintain the business operations and the effectiveness of license and permits held by J&T Express China, J&T Express China and its relevant holding company and subsidiaries which are engaged in the domestic express delivery of letters business must be controlled by the Company through the Contractual Arrangements.

The PRC Holdco, Shanghai Yishangshiye is held by Wu Rongmei (吳蓉眉) as to 99% and Liu Wei (劉偉) as to 1%. Wu Rongmei (吳蓉眉) is the office manager of J&T Express China and the director of J&T Express (Shanghai) Acme Supply Chain Management Co., Ltd. (上海極兔極致供應鏈管理有限公司) and J&T Express China and Liu Wei (劉偉) is the supervisor of J&T Express (Shanghai) Acme Supply Chain Management Co., Ltd. (上海極兔極致供應鏈管理有限公司) and J&T Express China. Both Wu Rongmei (吳蓉眉) and Liu Wei (劉偉) have been the Group’s PRC regional senior managers since the Group entered the China market. Considering their rich industry experience, their long time commitment to and in-depth understanding of the Group, the Company considers that they are suitable to be the PRC Registered Shareholders.

The PRC Contractual Arrangements (set out in more detail below) allow for our Company (or our wholly-owned subsidiaries) to exercise control of our Consolidated Affiliated Entities. Further, the PRC Registered Shareholders have, in the shareholder rights proxy agreement, given its irrevocable undertakings that address potential conflicts of interests that may arise in connection with the PRC Contractual Arrangements.

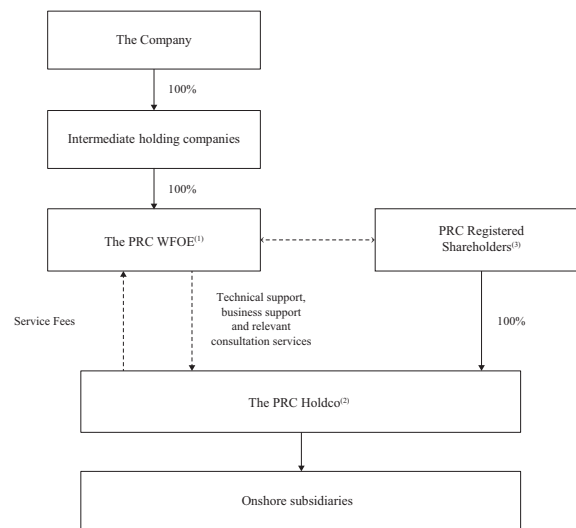
In view of the aforementioned PRC regulatory background, after consultation with our PRC Legal Adviser, we determined that it was not viable for our Company to hold the Consolidated Affiliated Entities directly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, we would gain effective control over, and receive all the economic benefits generated by the businesses

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currently operated by the Consolidated Affiliated Entities through the PRC Contractual Arrangements between the PRC WFOE, on the one hand, and Shanghai Yishangshiye and its shareholders, on the other hand. The PRC Contractual Arrangements allow the results of operations and assets and liabilities of the Consolidated Affiliated Entities to be consolidated into our results of operations and assets and liabilities under IFRSs as if they were subsidiaries of our Group.

In order to comply with PRC laws and regulations while availing ourselves of international capital markets and maintaining effective control over all of our operations, we commenced a series of reorganization activities. In replacement of certain of the previous contractual arrangements and to comply with the requirements set out in HKEX-LD43-3, the PRC Contractual Arrangements currently in effect were entered into on January 18, 2023, whereby the PRC WFOE have acquired effective control over the financial and operational policies of the Consolidated Affiliated Entities and have become entitled to all the economic benefits derived from their operations. As advised by the Company’s PRC Legal Adviser, the Company will not incur additional PRC income tax and business tax as a result of the termination and replacement of the previous contractual arrangements on the basis that there was no material change to the contractual arrangements.

Our Directors believe that the PRC Contractual Arrangements conferring significant control and economic benefits from Shanghai Yishangshiye to the Company are fair, enforceable and reasonable because: (i) the PRC Contractual Arrangements were freely negotiated and entered into between the PRC WFOE and Shanghai Yishangshiye; (ii) by entering into the exclusive business cooperation agreement with our PRC WFOE, which is our Group’s subsidiary incorporated in the PRC, Shanghai Yishangshiye will enjoy significant control and economic and technical support from us, as well as a better market reputation after the [REDACTED], and (iii) a number of other companies use similar arrangements to accomplish the same purpose.



Notes:

- (1) The PRC WFOE provides technical support, business support and relevant consultation services in exchange for service fees from Shanghai Yishangshiye. See “Contractual Arrangements – Our Contractual Arrangements – Summary of the agreements under the PRC Contractual Arrangements and other key terms thereunder – Exclusive Business Cooperation Agreement”.
- (2) The PRC Holdco refers to Shanghai Yishangshiye, which is owned by the PRC Registered Shareholders, namely as to 99% by Wu Rongmei (吳蓉眉) and 1% by Liu Wei (劉偉), respectively.

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- (3) The PRC Registered Shareholders executed an exclusive option agreement in favor of the PRC WFOE for the acquisition of all or part of the equity interests in and all or part of the assets of Shanghai Yishangshiye. See “Contractual Arrangements – Our Contractual Arrangements – Summary of the agreements under the PRC Contractual Arrangements and other key terms thereunder – Exclusive Option Agreement”. The PRC Registered Shareholders executed shareholder rights proxy agreements in favor of the PRC WFOE, for the exercise of all shareholders’ rights in Shanghai Yishangshiye. See “Contractual Arrangements – Our Contractual Arrangements – Summary of the agreements under the PRC Contractual Arrangements and other key terms thereunder – Shareholder Rights Proxy Agreement”. The PRC Registered Shareholders granted security interests in favor of the PRC WFOE, over the entire equity interests in Shanghai Yishangshiye. See “Contractual Arrangements – Our Contractual Arrangements – Summary of the agreements under the PRC Contractual Arrangements and other key terms thereunder – Equity Pledge Agreement”.
- (4) “→” denotes beneficial ownership in the equity interest. The PRC WFOE is an indirect wholly-owned subsidiary of the Company.
- (5) “→→” denotes contractual relationship.
- (6) “←→” denotes the control by the PRC WFOE over the PRC Registered Shareholders and Shanghai Yishangshiye through (i) proxy agreement to exercise all shareholders’ rights in Shanghai Yishangshiye, (ii) exclusive options to acquire all or part of the equity interests and assets of Shanghai Yishangshiye and (iii) equity pledges over the equity interests in Shanghai Yishangshiye.

Our Group will adopt the following measures to further enhance our Group’s control over the PRC Holdco: (a) as part of the internal control measures, major issues arising from implementation of the PRC Contractual Arrangements with the PRC Holdco and onshore subsidiaries will be regularly reviewed, at least on an annual basis, by the Board upon [REDACTED]. Our Board will determine, as part of its periodic review process, whether legal advisors and/or other professionals will be retained to assist the Group to deal with specific issues arising from the PRC Contractual Arrangements; (b) the relevant business units and operation divisions of our Group will report regularly to the senior management of our Company in relation to compliance and performance conditions under the PRC Contractual Arrangements and other related matters; and (c) the company seals and crucial corporate certificates of the PRC Holdco are kept by our Group’s administrative department. Any employee of our Group (including the PRC Registered Shareholders) who wishes to use the seals will have to obtain internal approval from the business, finance and legal departments of the Group, as well as approval from the senior management members of our Company, depending on the importance or transaction value of the document to which the seal/seals will be affixed.

Circumstances under which we will unwind the PRC Contractual Arrangements

Our Group will unwind and terminate the PRC Contractual Arrangements as soon as practicable in respect of the operation of our supply chain solutions and logistics services business to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations in the event that PRC regulatory restrictions on foreign ownership of the relevant business cease to exist or allow the relevant business to be held by sino-foreign equity joint ventures or wholly-owned foreign investment entities.

Summary of the agreements under the PRC Contractual Arrangements and other key terms thereunder

A description of each of the specific agreements that comprises the PRC Contractual Arrangements is set out below.

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Exclusive Business Cooperation Agreement

As part of the PRC Contractual Arrangements, Shanghai Yishangshiye entered into the exclusive business cooperation agreement (the "**Exclusive Business Cooperation Agreement**") with the PRC WFOE, pursuant to which, in exchange for service fees, Shanghai Yishangshiye agreed to engage the PRC WFOE as its exclusive provider of the following technical support, business support and relevant consultation services:

- the license of relevant software and technologies to Shanghai Yishangshiye which are legitimately owned by the PRC WFOE and required by Shanghai Yishangshiye's businesses;
- the development, maintenance and updates of relevant software required by Shanghai Yishangshiye's businesses;
- the design, installation, daily management, maintenance and updating of computer and network systems, hardware equipment and database;
- the development and testing of new products;
- the technical support and professional trainings for Shanghai Yishangshiye's staff;
- the assistance for Shanghai Yishangshiye in consultations, collections and surveys of technical and market information (other than those market surveys which are prohibited from being conducted by a wholly foreign-owned entity according to PRC laws);
- providing enterprise management consultation for Shanghai Yishangshiye;
- leasing of equipment and assets; and
- other relevant technical services and consultation services as required by Shanghai Yishangshiye from time to time to the extent permitted by PRC laws.

The service fees shall consist of 100% of the total profit of Shanghai Yishangshiye and its subsidiaries in any given financial year, after the deduction of any accumulated deficit of Shanghai Yishangshiye and its subsidiaries in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions required in any given financial year. Notwithstanding the foregoing, the PRC WFOE may adjust the scope and amount of service fees in accordance with PRC tax law principles and tax practices, and with reference to the working capital needs of Shanghai Yishangshiye and its subsidiaries, and Shanghai Yishangshiye will accept any such adjustment. The PRC WFOE may adjust the sharing ratio, payment amount, calculation of service fees and payment method with a written notice.

The PRC WFOE and Shanghai Yishangshiye, during the term of the Exclusive Business Cooperation Agreement and where necessary, may enter into further technical service agreement and/or consultation service agreement between Shanghai Yishangshiye and the PRC WFOE or its designated person, which shall provide the specific contents, methods, personnel, and fees for the specific services.

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In addition, absent the prior written consent of the PRC WFOE, during the term of the Exclusive Business Cooperation Agreement, with respect to the services subject to the Exclusive Business Cooperation Agreement, Shanghai Yishangshiye shall not accept the same or any similar consultation or services provided by any third party and shall not establish similar cooperation relationships with any third party. The PRC WFOE has the right to appoint any third party to provide services specified under the Exclusive Business Cooperation Agreement.

Shanghai Yishangshiye grants the PRC WFOE an irrevocable and exclusive purchase option right to, at the sole discretion of the PRC WFOE and to the extent permitted by PRC laws, purchase all or any part of assets of Shanghai Yishangshiye and its subsidiaries at the lowest price permitted by PRC laws. To secure Shanghai Yishangshiye's performance of the Exclusive Business Cooperation Agreement, Shanghai Yishangshiye agrees to provide the PRC WFOE a guarantee with its receivables arising from daily operation and all of its assets.

The Exclusive Business Cooperation Agreement also provides that the PRC WFOE has the exclusive proprietary rights to and interests in any and all intellectual property rights developed or created by Shanghai Yishangshiye and its subsidiaries during the performance of the Exclusive Business Cooperation Agreement. Shanghai Yishangshiye may register certain intellectual property rights designated by the PRC WFOE under the name of Shanghai Yishangshiye and its subsidiaries as required by businesses of Shanghai Yishangshiye, but Shanghai Yishangshiye shall, and shall procure its subsidiaries to, transfer such intellectual property rights to the PRC WFOE upon request by the PRC WFOE for free or at the lowest price permitted by law. The Exclusive Business Cooperation Agreement shall remain effective unless terminated (a) in accordance with the provisions of the Exclusive Business Cooperation Agreement or mandatory provisions of PRC laws; (b) in writing by the PRC WFOE; (c) renewal of the expired business period of either the PRC WFOE or Shanghai Yishangshiye is declined or rejected by relevant government authorities, at which time the Exclusive Business Cooperation Agreement will terminate upon termination of that business period; or (d) in the event that the PRC WFOE or their subsidiaries are able to conduct the Relevant Businesses directly as a result of being permitted to do so under the then-applicable PRC laws, and the entire equity interests of Shanghai Yishangshiye or all of Shanghai Yishangshiye and its subsidiaries' assets have been transferred to the PRC WFOE or its appointee(s).

Exclusive Option Agreement

As part of the PRC Contractual Arrangements, the PRC Registered Shareholders entered into the exclusive option agreement (the "**Exclusive Option Agreement**") with Shanghai Yishangshiye and the PRC WFOE. Pursuant to the Exclusive Option Agreement, the PRC WFOE has the exclusive, irrevocable and unconditional right to purchase, or to designate one or more persons/entities to purchase, from the PRC Registered Shareholders all or any part of its equity interests in Shanghai Yishangshiye and from Shanghai Yishangshiye all or any part of the assets of Shanghai Yishangshiye and its subsidiaries at any time in the PRC WFOE's absolute discretion in accordance with the provisions of the Exclusive Option Agreement and to the extent permitted by the PRC laws. The consideration in relation to purchasing shares from the PRC Registered Shareholders of Shanghai Yishangshiye shall be the amount of contributed registered capital made by the PRC Registered Shareholders corresponding to the shares to be purchased, or the lowest price as permitted by the applicable PRC laws, whichever is lower. The consideration in relation to purchasing assets from Shanghai Yishangshiye shall be the lowest price as permitted under the applicable PRC laws. The aforesaid consideration shall be paid within seven (7) days upon transfer.

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Each of Shanghai Yishangshiye and the PRC Registered Shareholders has covenanted that, as applicable, among other things:

- without the prior written consent of the PRC WFOE, it shall not in any manner supplement, change or amend the constitutional documents of Shanghai Yishangshiye, increase or decrease its registered capital, or change the structure of its shareholding in other manner;
- it shall maintain Shanghai Yishangshiye's corporate existence in accordance with good financial and business standards and practices, and prudently and effectively operate its business and handle its affairs;
- without the prior written consent of the PRC WFOE, it shall refrain from any action/omission that may adversely affect Shanghai Yishangshiye's assets, businesses or liabilities; without the prior written consent of the PRC WFOE, it shall not at any time following the signing of the Exclusive Option Agreement sell, transfer, pledge or dispose of in any manner any legal or beneficial interest in the assets, business or revenues of Shanghai Yishangshiye, or allow the encumbrance thereon of any security interest;
- without the prior written consent of the PRC WFOE, Shanghai Yishangshiye shall not incur, inherit, guarantee or assume any debt, except for (i) debts incurred in the ordinary course of business other than payables incurred by a loan, and (ii) debts already disclosed to the PRC WFOE and for which written approval has already been obtained from the PRC WFOE;
- Shanghai Yishangshiye shall always operate all of its businesses during the ordinary course of business to maintain its asset value and refrain from any action/omission that may adversely affect Shanghai Yishangshiye's operating status and asset value;
- without the prior written consent of the PRC WFOE, Shanghai Yishangshiye shall not execute any material contracts (for the purpose hereof, a contract with a value above RMB10,000,000), except for contracts executed in the ordinary course of business;
- without the prior written consent of the PRC WFOE, Shanghai Yishangshiye shall not provide any person with any loan or guarantee;
- it shall provide the PRC WFOE with information on Shanghai Yishangshiye's business operations and financial condition at the request of the PRC WFOE;
- without the prior written consent of the PRC WFOE, it shall not cause or permit Shanghai Yishangshiye to merge, consolidate with, acquire or invest in any person;
- it shall immediately notify the PRC WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Shanghai Yishangshiye's assets, businesses or revenues;
- to maintain the ownership by Shanghai Yishangshiye of all of its assets, it shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate claims or complaints or raise necessary and appropriate defences against all claims;

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- without the prior written consent of the PRC WFOE, Shanghai Yishangshiye shall not in any manner distribute dividends, provided that upon the written request of the PRC WFOE, Shanghai Yishangshiye shall immediately distribute all distributable profits to their shareholders;
- without the prior written consent of the PRC WFOE, Shanghai Yishangshiye shall not proceed with dissolution or liquidation;
- once PRC laws permits foreign invested enterprises to operate the businesses which Shanghai Yishangshiye is engaged in, the PRC Registered Shareholders shall transfer all of its equity interests in Shanghai Yishangshiye to the PRC WFOE or a person appointed by the PRC WFOE, and/or Shanghai Yishangshiye shall transfer all of the assets of Shanghai Yishangshiye and its subsidiaries to the PRC WFOE or a person appointed by the PRC WFOE; and
- to the extent permitted by PRC laws, the PRC WFOE shall have the right to exercise the exclusive option right against the PRC Registered Shareholders or the legitimate successors or representatives of the PRC Registered Shareholders pursuant to the terms and conditions of the Exclusive Option Agreement in the event of death, divorce, incapacity, bankruptcy of the PRC Registered Shareholders or other circumstances which causes his/her inability to exercise his/her rights as a shareholder of Shanghai Yishangshiye.

The aforementioned covenants shall also apply to all the subsidiaries of Shanghai Yishangshiye.

In addition, each of the PRC Registered Shareholders has covenanted that:

- upon a request by the PRC WFOE, it shall consent and appoint the persons appointed by the PRC WFOE to act in the positions of director, general management and other senior management, change such appointment at any time as required by the PRC WFOE, and proactively cooperate to proceed with such appointment and change of appointment, including without limitation, executing necessary documents and making filings with the corresponding administration for market regulation with respect to such appointment or change of appointment;
- to the extent permitted by PRC laws, upon the request by the PRC WFOE, it shall transfer all or any part of its equity interests in Shanghai Yishangshiye to the PRC WFOE or a person appointed by the PRC WFOE immediately and unconditionally at any time, and relinquish the right of first refusal it is entitled to in relation to any equity interests to be transferred by any other existing shareholder of Shanghai Yishangshiye. It shall proactively cooperate to proceed with such equity transfer, including without limitation, executing necessary documents and filing with the corresponding administration for market regulation with respect to such equity transfer; in addition, it shall pay to the PRC WFOE or its designated persons all consideration received in connection such transfer in accordance with Exclusive Option Agreement;
- it will immediately gift any profits or dividends received from Shanghai Yishangshiye in accordance with the written consent by the PRC WFOE to the PRC WFOE or a representative appointed by the PRC WFOE to the extent permitted by the PRC laws;

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- it shall strictly abide by the provisions of the Exclusive Option Agreement and other agreements entered into with Shanghai Yishangshiye and the PRC WFOE, perform the obligations under these agreements in a practical manner, and refrain from any action/omission which would affect the validity and enforceability of such agreements;
- it will gift any liquidation proceeds received from Shanghai Yishangshiye (if any) due to any liquidation of Shanghai Yishangshiye caused by any reason (including bankruptcy) to the PRC WFOE or a representative appointed by the PRC WFOE to the extent permitted by the PRC laws.

The aforementioned covenants shall also apply to all the subsidiaries of Shanghai Yishangshiye.

The Exclusive Option Agreement shall remain effective unless terminated (i) in the event that the entire equity interests held by the PRC Registered Shareholders in Shanghai Yishangshiye or all of Shanghai Yishangshiye and its subsidiaries' assets have been transferred to the PRC WFOE or its appointee(s); or (b) in writing by the PRC WFOE.

Loan Agreement

The PRC WFOE and the PRC Registered Shareholders have executed a loan agreement (the "**Loan Agreement**"). Pursuant to the Loan Agreement, the PRC WFOE enjoys the right of the creditor against the PRC Registered Shareholders in an aggregate amount of RMB10 million (the "**Loans**"), and such loans have been used for contribution to paid-in capital of Shanghai Yishangshiye. Pursuant to the Loan Agreement, the PRC Registered Shareholders can only repay the Loans by the transfer of all their equity interest in Shanghai Yishangshiye or all of the assets of Shanghai Yishangshiye and its subsidiaries to the PRC WFOE or its designated third party upon the exercise by the PRC WFOE of the exclusive option right pursuant to the terms and conditions of the Exclusive Option Agreement, and the PRC Registered Shareholders shall pay all of the proceeds from transfer of such equity interests or assets (to the extent permitted under PRC law) to the PRC WFOE for such repayment. In the event that the PRC Registered Shareholders transfer their equity interests or assets to the PRC WFOE or its designated person with a price equivalent to or less than the amount of the principal, the Loans will be deemed as interest free. If the price is higher than the amount of the principal, the excess amount will be paid to the PRC WFOE as the loan interest. The term of the Loans shall terminate when the PRC WFOE exercises the exclusive option right pursuant to the terms and conditions of the Exclusive Option Agreement. The Loans must be repaid immediately under certain circumstances, including, among others, (i) upon the expiration of 30 days after the PRC WFOE sends a written notice requesting repayment of the Loans; (ii) in the event of death, divorce, incapacity, bankruptcy of the PRC Registered Shareholders or other circumstances which causes his/her inability to exercise his/her rights as a shareholder of Shanghai Yishangshiye; (iii) if the PRC Registered Shareholders engage in criminal acts or are involved in criminal activities; or (iv) if a foreign investor is permitted to invest in PRC in form of holding majority or 100% equity interest for principal business currently conducted by Shanghai Yishangshiye and its subsidiaries and branches according to applicable PRC law, relevant PRC authorities begin to approve such business, and the PRC WFOE elects to exercise its exclusive purchase option pursuant to the Exclusive Option Agreement.

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Shareholder Rights Proxy Agreement

Each of the PRC Registered Shareholders has executed the shareholder rights proxy agreement (the “**Proxy Agreement**”). Under the Proxy Agreement, the PRC Registered Shareholders irrevocably appointed the PRC WFOE and its designated persons (including but not limited to the directors of the parent company of the PRC WFOE and their successors and the liquidators replacing such directors or successors) as its exclusive agent to exercise on its behalf, any and all rights that it has in respect of its equity interests in Shanghai Yishangshiye, including without limitation: (i) to propose, convene and attend shareholder’s meetings of Shanghai Yishangshiye according to its articles of association, and to exercise the rights of voting and making decisions on behalf of the PRC Registered Shareholders on all matters required to be resolved by shareholders;; (ii) to exercise any shareholder rights it is entitled to as shareholder of Shanghai Yishangshiye according to its articles of association, including but not limited to any right to dividends and right to sell, transfer, pledge or dispose of all or any part of the PRC Registered Shareholders’ equity interests in Shanghai Yishangshiye; (iii) to transfer the equity interest or approve to transfer the assets of Shanghai Yishangshiye, decrease registered capital of Shanghai Yishangshiye, accept capital increases to Shanghai Yishangshiye by the PRC WFOE or its designated person, execute relevant equity transfer agreements, asset transfer agreements (if applicable), capital decrease agreements, capital increase agreements, shareholder resolutions, meeting minutes and other relevant documents on behalf of the PRC Registered Shareholders, proceed with necessary approvals, registrations, filings or submissions with governmental authorities and companies registry for the aforesaid matters; (iv) to bring litigation or take other legal actions against the legal representative, director(s), supervisor(s), general manager or other members of senior management of Shanghai Yishangshiye if any conduct of the aforesaid has damaged the interests of the PRC WFOE or its shareholder(s); and (v) to exercise all other shareholders’ rights under Shanghai Yishangshiye’s articles of association and other applicable PRC laws and regulations.

The Proxy Agreement is irrevocable and shall remain effective, and may only be terminated in the event that (i) it is terminated in accordance with mandatory provisions of PRC laws; (ii) in writing by the PRC WFOE; (iii) the business period of any party to the Proxy Agreement expires; or (iv) the PRC Registered Shareholder has transferred all of its equity interests in Shanghai Yishangshiye pursuant to the prior written consent by the PRC WFOE, or has decreased the registered capital of Shanghai Yishangshiye to the extent it does not own any equity interests in Shanghai Yishangshiye, and has completed the relevant government procedures.

The Proxy Agreement also provides that, in order to avoid potential conflicts of interest where the PRC Registered Shareholders, are officers or directors of the Group, any exercise of the rights under the Proxy Agreement shall be in favor of our Company.

Equity Pledge Agreement

As part of the PRC Contractual Arrangements, the PRC Registered Shareholders have entered into the equity pledge agreement (the “**Equity Pledge Agreement**”) with Shanghai Yishangshiye and the PRC WFOE. Pursuant to the Equity Pledge Agreement, the PRC Registered Shareholders agree to pledge all its equity interests in Shanghai Yishangshiye, including any interest or dividend paid for the shares, to the PRC WFOE as a security interest to guarantee the performance of contractual obligations under the relevant PRC Contractual Arrangements.

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The equity pledges under the Equity Pledge Agreement comes into effect upon completion of registration with the relevant administration for market regulation and shall remain valid until after all the contractual obligations of the PRC Registered Shareholders and Shanghai Yishangshiye under the relevant PRC Contractual Arrangements have been fully performed. Pursuant to the Equity Pledge Agreement, the PRC Registered Shareholders and Shanghai Yishangshiye agree that, without prior written consent from the PRC WFOE, the PRC Registered Shareholders shall not transfer the pledged equity interests or create or allow any third party to create any encumbrance on the pledged equity interests.

Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreement), the PRC WFOE shall have the right to exercise all such rights as a secured party under the Equity Pledge Agreement and any applicable PRC laws, including without limitations, being paid in priority with the equity interests based on the monetary valuation that such equity interests are converted into or from the proceeds from auction or sale of the equity interest upon written notice to the PRC Registered Shareholders.

As of the Latest Practicable Date, the registrations of the Equity Pledge Agreement in relation to PRC Registered Shareholders had been completed.

Spouse Undertakings

The spouse of each of the relevant PRC Registered Shareholders, where applicable, has signed undertakings to the effect that (i) he/she has no right to or control over such interests of the respective PRC Registered Shareholder and will not have any claim on such interests, or exert influence on the day-to-day management or voting matters of Shanghai Yishangshiye; (ii) confirms that the respective spouse may further amend or terminate the PRC Contractual Arrangements without the need for authorization or consent by him/her; (iii) the respective spouse's interests in Shanghai Yishangshiye (together with any interests therein) do not fall within the scope of communal property; and (iv) if he/she is transferred any shares of Shanghai Yishangshiye for any reason, he/she will be bound by the PRC Contractual Arrangements and will observe obligations contained in such agreements, and will sign all necessary documents and to take all necessary actions to ensure the PRC Contractual Arrangements are properly preformed.

Other key terms thereunder

Dispute resolution

Each of the PRC Contractual Arrangements stipulates that the parties thereto shall negotiate in good faith to resolve any dispute with respect to the construction and performance of the provisions of any such PRC Contractual Arrangements. In the event the parties fail to resolve such a dispute within 30 days after any party's request for resolution of the dispute through negotiations, any party may submit the relevant dispute to the Shanghai Arbitration Commission for arbitration, in accordance with the then-effective arbitration rules. The arbitration shall be conducted in Shanghai, and the language used during arbitration shall be Chinese. The arbitration ruling shall be final and binding on all parties.

The PRC Contractual Arrangements also provide that (i) the arbitral tribunal may award remedies over the equity interests, assets or property interest of Shanghai Yishangshiye and its subsidiaries, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of Shanghai Yishangshiye and its subsidiaries; and (ii) the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and other jurisdiction (being the place where the principal assets of Shanghai Yishangshiye and

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its subsidiaries and the PRC WFOE are located) also have jurisdiction for the grant or enforcement of the arbitral award and the interim remedies against the equity or property interest of Shanghai Yishangshiye.

However, our PRC Legal Adviser has advised that (i) a tribunal normally would not grant such kind of injunctive relief or winding up order of Shanghai Yishangshiye under PRC laws; (ii) interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC; and (iii) even if the abovementioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the PRC Contractual Arrangements.

As a result of the above, in the event that Shanghai Yishangshiye or the PRC Registered Shareholders breaches any of the PRC Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over Shanghai Yishangshiye and conduct our business could be materially and adversely affected. See Risk Factors – Risks Related to Our Corporate Structure – We rely on Contractual Arrangements to establish control over certain entities and government authorities may determine that these arrangements do not comply with existing laws and regulations. for details.

Arrangements to address potential conflicts of interest

Each of the PRC Registered Shareholders has, in the Proxy Agreement, given his/her irrevocable undertakings to address potential conflicts of interests that may arise in connection with the PRC Contractual Arrangements. For further details, see “– Our Contractual Arrangements – Summary of the agreements under the PRC Contractual Arrangements and other key terms thereunder – Shareholder Rights Proxy Agreement” in this section.

Loss sharing

None of the agreements constituting the PRC Contractual Arrangements provides that our Company or the PRC WFOE is obligated to share the losses of Shanghai Yishangshiye, but if Shanghai Yishangshiye or any of its subsidiaries suffers any losses or material difficulties of business, the PRC WFOE may adjust the amount or percentage of service fees at its discretion under the terms of the Exclusive Business Cooperation Agreement. Further, each of Shanghai Yishangshiye and its subsidiaries is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Under PRC laws and regulations, our Company or the PRC WFOE and its subsidiaries are not expressly required to share the losses of Shanghai Yishangshiye or provide financial support to Shanghai Yishangshiye. Despite the foregoing, given that our Consolidated Affiliated Entities conduct the Relevant Businesses in the PRC through J&T Express China (and Hangzhou BEST until its permit is deregistered) which hold the requisite PRC permit and approvals and that results of operations and assets and liabilities of the Consolidated Affiliated Entities are consolidated into our results of operations and assets and liabilities under the applicable accounting principles, our business, financial condition and results of operations would be adversely affected if the Consolidated Affiliated Entities suffered losses.

Liquidation

Pursuant to the Exclusive Option Agreement, in the event of a mandatory liquidation required by PRC laws, Shanghai Yishangshiye shall sell all of its assets, to the extent permitted by PRC laws, to the PRC WFOE or another qualifying entity designated by the PRC WFOE, at the lowest selling price permitted by applicable PRC laws. Any obligation for the PRC WFOE to

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pay Shanghai Yishangshiye as a result of such transaction shall be waived by Shanghai Yishangshiye and any profits arising from the above transactions shall be paid to the PRC WFOE or the qualifying entity designated by the PRC WFOE in partial satisfaction of the service fees under the Exclusive Business Cooperation Agreement, as applicable under the then-current PRC laws. Accordingly, in the event of winding up of Shanghai Yishangshiye, a liquidator may seize the relevant assets of Shanghai Yishangshiye through the PRC WFOE based on the PRC Contractual Arrangements for the benefit of our creditors/shareholders.

Termination

The PRC Contractual Arrangements shall be terminated once the PRC WFOE or its designated person holds the entire equity interests in Shanghai Yishangshiye and/or the entire assets of Shanghai Yishangshiye and its subsidiaries under the then-applicable PRC laws and if the PRC WFOE or their subsidiaries are able to conduct the Relevant Businesses directly as a result of being permitted to do so under the then-applicable PRC laws and the PRC WFOE or its designated person are registered as the shareholder of Shanghai Yishangshiye. In addition, pursuant to the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and the Proxy Agreement, the PRC WFOE has the unilateral right to terminate these agreements at any time by providing 30 days’ advance written notice to Shanghai Yishangshiye or the PRC Registered Shareholders, as applicable.

Insurance

We do not maintain an insurance policy to cover the risks relating to the PRC Contractual Arrangements.

Company’s confirmation

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating our businesses through Shanghai Yishangshiye under the PRC Contractual Arrangements.

Legality of the PRC Contractual Arrangements

We and our PRC Legal Adviser are of the view that the PRC Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations. In addition, our PRC Legal Adviser is of the opinion that:

- (i) parties to each of the PRC Contractual Arrangements have obtained all necessary approvals and authorizations to execute and perform the PRC Contractual Arrangements;
- (ii) the PRC Contractual Arrangements would not be deemed as “impairing others’ legitimate rights and interests with malicious collusion” under the PRC Civil Code, which will lead the arrangements to be deemed an invalid act under the PRC Civil Code;
- (iii) none of the agreements under the PRC Contractual Arrangements violates any provisions of articles of association of the PRC WFOE or Shanghai Yishangshiye;
- (iv) the parties to each of the PRC Contractual Arrangements are not required to obtain any approvals or authorizations from the PRC governmental authorities, except that (a) the pledge under the equity pledge agreement is required to be registered with the administration for market regulation; (b) the exercise of the option by the PRC WFOE of its rights under the Exclusive Option Agreement to acquire all or part of the equity

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interests in Shanghai Yishangshiye is subject to the approvals of, consent of, filing with and/or registration with the PRC governmental authorities; and (c) the arbitration awards/interim remedies provided under the dispute resolution provision of the PRC Contractual Arrangements shall be recognized by the PRC courts before compulsory enforcement.

- (v) each of the PRC Contractual Arrangements is valid and binding on the parties under the PRC laws, except in relation to the dispute resolution clause under these agreements. These agreements provide that any dispute shall be submitted to the Shanghai Arbitration Commission for arbitration, in accordance with the then-effective arbitration rules. The PRC Contractual Arrangements also provide that the arbitrator may award interim remedies over the shares or assets of the Consolidated Affiliated Entities or injunctive relief or order the winding-up of Shanghai Yishangshiye and its subsidiaries; and the courts of Hong Kong, the Cayman Islands and the PRC also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies. However, our PRC Legal Adviser has advised that the tribunal normally would not grant such injunctive relief or order the winding-up of the Consolidated Affiliated Entities pursuant to PRC laws. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in China.

Our PRC Legal Adviser also advised us that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to or otherwise different from the above opinion of our PRC Legal Adviser.

Based on the above analysis and advice from our PRC Legal Adviser, the Directors are of the view that the adoption of the PRC Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations. See “Risk Factors – Risks Related to Our Corporate Structure – We rely on Contractual Arrangements to establish control over certain entities and government authorities may determine that these arrangements do not comply with existing laws and regulations.”

Given that the PRC Contractual Arrangements will constitute non-exempt continuing connected transactions of our Company, a waiver has been sought from and has been granted by the Stock Exchange, details of which are disclosed in “Continuing Connected Transactions”.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the Foreign Investment Law

On March 15, 2019, the National People’s Congress approved the Foreign Investment Law, which became effective on January 1, 2020. On December 26, 2019, the State Council promulgated the Implementation Rules to the Foreign Investment Law, which came into effect on January 1, 2020. The Foreign Investment Law replaced the Equity Joint Venture Law, the Wholly Foreign-owned Enterprise Law, and the Cooperative Joint Venture Law to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law stipulates certain forms of foreign investment, but does not explicitly stipulate contractual arrangements as a form of foreign investment. The Implementation Rules to the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements.

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Impact and consequences of the Foreign Investment Law

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including our Group. We use the PRC Contractual Arrangements to establish control of Shanghai Yishangshiye, by the PRC WFOE through which we operate our business in the PRC. As advised by our PRC Legal Adviser, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law and the Implementation Rules to the Foreign Investment Law, and if future laws, regulations and provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment, our PRC Contractual Arrangements as a whole and each of the agreements comprising the PRC Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties with an exception, for which, see “ – Our Contractual Arrangements – Legality of the PRC Contractual Arrangements”.

Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes “foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council” without elaboration on the meaning of “other methods”. There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may lead to contractual arrangements being regarded as a form of foreign investment, at which time it will be uncertain whether the PRC Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned PRC Contractual Arrangements will be handled. Therefore, there is no guarantee that the PRC Contractual Arrangements and the business of the Consolidated Affiliated Entities will not be materially and adversely affected in the future due to changes in PRC laws and regulations. See “Risk Factors – Risks related to our Corporate Structure – Our current corporate structure and business operations in the PRC may be substantially affected by the PRC Foreign Investment Law and implementing rules.”

COMPLIANCE WITH THE PRC CONTRACTUAL ARRANGEMENTS

The PRC laws and regulations over the PRC Contractual Arrangements are subject to change and the Group will monitor future changes in the relevant laws and regulations. In addition, our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the PRC Contractual Arrangements and our compliance with the PRC Contractual Arrangements:

1. major issues arising from the implementation and compliance with the PRC Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion as and when they arise;
2. our Board will review the overall performance of and compliance with the PRC Contractual Arrangements at least once a year;
3. our Company will disclose the overall performance of and compliance with the PRC Contractual Arrangements in our annual reports; and
4. our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board in reviewing the implementation of the PRC Contractual Arrangements, in reviewing the legal compliance of the PRC WFOE and Shanghai Yishangshiye and in dealing with specific issues or matters arising from the PRC Contractual Arrangements.

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ACCOUNTING ASPECTS OF THE PRC CONTRACTUAL ARRANGEMENTS

Consolidation of financial results of operating entities

As a result of the PRC Contractual Arrangements among the PRC WFOE, Shanghai Yishangshiye and its shareholders, the PRC WFOE has rights to exercise power over Shanghai Yishangshiye and its subsidiaries, receives variable returns from its involvement in Shanghai Yishangshiye and its subsidiaries, has the ability to affect those returns through its power over Shanghai Yishangshiye and its subsidiaries and is considered to control Shanghai Yishangshiye and its subsidiaries. Consequently, the Company regards Shanghai Yishangshiye and its subsidiaries as consolidated affiliated entities and consolidates the assets, liabilities, and results of operations of Shanghai Yishangshiye and its subsidiaries in the consolidated financial information of the Group (as set out in Note 1.2 of Appendix I to this document).

INDONESIA CONTRACTUAL ARRANGEMENTS

Regulatory Background

Foreign investment in Indonesia is primarily governed under Law of the Republic of Indonesia No. 25 of 2007 regarding Investment, issued on April 26, 2007, as partially amended by Law of the Republic of Indonesia No. 6 of 2023 on the Stipulation of the Government Regulation in Lieu of Law No. 2 of 2022 on Job Creation into a Law, dated March 31, 2023 (the “Job Creation Law,” together with Law No. 25 of 2007, the “**Investment Law**”), as implemented further under the 2021 Investment List (as defined below), and Indonesia Investment Coordinating Board (Badan Koordinasi Penanaman Modal, “**BKPM**”) Regulation No. 4 of 2021 and BKPM Regulation No. 5 of 2021. The Investment Law provides that all business sectors or business lines in Indonesia are open to foreign investments, except those business sectors or business lines that are expressly closed to, or restricted from, foreign investments or that can only be carried out by the central government. The business sectors that are opened to foreign investments consist of: (i) priority business sectors, (ii) business sectors allocated to be conducted via joint cooperation with Cooperatives and Micro, Small and Medium Enterprises, (iii) business sectors that are open to foreign investments subject to certain conditions, and (iv) business sectors that are not included in the abovementioned classifications. The Investment Law also stipulates that foreign direct investment in Indonesia must be in the form of a limited liability company with a minimum investment value (excluding investment amount in land and building) of more than IDR10,000,000,000 (ten billion Indonesian Rupiah) and a paid-up capital of at least IDR10,000,000,000 (ten billion Indonesian Rupiah), established under the laws of and domiciled in the Republic of Indonesia.

The Indonesian government maintains a list of business activities that are open to foreign investments, that are open but subject to certain conditions, or that are closed to foreign investments, which is known as the “**Investment List**.” The current Investment List is set forth in President Regulation of the Republic of Indonesia No. 10 of 2021 regarding Investment Business Activities, dated February 2, 2021, as amended by PR No. 49 of 2021 dated May 24, 2021 (as amended, the “**2021 Investment List**”). The 2021 Investment List was issued to implement the Job Creation Law. Foreign investors who intend to invest in Indonesia are obligated to structure their investments in accordance with the restrictions or requirements applicable to their intended business activities under the 2021 Investment List.

In addition to the 2021 Investment List, foreign investments are also regulated under the sectoral regulations of the relevant government institutions. Postal services in Indonesia are generally regulated under the Indonesian Postal Law. “**Postal Services**” are defined under Article 1 (1) of the Indonesian Postal Law as services relating to written communication and/or

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electronic letter, package, logistics, financial transaction, and postal agency service for public purposes. In addition to restrictions under the Investment Law, Postal Services are subject to other foreign ownership restrictions under the Indonesian Postal Law.

Restrictions on Foreign Ownership in Postal Activities

In general, foreign investors cannot make equity investments in an Indonesian company that engages in Postal Services (a “**Postal Services Company**” as defined under the Indonesian Postal Law), subject to limited exceptions for investing in certain companies that engage in certain types postal activities.

Under Article 11 (2) of the Indonesian Postal Law, a Foreign Postal Operator is allowed to own certain equity interest in an Indonesian Postal Services Company only if: (i) a “**Foreign Postal Operator**” forms a joint venture company with a Postal Services Company that is an Indonesian domestic company, and (ii) the joint venture company’s Postal Services operations must be limited to the areas of provincial capitals, and the joint venture company does not engage in any inter-city courier services outside such provincial capitals (the “**Partnership Requirements**”). The Indonesian Postal Law defines a “Foreign Postal Operator” as a foreign company that provides postal services outside Indonesia, which requires that such foreign company directly engages in postal activities outside Indonesia and does not take into consideration any operations engaged by its affiliates.

Under the Indonesian Postal Law and the Investment Law, if these conditions are met, foreign ownership in an Indonesian joint venture with a courier business classified under Indonesia Standard Industrial Classification (Klasifikasi Baku Lapangan Usaha Indonesia) (“**KBLI**”) 53201 may be held up to 49% direct foreign shares.

The types of activities that are permitted under KBLI 53201 (Courier Activities) include commercial courier services such as collection, processing, transporting and delivery of parcels, goods, and packages, both domestic and international. For any non-compliance with the foregoing conditions, BKPM, the Indonesian Minister of Communication and Informatics (“**MOCI**”) or the relevant authority (e.g. provincial investment agency, municipal investment agency) may impose tiered administrative sanctions to be given in stages, i.e. first-and-final written warning or temporary or permanent suspensions of business activities. If the relevant authority upon providing a warning or temporary suspension regarding a non-compliant activity and no remedy or follow-up action is taken to address the concern, then the relevant authority is empowered to revoke the applicable license and suspend the business activity.

The Group has significant operations providing courier services outside provincial capitals in Indonesia (including, in particular, distributing packages to and connecting a vast majority of lower-tier cities, counties and towns), and such operations are indispensable to the Group’s overall courier services in Indonesia. Furthermore, the Group has maintained an integrated nationwide express delivery network and it is practically impossible for the Group to split off its inter-capital operations and divested from PT Global Jet Express (“**Indonesian Opco**”) and be conducted separately. For the first nine months of 2021, the Group delivered a total of 604,971,327 packages in Indonesia, of which only approximately 4.69% were between provincial capitals. If the Company were to hold any direct equity interest in a Postal Services Company, the Company may only hold equity interest in a joint venture company to be formed in accordance with the Partnership Requirements and the joint venture company would not be permitted to engage in any operation outside the provincial capitals, which would fundamentally change the Group’s current operations in Indonesia.

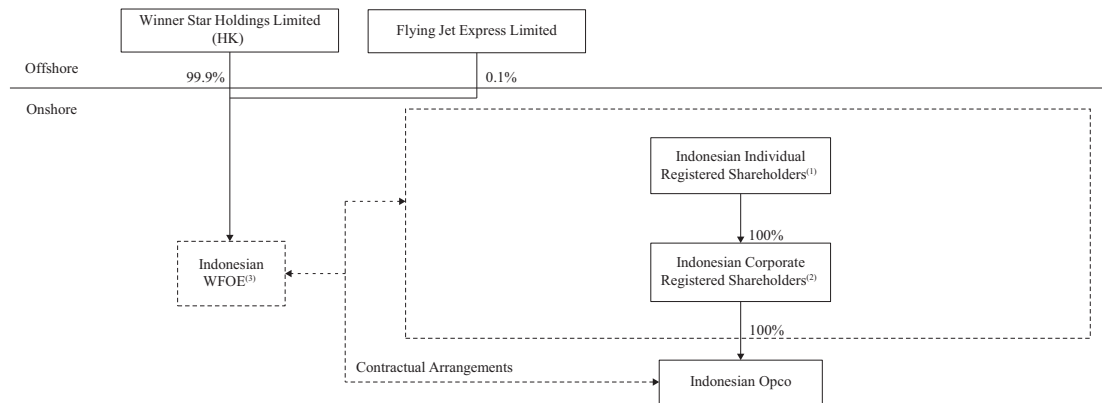
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Other than KBLI 53201 (Courier Activities) which is subject to foreign ownership restrictions under the Indonesian Postal Law and Investment Law, the Indonesian Opco also rents its vacant properties that are still within the lease period and reserved for future office use to other third parties, which is business activity under KBLI 68111 (Privately Owned or Rented Real Estates), a business activity currently not subject to Indonesian foreign investment restrictions. The revenue contribution of the KBLI 68111 business under the Indonesian Contractual Arrangements to our Group is minimal. The Company confirms that it will (and will have measures in place to) ensure the KBLI 68111 business under the Indonesian Contractual Arrangements will remain immaterial after the [REDACTED] and its annual revenue contribution relative to the Group will be below 5%. Our finance department will monitor the proportion of revenue generated from the KBLI 68111 business and report the status to our senior management on a quarterly basis, and our audit committee will review the proportion of the revenue generated from the KBLI 68111 business on a quarterly basis, to ensure it will remain below 5% and will make adequate disclosure on an ongoing basis in our Company’s annual report after the [REDACTED].

OUR CONTRACTUAL ARRANGEMENTS

Due to the restrictions on foreign ownership for companies engaged in Postal Services, we currently hold 100% of our equity interests in the Indonesian Opco through PT Cakrawala Lintas Benua and PT Sukses Indo Investama (collectively, the “**Indonesian Corporate Registered Shareholders**”). To consolidate control over and derive the economic benefits from the Indonesian Opco to our Group, we have entered into the following contractual arrangements with the Indonesian Individual and Indonesian Corporate Registered Shareholders.

The following diagram illustrates the structure of the Indonesian Contractual Arrangements:



Notes:

- The Indonesian Opco refers to PT Global Jet Express, which is wholly-owned by the Indonesian Corporate Registered Shareholders, which are in turn wholly-owned by our affiliates, Mr. Effendy and Mr. Robin Lo (the “**Indonesian Individual Registered Shareholders**”), namely as to 50% by Mr. Effendy and 50% by Mr. Robin Lo. Mr. Robin Lo is the chief executive officer of PT Global Jet Express and Mr. Effendy is the assistant to chief executive officer of PT Global Jet Express. Both Robin Lo and Effendy have been the Group’s Indonesia regional senior managers since the Group entered the Indonesia market. Considering their deep understanding of the Indonesia market, their long time commitment to and in-depth understanding of the Group, the Company considers that they are suitable to be the Indonesian Individual Registered Shareholders.

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- The Indonesian Corporate Registered Shareholders executed a number of agreements in favor of the Indonesian WFOE to allow the Indonesian WFOE to consolidate control over the Indonesian Opco and derive the full economic benefits from the Indonesian Opco. See “– Summary of the Agreements under the Indonesian Contractual Arrangements and other key terms thereunder” in this section.
- The Indonesian WFOE refers to PT Cahaya Global Berjaya, an indirect wholly-owned subsidiary of the Company. It provides technical support, business support and relevant consulting services in exchange for service fees from the Indonesian Opco. See “– Summary of the Agreements under the Indonesian Contractual Arrangements and other key terms thereunder – Exclusive Technical Service Agreement” in this section.

Our Group will adopt the following measures to further enhance our Group’s control over the Indonesian Opco: (a) as part of the internal control measures, major issues arising from implementation of the Indonesian Contractual Arrangements with the Indonesian Opco will be regularly reviewed, at least on an annual basis, by the Board upon [REDACTED]. Our Board will determine, as part of its periodic review process, whether legal advisors and/or other professionals will be retained to assist the Group to deal with specific issues arising from the Indonesian Contractual Arrangements; and (b) the relevant business units and operation divisions of our Group will report regularly to the senior management of our Company in relation to compliance and performance conditions under the Indonesian Contractual Arrangements and other related matters.

We will continue to monitor the status and developments of relevant Indonesian laws, rules and regulations. If there are any regulatory or policy changes that would allow the Group to restructure or terminate the Indonesian Contractual Arrangements to directly hold equity interest in the Indonesian Opco, we will adjust the shareholding structure or terminate the Indonesian Contractual Arrangements in accordance with applicable laws and regulations.

Summary of the agreements under the Indonesian Contractual Arrangements and other key terms thereunder

A description of each of the specific agreements that comprise the Indonesian Contractual Arrangements is set out below.

Loan Agreement

Pursuant to a loan agreement entered into between the Indonesian WFOE and the Indonesian Opco on March 29, 2022 (the “**Loan Agreement**”), the Indonesian WFOE extended a loan in the principal amount of Rp. 3,000,000,000.00 (three billion Indonesian Rupiah) to the Indonesian Opco (the “**Loan**”). The Loan Agreement has a term of ten years and will be renewed automatically at the end of such terms for another ten years unless the lender delivers a written notice of termination. The Loan bears an interest of 9.00% per annum and was secured by the Guarantee Agreement, Share Pledge Agreements, the Power of Attorneys and the Exclusive Call Option Agreements (collectively, the “**Security Documents**”).

The Loan can only be repaid or settled by Indonesian Opco by transferring or selling the shares registered under the name of the Indonesian Individual Registered Shareholders and the Indonesian Corporate Registered Shareholders to the Indonesian WFOE or a party designated by the Indonesian WFOE.

If an event of default occurs under the Loan Agreements (including, among others, the Indonesian Opco fails to perform or otherwise violates the Loan Agreement or the Security Documents, the Pledgors (as defined below) fail to be the registered shareholders of the Indonesian Opco or the Indonesian Corporate Registered Shareholders, occurrence of an event of default under the Exclusive Technical Service Agreement, or the Indonesian Opco or any

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parties to the Securities Documents is declared bankrupt or insolvent), the Indonesian WFOE may (i) declare the Loan to be immediately due and payable; and (ii) immediately enforce all of its rights under the Loan Agreements and the Security Documents (to the extent permitting the Indonesian WFOE to (a) transfer the shares of Indonesian Opco to any qualified party, (b) deal with the assets of Indonesian Opco, and (c) manage the business and right to revenue of Indonesian Opco).

Guarantee Agreement

Pursuant to the guarantee agreements entered by (i) the Indonesian Corporate Registered Shareholders and the Indonesia WFOE, and (ii) the Indonesian Individual Registered Shareholders and the Indonesian WFOE, both on March 29, 2022 (the “**Guarantee Agreements**”), the Indonesian Individual Registered Shareholders and Indonesian Corporate Registered Shareholders (together, the “**Pledgors**”) unconditionally and irrevocably guaranteed to the Indonesian WFOE the payment obligation by Indonesian Opco under the Loan Agreement and the Exclusive Technical Service Agreement. The Guarantee Agreements remain effective until the earlier of (i) the full repayment of amounts outstanding (including the Loans, any outstanding service fees and any outstanding amounts from time-to-time) under the Loan Agreement and the Exclusive Technical Service Agreement or (ii) the exercise of the call option rights pursuant to the Exclusive Call Option Agreements.

In the event of defaults under the Loan Agreement or the Exclusive Technical Service Agreement, the Indonesian WFOE shall be entitled to seek the Indonesian Individual Registered Shareholders and Indonesian Corporate Registered Shareholders to perform their obligations under the Security Documents. For more details, see “– Exclusive Call Option Agreement” in this section.

Exclusive Call Option Agreement

Pursuant to the call option agreements entered into between the Indonesian WFOE, the Indonesian Individual Registered Shareholders and the Indonesian Corporate Registered Shareholders on March 29, 2022 (the “**Exclusive Call Option Agreement**”), the Indonesian WFOE has the exclusive right to (i) require the Indonesian Corporate Registered Shareholders to transfer all shares in Indonesian Opco, (ii) require the Indonesian Individual Registered Shareholders to transfer all shares in the Indonesian Corporate Registered Shareholders, or (iii) require the Indonesian Corporate Registered Shareholders to transfer all assets in Indonesian Opco, in each case to the Indonesian WFOE or a third party designated by the Indonesian WFOE (as the case may be and in accordance with Indonesian Laws). The transfer price will be equal to the amount of par value of such transferred shares or such price set forth in an equity transfer agreement to be executed among relevant parties, as applicable. The Exclusive Call Option Agreements remain effective until the full payment of Indonesian Opco’s obligations under the Loan Agreement. The Indonesian Individual Registered Shareholders and the Indonesian Corporate Registered Shareholders agree to return to the Indonesian WFOE (or the entity designated by the Indonesian WFOE) any consideration they receive in the event that any of the options under the exclusive call option agreements is exercised.

To the extent permitted by Indonesian laws, the Indonesian WFOE shall have the right to exercise the exclusive option right against the Indonesian Individual and Indonesian Corporate Registered Shareholders or the legitimate successors or representatives of the Indonesian Individual and Indonesian Corporate Registered Shareholders pursuant to the terms and

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conditions of the Exclusive Call Option Agreement in the event of death, incapacity, bankruptcy of the Indonesia Individual and Corporate Registered Shareholders or other circumstances which causes his inability to exercise his rights as a shareholder of the Indonesia Opco.

Share Pledge Agreements

Pursuant to the share pledge agreements entered into between the Indonesian WFOE, the Indonesian Individual Registered Shareholders and the Indonesian Corporate Registered Shareholders on March 29, 2022 (the “**Share Pledge Agreements**”), the Share Pledge Agreements have the following terms:

- the Indonesian Individual Registered Shareholders pledged all of the shares in Indonesian Corporate Registered Shareholders to the Indonesian WFOE, and
- the Indonesian Corporate Registered Shareholders pledged all the shares in the Indonesian Opco to the Indonesian WFOE,

to guarantee the performance of obligations by the Indonesian Individual Registered Shareholders and Indonesian Corporate Registered Shareholders under the Guarantee Agreements, as well as the performance of obligations by Indonesian Opco under the Loan Agreement.

Pursuant to the Share Pledge Agreements, Pledgors are required deliver to Indonesian WFOE all share certificates and other evidence of ownership in relation to the shares in Indonesian Individual Registered Shareholders and Indonesian Opco. Each of the Pledgors undertook that during the term of the Shares Pledge Agreements, shall not, among others, sell, dispose of, assign, transfer, pledge or encumber the pledged shares, or allow any other pledge or encumbrance to be created with respect to the pledged shares.

The Share Pledge Agreements remain effective until the full payment of Indonesian Opco’s obligations under the Loan Agreement.

Exclusive Technical Service Agreement

Pursuant to the exclusive technical service agreement entered into between the Indonesian WFOE and the Indonesian Opco on March 29, 2022 (the “**Exclusive Technical Service Agreement**”), in exchange for service fees, the Indonesian Opco agreed to engage the Indonesian WFOE as its exclusive provider to provide advice, guidance on business operations and other organizational and management issues, such as (i) strategic and organizational planning; (ii) decisions related to finance; (iii) marketing objectives and policies; (iv) human resource planning, practices and policies; (v) planning scheduling and controlling production, advisory assistance, guidance and operation of various management functions; (vi) design of accounting methods and procedures, cost accounting programs, budget monitoring procedures; and (vii) advice and assistance for business and community services.

Under the Exclusive Technical Service Agreement, the service fee payable to the Indonesian WFOE will be equal to the consolidated net profits of the Indonesian Opco and its subsidiaries (revenue deducted by turnover taxes, total expenses and retained profits), subject to adjustments at the Indonesian WFOE’s discretion.

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Without the Indonesian WFOE's prior written consent, during the term of the Exclusive Technical Service Agreement, the Indonesian Opco will not, directly or indirectly, accept services pertaining to the Exclusive Technical Service Agreement provided by any third party.

Unless terminated in accordance with the provisions of the Exclusive Technical Service Agreement, the Exclusive Technical Service Agreement shall remain effective perpetually. Pursuant to the Exclusive Technical Service Agreement, all invention, modification, creation, or design created or developed by The Indonesian WFOE during its performance of the Exclusive Technical Service Agreement, and all related copyrights, trademarks, patents and all other intellectual property rights shall be owned by The Indonesian WFOE. Where such ownership is precluded due to the laws of the Republic Indonesia, Indonesian Opco shall sign any documents and take, or cause to be taken, any other action necessary, to effect the complete and irrevocable assignment of the said ownership rights to The Indonesian WFOE.

Power of Attorney

Pursuant to the powers of attorney to vote and powers of attorney to sell by and among the Indonesian WFOE, the Indonesian Corporate Registered Shareholders and Indonesian Opco executed on March 29, 2022, each Indonesian Corporate Registered Shareholder irrevocably appointed the Indonesian WFOE as its attorney to do and perform, among others, the following actions:

- to exercise all applicable shareholders' voting and related rights with respect to such shareholder's equity interest, including to exercise the voting rights,
- to sign meeting minutes and other relevant documents on behalf of the Indonesian Corporate Registered Shareholders, and
- to proceed with necessary approvals, registrations, filings or submissions with governmental authorities.

The power of attorney will be irrevocable and remain continuously effective and valid until the full payment of Indonesian Opco's obligations under the Loan Agreement.

Spousal Consent and Undertakings

The spouse of each of the relevant Indonesian Individual Registered Shareholders, where applicable, has signed undertakings to the effect that (i) she consents to her spouse entering into the Indonesian Contractual Arrangements; (ii) acknowledges that the Indonesian Contractual Arrangements entered into by her spouse will also be binding against her, (iii) has no right to or control over any interests in the Indonesian Corporate Registered Shareholders and will not have any claim on such interests; and (iv) she will sign all necessary documents and take all necessary actions to ensure the Indonesian Contractual Arrangements are properly performed.

Other Key Terms

Dispute Resolution

Each of the Exclusive Technical Service Agreement, the Loan Agreement, the Guarantee Agreements, the Call Option Agreements and the Share Pledge Agreements provided that all the disputes arising from the respective agreement, which cannot be resolved amicably, shall be arbitrated in Hong Kong and submitted to the Hong Kong International Arbitration Center

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for arbitration pursuant to its rules of arbitration. The arbitral award will be final and binding upon all parties. To the extent permitted by applicable laws, the arbitration tribunal may grant remedies including injunctive relief, remedies concerning the equity interest or assets of Indonesian Opco, the Indonesian Corporate Registered Shareholders and orders winding up of Indonesian Opco and the Indonesian Corporate Registered Shareholders. Under the Indonesian laws, arbitration awards are final and binding to the parties, and the parties cannot appeal the arbitration award in the Indonesian courts. Additionally, since the agreed arbitration location is in Hong Kong (international arbitration award), in order for the award to be executable and enforceable in Indonesia, such award must be recognized and acknowledged by Central Jakarta District Court through its ratification or exequatur. The execution may then be carried out by the district court of the relevant jurisdiction. To the extent permitted by applicable laws, when awaiting the formation of the arbitral tribunal or otherwise under appropriate conditions, parties to these agreements may seek preliminary injunctive relief or other interlocutory remedies that will support the further arbitration process from a court with competent jurisdiction to facilitate the arbitration. Subject to limitations under applicable laws, the courts of Hong Kong, the Cayman Islands, China and Indonesia shall be deemed to have competent jurisdiction.

Loss sharing

None of the agreements constituting the Indonesian Contractual Arrangements provides that our Company or the Indonesian WFOE is obligated to share the losses of Indonesian Opco, but if Indonesian Opco or any of its subsidiaries suffers any losses or material difficulties of business, the Indonesian WFOE may adjust the amount or percentage of service fees at its discretion to Indonesian Opco under the terms of the Exclusive Technical Service Agreement. Further, under Indonesia laws and regulations, our Company or the Indonesian WFOE and its subsidiaries are not expressly required to share the losses of Indonesian Opco or provide financial support to Indonesian Opco. Despite the foregoing, given the results of operations and assets and liabilities of the Indonesian Consolidated Affiliated Entities are consolidated into our results of operations and assets and liabilities under the applicable accounting principles, our business, financial condition and results of operations would be adversely affected if the Consolidated Affiliated Entities suffered losses.

Liquidation

Pursuant to the Loan Agreement, in the event of default or a mandatory liquidation/insolvency required by the Indonesian laws, the Indonesian WFOE shall be entitled to declare the loan immediately due and payable and enforce the securities granted by the Indonesian Individual and Indonesian Corporate Registered Shareholders and assets of the Indonesian Opco, which will be used to settle the loan and be for the benefit of the Indonesian WFOE. The Indonesian Corporate Registered Shareholders shall give the proceeds they received from liquidation as a gift to the Indonesian WFOE or its designee(s) to the extent permitted by the Indonesian laws. A liquidator may seize the relevant assets of the Indonesian Opco through the Indonesian WFOE based on the Indonesian Contractual Arrangements for the benefit of our creditors/shareholders.

Conflicts of interest

To ensure our effective control over the Indonesian Opco, we have incorporated terms in the Indonesian Contractual Arrangements to protect against the potential conflicts of interest between the Indonesian Individual and Indonesian Corporate Registered Shareholders and the Indonesian WFOE. Under the Power of Attorney to Sell and the Power of Attorney to Vote, the Indonesian Individual and Indonesian Corporate Registered Shareholders have irrevocably

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appointed the Indonesian WFOE to exercise its rights in connection with matters concerning its rights as a shareholder of the Indonesian Opco, including the rights to vote in a shareholders’ meeting, to sign minutes and to sell its shares. For further details, see “– Power of Attorney” in this section.

Based on the above, our Directors are of the view that the measures we have adopted are sufficient to mitigate the risks associated with the potential conflicts of interest between our Group and the Indonesian Individual and Indonesian Corporate Registered Shareholders.

Death, bankruptcy and/or divorce of the Indonesian Individual Registered Shareholders

Pursuant to Article 3 paragraph 1 of Law Number 40 of 2007 on Limited Liability Company as partially amended by the Job Creation Law (the “**Indonesian Company Law**”), unless the company is not incorporated properly and the shareholders conduct any unlawful and bad faith acts, the shareholders of a limited liability company are not personally liable for any contracts entered by the company and the company’s losses extending beyond the value of their shares. The shareholders of a limited liability company are also not personally liable for the obligations of the company because the limited liability company is a separate legal body and independent with its shareholders. Therefore, the shareholders are only liable for up to the amount of capital they invest into the company.

As confirmed by our Indonesian Legal Adviser, (i) the Indonesian Opco is incorporated properly in accordance with the Indonesian Company Law, and (ii) the Indonesian Contractual Arrangements have complied with the requirement of Article 98 of the Indonesian Company Law and the Indonesian Opco’s articles of association. Therefore, the Indonesian Contractual Arrangements entered into remain binding against the Indonesian Opco in the occurrence of the death, bankruptcy and/or divorce of the Indonesian Individual Registered Shareholders and/or the Indonesian Corporate Registered Shareholders and their successors (as the case may be). In particular, the Indonesian Contractual Arrangements shall prevail over their respective wills, divorce agreements, debt arrangements and other legal instruments entered into by him/her. Accordingly, there are appropriate arrangements in place to protect the interest of the Indonesian WFOE in the event of death, bankruptcy and/or divorce of the Indonesian Individual Registered Shareholders and/or the Indonesian Corporate Registered Shareholders (as the case may be), and practical difficulties in enforcing the Indonesian Contractual Arrangements have been avoided.

Insurance

We do not maintain an insurance policy to cover the risks relating to the Indonesian Contractual Arrangements.

Legality of the Indonesian Contractual Arrangements

Our Indonesian Legal Adviser, after taking reasonable enquiries and due diligence, has confirmed that the Indonesian Contractual Arrangements are legally binding and enforceable on the Indonesian Individual Registered Shareholders and the Indonesian Corporate Registered Shareholders, comply in fact and in good faith with all relevant laws and regulations of Indonesia, and will not be deemed as “concealing illegal intentions with a lawful form” and be voided under the laws and regulations currently prevailing in Indonesia and are only used to the extent necessary and are narrowly tailored to minimize potential conflict under the applicable laws and regulations to address the relevant foreign shareholding or ownership limits or restrictions under Indonesian laws.

CONTRACTUAL ARRANGEMENTS

Pursuant to Article 33 Paragraph 1 of the Investment Law, domestic and foreign investors are prohibited from entering into an agreement or and/or issuing a statement to confirm that their ownership of shares in a limited liability company is held for and in the name of another person. Where a domestic investor and a foreign investor enter into an agreement and/or make a statement to the effect that their ownership of shares in a company is held for and in the name of another person, such an agreement and/or statement will be declared to be void by operation of law.

Our Indonesian Legal Adviser confirms that none of the Indonesian Contractual Arrangements entered into by our Indonesian Individual Registered Shareholders and Indonesian Corporate Registered Shareholders contains any statement that their direct or indirect ownership of shares in our Indonesian Opco is for and in the name of our Indonesian WFOE. The Indonesian Contractual Arrangements are common loan transactions whereby the Indonesian Corporate Registered Shareholders still remain as the registered and legal owners of 100% of the shares in the Indonesian Opco, notwithstanding that 100% of the shares in the Indonesian Opco have been pledged to the Indonesian WFOE and all the shares in the Indonesian Corporate Registered Shareholders have also been pledged to the Indonesian WFOE as security for the Loan Agreements and the Indonesian Corporate Registered Shareholders have also: (i) assigned their dividends; (ii) granted an exclusive call option; and (iii) executed powers of attorney to sell its shares in the Indonesian Opco to the Indonesian WFOE to secure the loans. Furthermore, the Indonesian Corporate Registered Shareholders has also executed a power of attorney in favor of the Indonesian WFOE to allow for the Indonesian WFOE to exercise its voting rights as shareholders of the Indonesian Opco.

In the occurrence of an event of default under the Indonesian Contractual Arrangements, the Indonesian WFOE will have the right to enforce the security documents including without limitation to cause the shares registered under the name of the Indonesian Corporate Registered Shareholders in the Indonesian Opco to be transferred to the Indonesian WFOE or any party it designates.

The Indonesian Contractual Arrangements have met the elements required to establish a contract as stipulated in Article 1320 of the Indonesian Civil Code, which includes: (i) consent, where both the Indonesian WFOE and the Indonesian Individual and Indonesian Corporate Registered Shareholders have agreed to enter into the series of Indonesian Contractual Arrangements; (ii) capacity, whereby both the Indonesian WFOE and the Indonesian Individual and Indonesian Corporate Registered Shareholders possess the legal capacity to enter into the Indonesian Contractual Arrangements; (iii) subject, whereby the subject of the Indonesian Contractual Arrangements is loan transactions; and (iv) lawful cause, the Indonesian Contractual Arrangements are not contrary to public order in Indonesia.

After taking reasonable actions and steps, our Indonesian Legal Adviser is of the opinion that there are no laws and regulations in Indonesia specifically disallowing foreign investors to provide loan facilities to Indonesian shareholders to gain contractual control of a foreign restricted business, and neither the execution of the Indonesian Contractual Arrangements, nor the compliance by the Indonesian WFOE and the Indonesian Individual and Indonesian Corporate Registered Shareholders with or performance of the terms and provisions thereof would: (a) contravene any judgment, decree or order of any court, arbitrator, administrative agency or other governmental institution to which the Indonesian WFOE and the Indonesian Individual Registered Shareholders and Indonesian Corporate Registered Shareholders or any of its assets are subject; (b) violate any provisions of the Indonesian Opco's articles of association; and (c) violate or contravene any provisions of the laws, rules or regulations in Indonesia by the Indonesian WFOE, the Indonesian Individual Registered Shareholders and Indonesian Corporate Registered Shareholders and the Indonesian Opco, each being a party to the Indonesian Contractual Arrangements.

CONTRACTUAL ARRANGEMENTS

Our Indonesian Legal Adviser has further opined that the Indonesian Contractual Arrangements have not encountered any interference or encumbrance from any governing bodies of Indonesia and are in compliance with the prevailing laws and regulations of Indonesia during the Track Record Period and as of the Latest Practicable Date. Our Indonesian Legal Adviser have also confirmed that given the Contractual Arrangements are within the domain of private law in Indonesia which focuses on legal relationship between two parties based on the principle of freedom of contract under Article 1338 of Indonesian Civil Code that all agreements made legally shall apply as the law between the parties thereto, the Indonesian government will not be involved in the use of the Indonesian Contractual Arrangements or any disputes with regards to its legality.

In January 2022, we have also, with our Indonesian Legal Adviser, conducted a formal interview with the relevant government authority, namely (i) the Coordinator of Commercial Postal Services; (ii) an officer of the Directorate of Postal Affairs; (iii) an officer of the Directorate of Postal Affairs; (iv) the Sub-coordinator of the Governance of Commercial Postal Services; (v) the Sub-coordinator of the Tariff of Commercial Postal Services; (vi) the Sub-coordinator of Data and Information of Commercial Postal Services; (vii) the Sub-coordinator of the Postal Industry Development; and (viii) the Sub-coordinator of Postal Cooperation, all of whom are from the MOCI which is the main supervising authority of our operations in Indonesia, and obtained verbal guidance from a contact center service officer from BKPM, which is the agency overseeing foreign investments in Indonesia.

During the consultation with the MOCI and BKPM, the officers confirmed that: (i) a foreign investor who is not a Foreign Postal Operator cannot hold any equity interest in an Indonesian Postal Services Company, (ii) in limited circumstances, a Foreign Postal Operator can hold equity interest in a Postal Services Company by forming a joint venture company with an Indonesian domestic company in compliance with the Partnership Requirements, (iii) the Foreign Postal Operators can only obtain shares in a new joint venture to engage in Postal Services, and should not subscribe or purchase shares in an existing domestic Indonesian Postal Services Company with a nationwide coverage, and (iv) when all conditions under the Partnership Requirements are met, the Foreign Postal Operator can hold up to 49% of equity interest in the joint venture entity that provides KBLI 53201 courier services. Officers from both MOCI and BKPM have further confirmed that the Indonesian Contractual Arrangements are under the domain of private law in Indonesia, and MOCI does not regulate, supervise or intervene in the use or any dispute over the legality or enforceability of the Contractual Arrangements. BKPM advised that that BKPM would only supervise whether companies conduct their business in accordance with their licenses. BKPM does not supervise, and will not intervene in, the business arrangements adopted by private parties or any privately executed agreements.

This effectively allows the Company, as a foreign investor, to indirectly control an Indonesian company which engages in Postal Services. After making reasonable enquiries and due diligence, our Indonesian Legal Adviser has opined that the adoption of the Indonesian Contractual Arrangements by the Company is unlikely to be deemed ineffective or invalid under the applicable laws and regulations in Indonesia. Further, our Indonesian Legal Adviser is of the view that the Contractual Arrangements are used to the extent necessary under the applicable laws and regulations in Indonesia to address the relevant foreign shareholding or ownership limits or restrictions only, and have been narrowly tailored to minimize the potential conflict with relevant Indonesian laws and regulations and enables the Group to achieve the contractual control over Indonesian Opco which engages in postal services within Indonesia.

CONTRACTUAL ARRANGEMENTS

Our Indonesian Legal Adviser has confirmed that it has taken all possible actions and steps to enable it to reach the above legal conclusions and opinions. In light of the above opinion from our Indonesian Legal Adviser and as the Indonesian Contractual Arrangements have not encountered any interference or encumbrance from any governing bodies of Indonesia during the Track Record Period and up to the Latest Practicable Date, our Directors are of the view that the Indonesian Contractual Arrangements are enforceable under the relevant Indonesian laws and regulations.

ACCOUNTING ASPECTS OF THE INDONESIAN CONTRACTUAL ARRANGEMENTS

Consolidation of financial results of operating entities

According to IFRS 10 – Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

As a result of the Indonesian Contractual Arrangements among the Indonesian WFOE, Indonesian Opco and the Indonesian Individual Registered Shareholders and Corporate Registered Shareholders, the Indonesian WFOE has rights to exercise power over Indonesian Opco and its subsidiaries, receives variable returns from its involvement in Indonesian Opco and its subsidiaries, has the ability to affect those returns through its power over Indonesian Opco and its subsidiaries and is considered to control Indonesian Opco and its subsidiaries. Consequently, the Company regards Indonesian Opco and its subsidiaries as controlled entities and consolidates the assets, liabilities and results of operations of Indonesian Opco and its subsidiaries in the consolidated financial information of the Group.

COMPLIANCE WITH THE INDONESIAN CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Indonesian Contractual Arrangements and our compliance with the Indonesian Contractual Arrangements:

1. major issues arising from the implementation and compliance with the Indonesian Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion as and when they arise;
2. our Board will review the overall performance of and compliance with the Indonesian Contractual Arrangements at least once a year;
3. our Company will disclose the overall performance of and compliance with the Indonesian Contractual Arrangements in our annual reports; and
4. our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Indonesian Contractual Arrangements, to review the legal compliance of the Indonesian WFOE and Indonesian Opco and to deal with specific issues or matters arising from the Indonesian Contractual Arrangements.

CONTINUING CONNECTED TRANSACTIONS

OVERVIEW

We have in the past conducted certain transactions with entities that will become our connected persons upon [REDACTED]. The transactions disclosed in this section will continue after [REDACTED] and will therefore constitute our non-exempt continuing connected transactions under the Listing Rules.

SUMMARY OF OUR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into the following transactions that will constitute non-exempt continuing connected transactions under Rule 14A.31 of the Listing Rules upon [REDACTED].

Transactions	Applicable Listing Rules	Waivers sought	Proposed annual cap for the years ending December 31,		
			2023	2024	2025
			(RMB in millions)		
Contractual Arrangements	14A.34, 14A.35, 14A.36, 14A.52, 14A.53 to 59, 14A.71 and 14A.105	Announcement, independent shareholders’ approval, annual cap, and three year term requirements	N/A	N/A	N/A

Contractual Arrangements

Background

As disclosed in “Contractual Arrangements”, due to regulatory restrictions on foreign ownership in the PRC and Indonesia, we conduct a substantial portion of our business through our Consolidated Affiliated Entities in the PRC and Indonesia.

We do not hold any equity interests in our Consolidated Affiliated Entities. Rather, through the Contractual Arrangements, we effectively control these Consolidated Affiliated Entities and are able to derive substantially all of their economic benefits, and expect to continue to do so.

See “Contractual Arrangements” for further detailed terms of the Contractual Arrangements.

Listing Rules implications

For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of ‘connected person’, our Consolidated Affiliated Entities will be treated as our Company’s subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and its associates will be treated as connected persons of our Company as applicable under the Listing Rules (excluding for this purpose, the Consolidated Affiliated Entities themselves). Therefore, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon [REDACTED].

CONTINUING CONNECTED TRANSACTIONS

The highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transactions associated with the Contractual Arrangements are expected to be more than 5%. As such, the transactions will be subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Reasons for the transaction and the waiver application

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our legal structure and business operations. Our Directors also believe that our structure, whereby the financial results of our Consolidated Affiliated Entities are consolidated into our financial statements as if they were our Company’s wholly-owned subsidiaries, and all the economic benefits of their business flows to our Group, places our Group in a special position in relation to the connected transactions rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by our Consolidated Affiliated Entities and any member of our Group from time to time (including Consolidated Affiliated Entities) (the “**New Intergroup Agreements**”) technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all such transactions to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and independent shareholders’ approval requirements.

WAIVERS

In respect of the Contractual Arrangements and New Intergroup Agreements, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with (i) the announcement, circular and independent Shareholders’ approval requirements under Rule 14A.105 of the Listing Rules, (ii) the requirement to set a term of three years or less under Rule 14A.52 of the Listing Rules, and (iii) the requirement of setting annual caps for the transaction under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, for so long as our Class B Shares are [REDACTED] on the Stock Exchange, subject, however, to the following conditions:

(a) No change without independent non-executive Directors’ approval

No change to the Contractual Arrangements (including with respect to any fees payable to the PRC and Indonesian WFOEs thereunder) will be made without the approval of our independent non-executive Directors.

(b) No change without independent Shareholders’ approval

Save as described below, no change to the agreements governing the Contractual Arrangements will be made without the independent Shareholders’ approval. Once independent Shareholders’ approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company will, however, continue to be applicable.

CONTINUING CONNECTED TRANSACTIONS

(c) Economic benefit flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities through (i) our Group’s option (to the extent permitted under the applicable PRC and Indonesian laws) to acquire all or part of the entire equity interests and assets at a consideration which shall be the higher of (a) a nominal price or (b) the lowest price as permitted under applicable PRC and Indonesian laws, (ii) the business structure under which the profit generated by the Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to the WFOEs by the Consolidated Affiliated Entities under the Contractual Arrangements, and (iii) our Group’s right to control the management and operation of, as well as the substance of, all of the voting rights of the Consolidated Affiliated Entities.

(d) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between the Company and its subsidiaries in which the Company has shareholding, on the one hand, and the Consolidated Affiliated Entities, on the other hand, such framework may be renewed and/or reproduced without an announcement, circular, or obtaining the approval of the Shareholders (i) upon the expiry of the existing arrangements, (ii) in connection with any changes to the shareholders or directors of, or of their shareholdings in, the Consolidated Affiliated Entities, or (iii) in relation to any existing, new or acquired wholly foreign-owned enterprise or operating company (including branch companies) engaging in a business similar or relating to those of the Group, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch companies) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however, be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC or Indonesian laws, regulations and approvals.

(e) Ongoing reporting and approvals

We will disclose details relating to the Contractual Arrangements on an on-going basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in our Company’s annual reports and accounts in accordance with the relevant provisions of the Listing Rules.
- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company’s annual reports for the relevant years that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of our Company and our Shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS

- Our Company’s auditors will carry out review procedures annually on the transactions, pursuant to the Contractual Arrangements, and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements, and that no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.
- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of “connected person”, our Consolidated Affiliated Entities will be treated as our Company’s subsidiaries, and at the same time, the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and their respective associates will be treated as connected persons of our Company (excluding, for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and our Group (including, for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.
- Our Consolidated Affiliated Entities will undertake that, for so long as the Class B Shares are [REDACTED] on the Stock Exchange, the Consolidated Affiliated Entities will provide our Group’s management and our Company’s auditors full access to its relevant records for the purpose of our Company’s auditors’ review of the connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

DIRECTORS’ CONFIRMATION

Our Directors (including independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our Group’s legal structure and business, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and the Shareholders as a whole, and it is normal business practice for the Contractual Arrangements to be of a term greater than three years. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, the Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

CONFIRMATION BY THE JOINT SPONSORS

The Joint Sponsors have (i) reviewed the relevant documents and information provided by the Group, and (ii) participated in the due diligence and discussion with the management of the Company. Based on the above, the Joint Sponsors are of the view that the continuing connected transactions set out above have been and will continue to be carried out in the ordinary and usual course of business of the Company and on normal commercial terms or better, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and it is normal business practice for the Contractual Arrangements to be of a term greater than three years.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

Upon [REDACTED], our Board will consist of seven Directors, including one executive Director, three non-executive Directors and three independent non-executive Directors. The following table provides certain information about our Directors:

Name	Age	Position(s)	Date of joining the Group	Date of appointment as a Director of the Company	Roles and responsibilities
Mr. Jet Jie Li (李傑先生)	48	Founder, Executive Director, chairman of the Board and Chief Executive Officer	June 2015	May 15, 2020	Overall strategic planning and business direction
Ms. Alice Yu-fen Cheng (鄭玉芬女士)	62	Non-executive Director	May 2020	May 15, 2020	Provide strategic advice to the Board
Ms. Qinghua Liao (廖清華女士)	52	Non-executive Director	March 2022	March 3, 2022	Provide strategic advice to the Board
Mr. Yuan Zhang (張源先生)	54	Non-executive Director	May 2020	May 15, 2020	Provide strategic advice to the Board
Mr. Charles Zhaoxuan Yang (楊昭烜先生)	39	Independent non-executive Director	[REDACTED]*	[REDACTED]*	Provide independent opinion and judgment to the Board
Mr. Erh Fei Liu (劉二飛先生)	64	Independent non-executive Director	[REDACTED]*	[REDACTED]*	Provide independent opinion and judgment to the Board
Mr. Peng Shen (沈鵬先生)	36	Independent non-executive Director	[REDACTED]*	[REDACTED]*	Provide independent opinion and judgment to the Board

* Note: The appointments of Mr. Erh Fei Liu, Mr. Peng Shen and Mr. Charles Zhaoxuan Yang as our independent non-executive Directors will take effect on the [REDACTED].

DIRECTORS AND SENIOR MANAGEMENT

Executive Director

Mr. Jet Jie Li (李傑先生)

Mr. Jet Jie Li (“**Mr. Li**”), aged 48, is our founder, executive Director, Chief Executive Officer and chairman of the Board. Mr. Li is responsible for setting the strategic vision, direction and goals of our Group.

Mr. Li founded the J&T brand in Indonesia in June 2015 and has since leveraged on the Group’s success to expand globally. Mr. Li used his extensive sales and entrepreneurial experience including his comprehensive understanding of Southeast Asian culture to drive our Group’s rapid growth. Currently, our Group’s core operations span across China and seven Southeast Asian countries, including Vietnam, Malaysia, the Philippines, Thailand, Cambodia and Singapore. We have also recently made forays into other foreign markets including Saudi Arabia, UAE, Mexico, Brazil and Egypt.

Prior to founding our Group, Mr. Li spent more than 15 years of his career with OPPO, a Chinese consumer electronics and mobile communications company, where he was responsible for leading its global expansion efforts into Indonesia as well as other Asian markets such as Singapore, Malaysia and Japan. He served as the founder and Chief Executive Officer of OPPO’s first overseas exclusive sales agent, PT. Indonesia OPPO Electronics from February 2013 to June 2015. Previously, Mr. Li also served as general manager of Nanjing Baisheng Oppo Communication Equipment Co., Ltd. (南京百勝歐珀通訊設備有限公司) from February 2008 to February 2013, where he was responsible for the distribution of OPPO products in the Jiangsu and Anhui provinces; and as department manager at Jiangsu Baisheng Electronic Co., Ltd (江蘇百勝電子有限公司) from January 1999 to February 2008, where he was responsible for the sales of audiovisual products. In recognition of Mr. Li’s significant contribution, the OPPO headquarters established the “Jet Lee” award in honor of Mr. Li to reward top salespeople in the global sales agencies.

Mr. Li obtained his bachelor’s degree in marketing from the University of Science and Technology Beijing, the PRC, in 1998.

Non-executive Directors

Ms. Alice Yu-fen Cheng (鄭玉芬女士)

Ms. Alice Yu-fen Cheng (“**Ms. Cheng**”), aged 62, is our non-executive Director. She is primarily responsible for providing strategic advice to the Board.

Previously, Ms. Cheng held various positions with Acer Inc., a Taiwanese computer manufacturer, culminating in the position of financial controller, from August 1988 to December 2002. From December 2002 to May 2005, Ms. Cheng served as a financial controller of Wistron Corporation, a Taiwanese original design manufacturer of notebook computers and other electronics. From May 2005 to July 2021, Ms. Cheng served as the chief financial officer of Guangdong BBK Electronics Industry Co., Ltd. (廣東步步高電子工業有限公司), a PRC-based manufacturer of audio-visual equipment, telephones and learning machines.

Ms. Cheng has been serving as an independent director of NetEase, Inc. (NASDAQ: NTES; HKEX: 9999) since June 2007 and is currently a member of their audit committee, compensation committee, nominating committee, and Environmental, Social and Governance Committee.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Cheng received a Bachelor’s of Accounting from the Chinese Culture University in Taiwan in June 1983 and a Master of Business Administration in International Management from Thunderbird, the American Graduate School of International Management, the United States in December 2003. Ms. Cheng also received her license as a certified public accountant in Taiwan and the PRC in August 1993 and December 1994, respectively.

Ms. Qinghua Liao (廖清華女士)

Ms. Qinghua Liao (“**Ms. Liao**”), aged 52, is our non-executive Director. She is primarily responsible for providing strategic advice to the Board.

Prior to joining our Group, Ms. Liao held various positions in Zhongshan Xiaobawang Electronic Industry Co., Ltd. (中山小霸王電子工業有限公司), including development officer and assistant general manager, from April 1994 to July 1995. Ms. Liao then joined Guangdong BBK Electronics Industry Co., Ltd. (廣東步步高電子工業有限公司), where she spent more than 10 years of her career from August 1995 to October 2005, in different roles including the head of the human resources department, head of the adjustment and planning department, general manager, assistant factory director for the electronic gaming branch and head of the total quality management department for the electronic gaming branch, where she oversaw the operations and quality control processes within the Company. She then joined BBK Education Electronics Co., Ltd. (步步高教育電子有限公司), where she served as head of the systems management department from November 2005 to July 2015 and chief information officer from July 2015 to March 2020. Ms. Liao has served as the operations manager of Guangdong Xiaotiancai Technology Co., Ltd. (廣東小天才科技有限公司) since March 2020.

Ms. Liao obtained her bachelor’s degree in Information Management from Central China Normal University, the PRC in July 1992.

Mr. Yuan Zhang (張源先生)

Mr. Yuan Zhang (“**Mr. Zhang**”), aged 54, is our non-executive Director. He is primarily responsible for providing strategic advice to the Board.

Mr. Zhang served as the general manager of the Nanjing Branch of Zhongshan Xiaobawang Electronic Industry Co., Ltd. (中山市小霸王電子工業有限公司南京分公司) from December 1991 to December 1996. He has served as the founder, chairman and general manager of Jiangsu Baisheng Electronic Co., Ltd (江蘇百勝電子有限公司) since January 1997.

Mr. Zhang obtained a bachelor’s degree in electronic engineering where he majored in radio technology, from Shanghai Jiao Tong University, the PRC, in July 1990.

Independent Non-executive Directors

Mr. Charles Zhaoxuan Yang (楊昭煇先生)

Mr. Charles Zhaoxuan Yang (“**Mr. Yang**”), aged 39, has been appointed as an independent non-executive Director of our Company and his appointment will take effect from the [REDACTED]. He is primarily responsible for supervising and providing independent judgement to the Board and serving as chairman and members of certain committees of the Board.

DIRECTORS AND SENIOR MANAGEMENT

He has served as chief financial officer of NetEase, Inc. (NASDAQ: NTES; HKEX: 9999) since June 2017. Prior to that, Mr. Yang was an executive director in the Global Investment Banking Department at J.P. Morgan Securities (Asia Pacific) Limited and was based in Hong Kong for almost a decade. Mr. Yang has served as an independent director on the board of So-Young International Inc. (NASDAQ: SY), since May 2019; and Kanzhun Limited (NASDAQ: BZ and HKEX: 2076) since June 2021.

Mr. Yang obtained a bachelor’s degree from Wesleyan University, the United States, with majors in economics and mathematics in May 2007 and a master’s degree in business administration from the University of Hong Kong in November 2016. Mr. Yang is a Certified Public Accountant licensed in the State of Michigan and Hong Kong.

Mr. Erh Fei Liu (劉二飛先生)

Mr. Erh Fei Liu (“**Mr. Liu**”), aged 64, has been appointed as an independent non-executive Director of our Company and his appointment will take effect from the [REDACTED]. He is primarily responsible for supervising and providing independent judgement to the Board and serving as chairman and members of certain committees of the Board.

Mr. Liu is currently Chief Executive Officer and Founding Partner at Asia Investment Capital Ltd. and Chief Executive Officer of Asia Investment Fund. He was previously a co-founder of Cindat Capital Management Limited (“**Cindat**”), a global real estate investment platform. Prior to founding Cindat, Mr. Liu had a successful career as an investment banker. Mr. Liu worked as senior management in various financial institutions such as the head of investment banking for China at Goldman Sachs Group, Inc., the Managing Director of Merrill Lynch (Asia Pacific) Limited and the chairman of China region of Merrill Lynch Group. He was awarded the Asian Banker Skills-based Achievements Award in investment banking in 2006 by The Asian Banker.

Mr. Liu has been an independent non-executive director of Qingling Motors Co. Ltd (HKEX: 1122) and VNET Group, Inc. (formerly known as 21Vianet Group, Inc., NASDAQ: VNET) since May 2015; and Frontage Holdings Corporation (HKEX: 1521) since April 2018. Mr. Erh Fei Liu was an independent non-executive director of Fortunet e-Commerce Group Limited (now known as Changyou Alliance Group Limited, HKEX: 1039), from March 2015 to April 2017; and Jiangxi Copper Company Limited from July 2016 to October 2022 (HKEX: 0358 and listed on the Shanghai Stock Exchange with stock code 600362).

Mr. Liu graduated from Harvard Business School, the United States, in June 1987 with a master’s degree in business administration.

Mr. Peng Shen (沈鵬先生)

Mr. Peng Shen (“**Mr. Shen**”), aged 36, has been appointed as an independent non-executive Director of our Company and his appointment will take effect from the [REDACTED]. He is primarily responsible for supervising and providing independent judgement to the Board and serving as chairman and members of certain committees of the Board.

Mr. Shen is the founder and currently serves as the chairman of board of directors and chief executive officer of Waterdrop Inc. (NYSE: WDH). Prior to founding Waterdrop in 2016, in January 2010, Mr. Shen joined Meituan (HKSE: 03690), a leading e-commerce platform in China, at its early stage. He was also one of the founding team members of Meituan Waimai, which provides food delivery services. Mr. Shen participated in the operations of Meituan Waimai from September 2013 to April 2016, where he was responsible for different matters

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including internet R&D, formulating operational rules, and establishing and managing the business systems. In honor of his contributions to China’s insurtech industry, digital clinical trial solutions business and other fields, as well as the establishment and operation of Waterdrop, Mr. Shen was named to Fortune China’s list of the “2020 40 under 40 in China” and World Economic Forum’s list of “2022 Young Global Leaders.”

Mr. Shen received a master’s degree in retail management from NEOMA Business School, France, in October 2013, an EMBA from Tsinghua University School of Economics and Management, PRC, in July 2019 and the degree of Doctor of Hotel and Tourism Management from the Hong Kong Polytechnic University in September 2022.

In September 2021, a securities class action against, among others, Waterdrop Inc. (“**Waterdrop**”) was filed in the U.S. District Court for the Southern District of New York (the “**Court**”), Sidney Sandoz, et al. v. Waterdrop Inc., et al., 1:21-cv-07683 (the “**Waterdrop Class Action**”) alleging violations of the Securities Act of 1933 in relation to Waterdrop’s initial public offering in May 2021 in the US (the “**Waterdrop IPO**”). Mr. Shen in his capacity as chief executive officer and, together with certain other executives and directors of Waterdrop and the underwriters (together with Waterdrop, the “**Defendants**”) of Waterdrop IPO, was named as one of the Defendants in the case. However, Mr. Shen has never been served with the summons or complaint for this case and therefore need not participate and has not participated in the Waterdrop Class Action. To the best of the Company’s knowledge and according to published court records, the plaintiffs alleged that the Defendants, among others, failed to make adequate disclosures in connection with Waterdrop IPO, in breach of Sections 11 and 15 of the U.S. Securities Act of 1933. Specifically, the plaintiffs alleged that the registration statement of Waterdrop IPO failed to make adequate disclosures regarding, among others, (i) increased scrutiny over internet-based insurance companies by Chinese authorities and its impact on Waterdrop’s financials and business operations; (ii) the true reasons for Waterdrop’s discontinuance of its mutual aid program; and (iii) the rapid suffering of Waterdrop accelerating operating losses in the first quarter of 2021. The complaint seeks damages allegedly suffered by the plaintiffs as a result of failure to make adequate disclosures.

Waterdrop filed a motion to dismiss on April 22, 2022. On February 3, 2023, the Court issued an order granting Waterdrop’s motion to dismiss as “*the Registration Statement adequately warned investors of their risk associated with Waterdrop and its IPO, including the increase in operating costs, the regulatory regime and the closure of Mutual Aid.*” The case was dismissed with prejudice. In addition, the order also verdicts that the claims against the remaining defendants (including Mr. Shen) will also be dismissed and there is no basis to find that the claims against the remaining Defendants, who have yet to be served, are distinguishable and would survive.

On March 7, 2023, the plaintiffs filed a notice appealing the Court’s dismissal order (the “**Appeal**”) in the U.S. Court of Appeals, Second Circuit (the “**Circuit Court**”). As of the Latest Practicable Date, the Appeal is at a preliminary stage and no decision has been made by the Circuit Court.

As of the Latest Practicable Date, the Company has no basis to believe that either of the Waterdrop Class Action or the Appeal impugn the integrity and suitability of Mr. Shen to act as the Company’s director, because the mere naming of an individual director as a defendant in these actions does not form a basis for doubting his integrity or suitability to discharge his duties as a director of a public company. In addition, to the best knowledge of the Company, (i) the Court ruled in favour of Waterdrop’s motion and dismissed the Waterdrop Class Action; (ii) as of the Latest Practical Date, the Appeal is still at a preliminary stage and the Circuit Court has not ruled on the substance of the plaintiffs’ claims; (iii) as of the Latest Practicable

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Date, no evidence showing, or dispositive court ruling on, Mr. Shen’s personal involvement in making or directing Waterdrop to make any alleged misstatements in a manner that would raise concerns as to his character, experience, integrity and ability to discharge his duties as a director, including fiduciary duties and duties to exercise skill, care and diligence to a standard that commensurate with his position as a director of a [REDACTED] company in Hong Kong; and (iv) Mr. Shen has never been served with the summons or complaint for this case and therefore need not participate and has not participated in the Waterdrop Class Action. Taking into account all the above, the Directors are of the view that the Waterdrop Class Action and the Appeal would not affect the suitability of Mr. Shen as a Director of the Company under Rules 3.08 and 3.09 of the Listing Rules.

After due consideration of (i) the current information in relation to the Waterdrop Class Action and the Appeal available to the Joint Sponsors, (ii) the views of the Directors, (iii) background search and litigation search on Mr. Shen and (iv) enquiries with Mr. Shen in relation to, among others, the Waterdrop Class Action and the Appeal, the Joint Sponsors are not aware of any material findings from the independent due diligence work conducted that would reasonably cause the Joint Sponsors to disagree with the views of our directors as set out above. The Company will closely monitor the developments of the Waterdrop Class Action and the Appeal and will review the above should the facts change, new information become available or the case proceed further.

SENIOR MANAGEMENT

The following table provides information about members of the senior management of the Company:

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>	<u>Date of joining the Group</u>	<u>Roles and responsibilities</u>
Mr. Jet Jie Li (李傑先生)	48	Founder, Executive Director, chairman of the Board and Chief Executive Officer	June 2015	Overall strategic planning and business direction
Mr. Steven Suzhou Fan (樊蘇洲先生)	37	Executive President	June 2015	Overall strategic planning, organizational development and overseeing business operations of our Group
Mr. Charles Junyi Hou (后軍儀先生)	54	Vice President	October 2019	Overall strategic planning, general management and execution of business operations of our Group

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<u>Name</u>	<u>Age</u>	<u>Position(s)</u>	<u>Date of joining the Group</u>	<u>Roles and responsibilities</u>
Mr. Dylan Say Keong Tey (鄭世強先生)	45	Chief Financial Officer	August 2021	Responsible for overseeing our Group’s finance, legal, investments and capital market activities

Mr. Jet Jie Li (李傑先生)

Mr. Jet Jie Li, aged 48 is our founder, executive Director, chairman of the Board and Chief Executive Officer of our Company. For details of his biography, see “– Directors and Senior Management – Executive Director” in this section.

Mr. Steven Suzhou Fan (樊蘇洲先生)

Mr. Steven Suzhou Fan (“**Mr. Fan**”), aged 37, is our Executive President and is responsible for the overall strategic planning, organizational development and overseeing the business operations of our Group.

Mr. Fan joined our Group and served as the regional sponsor in Bandung of West Java, Indonesia from June 2015 to September 2019, where he was responsible for coordinating the express delivery business in that region. Mr. Fan has served as our Executive President since January 2019.

Prior to joining our Group, Mr. Fan was a business supervisor at Nanjing Baisheng Oppo Communication Equipment Co., Ltd. (南京百勝歐珀通訊設備有限公司) from January 2009 to March 2013, where he was responsible for the distribution of OPPO’s products in the Jiangsu province. He served as general manager of West Java at PT. Indonesia OPPO Electronics from February 2013 to June 2015.

Mr. Fan obtained a bachelor’s degree in marketing from Henan Normal University, the PRC, in July 2008.

Mr. Charles Junyi Hou (后軍儀先生)

Mr. Charles Junyi Hou (“**Mr. Hou**”), aged 54, is our Vice President. Mr. Hou joined our Group in October 2019 as Vice President and is responsible for the overall strategic planning, general management and execution of the business operations of our Group.

Mr. Hou has extensive experience in the logistics and international and domestic express delivery industries. He spent more than 15 years of his career with DHL – Sinotrans Ltd. (“**DHL Express**”), where he held various roles across multiple business units spanning information technology, gateway operations and ground operations before culminating in the position of Greater China Area Senior Adviser.

Mr. Hou then joined Shunfeng Express (Group) Limited (順豐速運(集團)有限公司), where he served as operations director from October 2010 to October 2013. He then served as senior operations director of YTO Express (Logistics) Co., Ltd (“**YTO Express**”) (圓通速遞有限公司) from April 2014 to September 2015. Mr. Hou then expanded his career experience as an

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independent management consultant before serving as the co-founder and vice president of Shanghai Baisong Internet of Things Technology Co., Ltd. (上海佰頌物聯網科技有限公司) from April 2017 to July 2018. From July 2018 to October 2019, he served as deputy general manager of On Time Promise (承諾達特快) business unit in the YTO Group (圓通蛟龍集團).

Mr. Hou obtained his bachelor’s degree in computer science from Shanghai Science and Technology University (currently known as Shanghai University), the PRC, in July 1989. He further obtained a master’s degree of business administration from the joint MBA program between Webster University, the United States and Shanghai University of Finance and Economics, in December 2009.

Mr. Dylan Say Keong Tey (鄭世強先生)

Mr. Dylan Say Keong Tey (“**Mr. Tey**”), aged 45, joined our Group in August 2021 as Chief Financial Officer of the Company. He is responsible for overseeing our Group’s finance, legal, investments and capital market activities. He has more than 20 years of financial and industry-related experience.

Mr. Tey started his career with Ernst & Young, Malaysia in January 1999 to October 2004, and last held the position of audit manager. He joined PricewaterhouseCoopers ZhongTian LLP (“**PwC China**”) in November 2004 as audit manager, and was admitted to partnership in July 2011. From July 2011 to March 2018, Mr. Tey served as an audit partner in PwC China focusing on the technology industry, while also managing the firm’s relationship with a number of venture capital firms, and was a member of its private equity leadership team. He was the Chief Financial Officer of We Doctor Holdings Limited, an online healthcare services company in China, from April 2018 to April 2019. Mr. Tey was the co-Chief Financial Officer and Senior Vice President of Hello Inc from May 2019 to August 2021, responsible for its finance and legal functions.

Mr. Tey received his bachelor’s degree with a double major in accounting and finance from University of New South Wales, Australia in December 1998. He has been a member of the Chartered Accountants Australia & New Zealand and member of Malaysian Institute of Accountants since June 2002 and July 2002, respectively. Mr. Tey became a Certified Public Accountant in Hong Kong in January 2012 and he was admitted as a Fellow of Chartered Accountants Australia & New Zealand in November 2017.

INTERESTS OF OUR DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, none of our Directors holds any other directorships in public companies, the securities of which are listed on any securities market in Hong Kong or overseas during the three years immediately preceding the date of this document. See “Statutory and General Information” in Appendix V to this document for further information about the Directors, including the particulars of their service contracts and remuneration, and details of the interests of the Directors in the Shares (within the meaning of Part XV of the SFO).

None of our Directors and members of senior management are related to other Directors or members of senior management. There is no material matter relating to our directors that needs to be brought to the attention of our shareholders and the information of our directors disclosed in this document comply with the requirements under Rule 13.51(2) of the Listing Rules in all material aspects.

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COMPANY SECRETARY

Ms. Yin Shan Hui (許燕珊女士) is a senior manager of corporate services of Tricor Services Limited, a global professional services provider specializing in integrated business corporate and investor services. She has over 18 years of experience in the corporate secretarial field. Ms. Hui is currently the company secretary of OneForce Holdings (HKEX: 1933), Shanghai MicroPort MedBot (Group) Co., Ltd. (HKEX: 2252) and MicroPort NeuroTech Limited (HKEX: 2172) and the joint company secretary of Honliv Healthcare Management Group Company Limited (HKEX: 9906).

Ms. Hui graduated from Hong Kong Polytechnic University in Hong Kong with a bachelor’s degree in applied mathematics in November 1994. She received her master’s degree in finance from Curtin University of Technology in Australia in December 2002. Ms. Hui obtained a bachelor’s degree in law from University of London in the United Kingdom in August 2017. Ms. Hui is an associate member of the Hong Kong Chartered Governance Institute as well as the Chartered Governance Institute in the United Kingdom.

MANAGEMENT AND CORPORATE GOVERNANCE

Board Committees

The Company has established the audit committee, the remuneration committee, the nomination committee and corporate governance committee in compliance with the Listing Rules. These committees operate in accordance with their respective terms of reference established by our Board.

Audit Committee

We have established the audit committee in compliance with Rule 3.21 of the Listing Rules (with effect from the [REDACTED]) and with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

The primary duties of the audit committee are to review and supervise our financial reporting progress and the internal control system of our Group, review and approve connected transactions, manage risk, perform internal audit, provide advice and comments to our Board and perform other duties and responsibilities as may be assigned by our Board. The audit committee consists of three members, namely Mr. Charles Zhaoxuan Yang, Ms. Alice Yu-fen Cheng and Mr. Erh Fei Liu. The chairman of the audit committee is Mr. Charles Zhaoxuan Yang, who is an independent non-executive Director with the appropriate accounting and related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration Committee

We have established the remuneration committee in compliance with Rule 3.25 of the Listing Rules (with effect from the [REDACTED]) and with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The primary duties of the remuneration committee are to establish, review and provide advice to our Board on the structure of remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning remuneration, make recommendation to the board the terms of the specific remuneration package for each executive Director and senior management and review and recommend performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time. The remuneration committee comprises three members, namely Mr. Peng Shen, Mr. Jet Jie Li and Mr. Erh Fei Liu. The chairman of the remuneration committee is Mr. Erh Fei Liu.

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Nomination Committee

We have established the nomination committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and Chapter 8A of the Listing Rules. The primary duties of the nomination committee are to review the structure, size and composition of our Board on a regular basis and make recommendations to our Board regarding any proposed changes to the composition of our Board; identify, select and make recommendations to our Board on the selection of individuals nominated for directorship, and ensure the diversity of our Board members; assess the independence of our independent non-executive Directors and make recommendations to our Board on relevant matters relating to the appointment, reappointment and removal of our Directors and succession planning for our Directors. The nomination committee comprises three members, namely Mr. Erh Fei Liu, Mr. Jet Jie Li and Mr. Peng Shen. The chairman of the nomination committee is Mr. Erh Fei Liu.

Corporate Governance Committee

We have established a corporate governance committee in compliance with Chapter 8A of the Listing Rules. The primary duties of the corporate governance committee are to ensure that the Company is operated and managed for the benefit of all shareholders and to ensure the Company’s compliance with the Listing Rules and safeguards relating to the weighted voting rights structures of the Company.

The corporate governance committee comprises three independent non-executive Directors, namely Mr. Erh Fei Liu, Mr. Peng Shen and Mr. Charles Zhaoxuan Yang. Mr. Peng Shen is the chairman of the corporate governance committee. For details of their experience in corporate governance related matters, see the biographies of our independent non-executive Directors in “– Directors and Senior Management – Independent Non-Executive Directors” in this section.

In accordance with Rule 8A.30 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 of the Listing Rules, the work of our corporate governance committee as set out in its terms of reference includes:

- (a) to develop and review the Company’s policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;
- (e) to review the Company’s compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report;
- (f) to review and monitor whether the Company is operated and managed for the benefit of all of its shareholders;

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- (g) to confirm, on an annual basis, that the WVR Beneficiary has been members of the Company's board of Directors throughout the year and that no matters under Rule 8A.17 of the Listing Rules have occurred during the relevant financial year;
- (h) to confirm, on an annual basis, whether or not the WVR Beneficiary has complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules throughout the year;
- (i) to review and monitor the management of conflicts of interests and make a recommendation to the board of Directors on any matter where there is a potential conflict of interest between the Company, its subsidiary or consolidated affiliated entity and/or shareholder on one hand and the WVR Beneficiary on the other;
- (j) to review and monitor all risks related to the Company's WVR structure, including connected transactions between the Company and/or its subsidiary or consolidated affiliated entity on one hand and the WVR Beneficiary on the other and make a recommendation to the board of Directors on any such transaction;
- (k) to make a recommendation to the board of Directors as to the appointment or removal of the Compliance Adviser;
- (l) to seek to ensure effective and on-going communication between the Company and its shareholders, particularly with regards to the requirements of Rule 8A.35 of the Listing Rules;
- (m) to report on the work of the corporate governance committee on at least a half- yearly and annual basis covering all areas of its terms of reference, including disclosing, on a comply or explain basis, its recommendations to the Board in respect of the matters in items (i) to (k) above.

Pursuant to Rule 8A.32 of the Listing Rules, the Corporate Governance Report prepared by our Company for inclusion in our interim and annual reports after [REDACTED] will include a summary of the work of the corporate governance committee for the relevant period.

DISCLOSURE UNDER RULE 8.10 OF THE LISTING RULES

Save as disclosed above, each of our executive and non-executive Directors confirms that as of the Latest Practicable Date, he/she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

Role of our Independent Non-executive Directors

Pursuant to Rule 8A.26 of the Listing Rules, the role of the independent non-executive directors of a listed company with WVR structure must include, but is not limited to, the functions described in code provisions C.1.2, C.1.6 and C.1.7 of the Corporate Governance Code. The functions of our independent non-executive Directors include:

- (a) participating in board meetings to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
- (b) taking the lead where potential conflicts of interests arise;

DIRECTORS AND SENIOR MANAGEMENT

- (c) serving on the audit, remuneration, nomination and corporate governance committees, if invited;
- (d) scrutinizing our Company’s performance in achieving agreed corporate goals and objectives, and monitoring performance reporting;
- (e) giving the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation;
- (f) making a positive contribution to the development of the Company’s strategy and policies through independent, constructive and informed comments; and
- (g) attending general meetings and developing a balanced understanding of the views of our Shareholders.

Corporate Governance Code

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. In order to accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix 14 of the Listing Rules after the [REDACTED] save for the below.

Code provision C.2.1 of Part 2 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules recommends, but does not require, that the roles of chairman and chief executive should be separate and should not be performed by the same person. The Company deviates from this provision because Mr. Li performs both the roles of the Chairman of the Board and the Chief Executive Officer of the Company. Mr. Li is the founder of the Group and has extensive experience in the business operations and management of our Group. Our Board believes that vesting the roles of both chairman and chief executive officer to Mr. Li has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning. This structure will enable our Company to make and implement decisions promptly and effectively. Our Board considers that the balance of power and authority will not be impaired due to this arrangement. In addition, all major decisions are made in consultation with members of the Board, including the relevant Board committees, and three independent non-executive Directors. Our Board will reassess the division of the roles of chairman and the chief executive officer from time-to-time, and may recommend dividing the two roles between different people in the future, taking into account the circumstances of our Group as a whole.

BOARD DIVERSITY POLICY

Our Company [has adopted] a board diversity policy which sets out the approach to achieve diversity of the Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company’s competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the board diversity policy, in reviewing and assessing suitable candidates to serve as a director of the Company, the nomination committee will consider a number of factors, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry experience. Pursuant to the board diversity policy, the nomination committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for formal adoption.

DIRECTORS AND SENIOR MANAGEMENT

We recognize the particular importance of gender diversity. Our Board currently comprises 7 Directors, including two female Directors. We aim to maintain the current gender ratio of our Board following [REDACTED]. We have taken and will continue to take steps to promote and enhance gender diversity at all levels of our Company, including but not limited to at our Board and senior management levels. We will also ensure that there is gender diversity when recruiting staff at mid to senior level, as well as engage more resources in training more female staff with the aim of providing a pipeline of female senior management and potential successors to our Board going forward. It is our objective to maintain an appropriate balance of gender diversity with reference to the stakeholders’ expectation and international and local recommended best practices.

MANAGEMENT PRESENCE

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules.

Accordingly, [we have applied for, and the Stock Exchange has granted], a waiver from strict compliance with Rule 8.12 of the Listing Rules. See “Waivers” for further details.

DIRECTORS’ REMUNERATION

For details of the service contracts and appointment letters that we have entered into with our Directors, see “Statutory and General Information – 3. Further Information about Our Directors and Substantial Shareholders – 3.3 Directors’ service contracts and appointment letter” in Appendix V to this document.

The remuneration of our Directors are paid in the form of salaries, allowances, benefits in kind, pension scheme contributions and share-based compensation. The aggregate amount of remuneration (including wages, salaries, bonuses, pension costs, other employee benefits, but excluding share-based compensation expenses) for our Directors for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 were approximately US\$1.83 million, US\$12.85 million, US\$5.03 million and US\$2.15 million, respectively. Further information on the remuneration of each Director during the Track Record Period is set out in the Accountant’s Report in Appendix I to this document.

The five highest paid individuals of our Group include one Director for each of the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, whose remuneration is included in the aggregate amount of salaries, allowances, benefits in kind and pension scheme contributions we paid to the relevant Directors as set out above.

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, the aggregate amount of remuneration (including wages, salaries, bonuses, pension costs, other employee benefits, but excluding share-based compensation expenses) for the remaining four highest paid individuals who are neither a Director nor chief executive of the Group were US\$11.85 million, US\$14.19 million, US\$8.03 million and US\$4.20 million, respectively.

Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

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It is estimated that remuneration and benefits-in-kind (excluding share-based compensation, which may be paid to any Directors) equivalent to approximately US\$[4.39] million in aggregate will be paid to our Directors by us in respect of the year ending December 31, 2023 under arrangements in force.

During the Track Record Period, no remuneration was paid to any Director or any of the five highest paid individuals of our Group as an inducement to join or upon joining our Group. No compensation was paid to or receivable by any Director or any of the five highest paid individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

COMPLIANCE ADVISER

We have appointed Somerley Capital Limited as the compliance adviser (the “**Compliance Adviser**”) pursuant to Rule 8A.33 of the Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rules 3A.23 and 8A.34 of the Listing Rules, the Compliance Adviser will advise our Company, among others, in the following circumstances:

- (a) before the publication of any regulatory announcement, circular, or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where the business activities, development or results of our Company deviate from any forecast, estimate or other information in this document;
- (d) where the Stock Exchange makes an inquiry to the Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules;
- (e) the WVR structure;
- (f) transactions in which the beneficiary of weighted voting rights in the Company has an interest; and
- (g) where there is a potential conflict of interest between the Company, its subsidiary and/or Shareholders (considered as a group) on one hand and the beneficiary of weighted voting rights in the Company on the other.

The term of appointment of the Compliance Adviser shall commence on the [REDACTED]. Pursuant to Rule 8A.33 of the Listing Rules, the Company is required to engage a compliance adviser on a permanent basis.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after the completion of the [REDACTED], Mr. Li, our co-founder, executive Director, chairman of the Board and Chief Executive Officer, will be interested in and will control the 979,333,410 Class A Shares held by Jumping Summit Limited, through Topping Summit Limited, Mr. Li’s wholly-owned entity, which holds 5% equity interest in Jumping Summit Limited, the remaining 95% equity interest in Jumping Summit Limited is held by Exceeding Summit Holding Limited, the entire equity interest of which is held by Vistra Trust (Singapore) Pte. Limited as trustee for the family trust established by Mr. Li for himself and his family. Each Class A Share shall entitle its holder to ten votes and each Class B Share shall entitle its holder to one vote on each resolution subject to a vote at general meetings on a poll (except for resolution on the Reserved Matters, each Class A Share and each Class B Share shall entitle its holder to one vote on a poll at a general meeting).

Assuming (a) the [REDACTED] is not exercised; and (b) the Reclassification, Redesignation and Share Subdivision are completed:

- (1) Mr. Li’s aggregated shareholding will be approximately [REDACTED]% of our total issued share capital and he will hold approximately [REDACTED]% of the total voting rights in the Company through shares beneficially owned by him capable of being exercised on resolutions at general meetings (except for resolutions with respect to the Reserved Matters, in relation to which each Class A Share and each Class B Share shall entitle its holder to one vote on a poll at a general meeting).
- (2) In relation to the Reserved Matters, each Class A Share beneficially owned by Mr. Li and each Class B Share shall entitle its holder to one vote on a poll at a general meeting, and the total voting rights in the Company that Mr. Li may exercise in respect of the Reserved Matters is approximately [REDACTED]%.

Therefore, Mr. Li, Jumping Summit Limited, Topping Summit Limited and Exceeding Summit Holding Limited together will constitute Controlling Shareholders of our Company after the [REDACTED].

For further information about the weighted voting rights attached to the Class A Shares, see “Share Capital.”

Our Group operates independently of our Controlling Shareholders. Our Controlling Shareholders may, from time to time, make minority investments or hold non-executive board positions in entities that operate in, or have subsidiaries that operate in, the broader industries in which our business segments also operate. As our Controlling Shareholders and/or directors have no executive or shareholding control over any of these entities, and these entities have separate businesses with separate management and shareholder bases that control their entities, our Controlling Shareholders will not inject any of their interested entities into our Group; and to the extent our directors hold non-executive board positions or make minority investments in these entities, we believe that this strengthens the experience and diversity of our directors, as a group, and signifies their passion for the industries in which we operate.

DISCLOSURE UNDER RULE 8.10 OF THE HONG KONG LISTING RULES

Our Controlling Shareholders confirm that, as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their close associates after the [REDACTED].

Management Independence

Our business is managed and conducted by our Board and senior management. Upon [REDACTED], our Board will consist of seven Directors comprising one executive Director, three non-executive Directors and three independent non-executive Directors. For more information, see “Directors and Senior Management”.

Our Directors consider that our Board and senior management will function independently of our Controlling Shareholders because:

- (a) each Director is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the interest of our Company and does not allow any conflict between his duties as a Director and his personal interests;
- (b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;
- (c) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions; and
- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. See “– Corporate Governance Measures” in this section for further information.

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial role independently from our Controlling Shareholders.

Operational Independence

We have full rights to make business decisions and to carry out our business independently from our Controlling Shareholders and their respective associates. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent from our Controlling Shareholders and their respective associates after the [REDACTED]:

- (a) we are not reliant on trademarks owned by our Controlling Shareholders, or by other companies controlled by our Controlling Shareholders;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (b) we are the holder of all relevant licenses material to the operation of our business;
- (c) we have independent access to our users, customers and suppliers;
- (d) we have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders;
- (e) we have our own administrative and corporate governance infrastructure, including our own accounting, legal and human resources departments; and
- (f) none of our Controlling Shareholders or their respective associates have any interests in any business which competes or is likely to compete with the business of our Group.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders.

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

No loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective associates will be outstanding as of the [REDACTED].

Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance on, our Controlling Shareholders and their respective close associates after the [REDACTED].

CORPORATE GOVERNANCE MEASURES

Our Company and Directors are committed to upholding and implementing the highest standards of corporate governance and recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders. In light of this, our Company has established a corporate governance committee pursuant to Rule 8A.30 which has adopted terms of reference consistent with Code Provision A.2.1 in Part 2 of Appendix 14 to, and Rule 8A.30 of, the Listing Rules. The members of the corporate governance committee are independent non-executive Directors with extensive experience in overseeing corporate governance related functions of private and Hong Kong listed companies. The primary duties of the corporate governance committee are to ensure that the Company is operated and managed for the benefit of all Shareholders and to ensure the Company's compliance with the Listing Rules and safeguards relating to the weighted voting rights structure of the Company.

Under the Articles of Association, extraordinary general meetings of the Company may be convened on the written requisition of any one or more members holding, as of the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per share basis) in the share capital of the Company. In addition, pursuant to the Shareholder communication policy to be adopted by the Company upon [REDACTED], Shareholders are encouraged to put governance related matters to the Directors and to the Company directly in writing.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

We have adopted the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and our Controlling Shareholders:

- (a) under the Articles, where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their associates has a material interest, the Controlling Shareholders or associates will not vote on the relevant resolutions;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with our Controlling Shareholders or any of its associates, our Company will comply with the applicable Listing Rules;
- (c) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between the Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review;
- (e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;
- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expense;
- (g) we have appointed Somerley Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and
- (h) we have established our audit committee, remuneration committee, nomination committee and corporate governance committee with written terms of reference in compliance with the Listing Rules and the Code on Corporate Governance and Corporate Governance Report in Appendix 14 to the Listing Rules.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the [REDACTED].

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of our authorized share capital and the amount in issue and to be issued as fully paid or credited as fully paid immediately prior to and following completion of the [REDACTED].

1. Share capital at the date of this document

(i) Authorized share capital

Number	Description of Shares	Approximate aggregate nominal value of shares
3,719,302,324	Class A Ordinary Shares of US\$0.00001 par value each	US\$37,193.02
195,866,682	Class B Ordinary Shares of US\$0.00001 par value each	US\$1,958.67
1,084,830,994	Pre-[REDACTED] Preferred Shares of US\$0.00001 par value each	US\$10,848.31
Total		US\$50,000.00

(ii) Issued, fully paid or credited to be fully paid

Number	Description of Shares	Approximate aggregate nominal value of shares
463,150,842	Class A Ordinary Shares of US\$0.00001 par value each	US\$4,631.50
195,866,682	Class B Ordinary Shares of US\$0.00001 par value each	US\$1,958.67
1,038,105,643	Pre-[REDACTED] Preferred Shares of US\$0.00001 par value each	US\$10,381.06
Total		US\$16,971.23

2. Share capital immediately following the completion of the [REDACTED]

Pursuant to the resolutions of the Shareholders on [●], 2023, subject to the [REDACTED] becoming unconditional and with effect immediately prior to the [REDACTED]: the Reclassification, Redesignation and Share Subdivision will be effected.

The tables below assumes (i) the Reclassification, Redesignation and Share Subdivision are completed, (ii) the [REDACTED] becomes unconditional and the [REDACTED] are issued pursuant to the [REDACTED], (iii) the [REDACTED] is not exercised, and (iv) no Class A Shares are converted into Class B Shares.

SHARE CAPITAL

(i) Authorized share capital

Number	Description of Shares	Approximate aggregate nominal value of shares
979,333,410	Class A Shares	US\$1,958.67
24,020,666,590	Class B Shares	US\$48,041.33
Total		US\$50,000.00

(ii) Issued and to be issued, fully paid or credited to be fully paid

Number	Description of Shares	Approximate aggregate nominal value of shares
979,333,410	Class A Shares in issue	US\$1,958.67
7,506,282,425	Class B Shares in issue	US\$15,012.56
[REDACTED]	Class B Shares to be issued pursuant to the [REDACTED]	US\$[REDACTED]
Total		US\$[REDACTED]

The tables above do not take into account any Class B Shares that may be issued or repurchased by the Company under the general mandates granted to our Directors referred to below.

WEIGHTED VOTING RIGHTS STRUCTURE

The Company is proposing to adopt a WVR Structure effective immediately upon the completion of the [REDACTED]. Under this structure, the Company’s share capital will comprise Class A Shares and Class B Shares. Each Class A Share shall entitle its holder to ten votes, and each Class B Share shall entitle its holder to one vote, on each resolution subject to a vote at the Company’s general meetings on a poll, except for resolutions with respect to the Reserved Matters, in relation to which each Class A Share and each Class B Share shall entitle its holder to one vote on a poll at a general meeting.

The Reserved Matters are:

- (i) any amendment to the Memorandum or Articles, including the variation of the rights attached to any class of shares;
- (ii) the appointment, election or removal of any independent non-executive Director;
- (iii) the appointment or removal of the Company’s auditors; or
- (iv) the voluntary liquidation or winding-up of the Company.

In addition, one or more Shareholders, including holders of Class B Shares, holding, as of the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per share basis) in the share capital of the Company are entitled to make a requisition to convene an extraordinary general meeting of the Company and/or add resolutions to the meeting agenda.

SHARE CAPITAL

See “Summary of the Constitution of Our Company and the Company Laws of the Cayman Islands – 2. Articles of Association” in Appendix IV to this document for further details.

The table below sets out the ownership and voting rights to be held by the WVR Beneficiary upon the completion of the [REDACTED]:

	Number of Shares	Approximate percentage of issued share capital ⁽¹⁾	Approximate percentage of voting rights ⁽¹⁾⁽²⁾
Class A Shares held by the WVR Beneficiary	979,333,410	[REDACTED]%	[REDACTED]%
Class B Shares held by the WVR Beneficiary	Nil	Nil	Nil
Total	<u>979,333,410</u>	<u>[REDACTED]%</u>	<u>[REDACTED]%</u>

Notes:

- (1) Assuming (i) that the Reclassification, Redesignation and Share Subdivision are completed, and (ii) the [REDACTED] is not exercised.
- (2) On the basis that each Class A Share shall entitle its holder to ten votes and each Class B Share shall entitle its holder to one vote on each resolution subject to a vote at general meetings on a poll, except for resolutions with respect to the Reserved Matters for which each Class A Share and each Class B Share shall entitle its holder to one vote on a poll at a general meeting.

Class A Shares may be converted into Class B Shares on a one to one ratio. Upon the completion of the Reclassification, Redesignation and Share Subdivision, the Company will issue 979,333,410 Class A Shares, representing approximately [REDACTED]% of the total number of issued and outstanding Shares (assuming the [REDACTED] is not exercised.)

The weighted voting rights attached to our Class A Shares will cease when the WVR Beneficiary ceases to have beneficial ownership of any of our Class A Shares, in accordance with Listing Rule 8A.22. This may occur:

- (i) upon the occurrence of any of the circumstances set out in Listing Rule 8A.17, in particular where the WVR Beneficiary is: (1) deceased; (2) no longer a member of our Board; (3) deemed by the Stock Exchange to be incapacitated for the purpose of performing his duties as a director; or (4) deemed by the Stock Exchange to no longer meet the requirements of a director set out in the Listing Rules;
- (ii) when the holders of Class A Shares have transferred to another person the beneficial ownership of, or economic interest in, all of the Class A Shares or the voting rights attached to them, other than in the circumstances permitted by Listing Rule 8A.18;
- (iii) where a vehicle holding Class A Shares on behalf of a WVR Beneficiary no longer complies with Listing Rule 8A.18(2); or
- (iv) when all of the Class A Shares have been converted to Class B Shares.

SHARE CAPITAL

WVR Beneficiary

Immediately upon the completion of the [REDACTED], the WVR Beneficiary will be Mr. Li. Assuming (i) the [REDACTED] is not exercised, and (ii) the Reclassification, Redesignation and Share Subdivision are completed:

- Mr. Li will beneficially own 979,333,410 Class A Shares, representing approximately [REDACTED]% of the total voting rights in the Company with respect to shareholder resolutions relating to matters other than the Reserved Matters.
- The Class A Shares beneficially owned by Mr. Jet Jie Li are held by Jumping Summit Limited, a company jointly owned by Topping Summit Limited and Exceeding Summit Holding Limited. Topping Summit Limited, wholly-owned by Mr. Li, holds 5% of the equity interest in Jumping Summit Limited. Exceeding Summit Holding Limited, the entire equity interest of which is held by Vistra Trust (Singapore) Pte. Limited as trustee for the family trust established by Mr. Li for the benefit of himself and his family, holds the remaining 95% equity interest in Jumping Summit Limited.

The Company confirms that the holding arrangement through which the WVR Beneficiary holds the Class A Shares as described above meets the requirements in Rule 8A.18 of the Listing Rules and the holding arrangement is permitted under the “Consultation Conclusions – a listing regime for companies from emerging and innovative sectors” issued by the Stock Exchange in April 2018, namely: (a) a partnership of which the WVR Beneficiary is a partner and the terms of which must expressly specify that the voting rights attached to any and all of the Class A Shares held by such partnership are solely dictated by the WVR Beneficiary; (b) a trust of which the WVR Beneficiary is a beneficiary and that meets the following conditions: (i) the WVR Beneficiary must in substance retain an element of control of the trust and any immediate holding companies of, or, if not permitted in the relevant tax jurisdiction, retain a beneficial interest in any and all of the Class A Shares held by such trust; and (ii) the purpose of the trust must be for estate planning and/or tax planning purposes; or (c) a private company or other vehicle wholly owned and wholly controlled by the WVR Beneficiary or by a trust referred to in paragraph (b) above.

To ensure that there will not be any circumvention of Rule 8A.18(1), each of the Company and Mr. Li undertakes that so long there is any weighted voting rights attached to the Shares held by Jumping Summit Limited, Mr. Li will not transfer any beneficial ownership of or economic interest in Jumping Summit Limited or the control over the voting rights attached to the Shares held by Jumping Summit Limited to another person. In the event that there is any change in the beneficial ownership of or economic interest in the Shares held by Jumping Summit Limited or the control over the voting rights attached to the Shares held by Jumping Summit Limited, and/or change in beneficiary, and settlor of Vistra Trust (Singapore) Pte. Limited as trustee for the family trust established by Mr. Li to another person, resulting in change of beneficial ownership of, or economic interest in, the Shares held under the trust or the control over the voting rights attached to the Shares held under the trust, the Company and/or Mr. Li will notify the Stock Exchange pursuant to Rule 8A.19 of Listing Rules and comply with the relevant statutory obligations including obligations of disclosure of interests under the SFO, and the weighted voting rights attached to the Class A Shares held by Jumping Summit Limited shall cease upon such transfer accordingly. The Company will also comply with Rule 8A.30 of the Listing Rules to confirm, on an annual basis, that the WVR Beneficiary has complied with Rule 8A.18 of the Listing Rules.

SHARE CAPITAL

The Company is adopting the WVR Structure to enable the WVR Beneficiary to exercise voting control over the Company. This will enable the Company to benefit from the continuing vision and leadership of the WVR Beneficiary who will control the Company with a view to its long-term prospects and strategy.

Prospective investors are advised to be aware of the potential risks of investing in companies with weighed voting rights structures, in particular that interests of the WVR Beneficiary may not necessarily always be aligned with those of our Shareholders as a whole, and that the WVR Beneficiary will be in a position to exert significant influence over the affairs of our Company and the outcome of shareholders’ resolutions, irrespective of how other shareholders vote. Prospective investors should make the decision to invest in the Company only after due and careful consideration. For further information about the risks associated with the WVR structure adopted by the Company, see “Risk Factors – Risks Related to the WVR Structure.”

Save for the voting rights and conversion rights attached to Class A Shares, the Class A Shares and the Class B Shares shall rank *pari passu* in all other respects and shall have the same rights, preferences, privileges and restrictions. For further information about the rights, preferences, privileges and restrictions of the Class A Shares and Class B Shares, see “Summary of the Constitution of Our Company and the Company Laws of the Cayman Islands – 2. Articles of Association” in Appendix IV to this document for further details.

Undertakings by the WVR Beneficiary

Pursuant to Rule 8A.43 of the Listing Rules, the WVR Beneficiary is required to give a legally enforceable undertaking to the Company that he will comply with the relevant requirements as set out in Rule 8A.43, which is intended to be for the benefit of and enforceable by the Shareholders. On July 19, 2023, Mr. Li made an undertaking to the Company (the “**Undertaking**”), that for so long as he is a WVR Beneficiary:

1. he shall comply with (and, if the shares to which the weighted voting rights that he is beneficially interested in are attached are held through a limited partnership, trust, private company or other vehicle, use his best endeavors to procure that such limited partnership, trust, private company or other vehicle complies with) all applicable requirements under Rules 8A.09, 8A.14, 8A.15, 8A.17, 8A.18 and 8A.24 of the Listing Rules from time to time in force (the “**Requirements**”); and
2. he shall use his best endeavors to procure that the Company complies with all applicable Requirements.

For the avoidance of doubt, the Requirements are subject to Rule 2.04 of the Listing Rules. The WVR Beneficiary acknowledged and agreed that the Shareholders rely on the Undertaking in acquiring and holding their shares. The WVR Beneficiary acknowledged and agreed that the Undertaking is intended to confer a benefit on the Company and all Shareholders and may be enforced by the Company and/or any Shareholder against the WVR Beneficiary.

The Undertaking shall automatically terminate upon the earlier of (i) the date of delisting of the Company from the Stock Exchange; and (ii) the date on which the WVR Beneficiary ceases to be a beneficiary of weighted voting rights in the Company. For the avoidance of doubt, the termination of the Undertaking shall not affect any rights, remedies, obligations or liabilities of the Company and/or any Shareholder and/or the WVR Beneficiary himself that have accrued up to the date of termination, including the right to claim damages and/or apply for any injunction in respect of any breach of the Undertaking which existed at or before the date of termination.

SHARE CAPITAL

The Undertaking shall be governed by the laws of Hong Kong and all matters, claims or disputes arising out of the Undertaking shall be subject to the exclusive jurisdiction of the courts of Hong Kong.

RANKING

The [REDACTED] will rank *pari passu* in all respects with all Class B Shares currently in issue or to be issued as mentioned in this document, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this document.

ALTERATIONS OF CAPITAL

Pursuant to the Cayman Companies Act and the terms of the Memorandum of Association and Article of Association, our Company may from time to time by ordinary resolution of Shareholders (i) increase its share capital; (ii) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares; (iii) subdivide its existing shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association or into shares without par value; and (iv) cancel any shares which have not been taken. In addition, our Company may, subject to the provisions of the Cayman Companies Act, reduce its share capital or undistributable reserve by its shareholders passing a special resolution. See “Summary of the Constitution of Our Company and the Company Laws of the Cayman Islands – 2. Articles of Association – 2.1 Shares – (d) Alteration of capital” in Appendix IV to this document for further details.

SHARE INCENTIVE SCHEME

The Company has adopted the Pre-[REDACTED] Share Incentive Plan. See “Statutory and General Information – 4. Pre-[REDACTED] Share Incentive Plan” in Appendix V to this document for further details.

GENERAL MANDATE TO ISSUE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate, to allot, issue and deal with Class B Shares with a total nominal value of not more than the sum of:

- 20% the aggregate nominal value of the Shares in issue immediately following completion of the [REDACTED] (excluding (i) the additional Class B Shares which may be issued pursuant to the exercise of the [REDACTED]; and (ii) the Class B Shares that are issuable upon conversion of the Class A Shares into Class B Shares on a one to one basis); and
- the aggregate nominal value of Shares repurchased by the Company under the authority referred to in “– General Mandate to Repurchase Shares” in this section.

This general mandate to issue Class B Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

SHARE CAPITAL

- the expiration of the period within which our Company’s next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

See “Statutory and General Information – 1. Further Information about our Group – 1.5 Resolutions passed in the meeting of our Shareholders dated [●]” in Appendix V to this document for further details of the general mandate.

GENERAL MANDATE TO REPURCHASE SHARES

Subject the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate, to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the [REDACTED] (excluding (i) the additional Class B Shares which may be issued pursuant to the exercise of the [REDACTED]; and (ii) the Class B Shares that are issuable upon conversion of the Class A Shares into Class B Shares on a one to one basis).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are [REDACTED] (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in “Statutory and General Information – 1. Further Information about our Group – 1.6 Explanatory statement on repurchase of our own securities” in Appendix V to this document.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which our Company’s next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See “Statutory and General Information – 1. Further Information about our Group – 1.6 Explanatory statement on repurchase of our own securities” in Appendix V to this document for further details of the repurchase mandate.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED], assuming (i) the [REDACTED] is not exercised, and (ii) completion of the Reclassification, Redesignation and Share Subdivision, the following persons will have interests and/or short positions (as applicable) in the Shares or underlying shares of our Company that (i) would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, (ii) will be, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of substantial shareholder	Capacity/Nature of Interest	Number and class of shares held ⁽¹⁾	Approximate percentage of shareholding of each class of shares in our Company ⁽¹⁾
<i>Class A Shares</i>			
Jumping Summit Limited	Beneficial interest	979,333,410 Class A Shares	[REDACTED]%
Mr. Jet Jie Li ⁽²⁾	Interest in controlled corporation	979,333,410 Class A Shares	[REDACTED]%
<i>Class B Shares</i>			
Team Spirit Group Limited ⁽³⁾	Beneficial interest	373,175,910 Class B Shares	[REDACTED]%
Mr. Chen Mingyong ⁽³⁾	Interest in a controlled corporation	373,175,910 Class B Shares	[REDACTED]%
	Interest of spouse	327,712,070 Class B Shares	[REDACTED]%
Starlight Hero Limited ⁽³⁾	Beneficial interest	327,712,070 Class B Shares	[REDACTED]%
Ms. Liang Xiaojing ⁽³⁾	Interest in a controlled corporation	327,712,070 Class B Shares	[REDACTED]%
	Interest of spouse	373,175,910 Class B Shares	[REDACTED]%

SUBSTANTIAL SHAREHOLDERS

Name of substantial shareholder	Capacity/Nature of Interest	Number and class of shares held ⁽¹⁾	Approximate percentage of shareholding of each class of shares in our Company ⁽¹⁾
<u>Tencent</u>			
Deep Red Holdings Limited ⁽⁴⁾	Beneficial interest	130,718,955 Class B Shares	[REDACTED]%
Rhododendron Investment Limited ⁽⁴⁾	Beneficial interest	130,713,270 Class B Shares	[REDACTED]%
TB RACING RABBITS INVESTMENT HOLDINGS L.P. ⁽⁴⁾	Beneficial interest	98,039,215 Class B Shares	[REDACTED]%
Eternal Earn Holding Limited ⁽⁴⁾	Beneficial interest	98,039,215 Class B Shares	[REDACTED]%
Parallel Cluster Investment Limited ⁽⁴⁾	Beneficial interest	78,431,370 Class B Shares	[REDACTED]%
<u>Boyu</u>			
Jaunty Global Limited ⁽⁵⁾	Beneficial interest	341,411,525 Class B Shares	[REDACTED]%
Joyous Tempinis Limited ⁽⁵⁾	Beneficial interest	104,561,995 Class B Shares	[REDACTED]%
Jallion Global Limited ⁽⁵⁾	Beneficial interest	71,895,425 Class B Shares	[REDACTED]%
<u>ATM Capital</u>			
Fast Creative Zone Limited ⁽⁶⁾	Beneficial interest	399,966,340 Class B Shares	[REDACTED]%
Ultra Height Fund L.P. ⁽⁶⁾	Beneficial interest	66,116,490 Class B Shares	[REDACTED]%

Notes:

- (1) The table above assumes that (i) the [REDACTED] is not exercised, and (ii) completion of the Reclassification, Redesignation and Share Subdivision, and not taking into account any [REDACTED] to be [REDACTED] for by the existing Shareholders.
- (2) Topping Summit Limited, an entity wholly-owned by Mr. Li, owns 5% equity interest of Jumping Summit Limited; Exceeding Summit Holding Limited, which is held by Vistra Trust (Singapore) Pte. Limited as a trustee for a trust established by Mr. Li for the benefit of Mr. Li and his family members, owns the remaining 95% equity interest in Jumping Summit Limited. Accordingly, Mr. Li is deemed to be interested in the 979,333,410 Class A Shares held by Jumping Summit Limited under the SFO.

SUBSTANTIAL SHAREHOLDERS

- (3) Team Spirit Group Limited is approximately 65.9% owned by the Labor Union Committee of Guangdong OPlus Holdings Co., Ltd; approximately 33.6% owned by GLORY HILL HOLDINGS LIMITED (高耀集團有限公司) and approximately 0.5% owned by Jin Leqin, an independent third party. The Labor Union Committee of Guangdong OPlus Holdings Co., Ltd is deemed to be controlled by Mr. Chen Mingyong. Accordingly, Mr. Chen Mingyong is deemed to be interested in the 373,175,910 Class B Shares held by Team Spirit Group Limited under the SFO.

Ms. Liang Xiaojing does not hold any legal or beneficial interest in the share capital of Team Spirit Group Limited; however, solely pursuant to Part XV of the SFO, Ms. Liang Xiaojing is deemed to be interested in the 373,175,910 Class B Shares interested by her spouse, Mr. Chen Mingyong, although she does not personally hold such shares as a direct shareholder.

Starlight Hero Limited is wholly-owned by Ms. Liang Xiaojing.

Mr. Chen Mingyong does not hold any legal or beneficial interest in the share capital of Starlight Hero Limited; however, solely pursuant to Part XV of the SFO, Mr. Chen Mingyong is deemed to be interested in the 327,712,070 Class B Shares interested by his spouse, Ms. Liang Xiaojing, although he does not personally hold such shares as a direct shareholder.

- (4) Rhododendron Investment Limited, Deep Red Holdings Limited and TB Racing Rabbits Investment Holdings L.P. are all wholly owned by Tencent Holdings Limited, a company listed on the Main Board of the Stock Exchange (HKEX; 00700, “**Tencent**”). Eternal Earn Holding Limited is a wholly-owned subsidiary of TPP Fund II, L.P., whose general partner is TPP GP II, Ltd, which is ultimately controlled by Tencent. Parallel Cluster Investment Limited is a wholly-owned subsidiary of Parallel Cluster Investment L.P., whose general partner is Parallel Cluster GP Limited, which is ultimately controlled by Tencent. Accordingly, Tencent is deemed to be interested in the 535,942,025 Class B Shares held by Deep Red Holdings Limited, Rhododendron Investment Limited, TB Racing Rabbits Investment Holdings L.P., Eternal Earn Holding Limited and Parallel Cluster Investment Limited under the SFO.
- (5) Joyous Tempinis Limited, Jaunty Global Limited and Jallion Global Limited are directly or indirectly controlled by Boyu Capital Fund IV, L.P., an exempted limited partnership registered under the laws of the Cayman Islands. Boyu Capital Fund IV, L.P. is advised by Boyu Capital Group Management Ltd. (together with its affiliates, “**Boyu**”). Accordingly, Boyu is deemed to be interested in the 517,868,945 Class B Shares held by Jaunty Global Limited, Joyous Tempinis Limited and Jallion Global Limited under the SFO.
- (6) Fast Creative Zone Limited is majority held by Global Express Fund L.P. Global Express Fund L.P. and Ultra Height Fund L.P. are managed by Global Express GP Limited and Global Freight Limited, respectively, both of which are ATM Capital’s management entities. Accordingly, ATM Capital is deemed to be interested in the 466,082,830 Class B Shares held by Fast Creative Zone Limited and Ultra Height Fund L.P. under the SFO.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the [REDACTED] (assuming (i) the [REDACTED] is not exercised, and (ii) completion of the Reclassification, Redesignation and Share Subdivision) have any interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

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You should read the following discussion and analysis in conjunction with our audited combined financial statements included in “Appendix I – Accountant’s Report” to this document, together with the accompanying notes. Our combined financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which may differ in material aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountant’s Report and not merely rely on the information contained in this section.

This discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and our financial performance and involves risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. Our actual results may differ materially from those anticipated in these forward looking statements as a result of any number of factors. In evaluating our business, you should carefully consider the information provided in this document, including “Risk Factors” and “Business” in this document.

For the purpose of this section, unless the context otherwise requires, references to 2020, 2021 and 2022 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

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

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

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 the regions and enabling the growth of e-commerce transactions. Regional sponsors play an important role by working with our country headquarters to execute our strategies in various markets. Our regional sponsors typically hold equity interest in our country headquarters and/or regional operating entities. Our country headquarters formulate the overall operational strategy and execution plans in each market, including density and geographic locations of sorting centers, line-haul routes and network capacity, of which regional sponsors assume the role of managing regional daily operations. Regional sponsors manage our network partners through the relevant regional operating entities. Regional sponsors in certain locations also undertake the management of directly operated pickup and delivery outlets and service stations through the relevant regional operating entities. The management responsibilities of regional sponsors encompass the set-up of local operations, sales and marketing, customer service, and employee and network partner training.

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

BASIS OF PRESENTATION

Our historical financial information has been prepared in accordance with IFRS and interpretations issued by the International Accounting Standards Board (“IASB”). The historical financial information has been prepared on a historical cost basis, except for certain financial assets and liabilities measured at fair value through profit or loss.

The preparation of the historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information, are disclosed in Note 4 to the Accountant’s Report in Appendix I to this document. Regarding the change in accounting policy and disclosures, see Note 2 to the Accountant’s Report in Appendix I to this document.

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MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations are affected by general factors affecting the overall economic growth and level of per capita disposable income, the growth of e-commerce, governmental policies and initiatives affecting express and delivery companies in the regions where we operate, and competition from various competitors globally. Unfavorable changes in any of these general industry conditions could negatively affect demand for our services and materially and adversely affect our results of operations. Our results of operations are affected by certain company-specific factors.

Macroeconomic trends and demand for express delivery and other logistics services in the regions where we operate

Our results of operations and financial condition are affected by the factors driving the economies in the jurisdictions where we operate, particularly in Southeast Asia and China, the e-commerce industry and the express delivery service market. These factors include levels of per capita disposable income, levels of consumer spending, rate of Internet and smartphone penetration, adoption of e-commerce and other general economic conditions that affect consumption and business activities in general in the jurisdictions where we operate.

We anticipate additional growth in the express delivery industry driven by, among other things, further adoption of e-commerce in Southeast Asia and the New Markets, new retail trends in China, and the rise of social e-commerce, such as emerging short video and live streaming social e-commerce platforms. According to Frost & Sullivan, the Southeast Asia express delivery market grew from 3.3 billion in parcel volume in 2018 to 11.1 billion in 2022, representing a CAGR of 36.0%, and is expected to reach 23.5 billion in parcel volume by 2027 from 13.2 billion in 2023, representing a CAGR of 15.5%. According to Frost & Sullivan, the express delivery market in China has been growing at a CAGR of 21.5% over the past five years (from 2018 to 2022) in terms of parcel volume. The China express delivery market is expected to reach 188.0 billion parcels in 2027 from 125.1 billion parcels in 2023, representing a CAGR of 10.7%, according to Frost & Sullivan. In addition, the express delivery market in the New Markets is also expected to reach 7,137.7 million in parcel volume in 2027 from 3,733.5 million in 2023, at a CAGR of 17.6%, according to Frost & Sullivan.

Our results of operations are also affected by the growth and increasing demand in other logistics services, such as cross-border services, warehousing and other logistics solutions. These trends may affect the demand for our services and our business opportunities going forward.

Competition, further penetration in existing markets and expansion in the New Markets

We have maintained a competitive edge and driven growth in the markets where we operate. For instance, according to Frost & Sullivan, we are the number one express delivery operator in Southeast Asia by parcel volume from 2020 to 2022, delivering 1,153.8 million domestic parcels with a 16.4% market share in 2020 and 2,160.8 million domestic parcels with a 22.3% market share in 2021, and further extending our leading position to a 22.5% market share with a parcel volume of 2,513.2 million in 2022. We entered into the China market in March 2020 and are the fastest among our peers to achieve an industry milestone of 50 million daily parcel volume. We have become a leading express delivery operator with a market share of 10.9% in China by total parcel volume in 2022, according to Frost & Sullivan. We also have recently expanded operations into the New Markets including Saudi Arabia, UAE, Mexico, Brazil, and Egypt. Our revenue and operating income are affected by the competitive landscape, market

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environment and our market position. In each of our regions of operations, we compete with the leading domestic express delivery companies in those regions. We also compete with international carriers operating in the jurisdictions where we operate in connection with our cross-border services.

Our competitive position also depends on our ability to maintain relationships with and expand the scope of our customers and partners, which depends on our capabilities to differentiate ourselves through our continuous innovation, operational capabilities, and service quality. For instance, we serve 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. Our ability to compete for and maintain a leading market position in our regions of operations, as well as to maintain cooperation with and expand our customer base will depend on our ability to differentiate through innovation, operational capabilities and service quality.

Effectiveness of our unique regional sponsor model

We have adopted a unique regional sponsor model which provides us with effective management over our network, aligned incentives and a shared culture among regional sponsors while maintaining competitiveness, flexibility and excellent operating leverage. Our results of operations are affected by our ability to take full advantage of our regional sponsor model to expand our operations in a cost-effective manner, leverage the resources and operating capabilities of our regional sponsors, while maintaining effective management over our network. Our regional sponsor model enables us to expand and capture market share rapidly, reaching markets that have limited express delivery alternatives rapidly and efficiently, while minimizing capital expenditures. Through this adaptive business model, we have improved and will continue to improve our unit cost structure, and we will increase our operating leverage to maintain market-leading positions in Southeast Asia, compete effectively with longer-established players in China, and continue to grow in the New Markets.

Costs efficiency

Our results of operations are affected by our ability to control costs, which may be subject to factors such as fluctuations in wage rates, fuel prices, toll fees, and leasing costs, among other things. For example, our cost of revenue significantly increased in 2021 and 2022 primarily due to the launch and ramping-up of our service offerings in China and the New Markets. The continued growth of our business and expansion of our market shares in countries where we operate will impact our ability to benefit from economies of scale, including optimization of our delivery service network, reduction of unit costs and the strengthening of our bargaining power with suppliers and service providers. Furthermore, as we continue to expand our business, we apply our best practices in markets where we operate, which affects our ability to enhance and expand our services at optimized costs and efficiency.

Effective investment in network and technology

We have made investments in developing our express delivery network, proprietary technology and infrastructure. We believe our ability to provide quality services across multiple geographic regions, as well as our ability to provide tailored services to meet the needs of e-commerce partners, have been a key factor for our success. We have rapidly scaled our network while satisfying the local needs in each of the markets we operate in through organic growth as well as strategic acquisitions. As of June 30, 2023, we had a portfolio of 104 regional sponsors and approximately 8,700 network partners. We operated 265 sorting centers and over 8,400 line-haul vehicles with approximately 3,900 line-haul routes, as well as over 18,600 pickup and delivery outlets as of June 30, 2023.

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We believe continuous enhancement of our network and technology infrastructure is important to our future performance. We expect to continue to make investments in the development and implementation of new technologies. We believe these investments will improve our parcel handling capacity, IT system efficiency, market penetration and customer experience, which ultimately affect our results of operations and drive overall long-term growth.

Strategic relationships, partnerships and investment acquisitions

We have, in the past, pursued strategic acquisitions and made strategic investments to grow our business. For example, in 2021, we completed the acquisitions of the SEA entities, which allowed us to achieve synergies under our regional sponsor business model through these acquisitions. In December 2021, we completed the acquisition of BEST Express China, and in May 2023, we entered into a share transfer agreement to acquire Fengwang Information. See “History and Corporate Structure – Major Acquisitions, Disposals and Mergers – Acquisition of Fengwang Information.” Our financial performance was and will continue to be impacted by our acquisitions and investments. Additionally, our ability to successfully integrate sorting centers, supply chains and service offerings will affect the synergies we are able to achieve through relevant acquisitions.

Going forward, we may continue to selectively pursue acquisitions, investments, and other forms of cooperation that we believe are strategic and complementary and technology, all of which may affect our results of operations.

Foreign exchange rate fluctuations

We operate in multiple jurisdictions, which exposes us to the effects of fluctuations in foreign exchange rates. Our historical financial information is presented in U.S. dollars, our presentation currency. For each Group entity, items included in its financial statements are generally recorded in the currency of the country where such Group entity operates, which may be, among others, Renminbi, Indonesian Rupiah, Malaysian Ringgit, Vietnamese Dong, Thai Baht, Philippine Pesos, Singapore dollars, Brazilian Real or Mexican Peso. Our financial information as expressed in U.S. dollars may be significantly affected by fluctuations in foreign exchange rates, and the figures may be materially higher or lower than would be the case if exchange rates were stable.

MAJOR BUSINESS COMBINATIONS

In June 2021, to encourage regional sponsors in Thailand to share our vision of long-term growth and value propositions, we acquired the majority interest of 13 entities from Thai regional sponsors (the “**Thai entities**”). Similarly, in August 2021, we made capital increases in 25 entities established by Indonesian regional sponsors (the “**Indonesian entities**”) and, together with the Thai entities, the “**SEA entities**”) and acquired 70% of their equity interests in these Indonesian entities.

On December 8, 2021, we completed our acquisition of the 100% equity interest in BEST Express China, at an enterprise value of approximately RMB6.8 billion with a cash consideration of US\$715.5 million paid by us in 2021. We used cash on hand to finance the transaction.

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The above acquisitions were accounted for as a business combination using the acquisition method of accounting in accordance with IFRS. For more information regarding our acquisitions of the SEA entities and the acquisition of BEST Express China, see Notes 36 to 38 to the Accountant’s Report in Appendix I to this document, and “History and Corporate Structure – Major Acquisitions, Disposals and Mergers – Acquisition of BEST Express China.”

IMPACT OF COVID-19 PANDEMIC ON OPERATIONS

Our results of operations and financial condition have been affected by the COVID-19 pandemic during the Track Record Period. Countries where we have our operations were subject to the impact of the COVID-19 pandemic and various governmental measures from time to time. Our facilities in all Southeast Asia countries were under sporadic closures and reopening in 2020 and 2021. In addition, our facilities are spread out across China and the pickup and delivery outlets across cities experienced different levels of labor shortages, closures or capacity reductions due to the pandemic in many cities from 2020 to 2022. Our offices, sorting centers and outlets closed and opened in accordance with applicable measures. The timelines for business resumption varied across different localities and countries. On a global level, our business operations started to return to normal levels in the first quarter of 2023.

The temporary, periodic closure of our facilities, labor shortages or delay in the delivery process did not have material adverse impact on our operational results given our vast network. Despite an initial drop in our business activities at the start of the COVID-19 outbreak due to restrictive measures across different jurisdictions, many consumers, especially those in Southeast Asia, started to shop on e-commerce platforms to minimize exposure to public premises and potential spread of virus during the COVID-19 pandemic. Consequently, we experienced certain surge in demand for express delivery services across the countries where we operate. In addition, certain impacts from the COVID-19 pandemic on our financial performance might be one-off and non-recurring. For example, after the COVID-19 pandemic ends, we may not be able to receive benefits from the COVID-19 related government policy support, such as one-off subsidies for social insurance or tax relief, which we believe are not material to our results of operations.

Despite the impact of the COVID-19 pandemic, our revenue increased by 216.0% from US\$1,535.4 million in 2020 to US\$4,851.8 million in 2021, and further increased by 49.8% to US\$7,267.4 million in 2022. In addition, our revenue increased by 18.5% from US\$3,402.5 million for the six months ended June 30, 2022 to US\$4,030.4 million for the six months ended June 30, 2023.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified the accounting policies that we believe are the most significant to the preparation of our consolidated financial statements. Some of our critical accounting policies involve subjective assumptions and estimates and complex judgments by our management relating to accounting items. Our significant accounting policies are set out in detail in the Accountant’s Report in Appendix I to this document.

The estimates and associated assumptions, which we believe are reasonable under the circumstances, are based on our historical experience and other factors, and form the basis of our judgments about matters that are not readily apparent from other sources. When reviewing our financial results, you should consider (i) our selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies, and (iii) the

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sensitivity of reported results to changes in conditions and assumptions. The determination of these items requires management judgments based on information and financial data that may change in future periods, and as a result, actual results could differ from those estimates.

Revenue Recognition

Revenue is recognized when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by our performance as we perform;
- Our performance creates or enhances an asset that the customer controls as we perform; or
- Our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct goods or services.

A contract asset represents our right to consideration in exchange for goods or services that we transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents our unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents our obligation to transfer goods or services to a customer for which we have received consideration (or an amount of consideration is due) from the customer. A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

(1) *Express delivery services*

(i) Services provided to pick-up outlets of network partners

We offer express delivery services to network partners in China and other countries, including sorting, line-haul transportation, delivery and other relevant network management services. We generally involve other network partners in delivery. We act as principal in providing the entire express delivery service as we control the dispatching services from other network partners to integrate into one complete express delivery service and are primarily responsible for the fulfilment of the express delivery service.

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We charge pickup outlets fees based on the parcel's weight and route to the end recipient's destination, and generally require prepayment of such service fees. We satisfy the performance obligation of express delivery service and recognize revenue over time and use an output method of progress based on time-in-transit for express delivery service.

In addition, we also charge network partners fees for initial operating training and other initial services to network partners, and such fees are generally recognized as revenue when the services are completed.

(ii) *Services provided to unconsolidated operating entities of regional sponsors*

We provide network services to unconsolidated operating entities of regional sponsors, which include technology system support, training, access to our logos and brand names, and general network arrangement services. We are not responsible or acting as principal for relevant express delivery services regarding orders made by the operating entities of regional sponsors through the network and performed by other operating entities of regional sponsors. We charge fees from operating entities of regional sponsors based on parcel volumes. The network service is considered as a series of network management and oversight services as they are substantially the same and have the same pattern of transfer to the customers. The revenue from the network service is recognized on a monthly basis according to monthly fees chargeable to the operating entities of regional sponsors.

In some routes, the unconsolidated operating entities of regional sponsors will use the sorting centers operated by us, and in such situations, we are responsible for the express delivery service provided by our sorting centers, including parcel sorting, line-haul transportation and other services contained in the service contracts, and charge for such service based on the size, weight, route to the end recipient's destination and other factors of a parcel. Such express delivery service is considered a separated performance obligation in addition to the network service. We satisfy the performance obligation of such express delivery service and recognize revenue over time and use an output method of progress based on time-in-transit for the express delivery service.

We issue billings on a monthly basis and grant certain credit periods to such operating entities of regional sponsors.

During the Track Record Period, we provided services to unconsolidated regional operating entities in Indonesia, Thailand and other countries. As of December 31, 2022, we had acquired all of the unconsolidated regional operating entities in Indonesia and Thailand, and after such acquisitions, we directly and substantially provide our integrated express delivery service to our enterprise and individual customers in these countries.

(iii) *Services provided to enterprise customers/individual customers*

We also provide an integrated express delivery service directly to certain enterprise customers and directly to individual customers. We involve outlets of network partners or operating entities of regional sponsors in pickup, dispatching and other services. We act as principal in providing the entire express delivery service as we

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control the relevant services provided by other outlets of network partners or operating entities of regional sponsors to integrate into one complete express delivery service, and we are primarily responsible for the fulfilment of the express delivery service.

We charge the customers based on the size, weight, route to the end recipient's destination and other factors of a parcel. We generally issue billings on a regular basis and grant certain credit periods to such customers. We satisfy the performance obligation of such express delivery service and recognize revenue over time and use an output method of progress based on time-in-transit for the express delivery service.

(iv) Cash on delivery services

For cash on delivery services, we are generally engaged by customers (normally online shopping e-commerce platforms or online merchants) to collect cash payments for the merchandise from end users, then disburse the cash to such customers, and charge certain proportion of the cash payments as service fees as a value-added service on top of the express delivery services. Generally all of such service contracts include only one performance obligation as normally the abovementioned or other relevant promises contained in the service contracts are not considered to be separately identifiable due to the fact that such promises are highly interrelated, and generally the customer expects us to deliver services with integration of such promises.

For cash on delivery services, we generally satisfy a performance obligation and recognize revenue at a point in time once such services are completed.

We provide customers with certain volume-based incentives in relation to express delivery services, which represent variable considerations and are recorded as reductions to the related revenue. We estimate the variable considerations to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. As the incentives are generally determined on a monthly basis, the uncertainty in estimating the variable considerations to be recorded is very limited.

(2) *Cross-border services*

For our cross-border services provided to customers, we are generally acting as principal in providing cargo or parcel collection, customs clearances, and dispatching services to such customers as we are primarily responsible for and have control over the services. A substantial part of such service contracts includes only one performance obligation as normally the abovementioned or other relevant promises contained in the service contracts are considered to be not separately identifiable due to the fact that such promises are highly interrelated, and generally the customer expects us to deliver services with integration of such promises.

For such service, we generally satisfy a performance obligation and recognize revenue over time as we transfer control of such service over time, since the customers receive the benefit of the service as the goods are transported from one location to another. Revenue is recognized based on the extent of progress towards completion of the performance obligation. We use an output method of progress based on time-in-transit as it best depicts the transfer of control to the customers.

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(3) *Other services*

Revenue also includes sales of accessories, such as J&T-branded packing supplies and apparel. Revenue is recognized when control of the product is transferred to the customer and in an amount we expect to earn in exchange for the product.

Subsidiaries and controlled affiliated entities

Subsidiaries and controlled affiliated entities are all entities under our control. We control an entity where our Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to our Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances, and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by us.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

There are entities controlled by us under certain contractual arrangements. We do not have legal ownership in equity of these entities or their subsidiaries. There are also entities controlled by us where we hold less than 50% of their equity interests respectively due to certain local restrictions on foreign ownership of companies that provide express delivery services. Nevertheless, under certain contractual arrangements or shareholder's agreements entered into with the registered owners or together with other local owners of these entities, we control these entities by way of controlling their major corporate governance and decision-making processes and directing the results of such processes, governing their major operating, investment, and financing policies and etc.

Although we indirectly own only 40% equity interests in PH GJE during certain periods in the Track Record Period, through certain agreements and arrangements, PH GJE's major business activities are carried out under our discretion, we have rights to exercise power over PH GJE, receives variable returns from its involvement in PH GJE, have the ability to affect those returns through its power over PH GJE. As a result, we are considered, from an accounting perspective, to have control over PH GJE.

Contract assets and liabilities

Contract assets mainly include unbilled receivables resulting from uncompleted services and contract liabilities mainly include deferred revenue.

Share-based compensation

We operate share incentive plans, under which we receive services from employees as consideration for our equity instruments. The fair value of the equity instruments received in exchange for the services is recognized as an expense on the consolidated income statement with a corresponding increase in equity.

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In terms of the equity instruments awarded to employees, the total amount to be expensed is determined by reference to the fair value of equity instruments granted. The total amount expensed is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied if applicable.

At the end of each reporting period, we revise our estimates of the number of equity instruments that are expected to vest based on the non-marketing vesting and service conditions. We recognize the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

In some circumstances, employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between the service commencement period and grant date.

Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by us,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. We recognize any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the: (i) consideration transferred, (ii) amount of any non-controlling interest in the acquired entity, and (iii) acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as of the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

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If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives as follows:

Buildings and warehouses	10-20 years
Logistics equipment	3-10 years
Vehicles	3-10 years
Office equipment	2-5 years
Lands	Infinite useful life
Leasehold improvements	Estimated useful lives or remaining lease terms, whichever is shorter

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Financial liabilities at fair value through profit or loss

Before and during the Track Record Period, we entered into a series of share purchase agreements with certain investors and issued Series Pre-A1 Preferred Shares, Series Pre-A2 Preferred Shares, Series A Preferred Shares, Series B Preferred Shares, Series B+ Preferred Shares, Series C1 Preferred Shares, Series C2 Preferred Shares and Jet Global Series A Preferred Shares.

We designated the convertible preferred shares as financial liabilities, of which the host contracts are financial liabilities, at fair value through profit or loss, which are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in profit or loss.

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The component of fair value changes relating to our own credit risk is recognized in other comprehensive income/(loss). Amounts recorded in other comprehensive income/(loss) related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realized. Fair value changes relating to market risk are recognized in profit or loss.

The convertible preferred shares are classified as current liabilities unless we have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

Impairment of investments and other financial assets

We assess on a forward-looking basis the expected credit loss associated with our debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, we apply the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see Note 26 to the Accountant’s Report in Appendix I to this document.

Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized, but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

Fair value measurement of level 3 financial instruments

Our level 3 financial instruments mainly represent both assets and liabilities at fair value through profit or loss, including (i) investments in the convertible bonds of Huisen Global Limited (assets), (ii) investments in Windfall T&L SPC (assets), (iii) convertible preferred shares of our Company (liabilities), (iv) certain preferred shares or redeemable shares of our subsidiaries (liabilities), and (v) liabilities related to commitment to repurchase our preferred shares. As these instruments are not traded in active markets, their fair values have been determined by using applicable valuation techniques, which involve a significant degree of management judgment and are inherently uncertain.

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We applied the discounted cash flow method to determine the underlying equity value and adopted option pricing method and equity allocation model (if applicable) to determine the value of the abovementioned level 3 financial instruments. Considerable judgment is required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

In relation to the valuation of our financial assets and financial liabilities measured within level 3 fair value measurement, our Directors adopted the following procedures: (i) engaged independent external valuer, provided necessary financial and nonfinancial information so as to enable the valuer to perform valuation procedures and discussed with the valuer on relevant assumptions; (ii) carefully considered all information especially those non-market related information input, which require management team’s assessments and estimates; and (iii) reviewed the valuation results prepared by the valuer and inquire to understand whether methodology is in compliance with valuation standards established by the International Valuation Standards Council. Based on the above procedures, our Directors are of the view that the value of our level 3 financial assets and financial liabilities is fair and reasonable, and our financial statements are properly prepared.

The Joint Sponsors have conducted relevant due diligence work, including but not limited to, (i) reviewed the relevant notes in the Accountant’s Report as set out in Appendix I to this document for the valuation of certain financial assets and financial liabilities categorized as level 3 fair value measurement; (ii) conducted interviews with us and the independent valuer of our Company (the “**Independent Valuer**”) about the valuation methodology, the key basis and assumptions for the valuation of financial assets and financial liabilities categorized as level 3 fair value measurement; (iii) conducted interview with PricewaterhouseCoopers to understand the work they have performed in relation to the valuation of the level 3 financial assets and financial liabilities for the purpose of reporting on the historical financial information, as a whole, of us; (iv) obtained and reviewed the valuation report prepared by the Independent Valuer; and (v) obtained and reviewed the credentials of the Independent Valuer.

Details of the fair value measurement of financial instruments, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value are disclosed in Notes 3, Note 24 and Note 29 of the Accountant’s Report in Appendix I to this document which was issued by the Reporting Accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants for the purpose of expressing an opinion on our historical financial information for the Track Record Period as a whole in Appendix I to this document. The Reporting Accountant’s opinion on our historical financial information for the Track Record Period as a whole is set out on page I-2 of Appendix I to this document.

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RESULTS OF OPERATIONS

The following table sets forth our consolidated income statements, both in absolute amounts and as percentages of our total revenue, for the periods indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this document. The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%
	(in thousands, except for percentages) (Unaudited)									
Revenue	1,535,425	100.0	4,851,800	100.0	7,267,428	100.0	3,402,543	100.0	4,030,439	100.0
Cost of revenue	(1,796,913)	(117.0)	(5,396,544)	(111.2)	(7,537,666)	(103.7)	(3,468,602)	(101.9)	(3,836,899)	(95.2)
Gross (loss)/profit	(261,488)	(17.0)	(544,744)	(11.2)	(270,238)	(3.7)	(66,059)	(1.9)	193,540	4.8
Selling, general and administrative expenses . .	(365,869)	(23.8)	(1,129,024)	(23.3)	(1,095,528)	(15.1)	(526,328)	(15.5)	(1,767,875)	(43.9)
Research and development expenses	(14,129)	(0.9)	(41,031)	(0.8)	(44,483)	(0.6)	(20,912)	(0.6)	(18,874)	(0.5)
Net impairment losses on financial assets	(9,488)	(0.6)	(41,320)	(0.9)	(37,219)	(0.5)	(25,033)	(0.7)	(11,814)	(0.3)
Other income	17,056	1.1	82,542	1.7	98,149	1.4	48,080	1.4	12,228	0.3
Other gains/(losses), net . . .	27,474	1.8	26,370	0.5	(40,246)	(0.6)	(31,659)	(0.9)	(43,423)	(1.1)
Operating loss	(606,444)	(39.5)	(1,647,207)	(34.0)	(1,389,565)	(19.1)	(621,911)	(18.3)	(1,636,218)	(40.6)
Finance income	1,965	0.1	9,476	0.2	22,002	0.3	8,025	0.2	11,367	0.3
Finance costs	(13,831)	(0.9)	(99,077)	(2.0)	(99,499)	(1.4)	(44,647)	(1.3)	(56,002)	(1.4)
Finance cost, net	(11,866)	(0.8)	(89,601)	(1.8)	(77,497)	(1.1)	(36,622)	(1.1)	(44,635)	(1.1)
Fair value change of financial assets and liabilities at fair value through profit or loss . . .	-	-	(4,383,532)	(90.3)	3,050,694	42.0	2,028,151	59.6	1,020,747	25.3
Share of results of associates	(323)	(0.0)	1,208	(0.0)	(302)	(0.0)	(222)	0.0	(84)	0.0
(Loss)/profit before income tax	(618,633)	(40.3)	(6,119,132)	(126.1)	1,583,330	21.8	1,369,396	40.2	(660,190)	(16.4)
Income tax (expense)/credit	(45,530)	(3.0)	(73,126)	(1.5)	(10,763)	(0.2)	2,876	0.1	(6,579)	(0.1)
(Loss)/profit for the year/period	(664,163)	(43.3)	(6,192,258)	(127.6)	1,572,567	21.6	1,372,272	40.3	(666,769)	(16.5)
Attributable to:										
Owners of the Company . . .	(564,836)	(36.8)	(6,046,983)	(124.6)	1,656,168	22.8	1,413,479	41.5	(640,967)	(15.9)
Non-controlling interests . . .	(99,327)	(6.5)	(145,275)	(3.0)	(83,601)	(1.2)	(41,207)	(1.2)	(25,802)	(0.6)
	(664,163)	(43.3)	(6,192,258)	(127.6)	1,572,567	21.6	1,372,272	40.3	(666,769)	(16.5)

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NON-IFRS MEASURES

To supplement our consolidated results which are prepared and presented in accordance with IFRS, we use adjusted (loss)/profit (a non-IFRS measure) and adjusted EBITDA (a non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating the potential impact of items, such as certain non-cash items, transactions and items associated with the [REDACTED]. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, as a substitute for, or superior to, our results of operations or financial conditions as reported under IFRS. In addition, these non-IFRS financial measures may be defined differently from similar terms used by other companies, and may not be comparable to other similarly titled measures used by other companies.

We define our adjusted loss for the year/period (a non-IFRS measure) as (loss)/profit for the year/period adjusted by adding back (i) share-based payments and expenses, (ii) fair value change of financial liabilities at fair value through profit or loss, and (iii) [REDACTED] expenses. We define our adjusted EBITDA (a non-IFRS measure) as (loss)/profit for the year/period) adjusted by adding back (i) share-based payments and expenses, (ii) fair value change of financial liabilities at fair value through profit or loss, (iii) [REDACTED] expenses, (iv) depreciation and amortization, (v) finance income, (vi) finance costs, and (vii) income tax expense/(credit). Specifically, (i) fair value change of financial liabilities at fair value through profit or loss are non-cash in nature, because all the preferred shares of the Company will be automatically converted into ordinary shares upon the completion of the [REDACTED], (ii) share-based compensation expenses relating to employee benefits, share-based payments relating to equity transactions and other share-based compensation expenses are non-cash expenses, (iii) [REDACTED] expenses are related to [REDACTED], and (iv) depreciation and amortization, finance income, finance costs and income tax expense/(credit) are items that we believe should be adjusted for when assessing our underlying core performance, especially in making period-to-period comparisons of, and assessing the profile of, our operating and financial performance.

The following table sets forth a reconciliation of our non-IFRS financial measures for the years ended December 31, 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023 to the nearest measures prepared in accordance with IFRS:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	(in US\$ thousands)				
	(Unaudited)				
(Loss)/Profit for the year/period . .	(664,163)	(6,192,258)	1,572,567	1,372,272	(666,769)
Add					
Share-based payments and expenses ⁽¹⁾	188,302	619,012	281,366	260,594	1,426,868
Fair value change of financial liabilities at fair value through profit or loss ⁽²⁾	–	4,383,532	(3,352,590)	(2,061,022)	(1,029,661)
[REDACTED] expenses	–	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted loss for the year/period (a non-IFRS measure)	<u>(475,861)</u>	<u>(1,177,666)</u>	<u>(1,488,297)</u>	<u>(418,983)</u>	<u>(264,026)</u>

Notes:

- (1) Include share-based compensation expenses related to employee benefits, share-based payments related to equity transactions and other share-based compensation expenses.
- (2) Includes financial instruments which will be converted into equity upon [REDACTED].

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	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	(in US\$ thousands)				
	(Unaudited)				
(Loss)/Profit for the year/period	(664,163)	(6,192,258)	1,572,567	1,372,272	(666,769)
Add					
Share-based payments and expenses ⁽¹⁾	188,302	619,012	281,366	260,594	1,426,868
Fair value change of financial liabilities at fair value through profit or loss ⁽²⁾	–	4,383,532	(3,352,590)	(2,061,022)	(1,029,661)
Depreciation and amortization	97,302	220,489	505,947	246,512	251,981
[REDACTED] expense	–	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Finance income	(1,965)	(9,476)	(22,002)	(8,025)	(11,367)
Finance costs	13,831	99,077	99,499	44,647	56,002
Income tax expense	45,530	73,126	10,763	(2,876)	6,579
Adjusted EBITDA (a non-IFRS measure)	(321,163)	(794,450)	(894,090)	(138,725)	39,169
Southeast Asia	266,561	427,436	331,582	156,737	184,060
China	(616,227)	(1,206,014)	(722,658)	(222,158)	(44,967)
Others ⁽³⁾	1,652	(14,028)	(168,789)	(45,613)	(66,431)
Unallocated ⁽⁴⁾	26,851	(1,844)	(334,225)	(27,691)	(33,493)

Notes:

- (1) Include share-based compensation expenses related to employee benefits, share-based payments related to equity transactions and other share-based compensation expenses.
- (2) Includes financial instruments which will be converted into equity upon [REDACTED].
- (3) Include our cross-border services and express delivery services in the New Markets.
- (4) Represents (i) certain expenses, gains and losses, including general and administrative expenses, and exchange gains and losses incurred at the group and holding company levels, and (ii) fair value change of financial assets and liabilities of other group entities that will not be re-designated from liabilities to equity upon the completion of the [REDACTED], which amounted to US\$301.9 million, US\$32.9 million, and US\$8.9 million for the year ended December 31, 2022, and the six months ended June 30, 2022 and 2023.

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MAJOR COMPONENTS OF RESULTS OF OPERATIONS

Revenue

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

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%
	(in thousands, except for percentages) (Unaudited)									
Express delivery services	1,481,921	96.5	4,513,597	93.0	6,482,977	89.2	3,109,156	91.4	3,546,178	88.0
Cross-border services	10,074	0.6	291,896	6.0	707,773	9.8	252,644	7.4	448,536	11.1
Sale of accessories	34,166	2.2	30,350	0.6	23,730	0.3	14,105	0.4	8,465	0.2
Others ⁽¹⁾	9,264	0.7	15,957	0.4	52,948	0.7	26,638	0.8	27,260	0.7
Total	<u>1,535,425</u>	<u>100.0</u>	<u>4,851,800</u>	<u>100.0</u>	<u>7,267,428</u>	<u>100.0</u>	<u>3,402,543</u>	<u>100.0</u>	<u>4,030,439</u>	<u>100.0</u>

Note:

(1) Include our rental income and other revenue.

During the Track Record Period, we generated most of our revenues from express delivery services we provided to our customers including our network partners, e-commerce platforms, other enterprise customers and individual customers. Our customers also include our unconsolidated regional operating entities, such as the SEA entities before we acquired the controlling interest in them in 2021. In general, our revenue from express delivery services is driven by our parcel volume and revenue per parcel. For parcels from our network partners, we collect service fees for the use of our delivery network. Our network partners generally charge each end customer a delivery service fee directly, and they can determine the price to end customers based on their own costs which include the service fees paid to us and their own operating costs. For parcels from unconsolidated regional operating entities, we charge these entities for the use of our system and network. We also directly provide express delivery services to certain enterprise customers and e-commerce platforms. In connection with such services to major customers, we may also provide volume discounts based on various factors such as seasonality and mix of services they use. Pricing for express delivery services is generally determined based on parcel size and weight, shipping distance, speed of service and market conditions. For regional operating entities, whether consolidated or unconsolidated, we charge network service fees with respect to our technical services and their use of the J&T brand and platform, among others, for the parcels picked up and delivered by these entities. While such fees from consolidated regional operating entities are counted as “intra-group” by nature, network service fees from unconsolidated regional operating entities are recognized as our revenue. Network service fee per parcel we charge unconsolidated regional operating entities in Indonesia and Thailand prior to the acquisition of SEA entities was broadly around US\$0.20 to US\$0.24, subject to adjustment based on local market conditions and foreign exchange impact.

Our revenues also include (i) revenues from our cross-border services, which include cross-border small parcel shipments, freight forwarding, and international warehousing solutions, (ii) revenues from sale of accessories, such as our J&T branded packing supplies and apparel, and (iii) other revenues, primarily comprised of rental income from the lease of reusable materials and logistics properties.

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Revenue by geographic segment

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

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%
	(in thousands, except for percentages) (Unaudited)									
Southeast Asia . . .	1,046,504	68.2	2,377,544	49.0	2,381,726	32.8	1,177,929	34.6	1,246,076	30.9
China	478,847	31.2	2,181,368	45.0	4,096,177	56.4	1,960,145	57.6	2,203,070	54.7
Others ⁽¹⁾	10,074	0.6	292,888	6.0	789,525	10.8	264,469	7.8	581,293	14.4
Total	<u>1,535,425</u>	<u>100.0</u>	<u>4,851,800</u>	<u>100.0</u>	<u>7,267,428</u>	<u>100.0</u>	<u>3,402,543</u>	<u>100.0</u>	<u>4,030,439</u>	<u>100.0</u>

Note:

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

We generate substantially all of our revenue in Southeast Asia and China from express delivery services. In Southeast Asia, we generated substantial amount of our revenue from Indonesia, the Philippines, Malaysia and Thailand, aggregating to approximately 89.5% of our total revenues from Southeast Asia during the Track Record Period. The table below illustrates the growth in our parcel volume from express delivery services in Southeast Asia and China for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	(in millions)				
Southeast Asia	1,153.8	2,160.8	2,513.2	1,215.0	1,438.3
China	2,083.5	8,334.3	12,025.6	5,602.3	6,445.6

The following table sets forth our revenue per parcel for express delivery services in Southeast Asia and China for the periods indicated:

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

During the Track Record Period, our revenue per parcel in Southeast Asia was influenced by the growth of the e-commerce industry in countries where we operate, market conditions, our ability to improve pricing terms, the mix of parcel volumes from different countries across Southeast Asia and fluctuation of foreign exchange rate against U.S. dollars, and our acquisition of the SEA entities. See “– Period to Period Comparison of Results of Operations – Year ended December 31, 2021 Compared to Year ended December 31, 2020 – Revenue” in this section.

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During the Track Record Period, the increase in our revenue per parcel in China was primarily driven by our expanding network and reach to customers, our ability to provide quality services and our ability to improve pricing terms, as well as a pricing stabilization trend as a result of the PRC government’s policy guidance of fair competition in 2021.

Cost of Revenue

Our cost of revenue primarily consists of (i) fulfillment costs, (ii) line-haul costs, (iii) staff costs, (iv) other labor costs, (v) depreciation and amortization, (vi) impairment losses, and (vii) other cost of revenue.

The following table sets forth the components of our cost of revenue in absolute amount and as a percentage, for the periods indicated:

	Year ended December 31,						Six months ended June 30			
	2020		2021		2022		2022		2023	
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%
(in thousands, except for percentages) (Unaudited)										
Fulfillment										
costs	820,139	45.6	2,385,225	44.2	3,320,187	44.0	1,582,047	45.6	1,790,771	46.7
Line-haul costs . .	368,172	20.5	1,341,433	24.9	2,221,664	29.5	995,370	28.7	1,137,526	29.6
Staff costs	306,000	17.0	701,196	13.0	645,682	8.6	349,397	10.1	313,364	8.2
Other labor										
costs	93,149	5.2	308,451	5.7	382,250	5.1	179,712	5.2	206,453	5.4
Depreciation and										
amortization . .	82,554	4.6	192,207	3.6	443,466	5.9	219,137	6.3	219,137	5.7
Impairment										
losses	–	–	250,292	4.6	219,080	2.9	–	–	–	–
Others	126,899	7.1	217,740	4.0	305,337	4.0	142,939	4.1	169,648	4.4
Total	<u>1,796,913</u>	<u>100.0</u>	<u>5,396,544</u>	<u>100.0</u>	<u>7,537,666</u>	<u>100.0</u>	<u>3,468,602</u>	<u>100.0</u>	<u>3,836,899</u>	<u>100.0</u>

Fulfillment costs mainly include delivery cost we pay to our network partners and pick-up, transit, sorting and delivery cost we pay to unconsolidated regional operations. Line-haul costs include costs paid to third-party transportation service providers for additional capacity utilized during peak periods, vehicle fuel costs and tolls, and air transportation expenses. Staff costs include salary and benefits of our employees involved in warehousing, sorting, picking up, packaging, shipping and delivery. Other labor costs primarily include costs in relation to external labor forces that we use to supplement our internal capacity across our business processes. Depreciation and amortization include expenses in relation to right of use assets in relation to the operating lease of our logistics facilities and certain equipment under IFRS 16. Impairment losses mainly include impairment of redundant property, plant and equipment that we identified after the acquisition of BEST Express China. Other cost of revenue mainly includes (i) cost of packaging materials, (ii) rental costs, comprised of costs for short-term leases of certain warehouses and vehicles that are not capitalized, (iii) utility costs such as water and electricity charges, and (iv) other miscellaneous operating costs and maintenance expenses.

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Cost of revenue by geographic segment

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

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

Note:

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

Gross Profit/(Loss)

Gross profit/(loss) represents the difference between revenue and cost of revenue. We had a gross loss of US\$261.5 million in 2020, US\$544.7 million in 2021 and US\$270.2 million in 2022. Our negative gross margin was 17.0% in 2020, 11.2% in 2021 and 3.7% in 2022, respectively. We had a gross profit of US\$193.5 million for the six months ended June 30, 2023, compared to a gross loss of US\$66.1 million for the six months ended June 30, 2022. Our gross margin for the six months ended June 30, 2023 was 4.8%, compared to a negative gross margin of 1.9% for the same period in 2022.

The following table sets forth our gross profit/(loss) and (negative) gross margin of our express delivery services and our cross-border services for the period indicated:

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	Gross profit/ (loss)	(Negative) gross margin	Gross profit/ (loss)	(Negative) gross margin	Gross profit/ (loss)	(Negative) gross margin	Gross profit/ (loss)	(Negative) gross margin	Gross profit/ (loss)	(Negative) gross margin
(in thousands, except for percentages) (Unaudited)										
Express delivery services	(212,113)	(14.3)	(99,220)	(2.2)	106,286	1.6	(44,299)	(1.4)	237,360	6.7
Cross-border services	3,293	32.7	11,945	4.1	(62,397)	(8.8)	(10,590)	(4.2)	5,718	1.3

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In 2022, we incurred a gross loss in connection with our cross-border service primarily due to our initiatives to expand our market shares and geographic coverage, which led to an increase in our revenue and, to a greater extent, an increase in our cost of revenue for the cross-border operations (mainly including an increase in air transportation expenses and fuel costs).

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

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

Note:

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

Selling, General and Administrative Expenses

Our selling, general and administrative expenses primarily consist of (i) staff costs, including salaries, bonus, other compensation and share-based compensation expenses to our staff, (ii) share-based payments related to equity transactions, (iii) other share-based compensation expenses, (iv) office related expenses, (v) professional service fees including auditor’s remuneration, listing-related service fees and fees for other consulting services, (vi) promotion and marketing expenses relating to branding initiatives and advertising activities, (vii) depreciation and amortization of our right-of-use assets in relation to the leases of our offices, (viii) one-off impairment of goodwill based on peers’ performance and general industry trend, and (ix) other selling, general and administrative expenses. The following table sets forth the components of our selling, general and administrative expenses, in absolute amount and as a percentage of our total selling, general and administrative expenses, for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%
	(in thousands, except for percentages)									
	(Unaudited)									
Staff costs	288,059	78.8	722,309	64.0	695,065	63.4	427,376	81.2	232,979	13.2
Share-based payments related to equity transactions	27,228	7.4	236,416	20.9	37,262	3.4	16,490	3.1	1,258,131	71.2
Other share-based compensation expenses	-	-	-	-	-	-	-	-	158,442	9.0

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	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%
	(in thousands, except for percentages) (Unaudited)									
Office related expenses	12,339	3.4	24,072	2.1	42,624	3.9	19,960	3.8	15,120	0.9
Professional service fees	2,530	0.7	23,146	2.1	29,228	2.7	23,243	4.4	28,577	1.6
Promotion and marketing expenses	15,509	4.2	18,036	1.6	24,709	2.3	3,775	0.7	24,795	1.4
Depreciation and amortization	14,189	3.9	27,493	2.4	59,566	5.4	26,143	5.0	30,878	1.7
Impairment of goodwill	–	–	–	–	117,502	10.7	–	–	–	–
Others	6,015	1.6	77,552	6.9	89,568	8.2	9,341	1.8	18,953	1.1
Total	365,869	100.0	1,129,024	100.0	1,095,528	100.0	526,328	100.0	1,767,875	100.0

Our staff costs during the Track Record Period included share-based compensation expenses related to employee benefits of US\$161.1 million, US\$367.3 million, US\$244.1 million, US\$244.1 million and US\$10.3 million in 2020, 2021, 2022 and for the six months ended June 30, 2022 and 2023, respectively. These share-based compensation expenses included expenses related to share-based awards granted to employees and management under our share incentive plan and shares granted to certain regional sponsors outside of our share incentive plan in 2021. To determine the fair value of the shares granted, we appointed an external valuer to provide assistance in the valuation of the fair value of the ordinary shares and equity interests. The discounted cash flow method is adopted to determine the underlying equity fair value of our Group and the equity allocation model is applied to determine the fair value of the underlying ordinary share. See Note 26 to the Accountant’s Report in Appendix I to this document for the key assumptions in determining the fair value of the ordinary shares and equity interests.

Our share-based payments related to equity transactions were US\$27.2 million, US\$236.4 million, US\$37.3 million, US\$16.5 million and US\$1,258.1 million in 2020, 2021, 2022 and for the six months ended June 30, 2022 and 2023, respectively, which included expenses related to (i) repurchases of Class A Shares and Class B Shares from certain key management personnel and a shareholder in 2021, (ii) ordinary shares and preferred shares repurchased or to be repurchased accompanying Series C2 Preferred Share issuances in 2021 and 2022, and (iii) the fair value difference of certain preferred shares issued in financings and the total consideration received due to lengthy settlement periods during the Track Record Period.

In addition, in the six months ended June 30, 2023, we also incurred other share-based compensation expenses of US\$158.4 million as we granted Class A Shares to certain regional sponsors. See Note 26 to the Accountant’s Report in Appendix I for more details.

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Research and Development Expenses

Our research and development expenses primarily consist of (i) staff cost, including salaries, bonuses and share-based compensation expenses to our research and development personnel, (ii) depreciation and amortization of intangible assets and (iii) others, primarily including utilities, rent and other expenses necessary to support our research and development activities. The following table sets forth the components of our research and development expenses, in absolute amount and as a percentage of our total research and development expenses, for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%
(in thousands, except for percentages) (Unaudited)										
Staff cost ⁽¹⁾	11,196	79.2	38,256	93.3	39,332	88.4	18,884	90.3	16,684	88.4
Depreciation and amortization	559	4.0	789	1.9	2,915	6.6	1,233	5.9	1,966	10.4
Others	2,374	16.8	1,985	4.8	2,236	5.0	795	3.8	224	1.2
Total	14,129	100.0	41,031	100.0	44,483	100.0	20,912	100.0	18,874	100.0

Note:

- (1) Includes share-based compensation expenses related to employee benefits of nil, US\$15.3 million, nil, nil and nil, respectively, in 2020, 2021, 2022 and for the six months ended June 30, 2022 and 2023.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets primarily consist of impairment losses on trade receivables and other receivables and impairment losses on other non-current assets. The following table sets forth the components of our net impairment losses on financial assets, in absolute amount and as a percentage of our total net impairment losses on financial assets, for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%
(in thousands, except for percentages) (Unaudited)										
Impairment losses recognized, net of reversal, on										
– trade receivables	3,694	38.9	39,004	94.4	34,997	94.0	29,539	118.0	9,225	78.1
– other receivables and other non-current assets	5,794	61.1	2,316	5.6	2,222	6.0	(4,506)	18.0	2,589	21.9
Total	9,488	100.0	41,320	100.0	37,219	100.0	25,033	100.0	11,814	100.0

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Fair Value Change of Financial Liabilities at Fair Value Through Profit or Loss

Since our inception we have completed several rounds of financing by issuing different classes of convertible preferred shares. We accounted the preferred shares as financial liabilities at fair value through profit or loss. The convertible preferred shares are typically recognized at fair value, and subsequent to the initial recognition, the preferred shares are carried at fair value, with changes in fair value recognized in the consolidated income statements. Fair value change of financial liabilities at fair value through profit or loss was nil in 2020. We recorded a fair value loss of financial liabilities at fair value through profit or loss of US\$4,383.5 million in 2021, compared to a fair value gain of financial liabilities at fair value through profit or loss of US\$3,086.7 million in 2022 and US\$2,032.0 million and US\$1,027.5 million for the six months ended June 30, 2022 and 2023, respectively.

Prior to the [REDACTED], the preferred shares are not traded in any active market and the fair value at respective reporting dates is determined using valuation techniques with the assistance from an external valuer. We applied the discounted cash flow method to determine the underlying equity value of our Group and adopted option-pricing method and equity allocation model to determine the fair value of the preferred shares. See Note 29A to the Accountant’s Report in Appendix I to this document for the key assumptions in determining the fair value of the preferred shares.

Other Income

Other income primarily consists of (i) subsidy income, (ii) interest income on loans to related parties and (iii) interest income on loans to third parties. The following table sets forth the components of our other income, in absolute amount and as a percentage of our total other income, for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	US\$	%	US\$	%	US\$	%	US\$	%	US\$	%
	(in thousands, except for percentages)									
	(Unaudited)									
Subsidy income	11,466	67.2	71,415	86.5	87,035	88.7	42,497	88.4	10,791	88.2
Interest income on loans to related parties	1,305	7.7	4,412	5.4	10,175	10.4	5,088	10.6	–	–
Interest income on loans to third parties	4,285	25.1	6,715	8.1	939	0.9	495	1.0	1,437	11.8
Total	17,056	100.0	82,542	100.0	98,149	100.0	48,080	100.0	12,228	100.0

Our subsidy income was mainly related to (i) incentives in the PRC provided by local governments based on the amounts of value-added tax paid, and (ii) subsidies provided by local governments for economic recovery plans in Southeast Asian countries. We have received all the subsidy income and there was no future obligation related to such subsidy income at the end of each of the reporting period during the Track Record Period.

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Other Gains/(Losses), Net

Our other gains/(losses), net, primarily consist of provisions for legal claims, exchange gains/(losses), net, and net loss on disposal of property, plant and equipment during normal course of business. The following table sets forth the components of our other gains/(losses), net, for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	(in US\$ thousands)				
	(Unaudited)				
Provisions for legal claims.	–	–	(19,330)	(17,164)	–
Exchange gains/(losses), net.	29,362	19,887	(17,338)	(25,073)	(12,686)
Net loss on disposal of property, plant and equipment	(37)	(1,424)	(1,873)	3,470	(21,306)
Others	(1,851)	7,907	(1,705)	7,108	(9,431)
Total	27,474	26,370	(40,246)	(31,659)	(43,423)

Finance Costs, Net

Our finance costs, net, are primarily influenced by our finance income and finance costs. The following table sets forth the components of our finance costs, net, for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	(in US\$ thousands)				
	(Unaudited)				
Interest income.	1,965	9,476	22,002	8,025	11,367
Interest expenses on convertible preferred shares	–	(81,602)	–	–	–
Interest expenses on lease liabilities	(6,007)	(13,860)	(37,318)	(18,239)	(19,015)
Interest expenses on borrowings	(7,824)	(3,615)	(62,181)	(26,408)	(36,987)
Total	(11,866)	(89,601)	(77,497)	(36,622)	(44,635)

Income Tax Expenses

The enacted income tax rates applicable to our entities may fluctuate because of the preferential tax treatments and changes in income before taxes. For more details, see “– Taxation” in this section. In 2020, 2021, 2022 and the six months ended June 30, 2023, we had income tax expenses of US\$45.5 million, US\$73.1 million, US\$10.8 million and US\$6.6 million, respectively. In the six months ended June 30, 2022, we had an income tax credit of US\$2.9 million.

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Taxation

We are subject to various rates of income tax under different jurisdictions. The following summarizes major factors affecting our applicable tax rates in the Cayman Islands, the BVI, Hong Kong, the PRC, Indonesia, Malaysia, Vietnam, Thailand, Singapore, Cambodia and the Philippines, which we believe are significant.

Cayman Islands

We were incorporated as an exempted company with limited liability under the Cayman Companies Act and accordingly are not subject to income tax in the Cayman Islands.

BVI

Our subsidiaries established under the BVI Business Companies Act 2004, as amended, are not subject to income tax in the BVI.

Hong Kong

Our subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 8.25% on assessable profits up to HK\$2,000,000 and 16.5% on any part of assessable profits over HK\$2,000,000 for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023.

PRC

Our PRC subsidiaries, as well as our consolidated affiliated entities and their subsidiaries, were subject to a statutory tax rate of 25% on the assessable profits for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 based on the existing legislation, interpretation and practices in respect thereof and under the PRC Enterprise Income Tax Law (“**EIT Law**”), subject to preferential tax treatments available to qualified enterprises in certain encouraged sectors of the economy.

Shenzhen Yunlu Information Technology Co., Ltd., our subsidiary in China, is qualified as a software enterprise under the relevant PRC laws and regulations. Accordingly, it is exempted from PRC enterprise income tax for two years since the first profit-making year, followed by a 50% reduction in the tax rate of 25% for the next three years.

In addition, certain of our subsidiaries will benefit from a preferential tax rate of 15% if they are located in certain PRC regions, such as certain western regions and special economic zones, as specified in the relevant catalog of encouraged industries, subject to certain general restrictions described in applicable laws and regulations.

During the Track Record Period, several subsidiaries in PRC were qualified as small and micro enterprises under applicable PRC tax laws and enjoyed a 50% to 87.5% reduction in certain statutory taxable income, and a preferential income tax rate of 20%.

Indonesia

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, entities incorporated in Indonesia were subject to the corporate income tax calculated based on the applicable tax rate of 22% on the assessable profits of the subsidiaries in accordance with the Indonesia tax laws and regulations.

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Malaysia

Our subsidiaries in Malaysia are subject to Malaysia corporate income tax calculated based on the applicable tax rate, the highest of which is at a rate of 24% on the assessable profits of the subsidiaries in accordance with Malaysia tax laws and regulations.

Vietnam

Our subsidiaries in Vietnam are subject to Vietnam corporate income tax calculated based on the applicable tax rate of 20% on the assessable profits of the subsidiaries in accordance with Vietnam tax laws and regulations.

Thailand

Our subsidiaries in Thailand are subject to Thailand corporate income tax calculated based on the applicable tax rate of 20% on the assessable profits of the subsidiaries in accordance with Thailand tax laws and regulations.

The Philippines

For the six months period ended June 30, 2020, our subsidiaries in the Philippines were subject to the Philippines CIT, which was calculated based on the applicable tax rate of 30% on the assessable profits of the subsidiaries in accordance with the Philippines tax laws and regulations. The applicable CIT tax rate has been decreased from 30% to 25% since July 1, 2020.

EFFECTS OF FOREIGN EXCHANGE RATE FLUCTUATIONS

Our financial information as expressed in U.S. dollars may be materially affected by fluctuations in foreign exchange rates, and the figures may be higher or lower than would be the case if exchange rates were stable.

The following table sets forth the data of revenue, cost of revenue and gross profit/(loss) by geographic segment for the year ended December 31, 2021 if exchange rates were the same as in the year ended December 31, 2020:

	Year ended December 31, 2021								
	Per financial statements			Excluding currency translation effect			Currency translation difference ⁽¹⁾		
	Revenue	Cost of revenue	Gross profit/(loss)	Revenue	Cost of revenue	Gross profit/(loss)	Revenue	Cost of revenue	Gross profit/(loss)
	(in US\$ thousands)								
Southeast Asia	2,377,544	(1,715,413)	662,131	2,404,871	(1,735,969)	668,902	27,327	(20,556)	6,771
China	2,181,368	(3,400,061)	(1,218,693)	2,084,346	(3,248,833)	(1,164,487)	(97,022)	151,228	54,206
Others ⁽²⁾	292,888	(281,070)	11,818	292,887	(281,070)	11,817	(1)	-	(1)
Total	4,851,800	(5,396,544)	(544,744)	4,782,104	(5,265,872)	(483,768)	(69,696)	130,672	60,976

Notes:

- (1) Represents, for each item, the difference between the amount as in our consolidated financial statements and the amount excluding currency translation effect from 2020 to the period indicated, divided by the amount of such item in our consolidated financial statements.
- (2) Include our cross-border services and express delivery services in the New Markets.

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The table below illustrates the average revenue per parcel and average cost of revenue in Southeast Asia and China for the year ended December 31, 2021 if exchange rates were the same as the previous year:

	Year ended December 31,	
	2021 (per financial statements)	2021 (excluding currency translation effect)
	(US\$, per parcel)	
Southeast Asia		
– revenue per parcel	1.10	1.11
– cost of revenue per parcel	0.79	0.80
China		
– revenue per parcel	0.26	0.25
– cost of revenue per parcel	0.41	0.39

The following table sets forth the data of revenue, cost of revenue and gross profit/(loss) by geographic segments for the year ended December 31, 2022 if exchange rates were the same as in the year ended December 31, 2021:

	Year ended December 31, 2022								
	Per financial statements			Excluding currency translation effect			Currency translation difference ⁽¹⁾		
	Revenue	Cost of revenue	Gross profit/(loss)	Revenue	Cost of revenue	Gross profit/(loss)	Revenue	Cost of revenue	Gross profit/(loss)
	(in US\$ thousands)								
Southeast Asia	2,381,726	(1,905,724)	476,002	2,518,383	(2,013,010)	505,373	136,657	(107,286)	29,371
China	4,096,177	(4,760,937)	(664,760)	4,235,739	(4,923,178)	(687,439)	139,562	(162,241)	(22,679)
Others ⁽²⁾	789,525	(871,005)	(81,480)	790,764	(872,328)	(81,564)	1,240	(1,323)	(83)
Total	7,267,428	(7,537,666)	(270,238)	7,544,886	(7,808,516)	(263,630)	277,459	(270,850)	6,609

Notes:

- (1) Represents, for each item, the difference between the amount as in our consolidated financial statements and the amount excluding currency translation effect from 2021 to the period indicated, divided by the amount of such item in our consolidated financial statements.
- (2) Include our cross-border services and express delivery services in the New Markets.

FINANCIAL INFORMATION

The table below illustrates the average revenue and cost per parcel in Southeast Asia and China for the year ended December 31, 2022 if exchange rates were the same as the previous year:

	Year ended December 31,	
	2022	2022
	(per financial statements)	(excluding currency translation effect)
	(US\$, per parcel)	
Southeast Asia		
– revenue per parcel	0.95	1.00
– cost of revenue per parcel	0.76	0.80
China		
– revenue per parcel	0.34	0.35
– cost of revenue per parcel	0.40	0.41

The following table sets forth the data of revenue, cost of revenue and gross profit/(loss) by geographic segments for the six months ended June 30, 2023 if exchange rates were the same as the six months ended June 30, 2022:

	Six months ended June 30, 2023								
	Per financial statements			Excluding currency translation effect			Currency translation difference ⁽¹⁾		
	Revenue	Cost of revenue	Gross profit/(loss)	Revenue	Cost of revenue	Gross profit/(loss)	Revenue	Cost of revenue	Gross profit/(loss)
	(in US\$ thousands)								
Southeast Asia	1,246,076	(1,025,958)	220,118	1,297,215	(1,065,735)	231,480	51,139	(39,777)	11,362
China	2,203,070	(2,220,155)	(17,085)	2,388,779	(2,407,319)	(18,540)	185,709	(187,164)	(1,455)
Others ⁽²⁾	581,293	(590,786)	(9,493)	577,855	(587,608)	(9,753)	(3,438)	3,178	(260)
Total	4,030,439	(3,836,899)	193,540	4,263,849	(4,060,663)	203,186	233,410	(223,764)	9,646

Notes:

- (1) Represents for each item the difference between the amount as in our consolidated financial statements and the amount excluding currency translation effect from 2022 to the period indicated, divided by the amount of such item in our consolidated financial statements.
- (2) Include our cross-border services and express delivery services in the New Markets.

The table below illustrates the average revenue and cost per parcel in Southeast Asia and China for the six months ended June 30, 2023 if exchange rates were the same as the six months ended June 30, 2022:

	Six months ended June 30,	
	2023	2023
	(per financial statements)	(excluding currency translation effect)
	(US\$, per parcel)	
Southeast Asia		
– revenue per parcel	0.87	0.90
– cost of revenue per parcel	0.71	0.74
China		
– revenue per parcel	0.34	0.37
– cost of revenue per parcel	0.34	0.37

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PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months ended June 30, 2023 Compared to Six Months ended June 30, 2022

Revenue

Our revenue increased by 18.5% from US\$3,402.5 million for the six months ended June 30, 2022 to US\$4,030.4 million for the same period in 2023. The increase was primarily attributable to the growth of our express delivery services and cross-border delivery services.

Express delivery services. The growth in our revenue from express delivery services is primarily driven by parcel volume in Southeast Asia and China, since we generate substantially all of our revenue from express delivery services in these two geographic segments. Our revenue from express delivery services increased by 14.1% from US\$3,109.2 million for the six months ended June 30, 2022 to US\$3,546.2 million for the same period in 2023, primarily due to a 16.9% increase in our total parcel volume from 6.8 billion in the six months ended June 30, 2022 to 8.0 billion for the same period in 2023, primarily driven by the growth of our parcel volume in China and, to a lesser extent, the growth of our parcel volume in Southeast Asia. For more details on the growth of our revenue from express delivery services in Southeast Asia and China, see “– Revenue by geographic segment.”

Cross-border services. Our revenue from cross-border services increased by 77.5% from US\$252.6 million for the six months ended June 30, 2022 to US\$448.5 million for the same period in 2023, primarily attributable to the growth of our cross-border business and expanding relationship with e-commerce platforms.

Sale of accessories. Revenue from our sale of accessories decreased by 40.0% from US\$14.1 million for the six months ended June 30, 2022 to US\$8.5 million for the same period in 2023, despite the increase in our parcel volume, because we continued to promote green express delivery practice, participated in more environmental initiatives and further encouraged the use of reusable transfer bags and parcel boxes throughout our network for the six months ended June 30, 2023.

Others. Our revenue from other services remained relatively stable at US\$26.6 million for the six months ended June 30, 2022 and US\$27.3 million for the same period in 2023.

Revenue by geographic segment

Southeast Asia. Our revenue from Southeast Asia was US\$1,177.9 million for the six months ended June 30, 2022, compared to US\$1,246.1 million for the same period in 2023. Our parcel volume in Southeast Asia increased by 18.4% from 1,215.0 million for the six months ended June 30, 2022 to 1,438.3 million for the same period in 2023, primarily attributable to the increasing demand of delivery services and further diversification of our customer base through various e-commerce and social e-commerce platform partners. Our revenue per parcel in Southeast Asia was US\$0.97 for the six months ended June 30, 2022 and US\$0.87 for the same period in 2023. The change in revenue per parcel was primarily attributable to (i) our strategic pricing adjustments to stay advantageous in the highly competitive market in Southeast Asia, and (ii) our continued efforts to expand the e-commerce platform customer base and increase our parcel volume.

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China. Our revenue from China increased from US\$1,960.1 million for the six months ended June 30, 2022 to US\$2,203.1 million for the same period in 2023, primarily driven by an increase in parcel volume in China. Our parcel volume in China increased by 15.1% from 5,602.3 million for the six months ended June 30, 2022 to 6,445.6 million for the same period in 2023, driven by our deepening cooperation with major e-commerce platforms. Our revenue per parcel in China stayed relatively stable at US\$0.35 and US\$0.34 for the six months ended June 30, 2022 and 2023, respectively.

Others. Other revenue increased from US\$264.5 million for the six months ended June 30, 2022 to US\$581.3 million for the same period in 2023, primarily attributable to the expansion of our operations in the New Markets and our cross-border services.

Cost of Revenue

Our cost of revenue increased by 10.6% from US\$3,468.6 million for the six months ended June 30, 2022 to US\$3,836.9 million for the same period in 2023, primarily attributable to increases in our fulfillment costs and line-haul costs in line with the growing parcel volume.

Fulfillment costs. Our fulfillment costs increased by 13.2% from US\$1,582.0 million for the six months ended June 30, 2022 to US\$1,790.8 million for the same period in 2023, consistent with the expansion of our network and the increase in parcel volume, especially in China. Our fulfillment costs accounted for 45.6% and 46.7% of our total cost of revenue for the six months ended June 30, 2022 and 2023, respectively.

Line-haul costs. Our line-haul costs increased by 14.3% from US\$995.4 million for the six months ended June 30, 2022 to US\$1,137.5 million for the same period in 2023. Our line-haul costs accounted for 29.3% and 28.2% of our revenue for the six months ended June 30, 2022 and 2023, respectively. The increase was primarily due to (i) the growth of our cross-border business, which incurred substantial air transportation expenses, and (ii) the expansion of our fleets and increased usage of third-party transportation service providers to support our express delivery operations.

Staff costs. Our staff costs decreased by 10.3% from US\$349.4 million for the six months ended June 30, 2022 to US\$313.4 million for the same period in 2023. Our staff costs accounted for 10.3% and 7.8% of our total revenue for the six months ended June 30, 2022 and 2023, respectively. The decrease was because we optimized our operations across our pickup and delivery, sorting and transportation processes.

Other labor costs. Our other labor costs increased by 14.9% from US\$179.7 million for the six months ended June 30, 2022 to US\$206.5 million for the same period in 2023, consistent with the increase in our parcel volume. Other labor costs accounted for 5.3% and 5.1% of our revenue for the six months ended June 30, 2022 and 2023, respectively.

Depreciation and amortization. Our depreciation and amortization costs remained stable at US\$219.1 million for the six months ended June 30, 2022 and for the same period in 2023, because our depreciation and amortization costs relating to operations in China slightly decreased after we fully integrated BEST Express China while our depreciation and amortization relating to operations in Southeast Asia and the New Markets slightly increased.

Impairment losses. We did not record any impairment losses for the six months ended June 30, 2022 and 2023.

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Others. Our other cost of revenue increased by 18.7% from US\$142.9 million for the six months ended June 30, 2022 to US\$169.6 million for the same period in 2023, primarily attributable to an increase in miscellaneous costs including short-term rentals and utility costs, among others.

Cost of revenue by geographic segment

Our cost of revenue for Southeast Asia increased from US\$954.9 million for the six months ended June 30, 2022 to US\$1,026.0 million for the same period in 2023, primarily driven by an increase in parcel volume in Southeast Asia from 1,215.0 million to 1,438.3 million in the corresponding periods.

Our cost of revenue for China remained relatively stable at US\$2,228.0 million for the six months ended June 30, 2022 and US\$2,220.2 million for the same period in 2023 despite the growth in our parcel volume, as we optimized our operation structure, sorting network and management to achieve economies of scale.

Our other cost of revenue increased by 106.8% from US\$285.7 million for the six months ended June 30, 2022 to US\$590.8 million for the same period in 2023, primarily attributable to an increase in parcel volume in the New Markets and growth of our cross-border services.

Gross profit/(loss)

As a result of the foregoing, we recorded a gross profit of US\$193.5 million for the six months ended June 30, 2023, compared to a gross loss of US\$66.1 million for the six months ended June 30, 2022, and we achieved a gross profit margin of 4.8% for the six months ended June 30, 2023, compared to a negative gross margin of 1.9% for the six months ended June 30, 2022.

Our gross profit from Southeast Asia decreased slightly from US\$223.0 million for the six months ended June 30, 2022 to US\$220.1 million for the same period in 2023. Our gross margin in Southeast Asia decreased slightly from 18.9% to 17.7% in the corresponding periods.

For China, we recorded a gross loss of US\$267.9 million and US\$17.1 million for the six months ended June 30, 2022 and 2023, respectively. We expect our gross margin from our express delivery services in China to improve in the future. See “Business – Business Sustainability.”

For others, we had a gross loss of US\$21.2 million for the six months ended June 30, 2022 and a gross loss of US\$9.5 million for the same period in 2023.

Selling, general and administrative expenses

Our selling, general and administrative expenses increased by 235.9% from US\$526.3 million for the six months ended June 30, 2022 to US\$1,767.9 million for the same period in 2023. The increase was primarily attributable to (i) a significant increase in share-based payments with respect to our issuance of preferred shares to existing shareholders, and (ii) an increase in our other share based compensation expenses relating to Class A Shares that we issued to regional sponsors in the six month ended June 30, 2023, partially offset by a decrease of US\$233.8 million in share-based compensation to staff. See “History and Corporate Structure – Pre-[REDACTED] Investments” for more details. Our selling, general and administrative expenses, excluding share-based compensation and share-based payments, increased from US\$265.7 million for the six months ended June 30, 2022 to US\$341.0 million for the same period in 2023, primarily due to an increase in promotion and marketing expenses that we incurred to enhance our brand image, partially offset by a decrease in our staff cost driven by our optimized operations.

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Research and development expenses

Our research and development expenses were US\$20.9 million for the six months ended June 30, 2022 and US\$18.9 million in the same period in 2023.

Net impairment losses on financial assets

Our net impairment losses on financial assets decreased by 52.8% from US\$25.0 million for the six months ended June 30, 2022 to US\$11.8 million for the same period in 2023, primarily due to a decrease in impairment losses on trade receivables, which we recorded in the six months ended June 30, 2022 for trade receivables that we consolidated into our financial positions after our acquisition of BEST Express China.

Other income

Our other income decreased by 74.6% from US\$48.1 million for the six months ended June 30, 2022 to US\$12.2 million for the same period in 2023, primarily due to a decrease in our subsidy income.

Other losses, net

Our other losses, net, decreased from US\$31.7 million for the six months ended June 30, 2022 and to US\$43.4 million for the same period in 2023, primarily due to (i) a decrease in provisions for lawsuits arising from pre-acquisition operations of BEST Express China, and (ii) a decrease in foreign exchange loss we recognized in 2023 of US\$12.4 million, offset by an increase in net losses on disposal of property, plant and equipment.

Operating loss

As a result of the foregoing, we had an operating loss of US\$621.9 million for the six months ended June 30, 2022 and an operating loss of US\$1,636.2 million for the same period in 2023.

Fair value change of financial assets and liabilities at fair value through profit or loss

We recorded a fair value gain of financial assets and liabilities at fair value through profit or loss of US\$2,028.2 million and US\$1,020.7 million for the six months ended June 30, 2022 and 2023, respectively, due to changes in the valuation of our Company. See Notes 24 and 29 to the Accountant’s Report in Appendix I to this document for details regarding the changes in fair value changes of financial assets and liabilities at fair value through profit or loss.

Finance income

Our finance income increased by 41.6% from US\$8.0 million for the six months ended June 30, 2022 to US\$11.4 million for the same period in 2023, due to an increase in interest income from bank deposits.

Finance costs

Our finance costs increased by 25.4% from US\$44.6 million for the six months ended June 30, 2022 to US\$56.0 million for the same period in 2023, primarily attributable to interest expenses with respect to our borrowings from financial institutions.

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Income tax expense

We recorded an income tax credit of US\$2.9 million and an income tax expense of US\$6.6 million for the six months ended June 30, 2022 and for the same period in 2023, respectively. The change was primarily attributable to the improved profitability in certain regions where we operated, which led to income tax expenses instead of deferred tax assets.

(Loss)/profit for the period

As a result of the foregoing, we recorded a profit of US\$1,372.3 million for the six months ended June 30, 2022 and a loss of US\$666.8 million for the same period in 2023.

Year ended December 31, 2022 Compared to Year ended December 31, 2021

Revenue

Our revenues increased by 49.8% from US\$4,851.8 million in 2021 to US\$7,267.4 million in 2022. The increase was primarily attributable to the growth of our express delivery services and cross-border delivery services.

Express delivery services. The growth in our revenue from express delivery services is primarily driven by parcel volume and revenue per parcel in Southeast Asia and China, since we generate substantially all of our revenue from express delivery services in these two geographic segments. Our revenue from express delivery services increased by 41.8% from US\$4,570.7 million in 2021 to US\$6,480.3 million in 2022, primarily due to (i) a 39.0% increase in our total parcel volume from 10.5 billion in 2021 to 14.6 billion in 2022, primarily driven by growth of parcel volume in both Southeast Asia and China and, particularly, an increase in our market share in China, and (ii) improved revenue per parcel in China, partially offset by a decrease in revenue per parcel in Southeast Asia. For more details on the growth of our revenue from express delivery services in Southeast Asia and China, see “– Revenue by geographic segment.”

Cross-border services. Our revenue from cross-border services increased by 202.6% from US\$234.8 million in 2021 to US\$710.5 million in 2022, primarily attributable to increased market demands and our efforts in developing the business.

Sale of accessories. Revenue from our sale of accessories decreased by 21.8% from US\$30.4 million in 2021 to US\$23.7 million in 2022, despite the growth in our parcel volume, as we encouraged the use of environmentally friendly practices such as reusable materials.

Others. Our revenue from other services increased by 231.8% from US\$16.0 million in 2021 to US\$52.9 million in 2022 primarily due to an increase in our rental income from the lease of reusable materials and logistics properties.

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Revenue by geographic segment

Southeast Asia. Our revenue from Southeast Asia was US\$2,377.5 million in 2021, compared to US\$2,381.7 million in 2022. Our parcel volume in Southeast Asia increased by 16.3% from 2,160.8 million in 2021 to 2,513.2 million in 2022 while our market share remained relatively stable at 22.3% and 22.5% in 2021 and 2022, respectively. The growth in our parcel volume was attributable to the diversification of our customer base through additions of new e-commerce and social e-commerce platform partners. Our revenue per parcel in Southeast Asia was US\$1.10 in 2021 and US\$0.95 in 2022. The industry average revenue per parcel in Southeast Asia is expected to be around US\$1.0 in 2023 and 2024, according to Frost & Sullivan. The change in revenue per parcel is primarily attributable to (i) our strategic pricing adjustment to stay competitive in light of the market conditions in Southeast Asia, where e-commerce platforms usually procure services from express delivery companies in bulk with volume discounts, and (ii) the negative impact of currency translation on revenue from Southeast Asia, see “– Effects of Fluctuations in Currency Exchange Rates.”

China. Our revenue from China increased by 87.8% from US\$2,181.4 million in 2021 to US\$4,096.2 million in 2022, primarily driven by our increased parcel volume and revenue per parcel in China. Our parcel volume in China increased by 44.3% from 8,334.3 million in 2021 to 12,025.6 million in 2022, and our market share increased from 7.7% in 2021 to 10.9% in 2022. The increases in our parcel volume and market share were driven by (i) our expanding partnership with additional e-commerce platforms after our acquisition of BEST Express China and addition of social e-commerce partners such as Douyin and Kuaishou, which led to more diversified sources of parcels, and (ii) improved service quality and enhanced brand image that facilitated the client sourcing abilities of ours and our network partners. Our revenue per parcel in China increased from US\$0.26 to US\$0.34 in the same period, attributable to (i) our access to additional e-commerce platforms and ability to source parcels from high-quality customers or merchants, (ii) government policies and guidance supporting the stabilization of pricing in China, and (iii) our continued efforts to optimize the management of our network partners and improve service quality after we completed the integration of BEST Express China in the six months ended June 30, 2022. The average revenue per parcel of express delivery operators with network partner model in China is expected to be around US\$0.3 in 2023 and 2024, according to Frost & Sullivan.

Others. Other revenue increased from US\$292.9 million in 2021 to US\$789.5 million in 2022, primarily attributable to the growth in our cross-border services.

Cost of revenue

Our cost of revenue increased by 39.7% from US\$5,396.5 million in 2021 to US\$7,537.7 million in 2022, primarily attributable to increases in our fulfillment costs, line-haul costs and staff costs in line with the increased parcel volume.

Fulfillment costs. Our fulfillment costs increased by 39.2% from US\$2,385.2 million in 2021 to US\$3,320.2 million in 2022, consistent with the expansion of our network and the increase in parcel volume. Our fulfillment costs accounted for 44.2% and 44.0% of our total cost of revenue in the corresponding periods.

Line-haul costs. Our line-haul costs increased by 65.6% from US\$1,341.4 million in 2021 to US\$2,221.7 million in 2022. Our line-haul costs accounted for 27.6% and 30.6% of our revenue in the corresponding periods. The increase is primarily due to (i) the growth of our cross-border business, which incurred substantial air transportation expenses upfront, (ii) the expansion of our fleets and increased usage of third-party transportation services to support the

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growth of our express delivery services across markets, including the New Markets that we entered into in 2022, and (iii) the acquisition of the SEA entities in the second half of 2021, after which we consolidated the line-haul costs incurred by the SEA entities into our results of operations.

Staff costs. Our staff costs decreased by 7.9% from US\$701.2 million in 2021 to US\$645.7 million in 2022. Our staff costs accounted for 14.5% and 8.9%, respectively, of our total revenue in 2021 and 2022. The decrease was primarily due to a decrease in headcount and other employee benefits as we optimized our operations globally and increased parcel volume from regions where we cooperate with network partners, partially offset by an increase in staff costs incurred in connection with our expansion in the New Markets in 2022.

Other labor costs. Our other labor costs increased by 23.9% from US\$308.5 million in 2021 to US\$382.3 million in 2022, in line with the increase in our parcel volume. Other labor costs accounted for 6.4% and 5.3%, respectively, of our revenue in the corresponding periods.

Depreciation and amortization. Our depreciation and amortization increased by 130.7% from US\$192.2 million in 2021 to US\$443.5 million in 2022, primarily attributable to depreciation and amortization we recorded in relation to certain property, plant and equipment.

Impairment losses. We had impairment losses of US\$250.3 million and US\$219.1 million in 2021 and 2022, respectively, which we recorded primarily in connection with property, plants and equipment that we identified as redundant and planned to dispose of in connection with our integration of BEST Express China.

Others. Our other cost of revenue increased by 40.2% from US\$217.7 million in 2021 to US\$305.3 million in 2022, which is mainly relating to increased utility expenses in relation to our expanding infrastructure network and network capacity in China and the New Markets, consistent with our expansion.

Cost of revenue by geographic segment

Our cost of revenue for Southeast Asia increased by 11.1% from US\$1,715.4 million in 2021 to US\$1,905.7 million in 2022, primarily driven by an increase in parcel volume in Southeast Asia from 2,160.8 million to 2,513.2 million in the corresponding periods.

Our cost of revenue for China increased by 40.0% from US\$3,400.1 million in 2021 to US\$4,760.9 million in 2022, consistent with the expansion of our business and the corresponding increase in our parcel volume in China from 8.3 billion to 12.0 billion in the corresponding periods.

Our other cost of revenue increased by 209.9% from US\$281.1 million in 2021 to US\$871.0 million in 2022, primarily attributable to the growth of our cross-border services and expansion into the New Markets in 2022.

Gross profit/(loss)

As a result of the foregoing, our gross loss narrowed from US\$544.7 million in 2021 to US\$270.2 million in 2022, and our negative gross margin narrowed from 11.2% in 2021 to 3.7% in 2022, primarily driven by the improving gross margin performance in China.

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Our gross profit from Southeast Asia decreased from US\$662.1 million in 2021 to US\$476.0 million in 2022. Our gross margin in Southeast Asia decreased slightly from 27.8% to 20.0% in 2022.

For China, we recorded a gross loss of US\$1,218.7 million and US\$664.8 million in 2021 and 2022, respectively. We expect our gross margin from our express delivery services in China to improve in the future. See “Business – Business Sustainability.”

For others, we had a gross profit of US\$11.8 million in 2021 and a gross loss of US\$81.5 million in 2022.

Selling, general and administrative expenses

Our selling, general and administrative expenses decreased by 3.0% from US\$1,129.0 million in 2021 to US\$1,095.5 million in 2022. The decrease was primarily attributable to (i) a decrease in share-based compensation as part of our staff cost of US\$123.2 million and (ii) a decrease in share-based payments related to equity transaction of US\$199.2 million, offset mainly by (i) impairment of goodwill that we recorded in 2021, see “– Analysis of Key Balance Sheet Items – Assets – Intangible assets” in this section, (ii) increased depreciation and amortization costs in relation to right-of-use assets, driven by an expansion of our office premise during the same period, (iii) increased consumer advertising and marketing activities including the engagement of our global brand ambassador, and (iv) an increase in other costs, primarily driven by increased office expenses and IT services fees as we further expanded.

Research and development expenses

Our research and development expenses were US\$41.0 million in 2021 and US\$44.5 million in 2022. Our research and development expenses, excluding share-based compensation, were US\$25.8 million and US\$44.5 million in 2021 and 2022, respectively, and the change was primarily attributable to an increase in employee benefits in relation to the expansion of our research and development headcounts to support our global expansion since late 2021.

Net impairment losses on financial assets

Our net impairment losses on financial assets were US\$41.3 million in 2021 and US\$37.2 million in 2022. Our impairment losses on financial assets in 2021 and 2022 mainly consisted of impairment on trade receivables in relation to certain terminated network partners and impairment losses that were consolidated into our balance sheets primarily in connection with the acquisition of BEST Express China.

Other income

Our other income increased by 18.9% from US\$82.5 million in 2021 to US\$98.1 million in 2022, primarily due to an increase in our subsidy income from the PRC government.

Other gains/(losses), net

We had other gains, net of US\$26.4 million in 2021 and other losses, net of US\$40.2 million in 2022, primarily due to (i) provisions for lawsuits in relation to the restructuring and integration of acquired operations of BEST Express China, and (ii) a foreign exchange loss we recognized in 2022 of US\$17.3 million due to fluctuations in exchange rates of local currencies in countries where we operate against U.S. dollars.

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Operating loss

As a result of the foregoing, we had an operating loss of US\$1,647.2 million in 2021 and an operating loss of US\$1,389.6 million in 2022.

Fair value change of financial assets and liabilities at fair value through profit or loss

We recorded a fair value gain of financial assets and liabilities at fair value through profit or loss of US\$3,050.7 million in 2022, compared to a fair value loss of financial liabilities at fair value through profit or loss of US\$4,383.5 million in 2021. The fair value change of financial liabilities at fair value through profit or loss was primarily influenced by the fair value of our convertible redeemable preferred shares, and the change in 2021 and 2022 was primarily attributable to the changes in the valuation of our Company. See Note 29 to the Accountant’s Report in Appendix I to this document for details regarding the changes in fair value changes of financial liabilities at fair value.

Finance income

Our finance income increased by 132.2% from US\$9.5 million in 2021 to US\$22.0 million in 2022, due to increased interest income from bank deposits.

Finance costs

Our finance costs stayed relatively stable at US\$99.1 million in 2021 and US\$99.5 million in 2022, primarily due to (i) an increase in interest expense on borrowings from US\$3.6 million in 2021 to US\$62.2 million in 2022, driven by the interest expense in relation to the senior notes we issued and certain credit facility we utilized in 2022, and (ii) an increase in interest expense on lease liabilities from US\$13.9 million in 2021 to US\$37.3 million in 2022, partially offset by a decrease in interest expense on convertible preferred shares from US\$81.6 million in 2021 to nil in 2022. In 2021, we declared a special dividend and accounted for such distribution to holders of preferred shares as interest expenses.

Income tax expense

We recorded an income tax expense of US\$73.1 million in 2021 and US\$10.8 million in 2022, and the decrease was mainly because we utilized the previous unrecognized tax losses in 2022.

(Loss)/profit for the year

As a result of the foregoing, we recorded a loss of US\$6,192.3 million in 2021 and a profit of US\$1,572.6 million in 2022.

Year ended December 31, 2021 Compared to Year ended December 31, 2020

Revenue

Our revenues increased by 216.0% from US\$1,535.4 million in 2020 to US\$4,851.8 million in 2021. The increase was primarily attributable to the growth of our express delivery services and cross-border services.

Express delivery services. The growth in our revenue from express delivery services is primarily driven by parcel volume and revenue per parcel in Southeast Asia and China, since we generate substantially all of our revenue from express delivery services in these two geographic segments. Our revenue from express delivery services increased by 204.6% from

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US\$1,481.9 million in 2020 to US\$4,513.6 million in 2021, primarily due to (i) a 224.2% increase in our total parcel volume from 3.2 billion in 2020 to 10.5 billion in 2021 driven by increases in parcel volume and market share in both Southeast Asia and China, and (ii) the increase in revenue per parcel, in both Southeast Asia and China. For more details on the growth of our revenue from express delivery services in Southeast Asia and China, see “– Revenue by geographic segment”.

Cross-border services. Our revenue from cross-border services increased by 2,797.5% from US\$10.1 million in 2020 to US\$291.9 million in 2021, primarily attributable to the ramping-up of our cross-border services in 2021.

Sale of accessories. Revenue from our sale of accessories decreased by 11.2% from US\$34.2 million in 2020 to US\$30.4 million in 2021, despite the increase in our parcel volume, because we encouraged the use of reusable and durable packaging materials and packaging efficiency throughout our network.

Others. Our revenue from other services increased by 72.2% from US\$9.3 million in 2020 to US\$16.0 million in 2021, primarily driven by an increase in the rental income we generated from properties we owned in Indonesia. In 2020 and 2021, some of the SEA entities in Indonesia were leasees of our properties in Indonesia. After we acquired the SEA entities, such revenue became intra-group income and we no longer recognize rental income in connection with these properties rented and used by these SEA entities.

Revenue by geographic segment

Southeast Asia. Our revenue from Southeast Asia increased by 127.2% from US\$1,046.5 million in 2020 to US\$2,377.5 million in 2021, primarily driven by our increased parcel volume and revenue per parcel. Our parcel volume in Southeast Asia increased by 87.3% from 1,153.8 million in 2020 to 2,160.8 million in 2021, and our market share increased from 16.4% in 2020 to 22.3% in 2021. The increases in our parcel volume and market share were attributable to (i) the rapid expansion of our network and operations through the regional sponsor model in countries such as Indonesia, the Philippines, Malaysia and Thailand, which together accounted for a majority of our total revenues from Southeast Asia during the Track Record Period, and (ii) enhanced cooperation and relationship with e-commerce platforms as we helped our e-commerce partners expand their business into multiple Southeast Asian countries by providing critical e-commerce logistics and parcel delivery infrastructure.

Our revenue per parcel in Southeast Asia increased from US\$0.91 in 2020 to US\$1.10 in 2021, despite certain volume discount we provided to major e-commerce customers. The increase in revenue per parcel was primarily attributable to change of the service provided by us as a whole after our acquisition and consolidation of the SEA entities in Indonesia and Thailand. Historically, a portion of the express delivery orders were placed with and handled by the SEA entities directly before we acquired them. Such parcel were delivered under our J&T brand. For such parcels, the SEA entities were primarily responsible for the entire express delivery service while we provided them with network services for our technology system support, training and the SEA entities’ access to our logos and brand names, as well as sorting services in some routes. In early 2021, after the SEA entities demonstrated their abilities to carry out stable operations, we initiated the process to acquire the SEA entities, and began to consolidate the operational capacities of the SEA entities and enhance our abilities to provide consistent, quality customer services. As a result, we streamlined and standardized our delivery services and other arrangements. After the acquisitions were consummated and the SEA entities became part of us, we became primarily responsible for the entire express delivery service to customers and charged full express delivery service fee for all parcels that were delivered through our network.

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China. Our revenue from China increased by 355.5% from US\$478.8 million in 2020 to US\$2,181.4 million in 2021, primarily driven by our increased parcel volume and revenue per parcel in China. Our parcel volume in China increased by 300.0% from 2,083.5 million in 2020 to 8,334.3 million in 2021, and our market share increased from 2.5% in 2020 to 7.7% in 2021. The increases in our parcel volume and market share were attributable to expansion of our collaboration with e-commerce platforms, competitive pricing and expanded network of network partners, which allowed us to acquire a wide range of merchants across China. Our revenue per parcel in China increased from US\$0.23 to US\$0.26 in the same period, primarily attributable to (i) the fast establishment and expansion of our network in China since we entered into the market in 2020, leading to improved bargaining power with network partners, and (ii) government policies and guidance supporting the stabilization of pricing in China.

Others. Our other revenue increased from US\$10.1 million in 2020 to US\$292.9 million in 2021, primarily attributable to our preparation activities in the New Markets and our expansion of cross-border service offerings.

Cost of revenue

Our cost of revenue increased by 200.3% from US\$1,796.9 million in 2020 to US\$5,396.5 million in 2021, primarily attributable to increases in our fulfillment costs, line-haul costs and employee benefits.

Fulfillment costs. Our fulfillment costs increased by 190.8% from US\$820.1 million in 2020 to US\$2,385.2 million in 2021, consistent with the expansion of our network and increase in parcel volume. Our fulfillment costs accounted for 53.4% and 49.2% of our total revenue in the corresponding periods. The slight decrease was primarily due to our acquisition of the SEA entities in 2021, as we no longer incur fulfillment costs but incurred line-haul costs, staff costs and other costs for parcels picked up or delivered by such entities.

Line-haul costs. Our line-haul costs increased by 264.3% from US\$368.2 million in 2020 to US\$1,341.4 million in 2021, as we expanded our fleets and used more transportation services from third-party service providers to support our rapid growth. Our line-haul costs accounted for 24.0% and 27.8% of our total revenue in the corresponding periods, respectively. The increase was primarily because (i) we continued to expand our transportation capacity in 2021, and (ii) we acquired the SEA entities in 2021 and accounted for costs in relation to parcels picked up and delivered by such entities as line-haul costs, whereas we recorded fulfillment costs for services performed by the SEA entities before the acquisition.

Staff costs. Our staff costs increased by 129.1% from US\$306.0 million in 2020 to US\$701.2 million in 2021, primarily due to an increase in the number of operational employees globally as we continued to expand our business. Our staff costs accounted for 19.9% and 14.5%, respectively, of our total revenue in 2020 and 2021. The decrease was primarily attributable to the expansion of our operations in China, where we predominantly relied on network partners – instead of our own staff – to pick up and deliver parcels.

Other labor costs. Our other labor costs increased by 231.1% from US\$93.1 million in 2020 to US\$308.5 million in 2021, consistent with the significant increase in our parcel volume and revenue. Other labor costs accounted for 6.1% and 6.4% respectively, of our revenue in the corresponding periods.

Depreciation and amortization. Our depreciation and amortization costs increased by 132.8% from US\$82.6 million in 2020 to US\$192.2 million in 2021, primarily due to the expansion of our network, which included the addition of new sorting centers and warehouses leading to increased depreciation costs of right-of-use assets and plant and equipment.

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Impairment. Our impairment increased from nil in 2020 to US\$250.3 million in 2021, primarily due to the impairment losses we recorded in connection with certain redundant property, plant and equipment in connection with the process to integrate BEST Express China.

Others. Our other cost of revenue increased by 71.6% from US\$126.9 million in 2020 to US\$217.7 million in 2021, mainly relating to increased utility expenses and other miscellaneous expenses in relation to our expansion into the China market.

Cost of revenue by geographic segment

Southeast Asia. Our cost of revenue for Southeast Asia increased from US\$734.6 million in 2020 to US\$1,715.4 million in 2021, primarily because (i) our parcel volume in Southeast Asia increased from 1,153.8 million to 2,160.8 million in the corresponding period, and (ii) we accounted for all costs in relation to parcels collected and delivered by the SEA entities after we acquired them in 2021, whereas we paid service fees, including pickup, sorting and delivery fees, for the portion of service that the SEA entities provided to us before the acquisition.

China. Our cost of revenue for China increased from US\$1,055.6 million in 2020 to US\$3,400.1 million in 2021, consistent with the expansion of our network and the increase in our parcel volume from 2.1 billion to 8.3 billion in the corresponding period.

Others. Our cost of revenue for other operations increased by 4,045.0% from US\$6.8 million in 2020 to US\$281.1 million in 2021, primarily attributable to the expansion of our cross-border services and, to a lesser extent, our activities in the New Markets in preparation for entering into these markets.

Gross profit/(loss)

As a result of the foregoing, our gross loss increased by 108.3% from US\$261.5 million in 2020 to US\$544.7 million in 2021, primarily attributable to the ramping-up of our service offerings in China.

Our gross profit from Southeast Asia increased from US\$312.0 million in 2020 to US\$662.1 million in 2021, primarily due to the growth in the express delivery markets and the increase in our market shares in Southeast Asian countries. Our gross margin in Southeast Asia decreased slightly from 29.8% to 27.8% in 2021, primarily because we offered certain volume discount to our major e-commerce customers as we delivered increased volumes of parcels for them in 2021.

For China, we recorded a gross loss of US\$576.7 million and US\$1,218.7 million in 2020 and 2021, respectively. The increase in our gross loss in China is primarily attributable to (i) intense competition in China’s express delivery market that we faced during the expansion of our network and (ii) expenditures in relation to our expansion, such as costs of operating equipment and facilities, costs of leases and other operating costs. Our negative gross margin improved from 120.4% in 2020 to 55.9% in 2021, reflecting our improved operational efficiency with strong network effects, economies of scale and adjustments to our pricing terms.

Our gross profit from other geographical segments increased by 258.9% from US\$3.3 million in 2020 to US\$11.8 million in 2021.

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Selling, general and administrative expenses

Our selling, general and administrative expenses increased by 208.6% from US\$365.9 million in 2020 to US\$1,129.0 million in 2021, primarily due to (i) an increase in our staff costs, primarily attributable to increased employee benefit expenses in relation to share-based awards granted to employees and management, shares granted to certain regional sponsors, and (ii) an increase in share-based payments related to equity transactions, attributable to (A) repurchases of Class A Shares and Class B Shares from certain shareholders in 2021, (B) Ordinary Shares and preferred shares repurchased or to be repurchased accompanying Series C2 preferred share issuances in 2021, and (C) the difference between the fair value of certain preferred shares issued in financings and the total consideration received due to lengthy settlement periods in 2020 and 2021 and (iii) an increase in other selling, general and administrative expenses, driven by growth of expenses such as IT service fees that we incurred to expand our network.

Research and development expenses

Our research and development expenses increased by 190.4% from US\$14.1 million in 2020 to US\$41.0 million in 2021, primarily due to share-based expenses of US\$15.3 million in relation to share-based awards we granted to our research and development personnel and increased wage expense driven by an increase in research and development headcount.

Net impairment losses on financial assets

Our net impairment losses on financial assets increased by 335.5% from US\$9.5 million in 2020 to US\$41.3 million in 2021, primarily due to an increase of 955.9% in loss allowance for trade receivables from US\$3.7 million in 2020 to US\$39.0 million in 2021, primarily in relation to trade receivables we consolidated into our balance sheet as part of the acquisition of BEST Express China.

Other income

Our other income increased by 383.9% from US\$17.1 million in 2020 to US\$82.5 million in 2021, primarily due to an increase in our subsidy income from the Chinese government and local governments in Southeast Asian countries.

Other gains, net

Our other gains, net decreased by 4.0% from US\$27.5 million in 2020 to US\$26.4 million in 2021, primarily due to a decrease in our exchange gains, net, driven by the fluctuation in exchange rates of local currencies in countries where we operate against U.S. dollars.

Operating loss

As a result of the foregoing, we had an operating loss of US\$606.4 million in 2020 and an operating loss of US\$1,647.2 million in 2021.

Fair value change of financial assets and liabilities at fair value through profit or loss

We recorded fair value changes of financial assets and liabilities at fair value through profit or loss of nil and US\$4,383.5 million in 2020 and 2021, respectively, primarily due to an increase of the fair value of our convertible preferred shares, as a result of an increase in our Company's equity value and adjustment of certain rights and obligations of our convertible preferred shares.

Finance income

Our finance income increased by 382.2% from US\$2.0 million in 2020 to US\$9.5 million in 2021, primarily due to an increase in interest income from bank deposits.

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Finance costs

Our finance costs increased by 616.3% from US\$13.8 million in 2020 to US\$99.1 million in 2021, primarily due to (i) an increase in interest expense on convertible preferred shares from nil to US\$81.6 million, as we declared a special dividend in 2021 and accounted for such distribution to holders of preferred shares as interest expense, and (ii) an increase in interest expense on lease liabilities from US\$6.0 million in 2020 to US\$13.9 million in 2021, partially offset by a decrease in interest expense on borrowings from US\$7.8 million in 2020 to US\$3.6 million in 2021.

Income tax expense

Our income tax expense was US\$45.5 million and US\$73.1 million in 2020 and 2021, respectively. The increase was primarily due to the increase in our taxable income, particularly for some of our regional operating entities in Southeast Asia.

Loss for the year

As a result of the foregoing, our loss was US\$664.2 million in 2020 and US\$6,192.3 million in 2021.

ANALYSIS OF KEY BALANCE SHEET ITEMS

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from our audited consolidated financial statements included in Appendix I to this document:

	As of December 31,			As of
	2020	2021	2022	June 30, 2023
	(in US\$ thousands)			
Total non-current assets	628,286	3,028,218	3,089,262	3,325,390
Total current assets	1,614,754	3,516,424	2,846,297	2,747,389
Total assets	2,243,040	6,544,642	5,935,559	6,072,779
Total non-current liabilities	1,966,519	10,975,327	9,188,190	9,681,802
Total current liabilities	1,147,020	2,205,739	1,731,617	1,920,567
Total liabilities	3,113,539	13,181,066	10,919,807	11,602,369
Net current assets	467,734	1,310,685	1,114,680	826,822
Share capital	7	14	14	17
Share premium	33,184	607,734	603,829	598,256
Other reserves	(166,468)	(525,822)	(434,108)	(243,798)
Accumulated losses	(625,953)	(6,672,936)	(5,016,768)	(5,657,735)
Equity attributable to owners of the Company	(759,230)	(6,591,010)	(4,847,033)	(5,303,260)
Non-controlling interests	(111,269)	(45,414)	(137,215)	(226,330)
Total deficits	(870,499)	(6,636,424)	(4,984,248)	(5,529,590)

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The following table sets forth our assets and liabilities as of the dates indicated:

	As of December 31,			As of
	2020	2021	2022	June 30,
	(in US\$ thousands)			2023
Non-current assets				
Investment properties	53,065	718	507	314
Property, plant and equipment.	303,032	1,107,564	1,052,884	1,102,229
Right-of-use assets	186,762	604,212	481,207	574,687
Intangible assets	6,014	1,129,194	963,569	981,970
Investments accounted for using the equity method	319	5,552	3,590	2,545
Deferred income tax assets	5,001	9,848	43,107	51,576
Other non-current assets	74,093	171,130	63,348	79,750
Financial assets at fair value through profit or loss	–	–	481,050	532,319
	628,286	3,028,218	3,089,262	3,325,390
Current assets				
Inventories	15,954	29,359	29,120	21,956
Trade receivables	180,760	334,876	513,954	622,560
Prepayments, other receivables and other assets	745,363	882,190	703,010	801,815
Financial assets at fair value through profit or loss	71,324	41,581	16,440	9,493
Restricted cash	928	125,970	79,725	96,301
Cash and cash equivalents	600,425	2,102,448	1,504,048	1,195,264
	1,614,754	3,516,424	2,846,297	2,747,389
Total current assets	2,243,040	6,544,642	5,935,559	6,072,779
Non-current liabilities				
Borrowings	36,917	29,062	1,020,897	1,010,871
Lease liabilities	111,378	391,232	341,471	359,559
Deferred tax liabilities	3,051	33,084	22,407	15,528
Employee benefit obligations	2,258	9,185	7,765	11,322
Financial liabilities – redemption liabilities of shares of JNT KSA ⁽¹⁾	–	25,458	30,583	33,495
Financial liabilities at fair value through profit or loss	1,812,915	10,487,306	7,765,067	8,251,027
	1,966,519	10,975,327	9,188,190	9,681,802

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	Year ended December 31,			As of
	2020	2021	2022	June 30
	(in US\$ thousands)			2023
Current liabilities				
Trade payables	225,452	577,065	484,215	471,666
Advances from customers	137,224	291,362	209,925	241,441
Accruals and other payables	304,362	915,352	776,378	829,146
Lease liabilities	63,639	207,490	151,195	196,583
Current income tax liabilities	9,200	20,756	32,424	20,152
Borrowings	407,143	59,965	77,480	151,563
Financial liabilities at fair value through profit or loss	–	–	–	10,016
Financial liabilities – ordinary share redemption liabilities	–	133,749	–	–
Total current liabilities	1,147,020	2,205,739	1,731,617	1,920,567

Note:

- (1) Relating to certain shares in JNT KSA, one of our regional operating entities, are held by a third-party investor entitled to certain exit rights. See Note 26 to the Accountant’s Report in Appendix I to this document.

Assets

Trade receivables

Our trade receivables are primarily amounts due from customers for goods sold or services performed in relation to services provided to certain e-commerce platforms customers and cross-border customers.

The following table sets forth our trade receivables as of the dates indicated:

	As of December 31,			As of
	2020	2021	2022	June 30,
	(in US\$ thousands)			2023
Trade receivables	187,083	379,447	561,166	666,650
Less: provision for impairment	(6,323)	(44,571)	(47,212)	(44,090)
Total	180,760	334,876	513,954	622,560

Our trade receivables increased by 85.3% from US\$180.8 million as of December 31, 2020 to US\$334.9 million as of December 31, 2021, and further increased by 53.5% to US\$514.0 million as of December 31, 2022, and continued to increase by 18.8% to US\$622.6 million as of June 30, 2023, primarily due to the growth of the express delivery services provided directly to e-commerce platforms during the Track Record Period and the growth of our cross-border business in 2021, 2022 and the six months ended June 30, 2023.

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We generally allow a credit period of 30 to 120 days to our e-commerce and other customers. The following table sets forth an aging analysis of our trade receivables, based on the invoice date, as of the dates indicated:

	As of December 31,			As of
	2020	2021	2022	June 30,
	2023			
	(in US\$ thousands)			
Within 1 month	124,814	297,578	366,405	464,976
1 – 4 months	56,255	58,437	156,515	167,461
4 – 6 months	5,006	11,835	768	2,888
6 – 9 months	705	5,302	1,702	9,295
9 – 12 months	105	2,425	4,917	2,393
Above 12 months	198	3,870	30,859	19,637
Less: provision for impairment	(6,323)	(44,571)	(47,212)	(44,090)
Total	180,760	334,876	513,954	622,560

We apply the simplified approach under IFRS 9, which requires expected lifetime losses to be recognized from our initial recognition of the receivables. The provision matrix is based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and forward-looking estimates. As of December 31, 2020, 2021 and 2022 and June 30, 2023, we made provisions for the impairment of our trade receivables of US\$6.3 million, US\$44.6 million, US\$47.2 million and US\$44.1 million, respectively. Our provisions as of December 31, 2021 and 2022 and June 30, 2023 were primarily related to receivables from terminated network partners of BEST Express China after the acquisition and during the subsequent integration of BEST Express China.

The following table sets forth the turnover days of our trade receivables for the periods indicated:

	Year ended December 31,			Six months
	2020	2021	2022	ended
				June 30,
	2023			
Trade receivables turnover days ⁽¹⁾	27.6	19.4	21.3	25.5

Note:

- (1) Calculated by dividing the average balance of trade receivables by revenues for the relevant period multiplied by the number of days during the period. Average balance equals the sum of the beginning balance and ending balance for the period divided by two.

Our trade receivables turnover days decreased from 27.6 days in 2020 to 19.4 days in 2021, primarily due to the significant increase in our revenue from operations in China while the beginning balance of trade receivables in 2021 was relatively small as we were still ramping up our operations in China at that time. Our trade receivables turnover days slightly increased from 19.4 days in 2021 to 21.3 days in 2022, due to the growth of express delivery business provided to certain e-commerce platforms in Southeast Asia and the growth in cross-border

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business. Our trade receivables turnover days further increased to 25.5 in the six months ended June 30, 2023, primarily because of the continuous growth of our cross-border operations, which typically have longer credit terms due to the nature of the operation, and the credit terms we granted to new e-commerce platform partners.

As of [July 31], 2023, we had settled approximately US\$[401.8] million, or [64.5%], of our trade receivables as of June 30, 2023.

Prepayments, other receivables and other assets

Our prepayments, other receivables and other assets primarily consist of deposits, prepaid taxes, receivables from our financing activity consideration, loans to related parties, loans to third parties, prepaid expenses and others. During the Track Record Period, we entered into loans agreements with our related parties and third parties. We expect that substantially all the non-trade balances with related parties will be settled prior to [REDACTED]. During the Track Record Period, loans to related parties and third parties comply with relevant laws and regulations, including but not limited to the required interest rate cap as well as other relevant terms and conditions of loans between enterprises that are not financial institutions.

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

	As of December 31,			As of
	2020	2021	2022	June 30, 2023
	(in US\$ thousands)			
Loans to related parties	70,453	47,364	–	–
Loans to third parties	248,553	16,155	1,674	3,225
Receivable of Series A Preferred Share consideration	236,862	–	–	–
Receivable of Series C1 Preferred Share consideration	–	30,000	–	–
Receivable of Series C2 Preferred Share consideration	–	159,922	–	–
Prepaid VAT and other taxes	71,911	422,339	482,667	512,000
Deposits	37,356	81,379	77,151	98,487
Prepaid expenses	22,431	65,333	76,255	97,389
Others	64,211	66,298	66,302	92,446
Less: allowance for credit losses	(6,414)	(6,600)	(1,039)	(1,732)
Total	745,363	882,190	703,010	801,815

Our prepayments, other receivables and other assets increased by 18.4% from US\$745.4 million as of December 31, 2020 to US\$882.2 million as of December 31, 2021, primarily due to (i) an increase in deposits, which primarily represent deposits for our leased properties and transportation services and reflected our consolidation of the financial position of BEST Express China, (ii) an increase in prepaid VAT and other taxes from US\$71.9 million as of December 31, 2020 to US\$422.3 million as of December 31, 2021, reflecting the prepaid tax that was recorded by BEST Express China in 2021 and consolidated into our financial positions and the prepaid tax relating our own operations in 2020, (iii) a decrease in loans to third parties, as a one-year loan of US\$248.6 million with an interest rate of 0.4% that we extended to support the development and growth of our business, particularly for the SEA entities, was fully repaid in 2021, and (iv) a decrease in loans to related parties from US\$70.5 million to US\$47.4 million.

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Our prepayments, other receivables and other assets decreased from US\$882.2 million as of December 31, 2021 to US\$703.0 million as of December 31, 2022, primarily due to (i) a decrease in our loans extended to related parties from US\$47.4 million to nil, (ii) a decrease in our loans extended to third parties from US\$16.2 million to US\$1.7 million, and (iii) settlement of the receivable of Series C1 Preferred Share consideration and Series C2 Preferred Share consideration of US\$30.0 million and US\$159.9 million, respectively, partially offset by an increase in prepaid VAT and other taxes from US\$422.3 million to US\$482.7 million.

Our prepayments, other receivables and other assets increased from US\$703.0 million as of December 31, 2022 to US\$801.8 million as of June 30, 2023, primarily due to (i) an increase in prepaid VAT and other taxes from US\$482.7 million to US\$512.0 million, driven by the VAT we paid in connection with our purchase of materials, goods equipments and professional services to support our expansion, (ii) an increase in deposits of US\$21.3 million as performance security deposits in relation to the construction of certain facilities in China and our performance of express delivery services during the June promotional season, (iii) an increase in prepaid expenses of US\$21.1 million mainly attributable to the increasing operating cost and expenses and (iv) an increase in others, attributable to the advance payments to Fengwang network partners who decided to exit the network.

As of [July 31], 2023, we had settled approximately US\$[150.7] million, or [18.8%], of our prepayments, other receivables and other assets outstanding as of June 30, 2023, and approximately US\$[141.0] million, or [27.5%], of our prepaid VAT as of June 30, 2023. As of [July 31], 2023, we did not have loans to third parties in prepayments, other receivables and other assets.

Inventories

Our inventories primarily consist of the accessories such as our J&T-branded packing supplies and apparels, as well as consumables including handheld terminals and packing materials.

Our inventories increased by 84.0% from US\$16.0 million as of December 31, 2020 to US\$29.4 million as of December 31, 2021, due to our consolidation of the financial position of BEST Express China. Our inventories stayed relatively stable at US\$29.1 million as of December 31, 2022 compared to US\$29.4 million as of December 31, 2021. Our inventories decreased from US\$29.1 million as of December 31, 2022 to US\$22.0 million as of June 30, 2023 due to our more efficient inventory management.

Our inventories turnover days were 2.2 days in 2020, 1.5 days in 2021, 1.4 days in 2022 and 1.2 days for the six months ended June 30, 2023. The decrease was primarily driven by the increased cost of revenue consistent with the expansion of our business, while our average balance of inventories remained relatively stable. The inventories turnover day is calculated by dividing the average balance of inventories by cost of revenue for the relevant period multiplied by the number of days during the period. Average balance equals the sum of the beginning balance and ending balance for the period divided by two.

As of [July 31], 2023, we had utilized US\$[22.0] million, or [100.0%], of our inventories as of June 30, 2023.

Investment properties

Our investment properties primarily consist of buildings and warehouses that we hold and lease to certain third parties including certain SEA entities before we acquired them in 2021.

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Our investment properties decreased from US\$53.1 million as of December 31, 2020 to US\$0.7 million as of December 31, 2021. In 2021, all investment properties that were used and leased to SEA entities properties, plant and equipment after our acquisition of the SEA entities, pursuant to which leasees of these reclassified properties became our subsidiaries. We continued to lease our spare building and warehouses we owned in Indonesia to certain third parties. Our investment properties amounted to US\$0.3 million as of June 30, 2023.

Property, plant and equipment

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(in US\$ thousands)			
Logistics equipment	60,137	425,576	471,066	498,983
Vehicles	144,492	292,170	280,810	268,809
Construction in progress	36,406	208,457	88,879	87,290
Office equipment	33,158	53,672	61,385	64,176
Land, Building and warehouses	15,320	69,066	113,224	148,024
Others	13,519	58,623	37,520	34,947
Total	303,032	1,107,564	1,052,884	1,102,229

Our property, plant and equipment further increased by 265.5% from US\$303.0 million as of December 31, 2020 to US\$1,107.6 million as of December 31, 2021, primarily due to (i) an increase in the value of logistic equipment from US\$60.1 million as of December 31, 2020 to US\$425.6 million as of December 31, 2021, (ii) an increase in vehicle from US\$144.5 million as of December 31, 2020 to US\$292.2 million as of December 31, 2021, and (iii) an increase in construction in progress from US\$36.4 million as of December 31, 2020 to US\$208.5 million as of December 31, 2021, which were primarily due to our investment in sorting centers to support the expansion of our network and our consolidation of the financial position of BEST Express China since December 8, 2021.

Our property, plant and equipment was US\$1,107.6 million as of December 31, 2021 and US\$1,052.9 million as of December 31, 2022 and US\$1,102.2 million as of June 30, 2023, primarily attributable to an increase in logistic equipment, as well as land, building warehouse to support our business expansion, partially offset by a decrease in construction in progress reflecting the completion of certain construction and renovation projects.

In 2021 and 2022, subsequent to the acquisition and integration of BEST Express China, we identified certain sorting centers which would be closed upon the termination of relevant lease and correspondingly recorded impairment losses of US\$250.3 million and US\$219.1 million in the years ended December 31, 2021 and 2022, respectively.

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Right-of-use assets

We lease various offices, warehouses and vehicles on a wide range of lease terms and conditions. The following table sets forth our right-of-use assets as of the dates indicated:

	As of December 31,			As of
	2020	2021	2022	June 30,
	2023			
	(in US\$ thousands)			
Buildings and warehouses	182,789	578,085	460,258	495,218
Vehicles	3,117	10,099	11,320	14,375
Land	682	3,138	2,471	60,432
Equipment and others	174	12,890	7,158	4,662
Total	186,762	604,212	481,207	574,687

Our right-of-use assets increased by 223.5% from US\$186.8 million as of December 31, 2020 to US\$604.2 million as of December 31, 2021, primarily due to an increase in right-of-use assets related to buildings and warehouses from US\$182.8 million as of December 31, 2020 to US\$578.1 million as of December 31, 2021 attributable to (i) new lease agreements we entered into in 2021 to expand our existing facilities and support our expansion, and (ii) the lease we assumed in connection with our acquisition of BEST Express China.

Our right-of-use assets decreased by 20.4% from US\$604.2 million as of December 31, 2021 to US\$481.2 million as of December 31, 2022, primarily due to a decrease in our right-of-use assets related to buildings and warehouses as we optimized our operation after we fully integrated BEST Express China and adjusted our network density by removing certain redundant facilities.

Our right-of-use assets increased by 19.4% from US\$481.2 million as of December 31, 2022 to US\$574.7 million as of June 30, 2023, primarily due to an increase in land and buildings and warehouses, pursuant to additional lease agreements we entered into in China, the Philippines and the New Markets.

Intangible assets

Our intangible assets primarily consist of goodwill, customer relationship and others including software and trademarks and licenses.

Our intangible assets increased significantly from US\$6.0 million as of December 31, 2020 to US\$1,129.2 million as of December 31, 2021, primarily due to the increased goodwill we recorded in relation to the acquisition of BEST Express China. Our intangible assets decreased from US\$1,129.2 million as of December 31, 2021 to US\$963.6 million as of December 31, 2022, primarily due to (i) an one-off impairment of goodwill in 2022, and (ii) fluctuations in foreign currency exchange rates. As of June 30, 2023, our intangible assets remained relatively stable at US\$982.0 million.

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Goodwill is allocated to our CGUs or groups of CGUs identified according to the territories in which we operate. The movement of carrying amount of goodwill for each respective CGUs is set out below:

	China	Indonesia	Thailand	Brazil
	(in US\$ thousands)			
As of December 31, 2019	–	1,194	–	–
Acquisition of subsidiaries	220	–	–	–
Impairment of goodwill	–	–	–	–
Exchange differences	–	–	–	–
As of December 31, 2020	220	1,194	–	–
Acquisition of subsidiaries	630,458	215,487	98,320	–
Impairment of goodwill	–	–	–	–
Exchange differences	(2)	(274)	(2,027)	–
As of December 31, 2021	630,676	216,407	96,293	–
Acquisition of subsidiaries	–	–	–	51,829
Impairment of goodwill	(117,502)	–	–	–
Exchange differences	(53,746)	(17,395)	(5,356)	–
As of December 31, 2022	459,428	199,012	90,937	51,829
Acquisition of subsidiaries	33,629	–	–	–
Impairment of goodwill	–	–	–	–
Exchange differences	(16,820)	9,375	(2,411)	4,584
As of June 30, 2023	476,237	208,387	88,526	56,413

The recoverable amount of our CGUs or groups of CGUs is determined based on value-in-use calculations. The key assumptions used for value-in-use calculations are as follows:

2020

	China	Indonesia
Annual growth rate within the period	2.5%-195.5%	3.0%-42.6%
Growth rate to extrapolate cash flows beyond the period	2.5%	3.0%
Gross margin	-9.7%-13.4%	25.8%-28.8%
Pre-tax discount rate	19.84%	23.66%
Excess of recoverable amount over carrying value (in US\$ thousands)	273,880	643,169

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2021

	China	Indonesia	Thailand
Annual growth rate within the period	5.4%-105.0%	5.5%-29.2%	10.7%-64.2%
Growth rate to extrapolate cash flows beyond the period.	2.5%	3.0%	2.0%
Gross margin	0.0%-13.4%	24.8%-28.9%	(12.0%)-33.0%
Pre-tax discount rate	18.14%	19.87%	20.24%
Excess of recoverable amount over carrying value (in US\$ thousands)	5,297,516	2,294,940	508,299

2022

	China	Indonesia	Thailand	Brazil
Annual growth rate within the period	2.4%-33.3%	5.3%-28.0%	10.2%-40.6%	27.6%-302.9%
Growth rate to extrapolate cash flows beyond the period.	2.2%	3.0%	2.0%	3.0%
Gross margin	3.2%-8.2%	23.1%-28.5%	12.7%-30.3%	-4.4%-20.5%
Pre-tax discount rate	17.48%	19.17%	21.45%	24.85%
Excess of recoverable amount over carrying value (in US\$ thousands)	–	1,987,918	580,469	129

Six months ended June 30, 2023

	China	Indonesia	Thailand	Brazil
Annual growth rate within the period	2.4-40.5%	5.0%-28.0%	10.2%-39.6%	10.5%-328.1%
Growth rate to extrapolate cash flows beyond the period.	2.2%	2.5%	2.0%	3.0%
Gross margin	2.0%-8.5%	24.0%-28.3%	12.7%-30.1%	-3.1%-19.8%
Pre-tax discount rate	17.58%	19.31%	20.49%	26.48%
Excess of recoverable amount over carrying value (in US\$ thousands)	20,504	2,244,912	599,514	40,052

The recoverable amount of the following CGUs would equal its carrying amount if the key assumptions were to change relatively as follows:

	As of December 31, 2020	
	China	Indonesia
Decrease in annual growth rate within the period.	(8%)	(196%)
Decrease in growth rate to extrapolate cash flows beyond the period.	N/A ⁽ⁱⁱ⁾	N/A ⁽ⁱⁱ⁾
Decrease in gross margin	(13%)	(73%)
Increase in pre-tax discount rate	26%	2,721%

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	As of December 31, 2021		
	China	Indonesia	Thailand
Decrease in annual growth rate within the period	(37%)	(152%)	(59%)
Decrease in growth rate to extrapolate cash flows beyond the period ⁽²⁾	N/A	N/A	N/A
Decrease in gross margin	(51%)	(61%)	(46%)
Increase in pre-tax discount rate	128%	221%	64%

	As of December 31, 2022			
	China	Indonesia	Thailand	Brazil ⁽¹⁾
Decrease in annual growth rate within the period	N/A	(155%)	(88%)	N/A
Decrease in growth rate to extrapolate cash flows beyond the period ⁽²⁾	N/A	N/A	N/A	N/A
Decrease in gross margin	N/A	(54%)	(48%)	N/A
Increase in pre-tax discount rate	N/A	279%	68%	N/A

	As of June 30, 2023			
	China	Indonesia	Thailand	Brazil
Decrease in annual growth rate within the period	(0.6%)	(166%)	(96%)	(3%)
Decrease in growth rate to extrapolate cash flows beyond the period ⁽²⁾	(12.2%)	N/A ⁽ⁱⁱ⁾	N/A ⁽ⁱⁱ⁾	(301%)
Decrease in gross margin	(0.5%)	(55%)	(50%)	(5%)
Increase in pre-tax discount rate	0.9%	298%	104%	9%

Notes:

- (1) For the groups of CGUs in Brazil, management has assessed the risk of impairment of goodwill and concluded that no impairment charge would be required. However, we restructured our structure in Brazil soon after we launched operations there and completed such restructuring in late 2022 and the relevant key assumptions used in the valuation as at the acquisition date approximated those used as at December 31, 2022, any adverse changes in key assumptions would lead to impairment.
- (2) As per relevant assessment, the headroom would not decrease to zero even if growth rate in extrapolate cash flows beyond the Period dropped to minus 10%.

As of December 31, 2021, it is unlikely that any reasonable possible changes in key assumptions would lead to impairment for the goodwill in China, Indonesia and Thailand.

As of December 31, 2022, it is unlikely that any reasonable possible changes in key assumptions would lead to impairment for the goodwill in Indonesia and Thailand. For the groups of CGUs in China, according to management’s impairment test performed with the assistance of an independent valuer, the carrying amount exceeded relevant recoverable amount. As a result, impairment charges of goodwill amounting to approximately US\$117,502,000 were recognised.

As of June 30, 2023, it is unlikely that any reasonable possible changes in key assumptions would lead to impairment for our goodwill.

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Other non-current assets

Our other non-current assets primarily consist of (i) loans we extended to third parties (ii) prepayment of construction projects and (iii) deposit receivable.

The following table sets forth our other non-current assets as of the dates indicated:

	As of December 31,			As of
	2020	2021	2022	June 30, 2023
	(in US\$ thousands)			
Loans to related parties – non-current portion	167	146,299	–	–
Loans to third parties – non-current portion	58,829	2,127	37,428	68,806
Prepayments for constructions	15,713	13,918	19,778	7,677
Deposits receivable	–	11,370	7,363	4,743
Others	–	–	39	–
Less: allowance for credit losses	(616)	(2,584)	(1,260)	(1,476)
Total	74,093	171,130	63,348	79,750

Our other non-current assets increased from US\$74.1 million as of December 31, 2020 to US\$171.1 million as of December 31, 2021, primarily due to an increase in loans to related parties from US\$0.2 million as of December 31, 2020 to US\$146.3 million as of December 31, 2021, partially offset by a decrease in loans to third parties which were our SEA entities from US\$58.8 million as of December 31, 2020 to US\$2.1 million as of December 31, 2021 due to the repayment of the loan and the acquisition of SEA entities in 2021. The loans granted to our SEA entities amounted to US\$58.8 million, nil and US\$37.4 million in 2020, 2021 and 2022, respectively. Our loans to the SEA entities typically have a term from three to five years, with an interest rate of 7% per annum.

Our other non-current assets decreased by 63.0% from US\$171.1 million as of December 31, 2021 to US\$63.3 million as of December 31, 2022, primarily due to decrease in a loan to one related party from US\$146.3 million as of December 31, 2021 to nil as of December 31, 2022, partially offset by the increased loans to third parties from US\$2.1 million as of December 31, 2021 to US\$37.4 million as of December 31, 2022.

Our other non-current assets increased by 25.9% from US\$63.3 million as of December 31, 2022 to US\$79.8 million as of June 30, 2023, primarily due to an increase in loans to third parties, driven by additional loans we extended to unconsolidated regional operating entities in Mexico to support our expansion in this jurisdiction. Such loans have a term of three years and an interest rate of 4%.

For loans to unconsolidated regional operating entities, we determine the credit risk of relevant loans based on factors including past dealings and experiences with the borrowers, internal or external credit ratings, overdue status and the nature of the loans, as well as other forward-looking information including macroeconomic factors. During the Track Record Period, we managed certain credit losses for these loans in accordance with our credit risk assessment methods. Impairment is measured as either 12-month expected credit loss or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since it was initially recognized. If there has been a significant increase in credit risk since the initial recognition, then impairment is measured as lifetime expected credit loss.

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Financial assets at fair value through profit or loss

We had financial assets at fair value through profit or loss of US\$71.3 million, US\$41.6 million, US\$497.5 million and US\$541.8 million as of December 31, 2020, 2021, 2022 and June 30, 2023, respectively.

Our financial assets at fair value through profit or loss as of December 31, 2022 and June 30, 2023 consisted of investments in Windfall T&L SPC, convertible bonds issued by Huisen Global and bank wealth management products.

The wealth management products classified as other financial assets mainly include short-term wealth management products issued by major and reputable commercial banks without guaranteed returns. We manage and evaluate the performance of investments on a fair value basis in accordance with our risk management and investment strategy. The fair values of part of the bank wealth management products are based on cash flow discounted using the expected return based on observable market inputs and are within level 2 of the fair value hierarchy. To enhance our liquidity position without significantly increasing our exposure to the financial risks, we will continue to invest in such wealth management products after the [REDACTED]. After the [REDACTED], the investments in wealth management products will be subject to our compliance with the requirements under Chapter 14 of the Listing Rules.

Our financial assets measured at fair value through profit or loss as of December 31, 2022 also included our investment in certain unlisted equity and debt instrument, primarily consisting of our investment in convertible bonds issued by Huisen Global. Huisen Global primarily operates less-than-truckloads (LTL) transportation services through its PRC subsidiaries, under which Yimidida and Huisen brands are operated under one integrated network (“**Huisen LTL**”). In 2022, Huisen LTL handled freight aggregating over 7 million tons. Huisen LTL achieved sales of over RMB5 billion and was loss-making in 2022. Huisen LTL has been expanding into international markets such as Indonesia and Malaysia in Southeast Asia, and is in the process of expanding into other countries in Southeast Asia. We have been collaborating with Huisen LTL network in Southeast Asia and China to provide more value-added services to our customers. We believe the network of Huisen LTL will allow us to further extend offerings along the logistics value chain and build a logistics ecosystem. For example, e-commerce participants in Southeast Asia can access a whole suite of logistics solutions, and we are able to provide express delivery services for regular parcels whereas Huisen was able to cater to their needs to transport large-scale or wholesale merchandise. By partnering with Huisen, we are able to deepen our collaboration with e-commerce participants by expanding touch points and meeting these participants’ diverse needs.

In addition, we are a capital partner in Windfall, which is a U.S. dollars fund with asset under management of around US\$100 million, focusing on equity investment in emerging assets in the logistics and industrial development ecosystem. Windfall adopts a segregated portfolio company structure, where different segregated portfolios are established and independently operated to meet the preferences and investment profiles of different capital partners. We believe our investment in Windfall T&L SPC allows it to help us acquire, develop and own assets that fit our risk-reward profiles while capturing growth opportunities.

With the assistance from an external valuer appointed by us, we applied the discounted cash flow method to determine the underlying equity value of Huisen Global and adopted equity allocation model (if applicable) to determine relevant fair values. In determining such fair values, one or more of the significant inputs are not based on observable market data, and therefore we included relevant investments in level 3 financial instruments. Key assumptions typically include discount rate, discount of lack of marketability, and expected volatility. In

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In addition to the assumptions adopted above, Huisen Global’s projections of future performance were also factored into the determination of the underlying equity value of Huisen Global. Particularly, relevant fair values decreased, substantially as a result of the updated projections of Huisen Global’s future performance, considering the overall macroeconomic situation, its industry and market positions, and etc. We have dedicated personnel in place who are responsible for identifying, reviewing and pursuing strategic investments, including investments in unlisted companies. These personnel have extensive experience in corporate finance and M&A in the logistics industry. We make investment decisions on a case-by-case basis based on the consideration of a number of factors, including the investee’s operating history, the growth potential of the investee and the industries in which it operates, the quality of the investee’s management team, as well as the investee’s potential to generate synergies with our existing operations. We closely monitor the operational and financial performance of our investee companies.

For more information about valuation of financial assets measured at fair value through profit or loss, See Note 24 to the Accountant’s Report in Appendix I to this document.

Liabilities

Trade payables

Our trade payables represent payables to our suppliers such as line-haul services and labor services providers. Our trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Our trade payables increased from US\$225.5 million as of December 31, 2020 to US\$577.1 million as of December 31, 2021, primarily attributable to (i) the growth of our business and operations, and (ii) our consolidation of the financial position of BEST Express China. Our trade payables decreased to US\$484.2 million as of December 31, 2022, as we settled certain payables that we consolidated into our liabilities after we integrated BEST Express China. Our trade payables remained relatively stable at US\$484.2 million and US\$471.7 million as of December 31, 2022 and June 30, 2023, respectively.

The following table sets forth an aging analysis of our trade payables, based on invoice or issuance date, as of the dates indicated:

	As of December 31,			As of
	2020	2021	2022	June 30, 2023
	(in US\$ thousands)			
Trade payables				
Within 3 months	212,619	505,960	434,660	404,373
3 to 6 months.	9,028	19,200	26,512	44,560
6 to 9 months.	1,253	28,286	14,360	13,074
9 to 12 months.	1,891	22,903	5,103	3,782
Above 12 months	661	716	3,580	5,877
Total	225,452	577,065	484,215	471,666

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The following table sets forth the turnover days of our trade payables for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2020	2021	2022	2023
	2020	2021	2022	2023
Trade payables turnover days ⁽¹⁾	25.5	27.1	25.7	22.5

Note:

- (1) Calculated by dividing the average balance of trade payable by cost of revenue for the relevant period multiplied by the number of days during the period. Average balance equals the sum of the beginning balance and ending balance for the period divided by two.

Our trade payables turnover days increased from 25.5 in 2020 to 27.1 in 2021, primarily because our average trade payables increased significantly. This increase was primarily due to the trade payables that we consolidated from the financial position of BEST Express China as a result of the acquisition. For our operations in China, we generally settle our trade payables within 30 days. Outside China, we generally settle our trade payables from 30 to 60 days. Our trade payables turnover days decreased from 27.1 in 2021 to 25.7 in 2022, primarily due to the decreased balance of trade payables as of December 31, 2022. Our trade payables turnover days decreased from 25.7 in 2022 to 22.5 for the six months ended June 30, 2023, mainly because we continued to settle the trade payables related to pre-acquisition operations of BEST Express China.

As of [July 31], 2023, we settled US\$[212.6] million or [45.1]% of our trade payables outstanding as of June 30, 2023.

Advances from customers

Advances from customers mainly represent advances from network partners in China for express delivery services to mitigate potential credit risk. The following table sets forth our advances from customers as of the dates indicated:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	2020	2021	2022	2023
	(in US\$ thousands)			
Advances from customers for express delivery services	137,224	291,362	209,925	241,441
Total	137,224	291,362	209,925	241,441

Our advances from customers increased from US\$137.2 million as of December 31, 2020 to US\$291.4 million as of December 31, 2021, primarily due to (i) the expansion of our network, and (ii) our consolidation of the financial position of BEST Express China. Our advances from customers further decreased to US\$209.9 million as of December 31, 2022, primarily due to (i) a decrease in the number of our network partners as we optimized our network and (ii) a decrease in the average amount of advance per time from network partners corresponding with an increase in the frequency of their advance payments. Our advances from customers

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increased from US\$209.9 million as of December 31, 2022 to US\$241.4 million as of June 30, 2023, primarily due to the growth of our operations in China, where we collaborated with and requested advances from network partners to mitigate potential credit risks.

As of [July 31], 2023, we had settled approximately US\$[238.8] million, or [98.9]%, of our advances from customers as of June 30, 2023.

Accruals and other payables

Our accruals and other payables primarily consist of (i) cash on delivery related payables, (ii) salary and welfare payables, (iii) deposits, (iv) tax payables, (v) payables for purchase of long-term assets, (vi) consideration payable for repurchase of ordinary shares and preferred shares, (vii) consideration received pursuant to share incentive scheme, primarily from eligible network partners who were granted share incentive awards and (viii) others.

The following table sets forth our accruals and other payables as of the dates indicated:

	As of December 31,			As of
	2020	2021	2022	June 30,
	2023			
	(in US\$ thousands)			
Cash on delivery related payables	137,017	95,047	156,666	167,553
Salary and welfare payables	62,336	219,607	163,637	169,079
Deposits	25,928	192,734	175,229	192,797
Tax payables	24,284	48,830	40,999	37,237
Payables for purchase of long-term assets	5,644	110,710	88,587	67,022
Consideration payable for repurchase of ordinary shares and preferred shares	–	159,922	–	–
Consideration received pursuant to share incentive schemes	–	–	37,886	23,991
Others	49,153	88,502	113,374	171,467
Total	304,362	915,352	776,378	829,146

Our accruals and other payables increased by 200.7% from US\$304.4 million as of December 31, 2020 to US\$915.4 million as of December 31, 2021, primarily due to (i) outstanding payables of US\$159.9 million as consideration for certain ordinary shares and preferred shares to be repurchased, (ii) an increase in deposits from US\$25.9 million as of December 31, 2020 to US\$192.7 million as of December 31, 2021, which represented deposits paid by network partners, and partially offset by a decrease in cash of delivery related payables from US\$137.0 million as of December 31, 2020 to US\$95.0 million as of December 31, 2021 as we optimized our settlement procedure and shortened settlement cycle with major e-commerce customers in 2021.

Our accruals and other payables decreased by 15.2% from US\$915.4 million as of December 31, 2021 to US\$776.4 million as of December 31, 2022, primarily due to (i) a decrease in salary and welfare payables from US\$219.6 million as of December 31, 2021 to US\$163.6 million as of December 31, 2022 driven by decreased compensations to staff, and (ii) a decrease in consideration payable for repurchase of ordinary shares and preferred shares from US\$159.9 million as of December 31, 2021 to US\$0 as of December 31, 2022 as we completed the repurchase and settled the amount, partially offset by an increase in cash on delivery related payables from US\$95.0 million as of December 31, 2021 to US\$156.7 million as of December

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31, 2022 driven by the growth of our (i) cash on delivery services in Southeast Asia, in line with the increased parcel volume in Southeast Asia, and (ii) an increase in consideration received pursuant to share incentives schemes.

Our accruals and other payables increased by 6.8% from US\$776.4 million as of December 31, 2022 to US\$829.1 million as of June 30, 2023, primarily due to (i) an increase in cash on delivery related payables of US\$10.9 million, due to the expansion of our value-added services in Southeast Asia, (ii) an increase in deposits, as we consolidated the deposits paid by network partners of Fengwang into our financial positions, and (iii) an increase in other accruals and other payables of US\$58.1 million, driven by the expansion of our business and, in particular, additional facilities we plan to add in China, partially offset by a decrease in payables for purchase of long-term assets and a decrease in consideration received with respect to Class A Shares granted to network partners.

As of [July 31], 2023, we had settled US\$[422.3] million, or [50.9%], of our accruals and other payables outstanding as of June 30, 2023.

INDEBTEDNESS

Borrowings

The following table sets forth our indebtedness as of the dates indicated:

	As of December 31,			As of June 30,	As of [July 31],
	2020	2021	2022	2023	2023
	(in US\$ thousands)				
Borrowings from financial institutions	10,808	62,739	1,095,377	1,154,834	[1,143,866]
Borrowings from related parties	167,620	14,470	–	–	[–]
Borrowings from third parties	265,632	11,818	3,000	7,600	[17,600]
Lease liabilities	175,017	598,722	492,666	556,142	[537,191]
Financial liabilities at fair value through profit or loss	1,812,915	10,487,306	7,765,067	8,261,043	[8,261,043]
Total	<u>2,431,992</u>	<u>11,175,055</u>	<u>9,356,110</u>	<u>9,979,619</u>	<u>[9,959,700]</u>

Borrowings from financial institutions

Our borrowings from financial institutions primarily include borrowing from banks and other financial institutions. During the Track Record Period, our borrowings from financial institutions were substantially secured, supported by guarantees and debentures including but not limited to our equity interest in certain Group entities, certain receivables, bank accounts and other assets. Our outstanding borrowings from financial institutions amounted to US\$10.8 million, US\$62.7 million, US\$1,095.4 million and US\$1,154.8 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. Our outstanding borrowings from financial institutions as of June 30, 2023 primarily comprised of (i) the senior notes issued by Winner Star in February 2022, in an aggregate principal amount of US\$870 million received by us, which bear interest at 5.75% per annum and are due 2025, (ii) a loan of US\$130 million

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received by us on February 24, 2022 under a financing agreement with Winner Star for general corporate and working capital purposes, and (iii) our other borrowings in relation to vehicles and other operations in the ordinary course of business. These borrowings were guaranteed by us and certain subsidiaries of ours. Our borrowings from financial institutions were US\$[1,143.9] million as of [July 31], 2023. As of the same date, we had unutilized banking facilities of US\$[42.1] million.

Borrowings from third parties

In 2020, we had a borrowing of US\$236.9 million provided by one of the Series A Preferred Shareholders but subsequently settled in 2021. Such borrowing was interest free. For details, please see Note 28 to the Accountant’s Report in Appendix I to this document. During the Track Record Period, our borrowings from third parties represented interest-bearing borrowings provided by the minority shareholders of certain Group entities, which had terms from one month to 5 years, with an interest rate up to 6%. Our borrowings from third parties amounted to US\$265.6 million, US\$11.8 million, US\$3.0 million and US\$7.6 million as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. We had borrowings from third parties of US\$[17.6] million as of [July 31], 2023. Our borrowings from third parties were unsecured as of December 31, 2020, 2021 and 2022, June 30, 2023 and [July 31], 2023.

Our Directors confirm that there was no delay or default in the repayment of borrowings during the Track Record Period. Our Directors also confirm that they are not aware of any breach of any of the covenants contained in our bank loan arrangements and other borrowing arrangements or any event of default during the Track Record Period and up to the Latest Practicable Date, nor are they aware of any restrictions that will limit our ability to draw down on our unutilized facilities.

Borrowings from related parties

Our borrowings from related parties were US\$167.6 million, US\$14.5 million, nil, nil and [nil] as of December 31, 2020, 2021 and 2022, June 30, 2023 and [July 31], 2023, respectively. Our borrowings from related parties were unsecured.

Lease Liabilities

Our lease liabilities primarily arose from lease contracts for office premises and sorting centers, and vehicles used in our operations. The following table sets forth our lease liabilities as of the dates indicated:

	As of December 31,			As of
	2020	2021	2022	June 30, 2023
	(in US\$ thousands)			
Lease liabilities				
Current lease liabilities	63,639	207,490	151,195	196,583
Non-current lease liabilities	111,378	391,232	341,471	359,559
Total	175,017	598,722	492,666	556,142

Our total lease liabilities were US\$175.0 million, US\$598.7 million, US\$492.7 million, US\$556.1 million and US\$[537.2] million as of December 31, 2020, 2021 and 2022, June 30, 2023 and [July 31], 2023, respectively. The increase in our lease liabilities from US\$175.0 million in 2020 to US\$598.7 million in 2021 was attributable to (i) new lease contracts we entered into as our business expanded and (ii) our consolidation of the financial position of BEST Express China as a result of the acquisition. The decrease in our lease liabilities from

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December 31, 2021 to December 2022 was primarily due to a decrease in our buildings and warehouses leases as we optimized our operations after fully integrating BEST Express China and adjusted our network sorting center density by removing certain redundant sorting centers. The increase in our lease liabilities from December 31, 2022 to June 30, 2023 was primarily due to additional lease agreements we entered into in China, the Philippines and the New Markets.

Financial Liabilities at Fair Value through Profit or Loss

Since our commencement, we have completed several rounds of financing by issuing different classes of preferred shares. Series Pre-A1 Preferred Shares, Series Pre-A2 Preferred Shares and Series A Preferred Shares were issued in or prior to 2020 and initially recognized as equity. In late 2020, along with the issuance of Series B Preferred Shares, we updated our memorandum of association, and subsequently, reclassified Series Pre-A1 Preferred Shares, Series Pre-A2 Preferred Shares and Series A Preferred Shares as financial liabilities measured at fair value through profit or loss, with subsequent changes in fair value recognized in the consolidated income statements. We also designated Series B Preferred Shares, Series B+ Preferred Shares, Series C1 Preferred Shares and Series C2 Preferred Shares as financial liabilities at fair value through profit or loss and initially recognized them at fair value, with subsequent changes in fair value recognized in the consolidated income statements. In 2021, Jet Global, the holding company of our operations in the New Markets, entered into agreements with third-party investors to raise Series A financing. We also recognized the Series A Preferred Shares of Jet Global as financial liabilities at fair value through profit or loss with subsequent changes in fair value recognized in the consolidated income statements. On December 31, 2021, accompanying the issuance of the Series C2 Preferred Shares, we entered into agreements with certain existing shareholders to repurchase a total of 48,607,928 preferred shares and Ordinary Shares. The expected excess of the repurchase price over the fair value of these preferred shares and Ordinary Shares was also recognized as financial liabilities at fair value through profit or loss.

With the assistance from an external valuer, we applied the discounted cash flow method to determine the underlying equity value of our Group and adopted option-pricing method and equity allocation model to determine the fair value of the preferred shares. See Note 29A to the Accountant’s Report in Appendix I to this document for the detailed movements of financial liabilities at fair value through profit or loss. As of December 31, 2020, 2021 and 2022, June 30, 2023 and [July 31], 2023, we had financial liabilities at fair value through profit or loss of US\$1,812.9 million, US\$10,487.3 million, US\$7,765.1 million, US\$8,261.0 million and US\$[8,261.0] million, respectively. See Note 29A to the Accountant’s Report in Appendix I to this document for the key assumptions in determining the fair value of the preferred shares.

No Other Outstanding Indebtedness

Save as disclosed in this “– Indebtedness” in this section, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities or any covenant in connection therewith as of April 30, 2023, being the indebtedness statement date.

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LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets/(Liabilities)

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of June 30,	As of [July 31],
	2020	2021	2022	2023	2023
	(in US\$ thousands)				
Current assets					
Inventories	15,954	29,359	29,120	21,956	[23,056]
Trade receivables	180,760	334,876	513,954	622,560	[647,820]
Prepayments, other receivables and other assets	745,363	882,190	703,010	801,815	[816,118]
Financial assets at fair value through profit or loss	71,324	41,581	16,440	9,493	[11,924]
Restricted cash	928	125,970	79,725	96,301	[95,810]
Cash and cash equivalents.	600,425	2,102,448	1,504,048	1,195,264	[1,214,793]
Total current assets	1,614,754	3,516,424	2,846,297	2,747,389	[2,809,521]
Current liabilities					
Trade payables	225,452	577,065	484,215	471,666	[465,119]
Advances from customers .	137,224	291,362	209,925	241,441	[254,047]
Accruals and other payables	304,362	915,352	776,378	829,146	[929,794]
Lease liabilities	63,639	207,490	151,195	196,583	[181,087]
Current income tax liabilities	9,200	20,756	32,434	20,152	[35,503]
Borrowings	407,143	59,965	77,480	151,563	[107,112]
Financial liabilities at fair value through profit or loss	-	-	-	10,016	[10,016]
Financial liabilities – ordinary share redemption liabilities . .	-	133,749	-	-	[-]
Total current liabilities . .	1,147,020	2,205,739	1,731,617	1,920,567	[1,920,567]
Net current assets	467,734	1,310,685	1,114,680	826,822	[888,954]

Our net current assets [increased] from US\$826.8 million as of June 30, 2023 to US\$[889.0] million as of [July 31], 2023, primarily due to (i) an increase of US\$[25.3] million in trade receivables, (ii) an increase of US\$[19.5] million in cash and cash equivalent, and (iii) a decrease of US\$[44.5] million in borrowings.

Our net current assets decreased from US\$1,114.7 million as of December 31, 2022 to US\$826.8 million as of June 30, 2023, primarily due to (i) a decrease of US\$308.8 million in cash and cash equivalent, and (ii) an increase in current liabilities driven by increases in borrowings, accruals and other payables and lease liabilities.

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Our net current assets decreased from US\$1,310.7 million as of December 31, 2021 to US\$1,114.7 million as of December 31, 2022, primarily due to (i) a decrease of US\$598.4 million in cash and cash equivalents, and (ii) a decrease of US\$179.2 million in prepayments, other receivables and other assets.

Our net current assets increased from US\$467.7 million as of December 31, 2020 to US\$1,310.7 million as of December 31, 2021, primarily due to (i) an increase of US\$136.8 million in prepayments, other receivables and other assets, (ii) an increase of US\$154.1 million in trade receivables as our business grew and (iii) an increase of US\$1,502.0 million in cash and cash equivalents. The increases were partially offset by (i) an increase of US\$611.0 million in accruals and other payables because we increased our purchases in line with our expansion and (ii) an increase of US\$351.6 million in trade payables.

We have historically met our working capital and other capital requirements primarily through capital contributions from shareholders, cash generated from the issuance of convertible preferred shares and cash generated from our operating activities. We had cash and cash equivalents of US\$600.4 million, US\$2,102.4 million, US\$1,504.0 million, US\$1,195.3 million and US\$[1,214.8] million as of December 31, 2020, 2021 and 2022, June 30, 2023 and [July 31], 2023, respectively.

We believe that our liquidity requirements will be satisfied by a combination of cash generated from operating activities, the net [REDACTED] received from the [REDACTED], and other funds raised from the capital markets from time to time. We currently do not have any plans for material additional external financing.

Cash Flow

The following table sets forth a summary of our cash flows for the periods indicated:

	<u>Year ended December 31,</u>			<u>Six months ended June 30,</u>	
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>	<u>2023</u>
	(in US\$ thousands)				
	(Unaudited)				
Net cash (used in)/generated from operating activities.	(154,700)	(967,174)	(519,817)	(350,120)	2,797
Including:					
Operating cash flows before movements in working capital	(357,995)	(617,656)	(243,356)	(115,949)	80,505
Interest received.	3,170	9,319	25,224	7,066	11,405
Income tax paid.	(40,391)	(76,133)	(74,232)	(36,456)	(58,516)
Net cash used in investing activities	(635,086)	(1,001,006)	(859,757)	(551,475)	(366,038)
Net cash from financing activities	1,285,166	3,469,507	881,328	1,000,146	64,171
Net (decrease)/increase in cash and cash equivalents	495,380	1,501,327	(498,246)	98,551	(299,070)
Cash and cash equivalents at the beginning of the year/period . .	97,173	600,425	2,102,448	2,102,448	1,504,048
Effects of foreign exchange rate changes on cash and cash equivalents	7,872	696	(100,154)	(67,768)	(9,714)
Cash and cash equivalents at the end of the year/period. . .	<u>600,425</u>	<u>2,102,448</u>	<u>1,504,048</u>	<u>2,133,231</u>	<u>1,195,264</u>

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Working capital sufficiency

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, our available financing facilities and the estimated net [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present requirements and for at least the next 12 months from the date of this document.

Taking into account the working capital management policies adopted by us, and the due diligence work conducted by the Joint Sponsors including but not limited to (i) reviewing the Accountant’s Report as set out in Appendix I to the [REDACTED], (ii) the financial due diligence conducted on our historical financial information during the Track Record Period and discussions with management on its working capital projections, and (iii) written confirmation provided by us in respect of working capital sufficiency, nothing material has come to the attention of the Joint Sponsors that would cast doubt on our conclusion that we have sufficient working capital to meet its present needs, that is for at least the next 12 months from the date of this document.

Net cash used in operating activities

We have demonstrated our capacity to improve our net operating cash inflow, and we expect to further enhance our operating cash flow through improving our profitability in China and the New Markets as well as cross-border business, as our parcel volume continues to grow across the regions and we continue to improve our cost efficiency through economies of scale.

For the six months ended June 30, 2023, our net cash generated from operating activities was US\$2.8 million, which was primarily attributable to our loss before income tax of US\$660.2 million, adjusted by adding back non-cash items including (i) share-based compensation of US\$1,428.2 million, and (ii) depreciation of right-of-use assets and depreciation of property, plant and equipment of US\$134.0 million and US\$104.4 million, respectively, incurred in relation to the optimization of operation and adjustment of network, partially offset by items including fair value change of financial assets and liabilities at fair value through profit or loss of US\$1,020.8 million. The amount was further adjusted by changes in working capital, which primarily comprised of (i) an increase in trade receivables of US\$95.1 million, and (ii) placement of restricted cash of US\$16.0 million, offset by (i) a decrease in prepayments, other receivables, and other assets of US\$86.1 million and (ii) a decrease in accruals and other payables of US\$29.3 million.

In 2022, our net cash used in operating activities was US\$519.8 million, which was primarily attributable to our profit before income tax of US\$1,583.3 million in 2022, adjusted by adding back non-cash items including (i) share-based compensation of US\$346.6 million, (ii) depreciation of right-of-use assets and depreciation of property, plant and equipment of US\$257.2 million and US\$227.9 million, respectively, incurred in relation to the optimization of operation and adjustment of network, (iii) impairment losses on long-term assets of US\$219.1 million, (iv) fair value change of financial assets and liabilities at fair value through profits or loss of US\$3,050.7 million, (v) net loss on disposal of property, plant and equipment of US\$1.9 million, and (vi) impairment losses on financial assets of US\$37.2 million, partially offset by items including finance cost of US\$99.5 million and foreign exchange losses of US\$17.3 million. The amount was further adjusted by changes in working capital, which primarily comprised of (i) an increase in trade receivables of US\$191.1 million, (ii) a decrease in trade payables of US\$84.7 million, (iii) a decrease in advances from customers of US\$73.6 million, and (iv) an increase in prepayments, other receivables, and other assets of US\$42.2 million, offset by (i) an increase in accruals and other payables of US\$118.2 million, and (ii) return of restricted cash of US\$45.8 million.

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In 2021, our net cash used in operating activities was US\$967.2 million, which was primarily attributable to our loss before income tax of US\$6,119.1 million in 2021, adjusted by adding back non-cash items including (i) fair value changes on convertible preferred shares of US\$4,383.5 million, (ii) share-based compensation of US\$619.0 million driven by the increase in the number of employees to support the our global expansion, (iii) depreciation of right-of-use assets of US\$113.9 million, (iv) depreciation of property, plant and equipment of US\$104.4 million, and (v) impairment losses on long-term assets of US\$250.3 million, partially offset by items including other income of US\$82.5 million and foreign exchange gain of US\$19.9 million. The amount was further adjusted by changes in working capital, which primarily comprised (i) a decrease in trade payables of US\$305.4 million, (ii) an increase in prepayments, other receivables and other assets of US\$105.5 million, (iii) an increase in inventories of US\$8.6 million, and (iv) an increase in trade receivables of US\$4.3 million, offset by (i) an increase in accruals and other payables of US\$128.3 million, and (ii) an increase in advances from customers of US\$62.8 million.

In 2020, our net cash used in operating activities was US\$154.7 million, reflecting our loss before income tax of US\$618.6 million, adjusted by non-cash items including (i) share-based compensation of US\$188.3 million driven by the increase in the number of employees to support the our global expansion, (ii) depreciation of right-of-use assets of US\$56.0 million, and (iii) depreciation of property, plant and equipment of US\$39.3 million, offset by the foreign exchange gains of US\$29.4 million. The amount was further adjusted by changes in working capital, which primarily comprised (i) an increase in prepayments, other receivables and other assets of US\$203.9 million, (ii) an increase in trade receivables of US\$128.1 million, and (iii) an increase in inventories of US\$9.9 million, offset by (i) an increase in accruals and other payables of US\$324.1 million, (ii) an increase in trade payables of US\$189.5 million, and (iii) an increase in advances from customers of US\$68.8 million.

Net cash used in investing activities

For the six months ended June 30, 2023, our net cash used in investing activities was US\$366.0 million, which was primarily attributable to (i) purchase of financial assets at fair value through profit or loss of US\$80.3 million, (ii) loans to third parties of US\$36.5 million, (iii) purchase of property, plant and equipment of US\$249.5 million, and (iv) net payment for acquisitions of US\$62.0 million, partially offset by (i) redemption of financial assets at fair value through profit or loss of US\$29.3 million and (ii) proceeds from disposal of property, plant and equipment of US\$28.9 million.

In 2022, our net cash used in investing activities was US\$859.8 million, which was primarily attributable to (i) purchase of financial assets at fair value through profit or loss of US\$998.4 million, (ii) loans to a related party of US\$320.0 million, which was subsequently repaid within the year, (iii) purchase of property, plant and equipment of US\$573.2 million, and (iv) loans to third parties of US\$38.4 million, partially offset by (i) collection of loans to related parties and interests received of US\$516.0 million, (ii) redemption of financial assets at fair value through profit or loss of US\$507.4 million, and (iii) proceeds from disposal of property, plant and equipment of US\$32.0 million.

In 2021, our net cash used in investing activities was US\$1,001.0 million, which was primarily attributable to (i) purchase of financial assets at fair value through profit or loss of US\$1,149.1 million, (ii) net payment for acquisitions including the acquisition of BEST Express China of US\$608.7 million, (iii) purchase of property, plant and equipment of US\$513.7 million, (iv)

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loans to third parties of US\$272.4 million, and (v) loans to related parties of US\$128.2 million, partially offset by (i) redemption of financial assets at fair value through profit or loss of US\$1,184.4 million, and (ii) repayment of loans by third parties and interest received of US\$465.7 million.

In 2020, our net cash used in investing activities were US\$635.1 million, which was primarily attributable to (i) purchase of financial assets at fair value through profit or loss of US\$306.8 million, (ii) loans to third parties of US\$628.5 million, and (iii) purchase of property, plant and equipment of US\$257.7 million, partially offset by (i) the repayment of loans by third parties of US\$376.5 million, and (ii) redemption of financial assets at fair value through profit or loss of US\$243.4 million.

Net cash from financing activities

For the six months ended June 30, 2023, our net cash generated from financing activities was US\$64.2 million, which was primarily attributable to (i) proceeds from borrowings of US\$131.1 million and (ii) net proceeds from issuance of preferred shares of US\$200.0 million, offset by (i) principal elements of lease payments of US\$168.4 million, (ii) repayment of borrowings of US\$64.2 million, (iii) interest payment for borrowings of US\$33.3 million, and (iv) interest payment of lease payment of US\$19.0 million.

In 2022, our net cash generated from financing activities was US\$881.3 million, which was primarily attributable to (i) proceeds from borrowing of US\$1,099.3 million, (ii) net proceeds from issuance of preferred shares of US\$219.0 million, and (iii) net proceeds from issuance of shares to network partners of US\$44.6 million, offset by (i) principal elements of lease payments of US\$262.7 million, (ii) repayment of borrowings of US\$105.7 million, (iii) interest payment for borrowings of US\$38.8 million, (iv) interest payment of lease payment of US\$37.3 million, and (v) dividends payments of US\$28.6 million.

In 2021, our net cash generated from financing activities was US\$3,469.5 million, which was primarily attributable to (i) net proceeds from the issuance of preferred shares of US\$3,966.1 million, and (ii) proceeds from borrowing of US\$215.2 million, partially offset by (i) repayment of borrowings of US\$610.2 million, (ii) dividends paid of US\$120.8 million, and (iii) payment of principals of leases of US\$101.7 million.

In 2020, our net cash generated from financing activities was US\$1,285.2 million, primarily attributable to (i) net proceeds from the issuance of ordinary shares and convertible preferred shares of US\$977.2 million, and (ii) proceeds from borrowings of US\$400.9 million, partially offset by repayment of borrowings of US\$137.8 million.

CAPITAL EXPENDITURES

Our capital expenditures consist of our investment in property, plant and equipment, intangible asset and right of use assets. Our total capital expenditures in 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023 amounted to US\$263.0 million, US\$520.2 million, US\$580.7 million, US\$249.1 million and US\$250.6 million, respectively.

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The following table sets forth our capital expenditures for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	(in US\$ thousands)				
	(Unaudited)				
Purchase of property, plant and equipment	257,742	513,675	573,226	246,601	249,471
Purchases of investment properties	1,678	513	–	–	–
Purchases of intangible assets	3,570	6,036	7,451	2,464	1,146
Total	262,990	520,224	580,677	249,065	250,617

Other than certain expenses in relating to long-term assets we acquired pursuant to the acquisition of BEST Express China, our capital expenditures from 2020 to 2022 are primarily related to the expansion of our network and investment in our equipment and facilities. Our capital expenditures were primarily funded by our cash and cash equivalents and cash flows from our operating activities and financing activities, including the issuance of convertible preferred shares.

We plan to fund our planned capital expenditures with (i) our existing cash and cash equivalents; (ii) cash flow generated from our operating activities; (iii) [REDACTED] from the [REDACTED]; and (iv) other sources of external financings. For more details, see “Business – Our Strategies” and “Future Plans and Use of [REDACTED].” We will continue to make capital expenditures to support the growth of our business. We may reallocate the fund to be utilized on capital expenditure based on our ongoing business needs.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Our commitments primarily comprise capital commitments and operating lease commitments.

Capital Commitments

Our capital commitments during the Track Record Period were primarily relating to our investment in equipment, facilities significant capital expenditures contracted for at the end of the reporting period but not recognized as liabilities as of the dates indicated:

	As of December 31,			As of June 30,
	2020	2021	2022	2023
	(in US\$ thousands)			
Right-of-use asset – land in the PRC	–	22,052	11,659	11,238

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Short-term Lease Commitments

We lease certain warehouses and vehicles under non-cancellable short-term lease agreements. The lease terms are less than one year. We record all leases with contract terms of over one year under lease liabilities and right-of-use assets.

The following table sets forth our future aggregate minimum lease payments under non-cancellable operating leases as of the dates indicated:

	As of December 31,			As of
	2020	2021	2022	June 30, 2023
	(in US\$ thousands)			
Within one year	9,675	22,575	41,733	20,285

RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subjected to common control. Members of our key management and their close family members are also considered as related parties. During the Track Record Period, we entered into transactions with our related parties from time to time. As of June 30, 2023, our outstanding trade receivables and trade payables were trade in nature, while our other receivables and other payables were non-trade in nature. We expect to settle the remaining outstanding non-trade balance with related parties prior to the [REDACTED]. For a detailed discussion of related party transactions during the Track Record Period, see Note 39 to the Accountant’s Report in Appendix I to this document.

Our Directors believe that the related party transactions were carried out on an arm’s length basis and will not distort our results during the Track Record Period or make such results not reflective of our future performance.

CONTINGENT LIABILITIES

As of December 31, 2020, 2021 and 2022 and June 30, 2023, we did not have any material contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet commitments or arrangements.

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KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
Revenue growth (%)	357.7	216.0	49.8	N/A	18.5
Gross profit/(loss) margin (%) ⁽¹⁾ .	(17.0)	(11.2)	(3.7)	(1.9)	4.8

Notes:

(1) Gross margin represents gross profit/(loss) for the period divided by revenue for the period and multiplied by 100%.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

We are exposed to various types of financial risks, including market risk, foreign exchange risk, credit risk and liquidity risk.

Market Risk

Foreign exchange risk

Our subsidiaries and consolidated affiliated entities primarily operate in China, Indonesia, Vietnam, Malaysia, the Philippines, Thailand and other countries. Their transactions were generally settled in local currencies. Our foreign exchange risk primarily arises from recognized assets and liabilities in our subsidiaries and consolidated affiliated entities from those countries, when we receive foreign currencies from or pay foreign currencies to overseas business partners.

For Group entities whose functional currency is RMB, if RMB had strengthened or weakened by 5% against USD with all other variables held constant, our loss before income tax in 2020, 2021, and 2022 and for the six months ended June 30, 2023, would have been approximately US\$13,322,000 lower or higher, US\$351,000 lower or higher, US\$29,000 lower or higher and US\$1,206,000 higher or lower, respectively, as a result of net foreign exchange gains or losses on translation of net monetary assets or liabilities denominated in USD.

For Group entities whose functional currency is IDR, if IDR had strengthened or weakened by 5% against USD with all other variables held constant, our loss before income tax in 2020, 2021 and 2022 and for the six months ended June 30, 2023 would have been approximately US\$6,219,000 higher or lower, US\$8,639,000 higher or lower, US\$1,000 lower or higher and US\$26,000 higher or lower, respectively, as a result of net foreign exchange gains or losses on translation of net monetary assets/liabilities denominated in USD.

For Group entities whose functional currency is THB, if THB had strengthened or weakened by 5% against USD with all other variables held constant, our loss before income tax in 2020, 2021 and 2022 and for the six months ended June 30, 2023 would have been approximately US\$5,915,000 lower or higher, US\$13,217,000 lower or higher, US\$2,000 higher or lower and US\$19,000 lower or higher, respectively, as a result of net foreign exchange gains or losses on translation of net monetary assets or liabilities denominated in USD.

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For Group entities whose functional currency is VND, if VND had strengthened or weakened by 5% against USD with all other variables held constant, our loss before income tax in 2020 and 2021 and for the six months ended June 30, 2023 would have been approximately US\$6,231,000 lower or higher, US\$8,894,000 lower or higher and US\$398,000 lower or higher, respectively, as a result of net foreign exchange gains or losses on translation of net monetary assets or liabilities denominated in USD. Impact for year 2022 would have been minimal. See “Risk Factors – Risks Related to Our Business and Industry – Fluctuations in exchange rates could adversely affect our financial condition, results of operations and cash flows.”

Interest rate risk

Interest rate risk primarily arises from borrowings, loans to third parties, and cash and cash equivalents. Those carried at floating rates expose us to cash flow interest rate risk whereas those carried at fixed rates expose us to fair value interest rate risk. We regularly monitor our interest rate risk to ensure there is no undue exposure to significant interest rate movements. We had limited cash flow interest rate risk as of December 31, 2020, 2021 and 2022, as substantially all the borrowings and loans to third parties were carried at fixed interest rates.

Credit Risk

Credit risk arises from cash and cash equivalents, trade receivables, contract assets, restricted cash and financial assets measured at fair value through profit or loss or included in other receivables and other assets.

We manage risk arising from cash and cash equivalents, restricted cash and financial assets measured at fair value through profit or loss by only conducting transacts with state-owned or reputable financial institutions, which have no recent history of default.

We manage risk arising from trade receivables, contract assets and financial assets included in other receivables and other assets by only conducting transactions only with recognized and creditworthy third parties, or with other customers who passed our creditability assessment. We require all customers who wish to trade on credit terms or carry out other transactions to be subject to certain creditability assessments.

Liquidity Risk

We intend to maintain sufficient cash and cash equivalents. Due to the dynamic nature of our underlying businesses, we regularly monitor our liquidity risk and maintain adequate cash and cash equivalents, short-term and long-term time deposits and investments in wealth management products or adjust financial arrangements to meet our liquidity requirements.

See Note 3.1(c) to the Accountant’s Report in Appendix I to this document for the liquidity risk to which we are exposed.

WORKING CAPITAL CONFIRMATION

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, our available financing facilities and the estimated net [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present requirements and for at least the next twelve months from the date of this document. Our Directors confirm that we had no material defaults in payment of trade and non-trade payables during the Track Record Period.

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DIVIDEND

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries.

In August, 2021, the board of directors declared a cash dividend of US\$12.0 cent per share, to be paid to shareholders, including holders of preferred shares, of record as of the close of business on August 31, 2021. Such dividend was fully settled by cash in November 2021. For more details, see Note 43 to the Accountant’s Report in Appendix I to this document. We do not have any dividend policy and have no present plan to pay any dividends to our shareholders in the foreseeable future. However, we may distribute dividends in the future by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the approval of the Board and will be at their discretion. As advised by our legal adviser on the laws of the Cayman Islands, Harney Westwood & Riegels, a position of accumulated losses does not necessarily restrict us from declaring and paying dividends to our shareholders out of either our profit or our share premium account, provided this would not result in us being unable to pay its debts as they fall due in the ordinary course of business.

[REDACTED] EXPENSES

Based on the mid-point [REDACTED] of [REDACTED], the total estimated [REDACTED] expenses in relation to the [REDACTED] is approximately HK\$[REDACTED] million, assuming the [REDACTED] is not exercised and the Reclassification, Redesignation and Share Subdivision are completed. The total estimated [REDACTED] expenses will represent approximately [REDACTED]% of the total gross [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] billion assuming that [REDACTED] is not exercised. US\$[REDACTED] million of the [REDACTED] expenses was charged to our consolidated income statement for the six months ended June 30, 2023. We estimate that the [REDACTED] expenses for the year of 2023 in the amount of US\$[REDACTED] million will be charged to our consolidated income statement for the year ending December 31, 2023. The balance of approximately US\$[REDACTED] million, which mainly includes [REDACTED] commission, is expected to be accounted for as a deduction from equity upon the completion of the [REDACTED]. These [REDACTED] expenses mainly comprise professional fees paid and payable to the professional parties for their services rendered in relation to the [REDACTED] and the [REDACTED] and the [REDACTED] commission and incentive fee payable to the [REDACTED] in connection with the [REDACTED] of [REDACTED] under the [REDACTED].

The table below sets forth the breakdown of our [REDACTED] expenses.

[REDACTED] expenses (including commissions and fees)	HK\$[REDACTED] million
[REDACTED] expenses	HK\$[REDACTED] million
– fees and expenses of legal advisors and accountants	HK\$[REDACTED] million
– other fees and expenses	HK\$[REDACTED] million
Total	HK\$[REDACTED] million

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[REDACTED]

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there were no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position since June 30, 2023, being the end date of the periods reported in the Accountant’s Report in Appendix I to this document, and there has been no event since June 30, 2023 that would materially affect the information as set forth in the Accountant’s Report in Appendix I to this document.

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

See “Business – Our Strategies” for a detailed description of our future plans.

USE OF [REDACTED]

After deducting the [REDACTED] fees, commissions and estimated expenses payable by us in relation to the [REDACTED], we estimate that we will receive net [REDACTED] of:

- approximately HK\$[REDACTED] million from the [REDACTED], assuming the [REDACTED] is determined to be [REDACTED] per [REDACTED], being the high-end of the indicative [REDACTED] stated in this document;
- approximately HK\$[REDACTED] million, assuming the [REDACTED] is determined to be [REDACTED] per [REDACTED], being the low-end of the indicative [REDACTED] stated in this document; or
- approximately HK\$[REDACTED] million, assuming the [REDACTED] is determined to be [REDACTED] per [REDACTED], being the mid-point of indicative [REDACTED] stated in this document.

Assuming an [REDACTED] at the mid-point of the indicative [REDACTED], we intend to use the net [REDACTED] from the [REDACTED] for the following purposes and in the amounts set out below, subject to changes in light of our evolving business needs and changing market conditions:

- **approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to expand our logistics networks, improve our infrastructure, and strengthen our sorting and warehouse capacity and capabilities in Southeast Asia and other existing markets, including:**
 - o For machinery and equipment upgrade: We plan to increase the number of our automated sorting machines and equipment, upgrade our hardware and software with data analytics and AI-enabled intelligent decision making capability at our sorting centers, to optimize delivery routes and timing and deliver greater estimated delivery accuracy with real-time visibility, reducing human error and labor costs per parcel thereby increasing efficiency and optimizing capacity. We will continue to invest in establishing six new customized integrated logistics centers and upgrading of our existing sorting centers in China and selected Southeast Asian countries including the Philippines and Malaysia. We plan to equip our sorting centers with advanced sorting and loading machines and automation equipment and technologies, to achieve efficient multi-equipment collaborative operation and fully automated operation. In the following 12 to 36 months, we plan to set up around 200 sets of cross-belt sorters with necessary associated equipments such as belt conveyors in China, and around 60 sets of cross-belt sorters with appropriate numbers of conveyor lines in Southeast Asia;
 - o For line-haul network: We plan to further strengthen our line-haul network through acquiring additional transportation vehicles to expand self-owned fleet, adding additional line-haul routes and peak network capacity. We plan to invest in acquiring and upgrading self-owned high-capacity line haul vehicles in China from 2024 to 2027. Specifically, we plan to acquire a total of approximately 2,000 vehicles in China, including 9.6-meter-length trucks and 16.5-meter-length longer heavier

FUTURE PLANS AND USE OF [REDACTED]

vehicles. We also plan to focus on expanding and upgrading our vehicles in Southeast Asian countries including Indonesia, Thailand, Malaysia and Vietnam. Specifically, we plan to acquire (i) a total of over 700 vehicles in Indonesia, (ii) a total of over 400 vehicles in Thailand, (iii) over 100 vehicles in Malaysia and (iv) more than 300 vehicles in Vietnam. We will invest in different models of vehicles that cater to local demand and operating environment in each market. To enhance our line-haul transportation efficiency, we will also enhance our line-haul capacities by selectively engaging transportation service providers with efficient and premium services; and

- o For sorting center and warehouse network expansion: We plan to strategically acquire land use rights or properties, and enter into lease agreements in certain areas or locations to expand our sorting center and warehouse network. We have acquired lands with total area of approximately 104,391 square meters and 91,336 square meters in Malaysia and the Philippines, respectively, for construction of new customized logistics centers in light of the estimated growth of parcel volume in these countries in the near future. While most of our sorting centers are located on leased lands or in leased, properties significant investments are required for the construction of facilities, customization of leased properties and installation of logistics equipment. We plan to use the [REDACTED] from the [REDACTED] for the investments and construction of our customized integrated logistics centers in China, the Philippines and Malaysia to include a suite of logistics functions as comprehensive distribution centers and warehouses that offer additional value-added services to customers and enable us to expand our service offerings solutions. Currently in China, we are constructing an integrated logistics center covering a floor area of over 190,000 square meters in Yangzhou, Jiangsu Province, and an integrated logistics center covering a floor area of approximately 209,242 square meters in Guangzhou, Guangdong Province. We intend to build three integrated logistics centers in the Philippines and one integrated logistics center in Malaysia, the construction period of which is now planned for 2024 and 2025. We expect these integrated logistics centers, upon completion of construction and commencement of operation, to significantly increase our sorting capacity in our existing markets, shorten distance from sorting centers to outlets and our network partners, lower cost for us and our network partners, and improve our capabilities to serve a more extensive network.
- **approximately [REDACTED]%, or HK\$[REDACTED] million, will be used to expand in new markets and diverse our service offering, including:**
 - o New Markets and geographical service coverage expansion: We plan to replicate our success in other carefully selected markets including the New Markets that we just entered into in 2022. We plan to further invest in infrastructure such as sorting centers, line-haul transportation, facilities and equipment in these markets. We intend to further invest in building pickup and delivery outlets and capabilities. We will also explore cooperation with network partners in these areas to acquire the capability of last-mile pickup and first-mile delivery capacities. To achieve these goals and capitalize on growth potential in these markets, we expect to invest in recruitment of dedicated local teams and personnel, lease of offices and facilities, pre-stage market surveys, as well as advertising to grow our customer base and brand awareness;

FUTURE PLANS AND USE OF [REDACTED]

- o New service offerings: We plan to invest in the expansion and development of our business primarily on an organic basis, including expanding our services offerings in warehousing, transportation, supply chain solutions, etc. We may also consider selective investment and acquisition opportunities strategically across the logistics value chain. For a potential acquisition or investment, we will consider various criteria, including (i) the target’s existing logistics infrastructure and network and if it is complementary to our geographical coverage, (ii) the target’s service capabilities and quality, (iii) the target’s existing customer base, operating history and reputation, (iv) potential synergies with our business and (v) the target’s financial performance. According to Frost & Sullivan, in 2022, there were around several thousands of players in Africa, Latin America and Middle East. In 2022, the penetration rate of the e-commerce market in Africa, Latin America and Middle East is around 5%, 11% and 11%, respectively, and is expected to increase to around 16%, 23% and 26%, respectively, in 2027. Based on the aforementioned information as advised by Frost & Sullivan, our knowledge, experience and expertise, our Directors are of the view that we will be able to identify suitable investment or acquisition targets in the market that meet the criteria. We might acquire majority or minority interests in the targets, depending on our commercial needs. As of the Latest Practicable Date, we had not identified or committed to any investment or acquisition targets for our use of net [REDACTED] from the [REDACTED]; and
- o Investment in cross-border services: To leverage our well-developed domestic logistics network in Southeast Asia and other existing markets and better service our customers and e-commerce platforms, we plan to make select investment in the cross-border industry, including but not limited to enhancing our cross-border network by increasing the number of warehouses and deepening business relationship with logistics service providers.
- **approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for research and development and technology innovations, including:**
 - o IT system and infrastructure: We believe that with a strengthened IT system and the resulting highly efficient operations, we are able to enhance the efficiency and connectivity of our logistics network and cater to the evolving needs of the market. We aim to continuously invest in developing and upgrading our IT infrastructure and equipment. We plan to further invest in build and upgrade our technology equipment for (i) intelligent and automated weighing, sorting, handling and labeling, (ii) real-time display of key indicators of orders and parcel delivery in a centralized system connecting our sorting centers, outlets and back office for management purpose, (iii) providing data analysis support for our network partners’ daily management and service quality improvement, and (iv) building up of a global online settlement platform for key account customers. In addition, we plan to continually develop our cloud infrastructure and system and develop our proprietary JMS system to cater to our globalized operations, including adding more customized modules and functions tailored for different markets and service offerings, for more effective deployment of the system in new markets we enter into or for new service offering we launch in the future. We also intend to further develop our integrated technology platform and enhance functionalities across data management, network management, service quality management, customer relationship management, transportation management, and device and materials management, among others. We will develop more applications and APIs to further improve customer experience and enhance our operational efficiency;

FUTURE PLANS AND USE OF [REDACTED]

- o Automated sorting: We plan to further develop our automated sorting system and enhance the connectivity of equipment across sorting centers. We intend to deploy more AI technologies in our system to increase traceability of the parcels and improve the accuracy and speed for parcel sortation, in order to further increase capacity and reliability of our sorting centers and optimize the overall delivery process;
 - o AI and data analytics: We plan to further unify the data scattered across our daily operations through our data management platform and develop more advanced machine learning and deep learning algorithms. We intend to further improve our data analytics capabilities based on advanced machine learning in order to coordinate logistics resources in real time, perform more accurate forecasting of delivery demands, and optimize delivery routes and allocation of parcels across our logistics network; we also intend to invest in cloud such as Internet of Things (IoT), Natural Language Processing (NLP), and computer vision, among others, to employ AI across our business operations to improve our efficiency and enhance end customer experience; and
 - o R&D and IT investment: We plan to invest in our R&D team and in partnership with other institutions globally for enhanced technology capabilities, R&D and technology innovations endeavors. We will enhance and strength our talent pool by incentivizing and retaining our R&D personnel, as well as attracting top experts, senior engineers and specialized talents in areas such as AI, data analysis, algorithm, and technology infrastructure. We expect to recruit approximately 270 R&D talents and 70 management personnel in the next three years. We will also invest in the training of our employees to improve their skills and provide them with technical support in order to strengthen our service capabilities.
- **approximately [REDACTED]%, or HK\$[REDACTED], will be used for general corporate purposes and working capital needs.**

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

If the [REDACTED] is exercised in full, the net [REDACTED] that we will receive will be (i) approximately HK\$[REDACTED] million, assuming an [REDACTED] of [REDACTED] per [REDACTED] (being the high-end of the indicative [REDACTED]); (ii) approximately HK\$[REDACTED] million, assuming an [REDACTED] of [REDACTED] per Share (being the low-end of the indicative [REDACTED]); and (iii) approximately HK\$[REDACTED] million, assuming an [REDACTED] of [REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED]). In the event that the [REDACTED] is exercised in full, we intent to apply the additional net [REDACTED] to the above purposes in the proportions stated above (as defined under the Securities and Futures Ordinance) or applicable laws in the relevant jurisdictions for non-Hong Kong based deposits.

To the extent that the net [REDACTED] of the [REDACTED] are not immediately required for the above purposes or if we are unable to put into effect any part of our plan as intended, to the extent permitted by applicable law and regulations and so long as it is deemed to be in our best interests, we will hold such funds in short-term interest-bearing accounts at authorized licensed banks or financial institutions.

We will issue announcements, where required, if there is any material change in the use of [REDACTED] mentioned above.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

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STRUCTURE OF THE [REDACTED]

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STRUCTURE OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

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[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

APPENDIX I

ACCOUNTANT’S REPORT

The following is the text of a report set out on pages I-1 to I-[3], received from the Company’s reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200, Accountants’ Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[DRAFT]

[To insert the firm’s letterhead]

ACCOUNTANT’S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF J&T GLOBAL EXPRESS LIMITED AND MORGAN STANLEY ASIA LIMITED, MERRILL LYNCH (ASIA PACIFIC) LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of J&T Global Express Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages [I-4 to [I-154], which comprises the consolidated balance sheets as at December 31, 2020, 2021 and 2022 and June 30, 2023, the company balance sheets as at December 31, 2020, 2021 and 2022 and June 30, 2023, and the consolidated income statements, the consolidated statements of comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 (the “Track Record Period”) and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages [I-4] to [I-154] forms an integral part of this report, which has been prepared for inclusion in the [REDACTED] of the Company dated [Date] (the “[REDACTED]”) in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant’s responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants’ Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

APPENDIX I

ACCOUNTANT'S REPORT

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2020, 2021 and 2022 and June 30, 2023 and the consolidated financial position of the Group as at December 31, 2020, 2021 and 2022 and June 30, 2023 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated income statement, the consolidated statement of comprehensive loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended June 30, 2022 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board ("IAASB"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

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ACCOUNTANT'S REPORT

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-4] have been made.

Dividends

We refer to note 43 to the Historical Financial Information which states that contains information about the dividends paid by J&T Global Express Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong
[Date]

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant’s report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing (“ISAs”) issued by the International Auditing and Assurance Standards Board (“Underlying Financial Statements”).

The Historical Financial Information is presented in United States Dollars (“USD”) and all amounts are rounded to the nearest thousand (USD’000) except when otherwise stated.

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ACCOUNTANT’S REPORT

CONSOLIDATED INCOME STATEMENTS

	Note	Year ended December 31,			Six months ended June 30,	
		2020	2021	2022	2022	2023
		USD’000	USD’000	USD’000	USD’000	USD’000
						(Unaudited)
Revenue	5	1,535,425	4,851,800	7,267,428	3,402,543	4,030,439
Cost of revenue	9	(1,796,913)	(5,396,544)	(7,537,666)	(3,468,602)	(3,836,899)
Gross (loss)/profit		(261,488)	(544,744)	(270,238)	(66,059)	193,540
Selling, general and administrative expenses	9	(365,869)	(1,129,024)	(1,095,528)	(526,328)	(1,767,875)
Research and development expenses	9	(14,129)	(41,031)	(44,483)	(20,912)	(18,874)
Net impairment losses on financial assets	11	(9,488)	(41,320)	(37,219)	(25,033)	(11,814)
Other income	6	17,056	82,542	98,149	48,080	12,228
Other gains/(losses) – net	7	27,474	26,370	(40,246)	(31,659)	(43,423)
Operating loss		(606,444)	(1,647,207)	(1,389,565)	(621,911)	(1,636,218)
Finance income	10	1,965	9,476	22,002	8,025	11,367
Finance costs	10	(13,831)	(99,077)	(99,499)	(44,647)	(56,002)
Finance costs – net		(11,866)	(89,601)	(77,497)	(36,622)	(44,635)
Fair value change of financial assets and liabilities at fair value through profit or loss	24, 29	–	(4,383,532)	3,050,694	2,028,151	1,020,747
Share of results of associates		(323)	1,208	(302)	(222)	(84)
(Loss)/Profit before income tax		(618,633)	(6,119,132)	1,583,330	1,369,396	(660,190)
Income tax (expense)/credit	12	(45,530)	(73,126)	(10,763)	2,876	(6,579)
(Loss)/profit for the year/period		<u>(664,163)</u>	<u>(6,192,258)</u>	<u>1,572,567</u>	<u>1,372,272</u>	<u>(666,769)</u>
Attributable to:						
Owners of the Company		(564,836)	(6,046,983)	1,656,168	1,413,479	(640,967)
Non-controlling interests		(99,327)	(145,275)	(83,601)	(41,207)	(25,802)
		<u>(664,163)</u>	<u>(6,192,258)</u>	<u>1,572,567</u>	<u>1,372,272</u>	<u>(666,769)</u>
Earnings/(loss) per share for loss attributable to owners of the Company:						
Basic (loss)/earnings per share (USD cent)	13	<u>(94.8)</u>	<u>(1,175.6)</u>	<u>274.0</u>	<u>235.2</u>	<u>(104.1)</u>
Diluted (loss)/earnings per share (USD cent)	13	<u>(94.8)</u>	<u>(1,175.6)</u>	<u>(117.4)</u>	<u>(45.0)</u>	<u>(110.8)</u>

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	<i>Note</i>	Year ended December 31,			Six months ended June 30,	
		2020	2021	2022	2022	2023
		USD’000	USD’000	USD’000	USD’000	USD’000
						<i>(Unaudited)</i>
(Loss)/profit for the year/period		(664,163)	(6,192,258)	1,572,567	1,372,272	(666,769)
Other comprehensive loss						
<i>Item that may be reclassified subsequently to profit or loss</i>						
Currency translation differences		(12,479)	(15,364)	(251,954)	(158,504)	(15,296)
<i>Item that may not be reclassified subsequently to profit or loss</i>						
Fair value changes of financial liabilities at fair value through profit or loss relating to the Group’s credit risk	27	–	(24,874)	9,875	9,182	5,233
Others		(352)	953	1,279	67	241
Other comprehensive loss for the year/period, net of tax		<u>(12,831)</u>	<u>(39,285)</u>	<u>(240,800)</u>	<u>(149,255)</u>	<u>(9,822)</u>
Total comprehensive (loss)/income for the year/period		<u>(676,994)</u>	<u>(6,231,543)</u>	<u>1,331,767</u>	<u>1,223,017</u>	<u>(676,591)</u>
Attributable to:						
Owners of the Company		(577,776)	(6,084,283)	1,419,781	1,268,295	(652,418)
Non-controlling interests		(99,218)	(147,260)	(88,014)	(45,278)	(24,173)
		<u>(676,994)</u>	<u>(6,231,543)</u>	<u>1,331,767</u>	<u>1,223,017</u>	<u>(676,591)</u>

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED BALANCE SHEETS

	Note	As at December 31,			As at
		2020	2021	2022	June 30,
		USD’000	USD’000	USD’000	2023
					USD’000
ASSETS					
Non-current assets					
Investment properties	14	53,065	718	507	314
Property, plant and equipment	15	303,032	1,107,564	1,052,884	1,102,229
Right-of-use assets	16	186,762	604,212	481,207	574,687
Intangible assets	17	6,014	1,129,194	963,569	981,970
Investments accounted for using the equity method		319	5,552	3,590	2,545
Deferred income tax assets	30	5,001	9,848	43,107	51,576
Other non-current assets	20	74,093	171,130	63,348	79,750
Financial assets at fair value through profit or loss	24	–	–	481,050	532,319
		<u>628,286</u>	<u>3,028,218</u>	<u>3,089,262</u>	<u>3,325,390</u>
Current assets					
Inventories		15,954	29,359	29,120	21,956
Trade receivables	21	180,760	334,876	513,954	622,560
Prepayments, other receivables, and other assets	22	745,363	882,190	703,010	801,815
Financial assets at fair value through profit or loss	24	71,324	41,581	16,440	9,493
Restricted cash	23	928	125,970	79,725	96,301
Cash and cash equivalents	23	600,425	2,102,448	1,504,048	1,195,264
		<u>1,614,754</u>	<u>3,516,424</u>	<u>2,846,297</u>	<u>2,747,389</u>
Total assets		<u><u>2,243,040</u></u>	<u><u>6,544,642</u></u>	<u><u>5,935,559</u></u>	<u><u>6,072,779</u></u>
EQUITY					
Equity attributable to owners of the Company					
Share capital	25	7	14	14	17
Share premium	25, 27	33,184	607,734	603,829	598,256
Other reserves	27	(166,468)	(525,822)	(434,108)	(243,798)
Accumulated losses		(625,953)	(6,672,936)	(5,016,768)	(5,657,735)
		<u>(759,230)</u>	<u>(6,591,010)</u>	<u>(4,847,033)</u>	<u>(5,303,260)</u>
Non-controlling interests		<u>(111,269)</u>	<u>(45,414)</u>	<u>(137,215)</u>	<u>(226,330)</u>
Total deficits		<u><u>(870,499)</u></u>	<u><u>(6,636,424)</u></u>	<u><u>(4,984,248)</u></u>	<u><u>(5,529,590)</u></u>

APPENDIX I

ACCOUNTANT’S REPORT

	Note	As at December 31,			As at
		2020	2021	2022	June 30,
		USD’000	USD’000	USD’000	2023
					USD’000
LIABILITIES					
Non-current liabilities					
Borrowings	28	36,917	29,062	1,020,897	1,010,871
Lease liabilities	16	111,378	391,232	341,471	359,559
Deferred tax liabilities	30	3,051	33,084	22,407	15,528
Employee benefit obligations		2,258	9,185	7,765	11,322
Financial liabilities – redemption liabilities of shares of JNT KSA	29	–	25,458	30,583	33,495
Financial liabilities at fair value through profit or loss	29	1,812,915	10,487,306	7,765,067	8,251,027
		<u>1,966,519</u>	<u>10,975,327</u>	<u>9,188,190</u>	<u>9,681,802</u>
Current liabilities					
Trade payables	31	225,452	577,065	484,215	471,666
Advances from customers	33	137,224	291,362	209,925	241,441
Accruals and other payables	32	304,362	915,352	776,378	829,146
Lease liabilities	16	63,639	207,490	151,195	196,583
Current income tax liabilities		9,200	20,756	32,424	20,152
Borrowings	28	407,143	59,965	77,480	151,563
Financial liabilities at fair value through profit or loss	29	–	–	–	10,016
Financial liabilities – ordinary share redemption liabilities	29	–	133,749	–	–
		<u>1,147,020</u>	<u>2,205,739</u>	<u>1,731,617</u>	<u>1,920,567</u>
Total liabilities		<u><u>3,113,539</u></u>	<u><u>13,181,066</u></u>	<u><u>10,919,807</u></u>	<u><u>11,602,369</u></u>
Total equity and liabilities		<u><u>2,243,040</u></u>	<u><u>6,544,642</u></u>	<u><u>5,935,559</u></u>	<u><u>6,072,779</u></u>

APPENDIX I

ACCOUNTANT’S REPORT

BALANCE SHEETS OF THE COMPANY

	Note	As at December 31,			As at
		2020	2021	2022	June 30,
		USD’000	USD’000	USD’000	2023
					USD’000
ASSETS					
Non-current assets					
Loans to subsidiaries	20	688,400	4,438,706	4,379,799	4,467,925
Financial assets at fair value through profit or loss – non current		–	–	481,050	532,319
Investments in subsidiaries	18	217,958	1,007,478	1,007,478	1,167,256
		<u>906,358</u>	<u>5,446,184</u>	<u>5,868,327</u>	<u>6,167,500</u>
Current assets					
Prepayments, other receivables, and other assets	22	466,110	226,460	307	307
Financial assets at fair value through profit or loss		50,007	–	–	–
Cash and cash equivalents	23	105,475	222,341	3,347	66,111
		<u>621,592</u>	<u>448,801</u>	<u>3,654</u>	<u>66,418</u>
Total assets		<u>1,527,950</u>	<u>5,894,985</u>	<u>5,871,981</u>	<u>6,233,918</u>
EQUITY					
Equity attributable to owners of the Company					
Share capital	25	7	14	14	17
Share premium	27	34,510	609,060	605,155	599,582
Other reserves	27	(154,539)	(1,566)	294,508	437,417
Accumulated losses		(164,943)	(5,209,717)	(2,246,756)	(2,487,155)
Total deficits		<u>(284,965)</u>	<u>(4,602,209)</u>	<u>(1,347,079)</u>	<u>(1,450,139)</u>
LIABILITIES					
Non-current liability					
Financial liabilities at fair value through profit or loss	29	1,812,915	10,201,544	7,212,933	7,681,637
		<u>1,812,915</u>	<u>10,201,544</u>	<u>7,212,933</u>	<u>7,681,637</u>
Current liabilities					
Accruals and other payables	32	–	161,901	6,127	2,420
Financial liabilities – ordinary share redemption liabilities	29	–	133,749	–	–
		<u>–</u>	<u>295,650</u>	<u>6,127</u>	<u>2,420</u>
Total liabilities		<u>1,812,915</u>	<u>10,497,194</u>	<u>7,219,060</u>	<u>7,684,057</u>
Total equity and liabilities		<u>1,527,950</u>	<u>5,894,985</u>	<u>5,871,981</u>	<u>6,233,918</u>

APPENDIX I

ACCOUNTANT’S REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company						
		Share capital	Share premium	Other reserves	Accumulated losses	Total	Non-controlling interests	
		USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	
							Total equity	USD'000
Balance as at January 1, 2020		4	216,628	(622)	(61,117)	154,893	(31,630)	123,263
Comprehensive loss		-	-	-	(564,836)	(564,836)	(99,327)	(664,163)
Loss for the year		-	-	-	-	-	-	-
Other comprehensive loss:								
Items that may be reclassified subsequently to profit or loss		-	-	(12,806)	-	(12,806)	327	(12,479)
Currency translation differences		-	-	(12,806)	-	(12,806)	327	(12,479)
Item that will not be reclassified subsequently to profit or loss		-	-	(134)	-	(134)	(218)	(352)
Others		-	-	(134)	-	(134)	(218)	(352)
Total comprehensive loss		-	-	(12,940)	(564,836)	(577,776)	(99,218)	(676,994)
Transactions with owners in their capacity as owner:								
Issuance of Series A Preferred Shares	25	3	1,186,630	-	-	1,186,633	-	1,186,633
Capital injection from non-controlling shareholders		-	-	-	-	-	21,729	21,729
Reclassification of Series Pre-A1 Preferred Shares, Series Pre-A2 Preferred Shares and Series A Preferred Shares to liability	25, 27, 29	-	(1,370,074)	(315,612)	-	(1,685,686)	-	(1,685,686)
Employee benefit expenses – Share-based compensation		-	-	161,073	-	161,073	-	161,073
expenses	26	-	-	1,633	-	1,633	(914)	719
Transaction with non-controlling interests	35	-	-	-	-	-	(1,236)	(1,236)
Others		-	-	-	-	-	-	-
Total transactions with owners in their capacity as owner		3	(183,444)	(152,906)	-	(336,347)	19,579	(316,768)
Balance as at December 31, 2020		7	33,184	(166,468)	(625,953)	(759,230)	(111,269)	(870,499)

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Note	Attributable to owners of the Company						
	Share capital	Share premium	Other reserves	Accumulated losses	Total	Non-controlling interests	Total equity
	USD’000	USD’000	USD’000	USD’000	USD’000	USD’000	USD’000
	7	33,184	(166,468)	(625,953)	(759,230)	(111,269)	(870,499)
Balance as at January 1, 2021							
Comprehensive loss							
Loss for the year	-	-	-	(6,046,983)	(6,046,983)	(145,275)	(6,192,258)
Other comprehensive loss:							
Items that may be reclassified subsequently to profit or loss	-	-	(12,973)	-	(12,973)	(2,391)	(15,364)
Currency translation differences	-	-	-	-	-	-	-
Item that will not be reclassified subsequently to profit or loss	-	-	(24,874)	-	(24,874)	-	(24,874)
Other comprehensive loss – resulted from change of credit risk of financial liabilities measured at fair value	-	-	547	-	547	406	953
Others	-	-	-	-	-	-	-
29							
	-	-	(37,300)	(6,046,983)	(6,084,283)	(147,260)	(6,231,543)
Total comprehensive loss							
Transactions with owners in their capacity as owner:							
Issuance of convertible preferred shares	4	-	(4)	-	-	-	-
Capital injection from non-controlling shareholders	-	(72,244)	-	-	(72,244)	1,141	1,141
Dividends	-	-	-	-	-	-	(72,244)
Dividends of subsidiaries	-	-	-	-	-	(494)	(494)
Employee benefit expenses – Share-based compensation expenses	26	-	370,037	-	370,038	12,556	382,594
Issuance of Class A Shares pursuant to transactions with non-controlling interests	35	332,528	(514,661)	-	(182,132)	172,731	(9,401)
Business acquisition of Thai and Indonesian operating entities of regional sponsors and others	36, 37	332,485	-	-	332,486	26,931	359,417
Disposal of subsidiaries	-	-	(604)	-	(604)	250	(354)
Repurchase of ordinary shares and convertible preferred shares	26, 29	(9,329)	(95,710)	-	(105,039)	-	(105,039)
Repurchase of ordinary shares – commitment	26, 29	(8,890)	(81,190)	-	(90,080)	-	(90,080)
Others	-	-	78	-	78	-	78
7							
Total transactions with owners in their capacity as owner							
Balance as at December 31, 2021	14	574,550	(322,054)	-	252,503	213,115	465,618
		607,734	(525,822)	(6,672,936)	(6,591,010)	(45,414)	(6,636,424)

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Note	Attributable to owners of the Company						
	Share capital USD'000	Share premium USD'000	Other reserves USD'000	Accumulated losses USD'000	Total USD'000	Non-controlling interests USD'000	Total equity USD'000
	14	607,734	(525,822)	(6,672,936)	(6,591,010)	(45,414)	(6,636,424)
	-	-	-	1,656,168	1,656,168	(83,601)	1,572,567
	-	-	(247,043)	-	(247,043)	(4,911)	(251,954)
	-	-	9,875	-	9,875	-	9,875
	-	-	781	-	781	498	1,279
	-	-	(236,387)	1,656,168	1,419,781	(88,014)	1,331,767
	-	-	-	-	-	520	520
	-	-	6,025	-	6,025	4,832	10,857
	-	-	-	-	-	(15,523)	(15,523)
	-	-	239,521	-	239,521	-	239,521
	-	(3,905)	(25,654)	-	(29,559)	-	(29,559)
	-	-	71,886	-	71,886	-	71,886
	-	-	36,323	-	36,323	6,384	42,707
	-	(3,905)	328,101	-	324,196	(3,787)	320,409
	14	603,829	(434,108)	(5,016,768)	(4,847,033)	(137,215)	(4,984,248)

Balance as at January 1, 2022

Comprehensive income

Profit/(Loss) for the year

Other comprehensive loss:

Items that may be reclassified subsequently to profit or loss

Currency translation differences

Item that will not be reclassified subsequently to profit or loss

Other comprehensive loss – resulted from change of credit risk

of financial liabilities measured at fair value

Others

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Total comprehensive income

Transactions with owners in their capacity as owner:

Capital injection from non-controlling shareholders

Equity interests transferred to management team of the cross-

border business

Dividends of subsidiaries

Employee benefit expenses – Share-based compensation

expenses

Repurchase of ordinary shares and convertible preferred shares

Issuance of ordinary shares pursuant to the 2022 Incentive Plan

Issuance of ordinary shares of the Company’s subsidiary

pursuant to the acquisition of the operating entity of

Brazilian regional sponsors

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Total transactions with owners in their capacity as owner

Balance as at December 31, 2022

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Attributable to owners of the Company							
	Share capital	Share premium	Other reserves	Accumulated losses	Total	Non-controlling interests	Total equity
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
	14	603,829	(434,108)	(5,016,768)	(4,847,033)	(137,215)	(4,984,248)
Balance as at January 1, 2023							
Comprehensive income							
Loss for the period	-	-	-	(640,967)	(640,967)	(25,802)	(666,769)
Other comprehensive loss:							
Items that may be reclassified subsequently to profit or loss	-	-	(16,873)	-	(16,873)	1,577	(15,296)
Currency translation differences	-	-	-	-	-	-	-
Item that will not be reclassified subsequently to profit or loss	-	-	5,233	-	5,233	-	5,233
Other comprehensive loss – resulted from change of credit risk of financial liabilities measured at fair value	-	-	189	-	189	52	241
Others	-	-	-	-	-	-	-
Total comprehensive income							
Transactions with owners in their capacity as owner:							
Capital injection from non-controlling shareholders	-	-	(11,451)	(640,967)	(652,418)	(24,173)	(676,591)
Transactions with non-controlling interests	-	-	-	-	-	89	89
Dividends of subsidiaries	-	-	58,852	-	58,852	(58,852)	-
Employee benefit expenses – Share-based compensation expenses	-	-	-	-	-	(6,179)	(6,179)
Repurchase of ordinary shares and convertible preferred shares	-	-	10,295	-	10,295	-	10,295
Issuance of convertible preferred shares	-	(5,573)	(39,981)	-	(45,554)	-	(45,554)
Issuance of ordinary shares pursuant to the 2022 Incentive Plan	3	-	(3)	-	-	-	-
	-	-	172,598	-	172,598	-	172,598
Total transactions with owners in their capacity as owner							
	3	(5,573)	201,761	-	196,191	(64,942)	131,249
Balance as at June 30, 2023							
	17	598,256	(243,798)	(5,657,735)	(5,303,260)	(226,330)	(5,529,590)

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	Attributable to owners of the Company						
	Share capital USD'000	Share premium USD'000	Other reserves USD'000	Accumulated losses USD'000	Total USD'000	Non-controlling interests USD'000	Total equity USD'000
(Unaudited)							
Balance as at January 1, 2022	14	607,734	(525,822)	(6,672,936)	(6,591,010)	(45,414)	(6,636,424)
Comprehensive income							
Profit for the period	-	-	-	1,413,479	1,413,479	(41,207)	1,372,272
Other comprehensive loss:							
Items that may be reclassified subsequently to profit or loss							
Currency translation differences	-	-	(154,420)	-	(154,420)	(4,084)	(158,504)
Item that will not be reclassified subsequently to profit or loss							
Other comprehensive loss – resulted from change of credit risk of financial liabilities measured at fair value	-	-	9,182	-	9,182	-	9,182
Others	-	-	54	-	54	13	67
	-	-	(145,184)	1,413,479	1,268,295	(45,278)	1,223,017
Total comprehensive income							
Transactions with owners in their capacity as owner:							
Capital injection from non-controlling shareholders	-	-	-	-	-	299	299
Transactions with non-controlling interests	-	-	6,025	-	6,025	4,832	10,857
Dividends of subsidiaries	-	-	-	-	-	(2,437)	(2,437)
Employee benefit expenses – Share-based compensation expenses	-	-	239,521	-	239,521	-	239,521
	-	-	245,546	-	245,546	2,694	248,240
Total transactions with owners in their capacity as owner							
Balance as at June 30, 2022	14	607,734	(425,460)	(5,259,457)	(5,077,169)	(87,998)	(5,165,167)

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31,			Six months ended June 30,	
		2020	2021	2022	2022	2023
		USD’000	USD’000	USD’000	USD’000	USD’000
						(Unaudited)
Cash flows (used in)/generated from operating activities						
Cash generated (used in)/ generated from operations	34	(117,479)	(900,360)	(470,809)	(320,730)	49,908
Interest received		3,170	9,319	25,224	7,066	11,405
Income tax paid		(40,391)	(76,133)	(74,232)	(36,456)	(58,516)
		<u>(154,700)</u>	<u>(967,174)</u>	<u>(519,817)</u>	<u>(350,120)</u>	<u>2,797</u>
Cash flows used in investing activities						
Purchase of financial assets at fair value through profit or loss		(306,839)	(1,149,051)	(998,355)	(723,441)	(80,327)
Redemption of financial assets at fair value through profit or loss		243,388	1,184,448	507,376	213,216	29,281
Investment in associates		(1,389)	(3,070)	–	–	–
Loans to related parties	39	(57,599)	(128,158)	(320,000)	(320,000)	–
Loans to third parties		(628,466)	(272,410)	(38,359)	(10,676)	(36,522)
Collection of loans to related parties and interests received	39	1,004	6,611	516,024	514,176	–
Repayment of loans by third parties and interests received		376,526	465,698	18,658	13,187	5,200
Purchase of property, plant and equipment		(257,742)	(513,675)	(573,226)	(246,601)	(249,471)
Purchases of investment properties		(1,678)	(513)	–	–	–
Proceeds from disposal of property, plant and equipment		2,062	23,846	32,015	11,128	28,888
Purchases of intangible assets		(3,570)	(6,036)	(7,451)	(2,464)	(1,146)
Acquisition of subsidiaries, net of cash acquired	17, 36, 37, 38	126	(608,696)	3,561	–	(61,984)
Disposals of subsidiaries and associates		(909)	–	–	–	43
		<u>(635,086)</u>	<u>(1,001,006)</u>	<u>(859,757)</u>	<u>(551,475)</u>	<u>(366,038)</u>

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	Note	Year ended December 31,			Six months ended June 30,	
		2020	2021	2022	2022	2023
		USD’000	USD’000	USD’000	USD’000	USD’000
						(Unaudited)
Cash flows from financing activities						
Movement of restricted cash		(342)	(12)	415	86	(555)
Proceeds from borrowings		400,889	215,162	1,099,253	1,019,986	131,053
Repayment of borrowings		(137,795)	(610,209)	(105,746)	(85,102)	(64,168)
Interest paid for borrowings		(3,004)	(8,009)	(38,792)	(5,635)	(33,299)
Interest paid to holders of preferred shares		–	(81,602)	–	–	–
Dividends paid		–	(120,838)	(28,558)	(8,935)	(6,216)
Net proceeds from issuance of Series B Preferred Shares, Series B+ Preferred Shares, Series C1 Preferred Shares, Series D Preferred Shares of the Company and other preferred shares	25, 29	100,000	3,966,126	219,024	219,024	200,000
Net proceeds from issuance of convertible loan of JNT KSA	29	–	–	–	–	10,000
Net proceeds from issuance of Series A Preferred Shares of the Company		977,193	236,862	–	–	–
Net proceeds received related to the issuance of shares of JNT KSA	29	–	20,000	–	–	15,000
Net proceeds from issuance of shares to network partners		–	–	44,579	–	–
Principal elements of lease payments		(61,405)	(101,703)	(262,668)	(127,290)	(168,427)
Interest elements of lease payments		(6,007)	(13,860)	(37,318)	(18,239)	(19,015)
Capital injection from non-controlling shareholders		15,637	1,141	520	299	11
Repurchase of ordinary shares [REDACTED]	25, 26	–	(23,948)	(15,294)	–	–
Cash (paid)/received in transactions with non-controlling interests	35	–	(9,401)	6,274	6,274	–
		<u>1,285,166</u>	<u>3,469,507</u>	<u>881,328</u>	<u>1,000,146</u>	<u>64,171</u>
Net increase/(decrease) in cash and cash equivalents		495,380	1,501,327	(498,246)	98,551	(299,070)
Cash and cash equivalents at the beginning of the year/period		97,173	600,425	2,102,448	2,102,448	1,504,048
Effects of foreign exchange rate changes on cash and cash equivalents		7,872	696	(100,154)	(67,768)	(9,714)
Cash and cash equivalents at the end of the year/period		<u>600,425</u>	<u>2,102,448</u>	<u>1,504,048</u>	<u>2,133,231</u>	<u>1,195,264</u>

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION, HISTORY AND REORGANIZATION

1.1 General information

J&T Global Express Limited (the “Company”), was incorporated in the Cayman Islands on October 24, 2019 as an exempted company registered under the laws of the Cayman Islands. The address of the Company’s registered office is P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.

The Company acts as an investment holding company and its subsidiaries and consolidated affiliated entities, as set out in Note 18 (collectively, the “Group”), are principally engaged in express delivery services (collectively, the “[REDACTED] Business”) in the People’s Republic of China (the “PRC”, or “China”), Indonesia, the Philippines, Malaysia, Thailand, Vietnam, and other countries.

Mr. Li Jie (or “Mr. Jet Li”) is the ultimate controlling shareholder of the Company as of the date of this report.

1.2 History and reorganization

On May 8, 2015, Mr. Jet Li and other individual investors established a holding company (the “BVI Holdco”) in British Virgin Islands, with 320,000,000 ordinary shares. The total share capital and share premium was Renminbi (“RMB”) 220,000,000 (approximately USD33,187,000). Since the establishment of the BVI Holdco, the Group started operations in Indonesia in 2015, and entered the express delivery markets in Malaysia and Vietnam in 2018, and then in the Philippines, Thailand and Cambodia in 2019. In 2020, the Group entered the express delivery market in China and Singapore. In 2022, the Group further established express delivery operations in Mexico, Egypt, Brazil, UAE, and Saudi Arabia (together with UAE called “Middle East”).

For China, the Group entered the market by acquiring local operating licenses and established its own operations, and further expanded its operations along with business acquisitions of certain local entities. For Indonesia, the Group established local operations with business acquisitions of certain local entities, and further expanded its operations along with acquisitions of certain operating entities of its regional sponsors. For Singapore, the Group established local operations with business acquisitions of certain local entities. For Thailand, the Group established local subsidiaries to commence local operations, and further expanded its operations along with business acquisitions of certain operating entities of its regional sponsors. For Vietnam and the Philippines, the Group entered the market by acquiring local operating licenses and established its own operations. For Malaysia, Cambodia, and other countries, the Group established local subsidiaries to commence local operations.

On July 15, 2017, the BVI Holdco entered into a subscription agreement for the Series Pre-A1 Preferred Shares financing with certain third-party investors. The total consideration was USD103,408,000.

On August 20, 2018, the BVI Holdco entered into a subscription agreement for the Series Pre A2 Preferred Shares financing with certain third-party investors. The total consideration was USD80,037,000.

The Company was established on October 24, 2019, with an authorised share capital of USD50,000 divided into 5,000,000,000 shares with par value of USD0.00001 each. On the incorporation date, the Company and the BVI Holdco underwent a reorganization and entered into a share swap agreement, under which the Company issued 448,933,332 shares to the shareholders of the BVI Holdco and in return the Company acquired all the equity interest of the BVI Holdco (the “Reorganization”).

Since then, the Company issued certain series of preferred shares, further details of which are set out in Note 25 and Note 29.

The regulations in certain jurisdictions have certain restrictions on foreign ownership of companies that provide express delivery services. In order to comply with relevant local regulations, the Company controls relevant subsidiaries in the PRC and Indonesia through certain contractual arrangements.

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(a) Contractual agreements with the VIE in the PRC

In accordance with a series of contractual arrangements effective from January 1, 2020, entered into among a wholly owned subsidiary of the Company (the “HK Holding”), the parent company (the “China VIE”) of the express delivery service licence holding company in the PRC and its equity holders, the HK Holding and the Company were able to:

- exercise equity holders’ voting rights of the China VIE;
- receive substantially all of the economic interest returns generated by the China VIE in consideration for the business support, technical and consulting services provided by the HK Holding;
- obtain an irrevocable and exclusive right to purchase all of the equity interests in the China VIE from its respective equity holders at a minimum purchase price when it is permitted under laws and regulations in the PRC, and the HK Holding may exercise such options at any time until it has acquired all equity interests of the China VIE; and
- obtain a pledge over the entire equity interests of the China VIE from its respective equity holders as collateral security for the due payment and timely performance by the China VIE and its equity holders in accordance with the terms in the contractual arrangements.

The abovementioned arrangements were terminated on April 22, 2020 and in accordance with a series of contractual arrangements effective since then, entered into among a wholly owned subsidiary of the Company (the “China WFOE”, a wholly foreign-owned enterprise in China), the China VIE and its equity holders, the China WFOE and the Company are able to:

- exercise equity holders’ voting rights of the China VIE;
- receive substantially all of the economic interest returns generated by the China VIE in consideration for the business support, technical and consulting services provided by the China WFOE;
- obtain an irrevocable and exclusive right to purchase all of the equity interests in the China VIE from the respective equity holders at a minimum purchase price when it is permitted under laws and regulations in the PRC and the China WFOE may exercise such options at any time until it has acquired all equity interests of the China VIE; and
- obtain a pledge over the entire equity interests of the China VIE from its respective equity holders as collateral security for the due payment and timely performance by the China VIE and its equity holders in accordance with the terms in the contractual arrangements.

As a result of such contractual arrangements, the Company has the rights to exercise power over the China VIE and its subsidiaries, the right to receive variable returns from its involvement in the China VIE and its subsidiaries, and the ability to affect those returns through its power over the China VIE and its subsidiaries, and is therefore considered to control the China VIE and its subsidiaries. Consequently, the Company regards the China VIE and its subsidiaries as controlled entities and consolidated the assets, liabilities, and results of operations of the China VIE and its subsidiaries in the consolidated financial information of the Group.

(b) Contractual agreements with the VIE in Indonesia

In accordance with a series of contractual arrangements effective from August 15, 2016, entered into among the HK Holding, the local holding companies of the relevant businesses in Indonesia (collectively, the “Indonesia VIE”) and their equity holders, the HK Holding and the Company are able to:

- exercise substantially all the powers and rights associated to the portion of contributed capital held by equity holders of the Indonesia VIE;

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ACCOUNTANT’S REPORT

- receive substantially all of the economic interest returns generated by the Indonesia VIE in consideration for the business support, technical and consulting services provided by the HK Holding;
- obtain an irrevocable and exclusive right to purchase all or part of the equity interests in the Indonesia VIE from its respective equity holders when it is permitted under laws and regulations in Indonesia. The HK Holding may exercise such options at any time until it has acquired all equity interests of the Indonesia VIE. The purchase price is set at HK Holding’s discretion, subject to any restrictions imposed by Indonesian law; and
- obtain a pledge over the entire equity interests of the Indonesia VIE from its respective equity holders as collateral security for the due payment and timely performance by the Indonesia VIE and its equity holders in accordance with the terms in the contractual arrangements.

Starting from March 29, 2022, the abovementioned contractual arrangements were terminated, and as per a new series of contractual arrangements entered into among an Indonesian subsidiary of the HK Holding (the “Indonesia Holding”), the Indonesia VIE and their equity holders, with similar terms and clauses, the Indonesia Holding was able to exercise similar power and to be exposed to similar returns from the Indonesia VIE.

As a result of such arrangements, the Company has the rights to exercise power over the Indonesian VIE and its subsidiaries, the rights to receive variable returns from its involvement in the Indonesian VIE and its subsidiaries, and the ability to affect those returns through its power over the Indonesian VIE and its subsidiaries, and is therefore considered to control the Indonesian VIE and its subsidiaries. Consequently, the Company regards the Indonesian VIE and its subsidiaries as controlled entities and consolidated the assets, liabilities and results of operations of the Indonesian VIE and its subsidiaries in the consolidated financial information of the Group.

(c) Contractual agreements with the VIE in Vietnam (terminated since June 9, 2021)

In accordance with a series of contractual arrangements effective from January 1, 2018, entered into among the HK Holding, a related party of the Group (Company H), and the main operating entity in Vietnam (the “Vietnam VIE 1”) and its equity holders, the HK Holding and the Company were able to:

- exercise all the powers and rights associated to the portion of contributed capital held by equity holders of the Vietnam VIE 1;
- receive substantially 62% of the economic interest returns generated by the Vietnam VIE 1, in consideration for the technical services, marketing and management consulting and human resources support provided by the HK Holding together with Company H (while Company H receives 38%);
- obtain an irrevocable and exclusive right to purchase up to 62% of the equity interests in the Vietnam VIE 1 from its respective equity holders when it is permitted under laws and regulations in Vietnam. The HK Holding may exercise such options at any time until it has acquired all the 62% of equity interests of the Vietnam VIE 1. The purchase price is set at HK Holding’s discretion, subject to any restrictions imposed by Vietnamese law and above the book value as per Vietnam VIE 1’s accounting books (while Company H obtains similar right to purchase the remaining 38% of the equity interests); and
- obtain a pledge over 62% of equity interests of the Vietnam VIE 1 from its respective equity holders as collateral security for the due payment and timely performance by the Vietnam VIE 1 and its equity holders in accordance with the terms in the contractual arrangements (while Company H obtains a pledge over the remaining 38% of the equity interests).

In December 2020, the Group underwent a reorganization, in which an intermediate holding company of Vietnam VIE 1 (the “Vietnam VIE 2”, together with Vietnam VIE 1, the “Vietnam VIEs”) became the shareholder of Vietnam VIE 1 through a local holding company. Effective from December 2, 2020, the abovementioned contractual arrangements were terminated, and as per the new series of contractual

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arrangements entered into among the HK Holding, Company H and the Vietnam VIE 2 and its equity holders, with similar terms and clauses, the HK Holding and the Company were able to exercise similar power and to be exposed to similar returns from Vietnam VIEs.

On April 30, 2021, the Company completed a series of transactions for the purpose of acquiring Company H’s power over and the returns from Vietnam VIEs, upon which relevant abovementioned contractual arrangements were terminated and in accordance with a new series of contractual arrangements entered into among the HK Holding, the Vietnam VIE 2 and its equity holders, the HK Holding and the Company were able to:

- exercise substantially all the powers and rights associated to the portion of contributed capital held by equity holders of the Vietnam VIE 2;
- receive substantially all of the economic interest returns generated by the Vietnam VIE 2, in consideration for the technical services, marketing and management consulting and human resources support provided by the HK Holding;
- obtain an irrevocable and exclusive right to purchase all of the equity interests in the Vietnam VIE 2 from its respective equity holders when it is permitted under laws and regulations in Vietnam. The HK Holding may exercise such options at any time until it has acquired all the of equity interests of the Vietnam VIE 2. The purchase price is set at the HK Holding’s discretion, subject to any restrictions imposed by Vietnamese law and above the book value as per Vietnam VIE 2’s accounting books; and
- obtain a pledge over all the equity interests of the Vietnam VIE 2 from its respective equity holders as collateral security for the due payment and timely performance by the Vietnam VIE 2 and its equity holders in accordance with the terms in the contractual arrangements.

As a result of such contractual arrangements, the Company has the rights to exercise power over the Vietnam VIE 2 and its subsidiaries, the rights to receive variable returns from its involvement in the Vietnam VIE 2 and its subsidiaries, and the ability to affect those returns through its power over the Vietnam VIE 2 and its subsidiaries, and is therefore considered to control the Vietnam VIE 2 and its subsidiaries. Consequently, the Company regards the Vietnam VIE 2 and its subsidiaries as controlled entities and consolidated the assets, liabilities, and results of operations of the Vietnam VIE 2 and its subsidiaries in the consolidated financial information of the Group.

Starting from June 9, 2021, with a series of reorganizations, the HK Holding indirectly obtained all the equity interests in the Vietnam VIEs, and the abovementioned contractual agreements were terminated.

Nevertheless, the contractual arrangements may not be as effective as direct legal ownership in providing the Group with direct control over those aforementioned VIEs and its subsidiaries. Uncertainties presented by relevant local legal systems could impede the Group’s beneficiary rights of the results, assets, and liabilities of those aforementioned VIEs and its subsidiaries. The directors of the Company, based on the advice of its legal counsel, consider that the contractual arrangements are in compliance with relevant local laws and regulations, and are legally binding and enforceable.

1.3 Basis of presentation

Immediately prior to and after the Reorganization, all of the Group’s business is held by the BVI Holdco. The Group’s Business is mainly conducted through a couple of operating entities in relevant countries, which are all directly or indirectly controlled by the BVI Holdco. Pursuant to the Reorganization, the BVI Holdco and all of the Group’s business are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganization and does not meet the definition of a business. The Reorganization is merely a recapitalization of the Group’s business with no change in management of such business and the ultimate owners of the Group’s business remain the same. Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the Group’s business under the BVI Holdco. and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of the BVI Holdco and its subsidiaries, with the assets and liabilities of the Group recognized and measured at the carrying amounts of the Group’s business under the consolidated financial statements of the BVI Holdco for all periods presented.

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2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied during the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) during the Track Record Period. The Historical Financial Information of the Group has been prepared under the historical cost convention, except for financial assets and financial liabilities measured at fair value through profit or loss.

The Group incurred net losses of USD664.2 million, USD6.2 billion, net profit of USD1.6 billion, net profit of USD1.4 billion and net losses of USD666.8 million for the years ended December 31, 2020, 2021, and 2022 and the six months ended June 30, 2022 and 2023, respectively. The Group had net operating cash outflows of USD117.5 million, USD900.4 million, USD470.8 million, USD320.7 million and net operating cash inflows of USD59.8 million for the years ended December 31, 2020, 2021, and 2022 and the six months ended June 30, 2022 and 2023, respectively.

As at June 30, 2023, although the Group reported a net deficit of equity of USD5.5 billion, the Group’s cash and cash equivalents and net current assets were USD1.2 billion and USD0.8 billion. In addition, the Group’s financial liabilities as at June 30, 2023 included convertible preferred shares, with an amount of USD8.3 billion, that would not contractually become redeemable within the next 12 months.

Management has prepared a cash flow projection covering a period of not less than 12 months from June 30, 2023, based on which the directors of the Company believe that the Group will have sufficient working capital to fund its operations and to meet its financial obligations as and when they fall due within 12 months from June 30, 2023. Consequently, the Historical Financial Information has been prepared on a going concern basis.

The preparation of the Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning on January 1, 2023, including IFRS 9, IFRS 15 and IFRS 16, are consistently applied to the Group for the Track Record Period.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for Track Record Period and have not been early adopted by the Group. Those new standards, amendments of standards and interpretations are as follows:

		Effective for annual periods beginning on or after
IFRS 10 (Amendment) and IAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
IFRS 7 (Amendment) and IAS 7 (Amendment)	Supplier Finance Arrangements	January 1, 2024
IFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	January 1, 2024
IAS 1 (Amendments)	Non-current Liabilities with Covenants	January 1, 2024
IAS 1 (Amendment)	Classification of liabilities as current or non-current	January 1, 2024

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The directors of the Company anticipate that the application of the above new standards, amendments and interpretations will have no material impact on the Historical Financial Information upon adoption, except for Amendment to IAS 1 where the convertible preference shares of the Company and of the Company’s subsidiaries, which are convertible by the holders at any time, will be reclassified to current liabilities upon adoption of IAS 1.

2.2 Principles of consolidation and equity accounting

2.2.1 *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

Inter-company transactions, balances, and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

There are entities controlled by the Company under certain contractual arrangements. The Company does not have legal ownership in equity of these entities or their subsidiaries. There are also entities controlled by the Company where the Company is holding less than 50% of their equity interests respectively due to certain local restrictions on foreign ownership of companies that provide express delivery services. Nevertheless, under certain contractual arrangements or shareholder’s agreements entered into with the registered owners or together with other local owners of these entities, the Company and its other legally owned subsidiaries control these entities by way by controlling their major corporate governance and decision-making processes and directing the results of such processes, governing their major operating, investment, and financing policies and etc. In addition, the Company and its other legally owned subsidiaries are also exposed to variable returns in such companies through certain service contracts, which constitute substantially all the net income of such companies, dividend income as a result of its direct shareholding and as per relevant shareholder’s agreements, and etc. Therefore, the Group has rights to exercise power over these entities, receives variable returns from its involvement in these entities, and has the ability to affect those returns through its power over these entities. As a result, they are presented as controlled entities of the Group.

2.2.2 *Associates*

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see Note 2.2.3 below), after initially being recognized at cost.

2.2.3 *Equity method*

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognise the Group’s share of the post-acquisition profits or losses of the investee in profit or loss, and the Group’s share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.10.

2.2.4 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture, or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

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The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity’s incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee’s net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer (the “CEO”) that makes strategic decisions.

2.6 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which each entity operates respectively (“the functional currency”). The Historical Financial Information is presented in United States Dollars (“USD”), which is the Company’s functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

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Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement, within finance costs. All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognized in other comprehensive income.

(c) *Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(d) *Disposal of foreign operation and partial disposal*

On the disposal of a foreign operation (that is, a disposal of the Group’s entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences is re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (that is, reductions in the Group’s ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.7 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

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Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives as follows:

Buildings and warehouses	10-20 years
Logistic equipment	3-10 years
Vehicles	3-10 years
Office equipment	2-5 years
Freehold Land	Infinite useful life
Leasehold improvements	Estimated useful lives or remaining lease terms, whichever is shorter

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

2.8 Investment properties

Investment properties, principally freehold buildings, warehouses and land, are held for long-term rental yields and are not occupied by the Group. Investment property is measured at historical cost less depreciation. Historical cost includes related transaction costs and where applicable borrowing costs.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives as shown in Note 2.7.

2.9 Intangible assets

(a) *Goodwill*

Goodwill is measured as described in Note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 5).

(b) *Software*

Computer softwares are initially recognized and measured at costs incurred to acquire and bring them to use, amortised on a straight-line basis over their estimated useful lives, and recorded in amortization within operating expenses in the consolidated income statement.

(c) *Customer relationship*

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the estimated life.

During the Track Record Period, the Group’s customer relationships were mainly related to several business combinations, representing the customers acquired including network partners of Best Inc.’s Express Business in China, and details of which are set out in Note 36, Note 37 and Note 38. Because the annual churn rate of such customers was around 9% historically prior to relevant business combinations, the same assumptions were applied for the Company (i.e., customers would keep exiting the network at a rate of 9% each year), which means it will take around 10-12 years for such customers to exit completely.

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(d) Trademark

Separately acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Certain trademarks have an infinite useful life and are not amortised but tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired, and is carried at cost less accumulated impairment losses. Certain trademarks are valid for 10-20 years.

(e) Licence and others

Separately acquired licences and other intangible assets are shown at historical cost. These intangible assets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives. During the Track Record Period, the Group's licenses are generally valid for 5-7 years.

(f) Research and development expenditures

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalized as intangible assets when recognition criteria are fulfilled. These criteria include:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as an expense as incurred.

(g) Amortisation methods and periods

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

Customer relationship	10-12 years
Software	2-5 years
Trademark	10-20 years
Licence	5-7 years

2.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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2.11 Investments and other financial assets

2.11.1 Classification

The Group classifies its financial assets in the following measurement categories:

Those to be measured subsequently at fair value (either through OCI or through profit or loss), and those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.11.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.11.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated income statement.

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- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group’s management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group’s right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.11.4 Impairment

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see Note 21 for further details.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis and net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

As at December 31, 2020, 2021, and 2022 and June 30, 2023, inventories of the Group are generally consumables and accessories, including packing supplies, apparels and etc.

2.13 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 21 for further information about the Group’s accounting for trade receivables and Note 3.1 for a description of the Group’s impairment policies.

2.14 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.15 Share capital

Ordinary shares and non-redeemable participating preferred shares are classified as equity (Note 25). Mandatorily redeemable preferred shares are classified as liabilities (Note 29).

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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2.16 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. Trade payables also include bank acceptance notes with trade nature and are due within 12 months.

Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Financial liabilities at fair value through profit or loss

Before and during the Track Record Period, the Group entered into a series of share purchase agreements with certain investors and issued Series Pre-A1 Preferred Shares, Series Pre-A2 Preferred Shares, Series A Preferred Shares, Series B Preferred Shares, Series B+ Preferred Shares, Series C1 Preferred Shares, Series C2 Preferred Shares and JET Global Series A Preferred Shares.

The Group designated the convertible preferred shares, which the host contracts are financial liabilities, as financial liabilities at fair value through profit or loss, which are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in profit or loss.

The component of fair value changes relating to the Company’s own credit risk is recognized in other comprehensive income/(loss). Amounts recorded in other comprehensive income/(loss) related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realized. Fair value changes relating to market risk are recognized in profit or loss.

The convertible preferred shares are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

2.18 Financial liabilities – share redemption liabilities

A contract that contains an obligation for the Group to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount.

The financial liability is recognised initially at the present value of the redemption amount, and is reclassified from equity. Subsequently, the financial liability is measured at amortised cost. If the contract expires without delivery, the carrying amount of the financial liability is reclassified to equity. The Group’s contractual obligation to purchase its own equity instruments gives rise to a financial liability for the present value of the redemption amount even if the obligation to purchase is conditional on the counterparty exercising a right to redeem.

2.19 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognized in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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2.20 Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

2.21 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) *Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The Group considers the lease as a single transaction in which the assets and liabilities are integrally linked. There is no net temporary difference at inception. Subsequently, when differences on settlement of the liabilities and the amortisation of right-of-use assets arise, there will be a net temporary difference on which deferred tax is recognized.

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2.22 Employee benefits

(a) *Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees’ services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(b) *Social security obligations*

The Group’s subsidiaries have to make contribution to certain social security plans managed by relevant local government authorities in accordance with the relevant rules and regulations. Contributions to these plans are charged to the consolidated income statement as and when incurred. The Group has no legal or constructive obligations to pay further contributions.

2.23 Share-based compensation

Equity-settled share-based compensation transactions

The Group operates share incentive plans, under which it receives services from employees as consideration for equity instruments of the Company. The fair value of the equity instruments received in exchange for the services is recognized as an expense on the consolidated income statement with a corresponding increase in equity.

In terms of the equity instruments awarded to employees, the total amount to be expensed is determined by reference to the fair value of equity instruments granted.

The total amount expensed is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied if applicable.

At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

In some circumstances, employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

2.24 Provisions

Provisions for legal claims, service warranties and make good obligations are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

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2.25 Revenue recognition

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- The Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- The Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct goods or services.

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

(a) *Express delivery services*

(i) *Services provided to pick-up outlets of network partners in China and other countries*

The Group offers an integrated express delivery service to pick-up outlets of network partners in China and other countries, such service includes parcel sorting, line-haul transportation, dispatching and other relevant network management services. The Group generally involves other outlets of network partners in dispatching. The Group is acting as principal in providing the entire express delivery service as the Group controls the dispatching services from other outlets of network partners to integrate into one complete express delivery service and is primarily responsible for the fulfilment of the express delivery service.

The Group charges pick-up outlets fees based on the parcel’s size, weight, route to the end recipient’s destination and other factors. The Group satisfies the performance obligation of express delivery service and recognises revenue over time and uses an output method of progress based on time-in-transit for express delivery service. The Group generally requires prepayment of such service fees.

In addition, the Group also earns non-refundable fees for initial operating training and other initial services to outlets of network partners, and such fees are generally recognized as revenue when the services are completed.

(ii) *Services provided to operating entities of regional sponsors in Indonesia, Thailand, and other countries*

The Group provides network services to operating entities of regional sponsors in Indonesia, Thailand and other countries, which include providing system support and continuous training, granting access to the Group’s logos and brand names, and general network arrangement and oversight services. The Group is not responsible and not acting as principal for relevant express delivery services regarding orders made by the operating entities of regional sponsors through the network performed by other operating entities of regional sponsors. The Group charges fees from

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operating entities of regional sponsors based on parcel volumes. The network service is considered as a series of network management and oversight services as they are substantially the same and have same pattern of transfer to the customers. The revenue from the network service is recognized on monthly basis according to monthly fees chargeable to the operating entities of regional sponsors.

In some routes, the operating entities of regional sponsors will use the sorting centers operated by the Group, and in such situation, the Group is responsible for the express delivery service provided by its sorting centers, including parcel sorting, line-haul transportation and other services contained in the service contracts, and charges for such service based on parcel’s size, weight, route to the end recipient’s destination and other factors. Such express delivery service is considered a separated performance obligation in addition to the network service. The Group satisfies the performance obligation of such express delivery service and recognises revenue over time and uses an output method of progress based on time-in-transit for the express delivery service.

The Group issues billings on a monthly basis and grants certain credit periods to such operating entities of regional sponsors.

As mentioned in Note 36 and Note 37, during year 2021 substantially all the operating entities of regional sponsors in Thailand and Indonesia were acquired by the Group, and after such acquisitions, the Group directly and substantially provides its integrated express delivery service to its enterprise, individual or other customers.

(iii) Services provided to enterprise customers/individual customers

The Group also provides an integrated express delivery service directly to certain enterprise/individual customers in China, Indonesia, Thailand and other countries, and directly to enterprise/individual customers in the Philippines, Malaysia, Vietnam and other countries. The Group involves other outlets of network partners or operating entities of regional sponsors in pick-up, dispatching and other services. The Group is acting as principal in providing the entire express delivery service as the Group controls relevant services from other outlets of network partners or operating entities of regional sponsors to integrate into one complete express delivery service and is primarily responsible for the fulfilment of the express delivery service.

The Group charges the customers based on parcel’s size, weight, route to the end recipient’s destination and other factors. The Group generally issues billings on a regular basis and grants certain credit periods to such customers. The Group satisfies the performance obligation of such express delivery service and recognises revenue over time and uses an output method of progress based on time-in-transit for the express delivery service.

(iv) Cash on delivery services

For cash on delivery services, the Group is generally engaged by its customers (normally on-line shopping platforms or on-line merchants) to collect cash payment for the merchandise from end-users, then disburse the cash payment to such customers, and charges certain proportion of the cash payments as service fees as a value-added service on top of the express delivery services. Generally all of such service contracts include only one performance obligation as normally the abovementioned or other relevant promises contained in the service contracts are considered to be not separately identifiable due to the fact that such promises are highly interrelated, and generally the customer expects the Group to deliver services with integration of such promises.

For cash on delivery services, the Group generally satisfies a performance obligation and recognises revenue at a point in time once such services are completed.

The Group provides customers with certain volume-based incentives in relation to express delivery services, which represent variable considerations and are recorded as reductions to the related revenue. The Group estimates the variable considerations to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. As the incentives are generally determined on a monthly basis, the uncertainty in estimating the variable considerations to be recorded is very limited.

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(b) Cross-border services

For its cross-border services provided to its customers, the Group is generally acting as principal in providing cargo or parcel collection, transportation and warehousing, customs clearances, dispatching and other relevant services to such customers as the Group is primarily responsible for and has control over the services. A substantial part of such service contracts includes only one performance obligation as normally the abovementioned or other relevant promises contained in the service contracts are considered to be not separately identifiable due to the fact that such promises are highly interrelated, and generally the customer expects the Group to deliver services with integration of such promises.

For such service, the Group generally satisfies a performance obligation and recognises revenue over time as it transfers control of such service over time, since the customers receive the benefit of the service as the goods are transported from one location to another. Revenue is recognized based on the extent of progress towards completion of the performance obligation. The Group uses an output method of progress based on time-in-transit as it best depicts the transfer of control to the customers.

(c) The Group's revenue also includes sales of accessories, such as J&T-branded packing supplies and apparels. Revenue from sales of accessories is recognized when control of the product is transferred to the customer and in an amount the Group expects to earn in exchange for the product.

(d) Contract assets and liabilities

Contract assets mainly include unbilled receivables resulting from uncompleted services and contract liabilities mainly include deferred revenue.

2.26 Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life.

Payments associated with short-term leases of logistic equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office equipment.

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

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2.27 Earnings per share

(a) *Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit or loss attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's Historical Financial Information in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.29 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets. Note 6 provides further information on how the Group accounts for government grants.

2.30 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognized in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

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3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group’s financial performance. Risk management is carried out by the senior management of the Group.

(a) *Market risk*

(i) *Foreign exchange risk*

The Group’s subsidiaries primarily operate in the PRC, Indonesia, the Philippines, Malaysia, Thailand, Vietnam and other countries. The transactions of those subsidiaries were generally settled in local currencies. Therefore, foreign exchange risk primarily arises from recognized assets and liabilities in the Group’s subsidiaries in the abovementioned countries when receiving or to receive foreign currencies from, or paying or to pay foreign currencies to overseas business partners.

For the Group’s subsidiaries whose functional currency is RMB, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, the loss before income tax for the years ended December 31, 2020, 2021, and 2022 and the six months ended June 30, 2023, would have been approximately USD13,322,000 lower/higher, USD351,000 lower/higher, USD29,000 lower/higher and USD1,206,000 higher/lower, respectively, as a result of net foreign exchange gains/losses on translation of net monetary assets/liabilities denominated in USD.

For the Group’s subsidiaries whose functional currency is IDR, if IDR had strengthened/weakened by 5% against USD with all other variables held constant, the profit before income tax for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 would have been approximately USD6,219,000 higher/lower, USD8,639,000 higher/lower, USD1,000 lower/higher and USD26,000 higher/lower respectively, as a result of net foreign exchange gains/losses on translation of net monetary assets/liabilities denominated in USD.

For the Group’s subsidiaries whose functional currency is THB, if THB had strengthened/weakened by 5% against USD with all other variables held constant, the loss before income tax for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 would have been approximately USD5,915,000 lower/higher, USD13,217,000 lower/higher, USD2,000 higher/lower and USD19,000 lower/higher respectively, as a result of net foreign exchange gains/losses on translation of net monetary assets/liabilities denominated in USD.

For the Group’s subsidiaries whose functional currency is VND, if VND had strengthened/weakened by 5% against USD with all other variables held constant, the loss before income tax for the years ended December 31, 2020 and 2021 and the six months ended June 30, 2023 would have been approximately USD6,231,000 lower/higher, USD8,894,000 lower/higher and USD398,000 lower/higher respectively, as a result of net foreign exchange gains/losses on translation of net monetary assets/liabilities denominated in USD. Relevant impact for year 2022 is minimal.

For the Group’s subsidiaries whose functional currency is MYR, if MYR had strengthened/weakened by 5% against USD with all other variables held constant, the profit before income tax for the years ended December 31, 2020 and 2021 would have been approximately USD2,877,000 higher/lower and USD3,161,000 lower/higher respectively, as a result of net foreign exchange gains/losses on translation of net monetary assets/liabilities denominated in USD. Relevant impact for year 2022 and the six months ended June 30, 2023 is minimal.

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For the Group’s subsidiaries whose functional currency is SGD, if SGD had strengthened/weakened by 5% against USD with all other variables held constant, the loss before income tax for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 would have been approximately USD540,000 lower/higher, USD700,000 lower/higher, USD5,000 higher/lower and USD69,000 lower/higher respectively, as a result of net foreign exchange losses on translation of net monetary liabilities denominated in USD for year 2020 and 2021, and net foreign exchange gains/losses on translation of net monetary assets/liabilities denominated in USD for year 2022.

For the Group’s subsidiaries whose functional currency is PHP, if PHP had strengthened/weakened by 5% against USD with all other variables held constant, the profit before income tax for the years ended December 31, 2020, 2021, and 2022 and the six months ended June 30, 2023 would have been approximately USD2,831,000 lower/higher, USD951,000 lower/higher, USD2,490,000 lower/higher, and USD3,842,000 lower/higher respectively, as a result of net foreign exchange gains/losses on translation of net monetary assets/liabilities denominated in USD.

(ii) *Interest rate risk*

The Group’s interest rate risk primarily arose from borrowings, loans to third parties, and cash and cash equivalents. Those carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk.

The Group has limited cash flow interest rate risk as at December 31, 2020, 2021, and 2022 and June 30, 2023, as substantially all the borrowings and loans to third parties are carried at fixed interest rates.

The exposure of the Group’s borrowings to interest rate changes and the contractual re-pricing dates of the borrowings at the end of the reporting period are as follows:

	Year ended December 31, 2020	% of total loans	Year ended December 31, 2021	% of total loans	Year ended December 31, 2022	% of total loans	Six months ended June 30, 2023	% of total loans
	USD’000		USD’000		USD’000		USD’000	
Variable rate borrowings	-	-	-	-	-	-	-	-
Fixed rate borrowings – repricing or maturity dates:								
Less than one year	407,143	91%	59,965	67%	77,480	7%	151,563	13%
1-2 years	16,922	4%	23,039	26%	38,493	4%	10,555	1%
2-5 years	19,995	5%	6,023	7%	982,404	89%	997,448	86%
Over 5 years	-	-	-	-	-	-	2,828	0%
	<u>444,060</u>	<u>100%</u>	<u>89,027</u>	<u>100%</u>	<u>1,098,377</u>	<u>100%</u>	<u>1,162,434</u>	<u>100%</u>

The Group regularly monitors its interest rate risk to ensure there is no undue exposure to significant interest rate movements.

(b) *Credit risk*

Credit risk arises from cash and cash equivalents, trade receivables, restricted cash, financial assets measured at fair value through profit or loss, other receivables and other assets.

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(i) *Risk management*

The Group manages risk arising from cash and cash equivalents, restricted cash and bank wealth management products by only conducting transacts with state-owned or reputable financial institutions, which have no recent history of default.

The Group manages risk arising from trade receivables, contract assets and financial assets included in other receivables and other assets by only conducting transactions only with recognized and creditworthy third parties, or with other customers who passed the Group’s creditability assessment. It is the Group’s policy that all customers who wish to trade on credit terms or carry out other transactions need to be subject to certain creditability assessment.

The Group manages risk arising from investments included in financial assets measured at fair value through profit or loss by regularly monitoring of the financial performance and balance sheet positions of relevant significant investees, and conduct independent creditability assessment.

(ii) *Impairment of financial assets*

The Group has the following types of financial assets that are subject to the expected credit loss model:

- trade receivables and contract assets from the provision of express delivery services, cross-border services, sales of accessories, rentals and others; and
- other receivables and other non-current assets

While restricted cash and cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables have been grouped based on aging and shared credit characteristics, which typically vary across countries or regions.

The expected loss rates are based on the historical credit losses and adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product (“GDP”) and Consumer Price Index (“CPI”) of the countries in which it provides its services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at December 31, 2020, 2021, and 2022 and June 30, 2023 was determined as follows for trade receivables:

China

As at December 31, 2020	Within 3 months	3-6 months	6-9 months	9-12 months	Above 12 months	Total
	USD’000	USD’000	USD’000	USD’000	USD’000	USD’000
Expected loss rate	1.45%	22.00%	47.12%	92.86%	N/A	
Gross amount	19,651	1,518	556	14	–	21,739
Loss allowance	284	334	262	13	–	893

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As at December 31, 2021	Within 3 months	3-6 months	6-9 months	9-12 months	Above 12 months	Total
	USD’000	USD’000	USD’000	USD’000	USD’000	USD’000
Expected loss rate						
Reputable customers (i)	1.39%	N/A	N/A	N/A	N/A	
Other customers (i)	5.53%	25.11%	59.96%	83.48%	100.00%	
Terminated customers (credit impaired) (ii)	100.00%	100.00%	N/A	N/A	N/A	
Gross amount						
Reputable customers	10,022	–	–	–	–	10,022
Other customers	105,843	7,324	5,058	2,185	2,595	123,005
Terminated customers (credit impaired)	15,021	8,404	–	–	–	23,425
Total gross amount	<u>130,886</u>	<u>15,728</u>	<u>5,058</u>	<u>2,185</u>	<u>2,595</u>	<u>156,452</u>
Loss allowance						
Reputable customers	139	–	–	–	–	139
Other customers	5,850	1,839	3,033	1,824	2,595	15,141
Terminated customers (credit impaired)	15,021	8,404	–	–	–	23,425
Total loss allowance	<u>21,010</u>	<u>10,243</u>	<u>3,033</u>	<u>1,824</u>	<u>2,595</u>	<u>38,705</u>
As at December 31, 2022						
	Within 3 months	3-6 months	6-9 months	9-12 months	Above 12 months	Total
	USD’000	USD’000	USD’000	USD’000	USD’000	USD’000
Expected loss rate						
Reputable customers (i)	N/A	N/A	1.87%	86.05%	N/A	
Other customers (i)	2.07%	22.81%	61.26%	87.75%	100.00%	
Terminated customers (credit impaired) (ii)	N/A	N/A	N/A	100.00%	100.00%	
Gross amount						
Reputable customers	–	20	482	86	–	588
Other customers	205,787	5,889	573	2,996	493	215,738
Terminated customers (credit impaired)	–	–	–	1,533	29,135	30,668
Total gross amount	<u>205,787</u>	<u>5,909</u>	<u>1,055</u>	<u>4,615</u>	<u>29,628</u>	<u>246,994</u>

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As at December 31, 2022	Within 3 months	3-6 months	6-9 months	9-12 months	Above 12 months	Total
	USD’000	USD’000	USD’000	USD’000	USD’000	USD’000
Loss allowance						
Reputable customers	–	32	9	74	–	115
Other customers	4,257	1,343	351	2,629	493	9,073
Terminated customers (credit impaired)	–	–	–	1,533	29,135	30,668
Total loss allowance	4,257	1,375	360	4,236	29,628	39,856
As at June 30, 2023	Within 3 months	3-6 months	6-9 months	9-12 months	Above 12 months	Total
	USD’000	USD’000	USD’000	USD’000	USD’000	USD’000
Expected loss rate						
Reputable customers (i)	N/A	N/A	N/A	N/A	N/A	N/A
Other customers (i)	2.76%	26.60%	94.60%	97.54%	100.00%	
Terminated customers (credit impaired) (ii)	N/A	N/A	N/A	N/A	100.00%	
Gross amount						
Reputable customers	–	–	–	–	–	–
Other customers	213,767	6,578	7,311	1,790	653	230,099
Terminated customers (credit impaired)	–	–	–	–	17,793	17,793
Total gross amount	213,767	6,578	7,311	1,790	18,446	247,892
Loss allowance						
Reputable customers	–	–	–	–	–	–
Other customers	5,899	1,750	6,916	1,746	653	16,964
Terminated customers (credit impaired)	–	–	–	–	17,793	17,793
Total loss allowance	5,899	1,750	6,916	1,746	18,446	34,757

(i) In China, the Group categorised the customers as per the size of their capitals, transaction volumes, as well as historical settlement and etc.

(ii) After the acquisition of Best Inc.’s express business in China in December 2021 (Note 38), as a result of the Group’s business integration plan and further commercial negotiations, the Group ended business relationships with certain network partners from Best Inc.’s express business in China, consequently, the Group assessed the credit loss for such customers separately as the credit risk profile is different from other customers.

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South-East Asia

<u>As at December 31, 2020</u>	<u>Within 3 months</u>	<u>3-6 months</u>	<u>6-9 months</u>	<u>9-12 months</u>	<u>Above 12 months</u>	<u>Total</u>
	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>
Expected loss rate	1.87%	24.78%	53.02%	93.41%	100.00%	
Gross amount	156,241	8,665	149	91	198	165,344
Loss allowance	2,921	2,147	79	85	198	5,430

<u>As at December 31, 2021</u>	<u>Within 3 months</u>	<u>3-6 months</u>	<u>6-9 months</u>	<u>9-12 months</u>	<u>Above 12 months</u>	<u>Total</u>
	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>
Expected loss rate	1.50%	22.60%	55.33%	92.92%	100.00%	
Gross amount	216,443	4,354	244	240	1,275	222,556
Loss allowance	3,236	984	135	223	1,275	5,853

<u>As at December 31, 2022</u>	<u>Within 3 months</u>	<u>3-6 months</u>	<u>6-9 months</u>	<u>9-12 months</u>	<u>Above 12 months</u>	<u>Total</u>
	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>
Expected loss rate	1.60%	27.91%	57.50%	85.82%	100.00%	
Gross amount	235,995	2,798	647	388	1,231	241,059
Loss allowance	3,776	781	372	333	1,231	6,493

<u>As at June 30, 2023</u>	<u>Within 3 months</u>	<u>3-6 months</u>	<u>6-9 months</u>	<u>9-12 months</u>	<u>Above 12 months</u>	<u>Total</u>
	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>
Expected loss rate	0.95%	32.41%	72.39%	93.20%	100.00%	
Gross amount	271,418	5,138	1,938	603	1,191	280,288
Loss allowance	2,572	1,665	1,403	562	1,191	7,393

Others

<u>As at December 31, 2021</u>	<u>Within 3 months</u>	<u>3-6 months</u>	<u>6-9 months</u>	<u>9-12 months</u>	<u>Above 12 months</u>	<u>Total</u>
	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>
Expected loss rate	2.96%	–	–	–	–	
Gross amount	439	–	–	–	–	439
Loss allowance	13	–	–	–	–	13

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As at December 31, 2022	Within 3 months	3-6 months	6-9 months	9-12 months	Above 12 months	Total
	USD’000	USD’000	USD’000	USD’000	USD’000	USD’000
Expected loss rate	1.18%	–	–	–	–	
Gross amount	73,113	–	–	–	–	73,113
Loss allowance	863	–	–	–	–	863
As at June 30, 2023	Within 3 months	3-6 months	6-9 months	9-12 months	Above 12 months	Total
	USD’000	USD’000	USD’000	USD’000	USD’000	USD’000
Expected loss rate	0.95%	25.51%	69.57%	N/A	N/A	
Gross amount	136,013	2,411	46	–	–	138,470
Loss allowance	1,293	615	32	–	–	1,940

The loss allowances for trade receivables as at December 31/June 30 reconcile to the opening loss allowances as follows:

	Trade receivables			
	2020	2021	2022	2023
	USD’000	USD’000	USD’000	USD’000
Opening loss allowance as at January 1	2,695	6,323	44,571	47,212
Impairment losses recognized, net of reversal	3,694	39,004	34,997	9,225
Bad debt write-offs	–	–	(32,166)	(12,094)
Exchange difference	(66)	(756)	(190)	(253)
Closing loss allowance as at December 31/June 30	6,323	44,571	47,212	44,090

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

Impairment losses on trade receivables are presented as net impairment losses within operating loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other receivables and other non-current assets

The Group determines the credit risk of its other receivables and other non-current assets basing on factors including historical experience, internal/external credit rating, overdue status and nature of relevant other receivables and other non-current assets, and also other forward-looking information including macroeconomic factors.

Impairment on other receivables and other non-current assets is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

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On that basis, the loss allowance as at December 31, 2020, 2021, and 2022 and June 30, 2023 was determined as follows for other receivables and other non-current assets:

Risk rating as at December 31, 2020	Expected credit loss rate	Gross carrying amount at default (stage 1)	Gross carrying amount at default (stage 2)	Gross carrying amount at default (stage 3)
Low risk	0.97%	714,654	N/A	N/A
Moderate risk	5.46%	1,777	N/A	N/A
High risk and credit impaired	N/A	N/A	N/A	N/A
Risk rating as at December 31, 2021	Expected credit loss rate	Gross carrying amount at default (stage 1)	Gross carrying amount at default (stage 2)	Gross carrying amount at default (stage 3)
Low risk	0.91%	537,137	N/A	N/A
Moderate risk	10.89%	21,851	N/A	N/A
High risk and credit impaired	100.00%	N/A	N/A	1,925
Risk rating as at December 31, 2022	Expected credit loss rate	Gross carrying amount at default (stage 1)	Gross carrying amount at default (stage 2)	Gross carrying amount at default (stage 3)
Low risk	1.21%	189,959	N/A	N/A
Moderate risk	N/A	N/A	N/A	N/A
High risk and credit impaired	N/A	N/A	N/A	N/A
Risk rating as at June 30, 2023	Expected credit loss rate	Gross carrying amount at default (stage 1)	Gross carrying amount at default (stage 2)	Gross carrying amount at default (stage 3)
Low risk	1.2%	266,228	N/A	N/A
Moderate risk	N/A	N/A	N/A	N/A
High risk and credit impaired	N/A	N/A	N/A	N/A

As at December 31, 2020, minimal credit risk was identified for the receivable of Series A Preferred Share consideration (Note 28). As at December 31, 2021, minimal credit risk was identified for the receivable of Series C2 Preferred Share consideration.

Based on the management’s experience and expectation, the deposits and cash on delivery related receivables were also exposed to minimal credit risk as at December 31, 2020, 2021, and 2022 and June 30, 2023.

The above receivables with minimal credit risk are classified as stage one.

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The loss allowance for other receivables and other non-current assets at amortised cost as at December 31/June 30 reconciles to the opening loss allowance as follows:

	Loans to related parties and third parties	Receivables of Series C1 Preferred Shares	Others	Total
	USD’000	USD’000	USD’000	USD’000
Opening loss allowance as at January 1, 2020	1,054	–	198	1,252
Increase in the allowance recognized in profit or loss during the year	5,511	–	283	5,794
Exchange difference	(14)	–	(2)	(16)
Closing loss allowance as at December 31, 2020	6,551	–	479	7,030
Increase in the allowance recognized in profit or loss during the year	1,394	380	542	2,316
Exchange difference	(120)	–	(42)	(162)
Closing loss allowance as at December 31, 2021	7,825	380	979	9,184
(Decrease)/Increase in the allowance recognized in profit or loss during the year	(6,364)	(369)	8,955	2,222
Write-offs	–	–	(8,942)	(8,942)
Exchange difference	(68)	(11)	(86)	(165)
Closing loss allowance as at December 31, 2022	1,393	–	906	2,299

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	Loans to related parties and third parties	Receivables of Series C1 Preferred Shares	Others	Total
	USD’000	USD’000	USD’000	USD’000
Increase in the allowance recognized in profit or loss during the period	83	–	2,506	2,589
Write-offs	–	–	(1,661)	(1,661)
Exchange difference	–	–	(19)	(19)
Closing loss allowance as at June 30, 2023	1,476	–	1,732	3,208

Net impairment losses on financial assets recognized in profit or loss

During the Track Record Period, the following losses were recognized in profit or loss in relation to impaired financial assets:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	USD’000	USD’000	USD’000	USD’000	USD’000
				(Unaudited)	
Impairment losses					
Movement in loss allowance for trade receivables	3,694	39,004	34,997	29,539	9,225
Movement in loss allowance for other receivables and other non-current assets	5,794	2,316	2,222	(4,506)	2,589
Impairment losses on financial assets at amortised cost	9,488	41,320	37,219	25,033	11,814

(iii) *Financial assets at fair value through profit or loss*

The entity is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

(c) *Liquidity risk*

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of the Group is to regularly monitor the Group’s liquidity risk and to maintain adequate cash and cash equivalents or adjust financing arrangements to meet the Group’s liquidity requirements.

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The table below analyses the Group’s non-derivative financial liabilities into relevant maturity grouping based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, except for financial liabilities at fair value through profit or loss that are disclosed at fair value.

Non-derivatives	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
	USD’000	USD’000	USD’000	USD’000	USD’000
As at December 31, 2020					
Borrowings	408,375	13,219	20,610	–	442,204
Trade payables	225,452	–	–	–	225,452
Accruals and other payables (excluding salary and welfare payables, tax payables and other non-financial liabilities)	217,742	–	–	–	217,742
Advances from customers	137,224	–	–	–	137,224
Lease liabilities	65,008	69,137	46,904	7,335	188,384
Financial liabilities at fair value through profit or loss	–	–	–	1,812,915	1,812,915
Total	1,053,801	82,356	67,514	1,820,250	3,023,921
Non-derivatives	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
	USD’000	USD’000	USD’000	USD’000	USD’000
As at December 31, 2021					
Borrowings	61,185	25,594	6,293	–	93,072
Trade payables	577,065	–	–	–	577,065
Accrued and other payables (excluding salary and welfare payables, tax payables and other non-financial liabilities)	646,915	–	–	–	646,915
Advances from customers	291,362	–	–	–	291,362
Lease liabilities	211,955	151,047	203,869	44,735	611,606
Financial liabilities at fair value through profit or loss	–	–	10,424,409	–	10,424,409
Financial liabilities – ordinary shares redemption liabilities	133,749	–	–	–	133,749
Financial liabilities – redemption liabilities of shares of JNT KSA	–	–	60,000	–	60,000
Total	1,922,231	176,641	10,694,571	44,735	12,838,178

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Non-derivatives	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
	USD’000	USD’000	USD’000	USD’000	USD’000
As at December 31, 2022					
Borrowings	79,212	39,913	1,005,558	–	1,124,683
Trade payables	484,215	–	–	–	484,215
Accrued and other payables (excluding salary and welfare payables and other tax payables)	533,856	–	–	–	533,856
Advances from customers	209,925	–	–	–	209,925
Lease liabilities	154,448	140,122	157,292	51,405	503,267
Financial liabilities at fair value through profit or loss	–	–	7,765,067	–	7,765,067
Financial liabilities – redemption liabilities of shares of JNT KSA	–	–	60,000	–	60,000
Total	1,461,656	180,035	8,987,917	51,405	10,681,013
Non-derivatives	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
	USD’000	USD’000	USD’000	USD’000	USD’000
As at June 30, 2023					
Borrowings	154,245	10,656	1,023,017	2,889	1,190,807
Trade payables	471,666	–	–	–	471,666
Accrued and other payables (excluding salary and welfare payables and other tax payables)	598,839	–	–	–	598,839
Advances from customers	241,441	–	–	–	241,441
Lease liabilities	200,813	141,774	145,345	80,177	568,109
Financial liabilities at fair value through profit or loss	10,016	–	8,251,027	–	8,261,043
Financial liabilities – redemption liabilities of shares of JNT KSA	–	–	60,000	–	60,000
Total	1,677,020	152,430	9,479,389	83,066	11,391,905

In addition, as at December 31, 2021, derivative financial liabilities with an carrying amount of USD62,897,000 represents the difference between the carrying amount (fair value) of relevant preferred shares to be repurchased and the repurchase consideration (Note 26 (v)), with total contractual amount of USD244,839,000, and such repurchase was completed in 2022.

Details of the description of financial liabilities at fair value through profit or loss are presented in Note 29.

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3.2 Capital risk management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders’ value in the long-term.

The Group monitors capital (including share capital, share premium and convertible preferred shares on an as-if-converted basis) by regularly reviewing the capital structure. As a part of this review, the Group considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company’s shares. In the opinion of the directors of the Company, the Group’s capital risk is relatively low, as a substantial part of its total liabilities as at December 31, 2020, 2021, and 2022 and June 30, 2023 were financial liabilities at fair value through profit or loss, substantially representing the Company and its subsidiaries’ preferred shares, which will not contractually become redeemable within the next 12-month period after December 31, 2020, 2021, and 2022 and June 30, 2023.

The asset-liability ratios of the Group as at December 31, 2020, 2021, and 2022 and June 30, 2023 are as follows:

	<u>As at December 31,</u>			<u>As at June 30,</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>
Total assets	2,243,040	6,544,642	5,935,559	6,072,779
Total liabilities	3,113,539	13,181,066	10,919,807	11,602,369
Asset-liability ratio	<u>138.8%</u>	<u>201.4%</u>	<u>184.0%</u>	<u>191.1%</u>

Asset-liability ratio is calculated by dividing total liabilities by total assets and multiplying by 100%. The increase/decrease of asset-liability ratio in 2021 and 2022 is mainly due to the increase/decrease of the Company’s value, according to which the fair value change of financial liabilities at fair value through profit or loss significantly increased/decrease. The increase of asset-liability ratio in the six months 2023 is mainly due to the increase of borrowings and issuance of convertible preferred shares.

3.3 Fair value estimation

Fair value hierarchy

The table below analyses the Group’s financial instruments carried at fair value as at each balance sheet date, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and.
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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The following table presents the Group’s assets and liabilities that are measured at fair value on December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>
Assets				
Short-term investments measured at fair value through profit or loss (Note 24)	–	71,324	–	71,324
Liabilities				
Financial liabilities at fair value through profit or loss (Note 29)	–	–	1,812,915	1,812,915

The following table presents the Group’s assets and liabilities that are measured at fair value on December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>
Assets				
Short-term investments measured at fair value through profit or loss (Note 24)	–	41,581	–	41,581
Liabilities				
Financial liabilities at fair value through profit or loss (Note 29)	–	–	10,487,306	10,487,306

The following table presents the Group’s assets and liabilities that are measured at fair value on December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>
Assets				
Non-current financial assets at fair value through profit or loss (Note 24)	–	–	481,050	481,050
Short-term investments measured at fair value through profit or loss (Note 24)	–	16,440	–	16,440
	–	16,440	481,050	497,490
Liabilities				
Financial liabilities at fair value through profit or loss (Note 29)	–	–	7,765,067	7,765,067

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The following table presents the Group’s assets and liabilities that are measured at fair value on June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>
Assets				
Non-current financial assets at fair value through profit or loss (Note 24)	–	–	532,319	532,319
Short-term investments measured at fair value through profit or loss (Note 24)	–	9,493	–	9,493
	<u>–</u>	<u>9,493</u>	<u>532,319</u>	<u>541,812</u>
Liabilities				
Financial liabilities at fair value through profit or loss (Note 29)	–	–	8,261,043	8,261,043
	<u>–</u>	<u>–</u>	<u>8,261,043</u>	<u>8,261,043</u>

(a) *Financial instruments in level 1*

The fair value of financial instruments traded in active markets is based on quoted market prices at each of the reporting dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) *Financial instruments in level 2*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value of an instrument are observable, the instrument is included in level 2.

For the years ended December 31, 2020, 2021, and 2022 and the six months ended June 30, 2022 and 2023, level 2 instruments of the Group’s assets mainly include wealth management products offered by banks, classified as financial assets at fair value through profit or loss.

(c) *Financial instruments in level 3*

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

As at December 31, 2020 and 2021, level 3 instruments of the Group’s liabilities mainly included convertible preferred shares (Note 29).

As at December 31, 2022 and June 30, 2023, level 3 instruments of the Group’s assets included the Group’s investments in Windfall T&L SPC and the convertible bonds of Huisen Global Limited (Note 24), and liabilities mainly included convertible preferred shares (Note 29).

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There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the years ended December 31, 2020, 2021, and 2022 and the six months ended June 30, 2022 and 2023.

The carrying amounts of the Group’s financial assets including cash and cash equivalents, restricted cash, trade receivables, other receivables, other assets and other non-current assets, and the Group’s financial liabilities, including borrowing, trade payables, lease liabilities, advances from customers, financial liabilities – ordinary share redemption liabilities, financial liabilities – redemption liabilities of shares of JNT KSA, accruals and other payables, approximate their fair values due to their short maturities or that the contract interest rates (if applicable) are generally close to the market interest rates.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of Historical Financial Information requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group’s accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Consolidation of affiliated entities

The Group conducts a substantial part of the business in countries including the PRC, Indonesia, Thailand, the Philippines, and Vietnam, where there are certain regulatory restrictions on foreign ownerships in express delivery and relevant businesses. The Group has entered into certain contractual arrangements with relevant local entities and their respective registered shareholders, or certain agreements or constitutional documents with non-controlling shareholders of relevant local entities where the Company is holding less than 50% of their equity interests. The directors of the Company determine that the Group is able to control such entities by assessing and concluding that the Group has the rights to exercise power over such entities, to receive variable returns from its involvement in such entities, and has the ability to affect those returns through its power over such entities. Consequently, the Company consolidates the assets, liabilities and results of operations of such entities in the consolidated financial information of the Group.

Nevertheless, uncertainties presented by the local legal system could impede the Group’s beneficiary rights in the results, assets and liabilities of the local entities. The directors of the Company, based on the advice of its legal counsels, have exercised judgement and consider that the abovementioned contractual arrangements, relevant agreements or constitutional documents are in compliance with relevant local laws and regulations, and are legally binding and enforceable.

(b) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group’s past history, existing market conditions, as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.1.

(c) Fair value of ordinary shares, preferred shares, and financial assets at fair value through profit or loss

The ordinary shares and preferred shares issued by the Company and the Group’s financial assets at fair value through profit or loss are not traded in an active market and the respective fair value is substantially determined by using valuation techniques. During the Track Record Period, the Company appointed an external valuer to provide assistance in the valuation of the fair value of relevant ordinary shares, preferred shares and financial assets at fair value through profit or loss. The discounted cash flow method is normally adopted to determine the underlying equity value of the Company or relevant business, and equity allocation model is adopted to determine the fair value of the preferred shares of the Company. Key assumptions, such as discount rate, lack of marketability discount and volatility are disclosed in Note 24, Note 29, Note 35, Note 36 and Note 37.

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(d) Current and deferred income taxes

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

For temporary differences which give rise to deferred tax assets, the Group assesses the likelihood that the deferred income tax assets could be recovered. Deferred tax assets are recognized based on the Group’s estimates and assumptions that they will be recovered from taxable income arising from continuing operations in the foreseeable future.

(e) Impairment of goodwill and other non-financial assets

The Group tests annually, or more frequently if events or changes in circumstances indicate that they might be impaired, whether goodwill has suffered any impairment. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is determined as higher of fair value less costs of disposal and value in use amount. These calculations require use of estimates.

For the purposes of determining the value in use of cash-generating unit or group of cash-generating units, expected cash flows generated by relevant assets are discounted to their present value, which requires significant estimates related to growth rate, gross margin, discount rate and other factors in the cash flow projection. Fair value less costs of disposal is calculated by benchmarking against the price quotation of a comparable model in the second-hand market, adjusting the estimated disposal costs.

The revision to the major assumptions adopted may result in recognition of impairment against goodwill, and recognition or reversal of impairment against other non-financial assets.

(f) Recognition of identifiable net assets acquired in business combinations and useful lives of customer relationship

During the Track Record Period, the Group completed several business combinations, details of which are set out in Note 36, Note 37 and Note 38. In accordance with IFRS 3, the identifiable net assets acquired are to be measured at fair value at the acquisition date to determine the difference between the cost of business combinations and the fair value of the net assets attributable to the Group acquired, which should be recognized as goodwill on the consolidated balance sheets.

In the absence of an active market for the above acquisition transaction undertaken by the Group, the directors of the Company made estimates from a variety of sources, in order to determine the fair value of identifiable net assets acquired. For the fair value of the intangible assets of customer relationships and property, plant and equipment, the directors of the Company made their estimates with reference to valuation results assessed by an external valuer appointed by the Company. The determination of fair value of net assets acquired requires estimates and judgements.

The Group determines the estimated useful lives and consequently the related amortisation charges for such acquired customer relationship. These estimates are based on the relevant industry and historical experience if applicable of the actual useful lives of customer relationship of similar nature and functions. Management will increase the amortisation charges where useful lives are less than previously estimated lives. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in amortisable lives and therefore amortisation expenses in future periods.

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5. REVENUE AND SEGMENT INFORMATION

(a) Description of segments and principal activities

The chief operating decision maker has been identified as the Chief Executive Officer (the “CEO”).

The CEO examines the Group’s performance from a geographic perspective and has identified three reportable segments of its business generally basing on territories in which the Group operates.

The CEO assesses the performance of the abovementioned segments mainly based on segment revenue, segment gross (loss)/profit, and segment adjusted EBITDA (a non-IFRS measure).

The abovementioned adjusted EBITDA (a non-IFRS measure) is defined as net profit or loss to exclude the following items (the “Adjustments”):

- Income tax expense
- Finance income/costs – net
- Depreciation and amortisation
- Share-based compensation expenses – employee benefit expenses
- Share-based compensation expenses – related to equity transactions
- Fair value change of financial assets and liabilities at fair value through profit or loss
- Other gains, expenses or losses the Group and the CEO deem to be one-off

During the Track Record Period, certain expenses, gains and losses incurred at corporate and holding companies’ level including the Company, the BVI Holdco and the HK Holding, and the fair value changes of: a) financial assets of the Group and b) financial liabilities of the Group that would not be converted into equity of the Company upon [REDACTED], were defined as un-allocated items.

The revenue from external customers is measured as segment revenue, which is the revenue derived from the customers in each operating segment respectively.

(b) Segment information

The geographical segment information for the years ended December 31, 2020, 2021, and 2022 and the six months ended June 30, 2022 and 2023 is as follows:

	Year ended December 31, 2020			
	China	South-East Asia	Others	Total
	USD’000	USD’000	USD’000	USD’000
Segment revenue	478,847	1,046,504	10,074	1,535,425
Segment cost of revenue	(1,055,581)	(734,551)	(6,781)	(1,796,913)
Segment gross profit/(loss)	(576,734)	311,953	3,293	(261,488)
Adjusted segment EBITDA (a non-IFRS measure)	(616,227)	266,561	1,652	(348,014)
Unallocated				26,851
Total adjusted EBITDA (a non-IFRS measure)				(321,163)

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	Year ended December 31, 2021			
	China	South-East Asia	Others	Total
	USD’000	USD’000	USD’000	USD’000
Segment revenue	2,181,368	2,377,544	292,888	4,851,800
Segment cost of revenue	(3,400,061)	(1,715,413)	(281,070)	(5,396,544)
Segment gross profit/(loss)	(1,218,693)	662,131	11,818	(544,744)
Adjusted segment EBITDA (a non-IFRS measure)	(1,206,014)	427,436	(14,028)	(792,606)
Unallocated				(1,844)
Total adjusted EBITDA (a non-IFRS measure)				(794,450)

	Year ended December 31, 2022			
	China	South-East Asia	Others	Total
	USD’000	USD’000	USD’000	USD’000
Segment revenue	4,096,177	2,381,726	789,525	7,267,428
Segment cost of revenue	(4,760,937)	(1,905,724)	(871,005)	(7,537,666)
Segment gross profit/(loss)	(664,760)	476,002	(81,480)	(270,238)
Adjusted segment EBITDA (a non-IFRS measure)	(722,658)	331,582	(168,789)	(559,865)
Unallocated				(334,225)
Total adjusted EBITDA (a non-IFRS measure)				(894,090)

(Unaudited)	Six months ended June 30, 2022			
	China	South-East Asia	Others	Total
	USD’000	USD’000	USD’000	USD’000
Segment revenue	1,960,145	1,177,929	264,469	3,402,543
Segment cost of revenue	(2,228,024)	(954,892)	(285,686)	(3,468,602)
Segment gross profit/(loss)	(267,879)	223,037	(21,217)	(66,059)
Adjusted segment EBITDA (a non-IFRS measure)	(222,158)	156,737	(45,613)	(111,034)
Unallocated				(27,691)
Total adjusted EBITDA (a non-IFRS measure)				(138,725)

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	Six months ended June 30, 2023					
	China		South-East Asia		Others	Total
	USD’000		USD’000		USD’000	USD’000
Segment revenue	2,203,070	1,246,076	581,293	4,030,439		
Segment cost of revenue	(2,220,155)	(1,025,958)	(590,786)	(3,836,899)		
Segment gross profit/(loss)	(17,085)	220,118	(9,493)	193,540		
Adjusted segment EBITDA (a non-IFRS measure)	(44,967)	184,060	(66,431)	72,662		
Unallocated					(33,493)	
Total adjusted EBITDA (a non-IFRS measure)					39,169	
	Year ended December 31,			Six months ended June 30,		
	2020	2021	2022	2022	2023	
	USD’000	USD’000	USD’000	USD’000	USD’000	
	(Unaudited)					
Adjusted EBITDA (a non-IFRS measure)						
China	(616,227)	(1,206,014)	(722,658)	(222,158)	(44,967)	
South-East Asia	266,561	427,436	331,582	156,737	184,060	
Others	1,652	(14,028)	(168,789)	(45,613)	(66,431)	
Un-allocated	26,851	(1,844)	(334,225)	(27,691)	(33,493)	
Total adjusted EBITDA (a non-IFRS measure)	(321,163)	(794,450)	(894,090)	(138,725)	39,169	
Adjustments:						
Depreciation and amortization	(97,302)	(220,489)	(505,947)	(246,512)	(251,981)	
Share-based compensation expenses-related to employee benefit expenses (Note 8)	(161,073)	(382,594)	(244,104)	(244,104)	(10,295)	
Share-based compensation expense related to regional sponsors	-	-	-	-	(158,442)	
Share-based compensation expenses-related to equity transactions (Note 9)	(27,229)	(236,418)	(37,262)	(16,490)	(1,258,131)	
Fair value change of financial liabilities of the Company [REDACTED]	-	(4,383,532)	3,352,590	2,061,022	1,029,661	
Finance income	1,965	9,476	22,002	8,025	11,367	
Finance costs	(13,831)	(99,077)	(99,499)	(44,647)	(56,002)	
Income tax expense	(45,530)	(73,126)	(10,763)	2,876	(6,579)	
(Loss)/Profit for the year/period	<u>(664,163)</u>	<u>(6,192,258)</u>	<u>1,572,567</u>	<u>1,372,272</u>	<u>(666,769)</u>	

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The total of non-current assets other than financial instruments and deferred tax assets, broken down by location of the assets, are shown in the following table:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	USD’000	USD’000	USD’000	USD’000
China	281,236	1,941,342	1,544,461	1,584,418
South-East Asia	281,737	867,640	830,038	913,761
Others	1,932	52,176	145,548	172,952
	<u>564,905</u>	<u>2,861,158</u>	<u>2,520,047</u>	<u>2,671,131</u>

During the Track Record Period, Revenues of the Group derived from single external customers which accounts for over 10% of the Group’s revenue are shown in the following table:

	Year ended December 31,						Six months ended June 30,			
	2020		2021		2022		2022		2023	
	USD’000	%	USD’000	%	USD’000	%	USD’000	%	USD’000	%
	(Unaudited)									
Customer A	542,963	35%	1,715,398	35%	1,231,324	17%	706,013	21%	446,218	11%

(c) **Revenue during the Track Record Period**

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	USD’000	USD’000	USD’000	USD’000	USD’000
	(Unaudited)				
Type of revenue:					
Express delivery services	1,481,921	4,513,597	6,482,977	3,109,156	3,546,178
Cross-border services	10,074	291,896	707,773	252,644	448,536
Rental income	8,036	10,163	44,391	17,932	23,307
Sale of accessories	34,166	30,350	23,730	14,105	8,465
Others	1,228	5,794	8,557	8,706	3,953
	<u>1,535,425</u>	<u>4,851,800</u>	<u>7,267,428</u>	<u>3,402,543</u>	<u>4,030,439</u>
Timing of revenue recognition:					
Overtime	1,437,525	4,732,225	7,102,996	3,317,272	3,943,832
A point in time	89,864	109,412	120,041	67,339	63,300
Rental income	8,036	10,163	44,391	17,932	23,307
	<u>1,535,425</u>	<u>4,851,800</u>	<u>7,267,428</u>	<u>3,402,543</u>	<u>4,030,439</u>

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6. OTHER INCOME

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	USD’000	USD’000	USD’000	USD’000	USD’000
				(Unaudited)	
Subsidy income	11,466	71,415	87,035	42,497	10,791
Interest income on loans to related parties	1,305	4,412	10,175	5,088	–
Interest income on loans to third parties	4,285	6,715	939	495	1,437
	<u>17,056</u>	<u>82,542</u>	<u>98,149</u>	<u>48,080</u>	<u>12,228</u>

The subsidy incomes were mainly related to incentives provided by governments in the PRC based on the amounts of value added tax paid, and subsidies provided by local governments for economic recovery plans in South East Asian countries. The Group has received all the subsidy incomes in full and there was no future obligation related to these subsidy incomes.

7. OTHER GAINS/(LOSSES) – NET

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	USD’000	USD’000	USD’000	USD’000	USD’000
				(Unaudited)	
Provisions for legal claims	–	–	(19,330)	(17,164)	–
Exchange gains/(losses) – net	29,362	19,887	(17,338)	(25,073)	(12,686)
Net gains/(losses) on disposal of property, plant and equipment	(37)	(1,424)	(1,873)	3,470	(21,306)
Others	(1,851)	7,907	(1,705)	7,108	(9,431)
	<u>27,474</u>	<u>26,370</u>	<u>(40,246)</u>	<u>(31,659)</u>	<u>(43,423)</u>

8. EMPLOYEE BENEFIT EXPENSES

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	USD’000	USD’000	USD’000	USD’000	USD’000
				(Unaudited)	
Salaries and bonuses	395,642	935,834	939,117	480,395	473,860
Pension cost – defined contribution plans	12,092	37,259	39,132	22,328	23,689
Share-based compensation expenses (Notes 26 (i) (ii), (iii))	161,073	382,594	244,104	244,104	10,295
Other compensation expenses (i)	–	16,027	5,306	2,462	–
Medical and other benefits	22,193	64,138	62,670	23,954	32,198
	<u>591,000</u>	<u>1,435,852</u>	<u>1,290,329</u>	<u>773,243</u>	<u>540,042</u>

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- (i) After the acquisition of Best Inc.’s express business in China (Note 38), as part of the Group’s integration plan, the Group offered certain compensation packages to the staffs from Best Inc.’s express business in China who had chosen to end the employment with the Group. As a result, relevant expenses with amounts of USD16,027,000, USD5,306,000 and USD2,462,000 were recorded for the years ended 2021 and 2022 and the six months ended June 30, 2022 respectively for such purpose.

9. EXPENSES BY NATURE

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	USD’000	USD’000	USD’000	USD’000	USD’000
				(Unaudited)	
Employee benefit expenses (Note 8)	591,000	1,435,852	1,290,329	773,243	540,042
Fulfilment costs	820,139	2,385,225	3,320,187	1,582,047	1,790,771
Other labour costs	96,685	310,959	402,694	190,314	213,284
Line-haul costs	368,172	1,341,433	2,221,664	995,370	1,137,526
Depreciation and amortization (Note 34 (a))	97,302	220,489	505,947	246,512	251,981
Materials	59,518	97,087	107,568	54,572	43,028
Share-based compensation expenses – related to regional sponsors (Notes 26 (iv), (v), (vi), (vii))	–	–	–	–	158,442
Share-based compensation expenses – related to equity transactions (Notes 26 (iv), (v), (vi), (vii))	27,229	236,418	37,262	16,490	1,258,131
Short-term leases	24,611	64,412	136,200	65,909	70,584
Auditors’ remuneration	249	1,465	2,252	1,126	1,244
[REDACTED]	–	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Advertising and marketing expenses	15,509	18,036	24,709	3,775	24,795
Impairment of long-term assets (Note 15, Note 17)	–	250,292	219,080	–	–
Impairment of goodwill (Note 17)	–	–	117,502	–	–
Others	76,497	192,883	281,923	77,311	128,284
	<u>2,176,911</u>	<u>6,566,599</u>	<u>8,677,677</u>	<u>4,015,842</u>	<u>5,623,648</u>

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10. FINANCE COSTS – NET

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	USD’000	USD’000	USD’000	USD’000	USD’000
				(Unaudited)	
Finance income					
Interest income from bank deposits	1,965	9,476	22,002	8,025	11,367
Finance costs					
Interest expenses on convertible preferred shares (<i>Note 43</i>)	–	(81,602)	–	–	–
Interest expenses on lease liabilities (<i>Note 16</i>)	(6,007)	(13,860)	(37,318)	(18,239)	(19,015)
Interest expenses on borrowings	–	–	–	–	–
Includes: Interest expense on borrowings from financial institutions	(34)	(195)	(54,902)	(24,248)	(32,870)
Interest expense on borrowings from related parties	(4,843)	(642)	(17)	(8)	–
Interest expense on borrowings from third parties	(2,947)	(2,778)	(7,262)	(2,152)	(4,117)
Total finance costs	(13,831)	(99,077)	(99,499)	(44,647)	(56,002)
Finance costs – net	(11,866)	(89,601)	(77,497)	(36,622)	(44,635)

11. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	USD’000	USD’000	USD’000	USD’000	USD’000
				(Unaudited)	
Impairment losses recognized, net of reversal, on:					
– trade receivables	3,694	39,004	34,997	29,539	9,225
– other receivables and other non-current assets	5,794	2,316	2,222	(4,506)	2,589
	9,488	41,320	37,219	25,033	11,814

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12. INCOME TAX EXPENSE/(CREDIT)

The amount of income tax charged to the consolidated income statements represents:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	USD’000	USD’000	USD’000	USD’000	USD’000
				(Unaudited)	
Current tax on profits for the year/period	46,422	66,042	56,183	38,400	23,239
Deferred income tax (Note 30)	(892)	7,084	(45,420)	(41,276)	(16,660)
	<u>45,530</u>	<u>73,126</u>	<u>10,763</u>	<u>(2,876)</u>	<u>6,579</u>

Taxes on profits assessable have been calculated at the rates of tax prevailing in the jurisdictions in which relevant entities operate.

(i) Cayman Islands profits tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and is exempted from payment of the Cayman Islands income tax.

(ii) British Virgin Islands (“BVI”) profits tax

The Company’s subsidiaries incorporated in the BVI are exempted from BVI income tax, as they are incorporated under the International Business Companies Act of the BVI.

(iii) Hong Kong profits tax

The Company’s subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 8.25% on assessable profits up to HK\$2,000,000, and 16.5% on any part of assessable profits over HK\$2,000,000 for the Track Record Period.

(iv) PRC corporate income tax (“PRC CIT”)

The Group’s subsidiaries in the PRC are subject to PRC CIT which is calculated based on the applicable tax rate of 25% on the assessable profits of the subsidiaries in accordance with PRC tax laws and regulations for the Track Record Period, except for disclosed below.

The Group’s subsidiary, Shenzhen Yunlu Information Technology Co., Ltd. is qualified as a software enterprise under the relevant laws and regulations in the PRC. Accordingly, it is exempted from PRC CIT for two years since the first profit-making year, followed by a 50% reduction in the PRC CIT tax rate of 25% for the next three years.

Besides, certain Group’s subsidiaries benefit from a preferential tax rate of 15% under the CIT Law if they are located in applicable PRC regions, such as certain western regions and special economic zone, as specified in the relevant catalogue of encouraged industries, subject to certain general restrictions described in the CIT Law and the related regulations.

For the Track Record Period, several subsidiaries in the PRC were qualified as small and micro enterprises under the PRC CIT regime, which enjoyed a 50%-87.5% reduction in certain statutory taxable income, with a preferential income tax rate of 20%.

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(v) Indonesia corporate income tax (“Indonesia CIT”)

The Group’s subsidiaries in Indonesia are subject to Indonesia CIT which is calculated based on the applicable tax rate of 22% on the assessable profits of the subsidiaries in accordance with Indonesia tax laws and regulations for the Track Record Period.

(vi) Malaysia corporate income tax (“Malaysia CIT”)

The Group’s subsidiaries in Malaysia are subject to Malaysia CIT which is calculated based on the applicable tax rate of 24% on the assessable profits of the subsidiaries in accordance with Malaysia tax laws and regulations for the Track Record Period.

(vii) Vietnam corporate income tax (“Vietnam CIT”)

The Group’s subsidiaries in Vietnam are subject to Vietnam CIT which is calculated based on the applicable tax rate of 20% on the assessable profits of the subsidiaries in accordance with Vietnam tax laws and regulations for the Track Record Period.

(viii) Thailand corporate income tax (“Thailand CIT”)

The Group’s subsidiaries in Thailand are subject to Thailand CIT which is calculated based on the applicable tax rate of 20% on the assessable profits of the subsidiaries in accordance with Thailand tax laws and regulations for the Track Record Period.

(ix) The Philippines corporate income tax (“the Philippines CIT”)

For the six months period ended June 30, 2020, the Group’s subsidiaries in the Philippines are subject to the Philippines CIT which is calculated based on the applicable tax rate of 30% on the assessable profits of the subsidiaries in accordance with the Philippines tax laws and regulations. The applicable CIT tax rate has been decreased from 30% to 25% since July 1, 2020.

(x) Withholding income tax

As at December 31, 2020, the Group’s business was still in a loss position except for the business in Indonesia and the Philippines. As at December 31, 2021, the Group’s major business is still in a loss position except for the business in Indonesia, the Philippines and Malaysia. As at December 31, 2022, the Group’s major business is still in a loss position except for the business in Indonesia and the Philippines. As at June 30, 2023, the Group’s major business is still in a loss position except for the business in Indonesia and the Philippines.

According to the Indonesia CIT Law, a 20% withholding tax will be levied on the immediate holding companies established outside Indonesia when their Indonesian subsidiaries declare dividends out of their profits, and the rate could be lowered to 5% when certain conditions are met in accordance with Hong Kong – Indonesia Double Tax Treaty.

During the years ended December 31, 2020, 2021, and 2022 and the six months ended June 30, 2022 and 2023, no dividend withholding tax for Indonesia companies was provided as the directors have confirmed that the Group does not expect those subsidiaries to distribute the retained earnings as at December 31, 2020, 2021, and 2022 and June 30, 2023 in the foreseeable future. Unremitted earnings that deferred income tax liabilities have not been recognized totalled USD73,237,000, USD148,332,000, USD213,917,000 and USD229,399,000 as at December 31, 2020, 2021, and 2022 and June 30, 2023, respectively.

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According to the Philippine CIT Law, withholding tax will be levied on the immediate holding companies established outside the Philippines when their Philippine subsidiaries declare dividends out of their profits. The withholding tax rates are 15% or 30% for the year ended December 31, 2020, and 15% or 25% for the years ended December 31, 2021 and 2022 and the six months ended June 30, 2022 and 2023.

During the years ended December 31, 2020, 2021, and 2022 and the six months ended June 30, 2022 and 2023, no dividend withholding tax for the Philippine companies was provided as the directors have confirmed that the Group does not expect those subsidiaries to distribute the retained earnings as at December 31, 2020, 2021, and 2022 and June 30, 2023 in the foreseeable future. Unremitted earnings that deferred income tax liabilities have not been recognized totalled USD40,986,000, USD84,471,000, USD113,742,000 and USD118,557,000 as at December 31, 2020, 2021, and 2022 and June 30, 2023, respectively.

According to the Malaysia CIT Law, Malaysia has no withholding tax on dividends in addition to tax on the profits out of which the dividends are declared.

The difference between the actual income tax expense charged to the consolidated income statements and the amounts which would result from applying the enacted tax rates to (loss)/profit before income tax can be reconciled as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	USD’000	USD’000	USD’000	USD’000	USD’000
	(Unaudited)				
(Loss)/profit before income tax	(618,633)	(6,119,132)	1,583,330	1,369,396	(660,190)
Income tax expenses calculated at applicable tax rates	(109,943)	(296,547)	(254,488)	(83,217)	(70,779)
Additional deduction of research and development expense	(1,966)	(4,681)	(403)	(352)	(1,130)
Costs, expenses and losses not deductible for tax purposes	3,288	6,649	16,019	8,922	11,177
Previously unrecognized tax losses and deductible temporary differences utilised	(5,041)	(820)	(63,153)	(29,515)	(20,408)
Previously unrecognized tax losses and deductible temporary differences recognized as deferred tax assets	(3,949)	–	(27,404)	(32,548)	(23,806)
Deductible temporary differences for which no deferred tax asset was recognized	901	63,602	3,907	1,547	4,461
Tax losses for which no deferred tax asset was recognized	162,240	304,923	336,285	132,287	107,064
	<u>45,530</u>	<u>73,126</u>	<u>10,763</u>	<u>(2,876)</u>	<u>6,579</u>

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13. EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares and preferred shares outstanding during the financial year, excluding relevant treasury shares if applicable.

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	(Unaudited)				
Net (loss)/profit attributable to owners of the Company (USD’000)	(564,836)	(6,046,983)	1,656,168	1,413,479	(640,967)
Weighted average number of shares (thousands):					
Ordinary Shares outstanding	275,410	–	–	–	–
Class A Ordinary Shares outstanding	25,862	343,606	432,651	431,525	436,481
Class B Ordinary Shares outstanding	18,859	170,754	171,811	169,402	179,335
Series Pre-A1 Preferred Shares outstanding	70,383	–	–	–	–
Series Pre-A2 Preferred Shares outstanding	51,153	–	–	–	–
Series A Preferred Shares outstanding	154,135	–	–	–	–
Total weighted average number of shares outstanding	595,802	514,360	604,462	600,927	615,816
Basic (loss)/earnings per share (USD cent)	(94.8)	(1,175.6)	274.0	235.2	(104.1)

As Series Pre-A1 Preferred Shares, Series Pre-A2 Preferred Shares and Series A Preferred Shares have the same dividend entitlement as the Class A and Class B Ordinary Shares, these preferred shares are included in total weighted average number of shares outstanding for the purpose of the calculation of basic loss per share, before reclassifying from equity to financial liabilities at fair value through profit or loss on December 30, 2020 (Note 29).

(b) Diluted

The calculation of the diluted earnings/(loss) per share is based on the profit/(loss) attributable to equity holders of the Company, adjusted to reflect the impact from any dilutive potential ordinary shares that would have been outstanding, as appropriate. The weighted average number of ordinary shares used in calculating diluted earnings/(loss) per share is the weighted average number of ordinary shares, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

For the six months ended June 30, 2023 and the year ended December 31, 2022, the Group has four categories of potential ordinary shares, namely convertible preferred shares of the Company, Series A Preferred Shares of JET Global (Note 29), shares of JNT KSA (Note 26) and ordinary shares with vesting schedule granted to network partners (Note 26).

For the six months ended June 30, 2022 and the year ended December 31, 2021, the Group has three categories of potential ordinary shares, namely convertible preferred shares of the Company, Series A Preferred Shares of JET Global (Note 29) and shares of JNT KSA (Note 26).

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For the year ended December 31, 2020, the Group has one category of potential ordinary shares, namely convertible preferred shares of the Company (Note 29).

Convertible preferred shares were dilutive for the year ended December 31, 2022 and the six months ended June 30, 2023 and 2022, and were anti-dilutive for the years ended December 31, 2021 and 2020.

Series A Preferred Shares of JET Global and shares of JNT KSA were anti-dilutive for the years ended December 31, 2022 and 2021 and the six months ended June 30, 2023 and 2022.

Ordinary shares with vesting schedule granted to network partners were anti-dilutive for the year ended December 31, 2022 and the six months ended June 30, 2023.

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
				(Unaudited)	
Net (loss)/profit attributable to owners of the Company (USD’000)	(564,836)	(6,046,983)	1,656,168	1,413,479	(640,967)
Adjustment for fair value change of the Company’s convertible preferred shares through profit or loss	–	–	(3,352,590)	(2,061,022)	(1,029,661)
Net (loss)/profit attributable to owners of the Company (USD’000)	<u>(564,836)</u>	<u>(6,046,983)</u>	<u>(1,696,422)</u>	<u>(647,543)</u>	<u>(1,670,628)</u>
Weighted average number of shares (thousands):					
Weighted average number of shares outstanding	595,802	514,360	604,462	600,927	615,816
Adjustment for convertible preferred shares of the Company	–	–	840,331	837,114	892,428
Weighted average number of shares for calculation of diluted loss per share	<u>595,802</u>	<u>514,360</u>	<u>1,444,793</u>	<u>1,438,041</u>	<u>1,508,244</u>
Diluted loss per share (USD cent)	<u>(94.8)</u>	<u>(1,175.6)</u>	<u>(117.4)</u>	<u>(45.0)</u>	<u>(110.8)</u>

14. INVESTMENT PROPERTIES

The Group’s investment properties are initially recognized at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	USD’000	USD’000	USD’000	USD’000
Investment properties				
Opening balance	53,125	53,065	718	507
Addition	1,678	987	–	–
Transferred to property, plant and equipment (Note 15)	–	(52,648)	–	(185)
Depreciation	(1,228)	(266)	(154)	(27)
Exchange differences	(510)	(420)	(57)	19
Closing balance	<u>53,065</u>	<u>718</u>	<u>507</u>	<u>314</u>

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	As at December 31,			As at June 30,
	2020	2021	2022	2023
	USD’000	USD’000	USD’000	USD’000
Cost	55,034	966	881	437
Accumulated depreciation	(1,969)	(248)	(374)	(123)
Net book amount	<u>53,065</u>	<u>718</u>	<u>507</u>	<u>314</u>

In 2021, as a result of the acquisition of the operating entities of Indonesian regional sponsors, who were also the lessees of the investment properties of the Group, an amount of USD52,648,000 of investment properties were transferred to property, plant and equipment (Note 15).

Investment properties mainly represent buildings and warehouses held by the Group in Indonesia erected on freehold land and include the cost of land, buildings and warehouses. The fair values as at December 31, 2020, 2021, and 2022 and June 30, 2023 were determined by management’s self-assessment using discounted cash flow projection based on significant unobservable inputs.

The fair values of the investment properties were set out as follows:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	USD’000	USD’000	USD’000	USD’000
Fair value	<u>57,231</u>	<u>890</u>	<u>876</u>	<u>640</u>

(i) Leasing arrangements

The investment properties are leased to tenants (substantially operating entities of regional sponsors) under operating leases with rentals payable monthly, generally with fixed monthly payments and the lease term of around one year. As at June 30, 2023, the remaining leasing arrangements have lease terms less than 6 years.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

The minimum lease receivable on leases of investment properties is USD4,338,000, USD341,000, USD284,000 and USD238,000 as at December 31, 2020, 2021, and 2022 and June 30, 2023, respectively.

No major or significant contractual obligation for future repairs and maintenance is committed.

Lease income amounting to approximately USD3,169,000, USD3,458,000, USD57,000, USD27,000 and USD28,000 for the years ended December 31, 2020, 2021, and 2022 and the six months ended June 30, 2022 and 2023, respectively, were related to the lease of investment properties.

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15. PROPERTY, PLANT AND EQUIPMENT

	Buildings and warehouses	Logistic equipment	Vehicles	Leasehold improvements	Office equipment	Land	Others	Construction in progress	Total
	USD’000	USD’000	USD’000	USD’000	USD’000	USD’000	USD’000	USD’000	USD’000
Cost									
As at January 1, 2020	7,566	13,580	48,698	10,349	22,360	–	226	7,240	110,019
Acquisition of subsidiaries	–	–	188	11	25	–	–	–	224
Transfer upon completion	8,172	11,556	1,180	1,288	2,907	–	18	(25,121)	–
Other additions	381	39,915	117,999	9,949	24,871	1,136	537	53,316	248,104
Other disposals	–	(646)	(1,135)	–	(617)	–	(16)	–	(2,414)
Exchange differences	(113)	1,260	3,959	449	817	32	12	971	7,387
As at December 31, 2020	16,006	65,665	170,889	22,046	50,363	1,168	777	36,406	363,320
Acquisition of subsidiaries (Notes 36, 37 and 38)	2,285	407,442	19,898	53,910	13,300	1,905	244	97,245	596,229
Transfer from investment properties	25,912	–	–	–	–	28,690	–	–	54,602
Transfer upon completion	205	86,077	10,883	5,578	2,263	–	–	(105,006)	–
Other additions	1,609	78,458	174,326	15,636	29,271	–	468	238,353	538,121
Other disposals	–	(17,900)	(7,749)	(1,418)	(8,697)	–	(317)	–	(36,081)
Exchange differences	(484)	(742)	(2,432)	(462)	(1,112)	(307)	(150)	845	(4,844)
As at December 31, 2021	45,533	619,000	365,815	95,290	85,388	31,456	1,022	267,843	1,511,347
Acquisition of subsidiaries	59	1,367	1,791	–	544	–	–	–	3,761
Transfer upon completion	9,302	289,106	4,872	23,101	6,594	–	–	(332,975)	–
Transfer to Intangible assets	–	–	–	–	–	–	–	(235)	(235)
Other additions	18,810	137,038	87,642	17,681	33,762	30,035	1,501	218,737	545,206
Other disposals	(327)	(107,535)	(8,882)	(34,418)	(5,689)	(1,051)	(284)	(8,434)	(166,620)
Exchange differences	(7,755)	(95,746)	(29,594)	(11,801)	(8,664)	(1,496)	4	(13,647)	(168,699)
As at December 31, 2022	65,622	843,230	421,644	89,853	111,935	58,944	2,243	131,289	1,724,760
Acquisition of subsidiaries	–	953	–	–	2,909	–	–	–	3,862
Transfer from investment properties	474	–	–	–	–	–	–	–	474
Transfer upon completion	510	61,959	17,505	13,767	998	–	–	(94,739)	–
Other additions	384	51,443	20,382	6,373	14,439	32,490	23	102,511	228,045

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	Buildings and warehouses	Logistic equipment	Vehicles	Leasehold improvements	Office equipment	Land	Others	Construction in progress	Total
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
	-	(33)	(9)	-	(3)	-	-	-	(45)
Disposal of subsidiaries	-	(129,719)	(1,885)	(24,121)	(6,892)	-	(1,647)	(14,967)	(179,231)
Other disposals	4,478	(32,735)	(11,353)	(4,171)	71	(619)	576	(1,172)	(44,925)
Exchange differences									
As at June 30, 2023	71,468	795,098	446,284	81,701	123,457	90,815	1,195	122,922	1,732,940
Depreciation									
As at January 1, 2020	(152)	(1,531)	(7,563)	(4,127)	(7,051)	-	(18)	-	(20,442)
Charge for the year	(1,643)	(3,974)	(18,564)	(4,864)	(10,067)	-	(158)	-	(39,270)
Disposal of subsidiaries	-	-	2	-	-	-	-	-	2
Other disposals	-	34	188	-	90	-	1	-	313
Exchange differences	(59)	(57)	(460)	(135)	(177)	-	(3)	-	(891)
As at December 31, 2020	(1,854)	(5,528)	(26,397)	(9,126)	(17,205)	-	(178)	-	(60,288)
Transferred from investment properties	(1,954)	-	-	-	-	-	-	-	(1,954)
Charge for the year	(3,404)	(22,496)	(49,578)	(13,576)	(15,149)	-	(241)	-	(104,444)
Other disposals	-	4,658	1,463	1,228	3,279	-	183	-	10,811
Exchange differences	55	422	1,118	259	459	-	71	-	2,384
As at December 31, 2021	(7,157)	(22,944)	(73,394)	(21,215)	(28,616)	-	(165)	-	(153,491)
Charge for the year	(3,694)	(92,333)	(78,935)	(28,338)	(24,228)	-	(382)	-	(227,910)
Other disposals	87	5,740	3,779	8,943	3,005	-	19	-	21,573
Exchange differences	775	17,921	7,496	6,419	3,885	-	(3)	-	36,493
As at December 31, 2022	(9,989)	(91,616)	(141,054)	(34,191)	(45,954)	-	(531)	-	(323,335)
Transferred from investment properties	(289)	-	-	-	-	-	-	-	(289)
Charge for the period	(2,098)	(33,685)	(43,133)	(10,889)	(14,353)	-	(225)	-	(104,383)
Other disposals	(9)	24,466	829	3,686	4,758	-	52	-	33,782
Exchange differences	(521)	8,291	4,407	2,439	306	-	61	-	14,983
As at June 30, 2023	(12,906)	(92,544)	(178,951)	(38,955)	(55,243)	-	(643)	-	(379,242)

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	Buildings and warehouses USD'000	Logistic equipment USD'000	Vehicles USD'000	Leasehold improvements USD'000	Office equipment USD'000	Land USD'000	Others USD'000	Construction in progress USD'000	Total USD'000
Impairment									
As at January 1, 2020 and December 31, 2020	–	–	–	–	–	–	–	–	–
Charge for the year	(766)	(170,480)	(251)	(16,309)	(3,100)	–	–	(59,386)	(250,292)
As at December 31, 2021	(766)	(170,480)	(251)	(16,309)	(3,100)	–	–	(59,386)	(250,292)
Charge for the year	(587)	(171,466)	(192)	(10,128)	(2,375)	–	–	(30,748)	(215,496)
Transfer upon completion	–	(38,975)	–	–	–	–	–	38,975	–
Other disposals	–	81,164	118	5,350	408	–	–	5,577	92,617
Currency translation differences	–	19,209	545	1,233	471	–	–	3,172	24,630
As at December 31, 2022	(1,353)	(280,548)	220	(19,854)	(4,596)	–	–	(42,410)	(348,541)
Other disposals	–	69,485	–	11,287	318	–	–	6,444	87,534
Currency translation differences	–	7,492	1,256	216	240	–	–	334	9,538
As at June 30, 2023	(1,353)	(203,571)	1,476	(8,351)	(4,038)	–	–	(35,632)	(251,469)
Net book amount									
As at December 31, 2020	14,152	60,137	144,492	12,920	33,158	1,168	599	36,406	303,032
As at December 31, 2021	37,610	425,576	292,170	57,766	53,672	31,456	857	208,457	1,107,564
As at December 31, 2022	54,280	471,066	280,810	35,808	61,385	58,944	1,712	88,879	1,052,884
As at June 30, 2023	57,209	498,983	268,809	34,395	64,176	90,815	552	87,290	1,102,229

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The provision for impairment during the years ended December 31, 2021 and 2022 and the six months ended June 30, 2022 and 2023 represented the impairment loss of the property, plant and equipment that are expected to be redundant.

Subsequent to the acquisition of Best Inc.’s express business in China in December 2021 (Note 38), the Group planned to integrate and consolidate the express delivery network facilities acquired with its own. The Group identified certain redundant sorting centers which would be closed within one or two years when the current lease agreements ended, and assessed the recoverable amounts of the relevant assets based on the higher of value in use with reference to discounted cash flow projections and fair value less costs of disposal. Accordingly, impairment provisions amounting to USD250,292,000 were made against the relevant assets of property, plant and equipment during the year ended December 31, 2021.

In 2022, subsequent to integration of the express delivery network acquired from Best Inc. with its own, the Group further planned to optimize its China domestic express delivery network to achieve higher efficiency and quality. As a result, the Group further identified certain redundant sorting centers, and assessed the recoverable amounts of the relevant assets based on the higher of value in use with reference to discounted cash flow projections and fair value less costs of disposal. Accordingly, impairment provisions amounting to USD167,080,000 were made against the relevant assets of property, plant and equipment during the year ended December 31, 2022.

The recoverable amount of the abovementioned long-term assets is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on certain assumptions made by management. The key assumptions used for value-in-use calculations are as follows:

	As at December 31, 2021
Pre-tax discount rate	18.24%
Recoverable amount (USD’000)	324,707

	As at December 31, 2022
Pre-tax discount rate	17.25%
Recoverable amount (USD’000)	461,115

Depreciation expenses have been charged to the consolidated income statements as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	USD’000	USD’000	USD’000	USD’000	USD’000
	(Unaudited)				
Cost of revenue	30,055	87,234	208,104	100,612	93,232
Selling, general and administrative expenses	8,657	16,881	19,511	10,957	11,015
Research and development expenses	558	329	295	244	136
	<u>39,270</u>	<u>104,444</u>	<u>227,910</u>	<u>111,813</u>	<u>104,383</u>

As at December 31, 2020, 2021, and 2022 and June 30, 2023, property, plant and equipment with carrying amount of USD17,180,000, USD69,684,000, USD71,592,000 and USD102,215,000 were pledged as securities for the Group’s borrowings from financial institutions (Note 28), respectively.

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16. LEASES

(i) Amounts recognized in the consolidated balance sheets

The consolidated balance sheets show the following amounts relating to leases:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	USD’000	USD’000	USD’000	USD’000
Right-of-use assets				
Buildings and warehouses	182,789	578,085	460,258	495,218
Vehicles	3,117	10,099	11,320	14,375
Land	682	3,138	2,471	60,432
Equipment and others	174	12,890	7,158	4,662
	<u>186,762</u>	<u>604,212</u>	<u>481,207</u>	<u>574,687</u>
Lease liabilities				
Current lease liabilities	63,639	207,490	151,195	196,583
Non-current lease liabilities	111,378	391,232	341,471	359,559
	<u>175,017</u>	<u>598,722</u>	<u>492,666</u>	<u>556,142</u>

Additions to the right-of-use assets during the financial years ended December 31, 2020, 2021, and 2022 and the six months ended June 30, 2022 and 2023 were USD169,150,000, USD530,693,000, USD269,678,000, USD152,288,000 and USD261,556,000 respectively.

(ii) Amounts recognized in the consolidated income statements

The consolidated income statements show the following amounts relating to leases:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	USD’000	USD’000	USD’000	USD’000	USD’000
				(Unaudited)	
Depreciation charge of right-of-use assets					
Buildings and warehouses	55,266	104,224	245,899	122,054	126,631
Vehicles	499	6,138	5,694	3,078	4,333
Land	226	701	437	232	686
Equipment and others	9	2,815	5,146	2,651	2,314
	<u>56,000</u>	<u>113,878</u>	<u>257,176</u>	<u>128,015</u>	<u>133,964</u>
Interest expense (<i>Note 10</i>)	6,007	13,860	37,318	18,239	19,015
Expense relating to short-term leases (included in cost of revenue, selling, general and administrative expenses, research, and development expenses)	21,146	59,730	124,377	61,102	57,578

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The total cash outflows for leases payments for the years ended December 31, 2020, 2021, and 2022 and the six months ended June 30, 2022 and 2023 were USD87,206,000, USD195,541,000, USD417,516,000, USD194,475,000 and USD259,990,000, respectively. For the years ended December 31, 2020, 2021, and 2022 and the six months ended June 30, 2022 and 2023, among the cash outflow for lease payments, cash outflow for the principal elements of lease payments were USD61,405,000, USD101,703,000, USD262,668,000, USD127,290,000 and USD168,427,000, respectively, which is presented in cash flows from financing activities. The lease payments related to short-term leases were USD19,794,000, USD79,978,000, USD117,530,000, USD48,946,000 and USD62,548,000 for the years ended December 31, 2020, 2021, and 2022 and the six months ended June 30, 2022 and 2023, which are presented in cash flows from operating activities.

(iii) The group’s leasing activities and how these are accounted for

The Group leases various offices, warehouses, vehicles, land and equipment. Lease contracts are typically made for fixed periods of 6 months to 6 years but may have extension options as described in (v) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Under certain circumstances, certain amount of deposits is required to be paid to the lessors. Generally leased assets may not be used as security for borrowing purposes.

(iv) Variable lease payments

The Group’s property leases generally do not contain material variable payment terms that are linked to sales generated.

(v) Extension and termination options

The majority of extension and termination options held are exercisable by mutual agreement of the Group and the respective lessors.

(vi) Residual value guarantees

The Group generally does not provide residual value guarantees in relation to equipment leases.

17. INTANGIBLE ASSETS

	<u>Software</u>	<u>Goodwill</u>	<u>Customer relationship</u>	<u>Trademark</u>	<u>License and others</u>	<u>Total</u>
	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>	<u>USD’000</u>
Cost						
As at January 1, 2020	2,134	1,444	310	–	–	3,888
Additions	1,303	220	–	786	1,481	3,790
Exchange differences	54	–	–	–	51	105
As at December 31, 2020	3,491	1,664	310	786	1,532	7,783
Acquisition of subsidiaries	956	946,365	173,531	–	332	1,121,184
Additions	5,608	–	–	427	–	6,035
Exchange differences	9	(2,200)	–	–	35	(2,156)
As at December 31, 2021	10,064	945,829	173,841	1,213	1,899	1,132,846
Acquisition of subsidiaries (b)	151	51,829	–	–	–	51,980
Other additions	7,531	–	–	154	–	7,685
Other disposals	(54)	–	–	–	–	(54)
Exchange differences	(861)	(76,718)	(6,564)	–	(180)	(84,323)

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	Software	Goodwill	Customer relationship	Trademark	License and others	Total
	USD’000	USD’000	USD’000	USD’000	USD’000	USD’000
As at December 31, 2022	16,831	920,940	167,277	1,367	1,719	1,108,134
Acquisition of subsidiaries (c)	4,219	33,629	-	-	-	37,848
Other additions	1,138	-	-	-	8	1,146
Other disposals	(2,595)	-	-	-	-	(2,595)
Exchange differences	3,089	(9,305)	(2,917)	-	(71)	(9,204)
As at June 30, 2023	22,682	945,264	164,360	1,367	1,656	1,135,329
Amortization						
As at January 1, 2020	(936)	-	(16)	-	-	(952)
Additions	(477)	-	(31)	(59)	(237)	(804)
Exchange differences	(3)	-	-	-	(10)	(13)
As at December 31, 2020	(1,416)	-	(47)	(59)	(247)	(1,769)
Additions	(842)	-	(730)	(96)	(233)	(1,901)
Exchange differences	28	-	-	-	(10)	18
As at December 31, 2021	(2,230)	-	(777)	(155)	(490)	(3,652)
Additions	(2,898)	-	(17,528)	(180)	(101)	(20,707)
Other disposals	32	-	-	-	-	32
Exchange differences	415	-	356	-	77	848
As at December 31, 2022	(4,681)	-	(17,949)	(335)	(514)	(23,479)
Additions	(5,069)	-	(8,112)	-	(426)	(13,607)
Other disposals	79	-	-	-	-	79
Exchange differences	(45)	-	363	-	38	356
As at June 30, 2023	(9,716)	-	(25,698)	(335)	(902)	(36,651)
Impairment						
As at January 1, 2020, December 31, 2020 and December 31, 2021	-	-	-	-	-	-
Additions	-	(117,502)	(3,584)	-	-	(121,086)
Other disposals	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-
As at December 31, 2022	-	(117,502)	(3,584)	-	-	(121,086)
Additions	-	-	-	-	-	-
Other disposals	-	-	-	-	-	-
Exchange differences	-	4,248	130	-	-	4,378
As at June 30, 2023	-	(113,254)	(3,454)	-	-	(116,708)

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	Software	Goodwill	Customer relationship	Trademark	License and others	Total
	USD’000	USD’000	USD’000	USD’000	USD’000	USD’000
Carrying values						
As at December 31, 2020	2,075	1,664	263	727	1,285	6,014
As at December 31, 2021	7,834	945,829	173,064	1,058	1,409	1,129,194
As at December 31, 2022	12,150	803,438	145,744	1,032	1,205	963,569
As at June 30, 2023	12,966	832,010	135,208	1,032	754	981,970

The abovementioned software was all externally acquired rather than internally developed.

- (a) **During the Track Record Period, no development costs were capitalised as intangible assets.**

Amortization expenses have been charged to the consolidated income statements as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	USD’000	USD’000	USD’000	USD’000	USD’000
				(Unaudited)	
Cost of revenue	607	315	8,139	2,167	4,721
Selling, general and administrative expenses	197	1,586	12,568	4,436	8,886
	804	1,901	20,707	6,603	13,607

- (b) **Acquisition of the operating entity of Brazilian regional sponsors**

In October 2022, the Group acquired the operating entity of Brazilian regional sponsors (the “Brazilian Acquiree”). As the consideration of this transaction, the Group swapped certain equity interests of its major operating entity in Brazil to the corresponding Brazilian regional sponsors.

With the assistance from an external valuer appointed by the Group, the Group applied the discounted cash flow method to determine the underlying equity value of the Brazilian Acquiree. The fair value of relevant net identifiable assets acquired was around negative USD9,127,000.

The fair value of the swapped-out equity interests of the operating entity exceeded the fair value of relevant net identifiable assets acquired by USD51,829,000, which was recognised as goodwill.

- (c) **Acquisition of Shenzhen Fengwang Information Technology Company Limited (“Fengwang Information”)**

In June 2023, the Group acquired Fengwang Information, a subsidiary of S.F. Holding Co., Ltd., with a total cash payment of approximately USD63,789,000.

With the assistance from an external valuer appointed by the Group, the Group applied the discounted cash flow method to determine the underlying equity value of Fengwang Information. Accordingly, relevant goodwill with an amount of USD 33,629,000 was recognised.

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(d) Impairment test for goodwill

A cash-generating unit (CGU) is the smallest group of assets that independently generates cash flow and whose cash flow is largely independent of the cash flows generated by other assets. Goodwill is allocated to the Group’s CGUs or groups of CGUs identified according to the territories in which the Group operates:

	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
China	220	630,676	459,428	476,237
Indonesia	1,194	216,407	199,012	208,387
Thailand	–	96,293	90,937	88,526
Brazil	–	–	51,829	56,413
Others	250	2,453	2,232	2,447
	<u>1,664</u>	<u>945,829</u>	<u>803,438</u>	<u>832,010</u>

The movement of carrying amount of goodwill for each respective CGUs is set out below:

	China	Indonesia	Thailand	Brazil
	USD’000	USD’000	USD’000	USD’000
As at December 31, 2019	–	1,194	–	–
Acquisition of subsidiaries	220	–	–	–
Impairment of goodwill	–	–	–	–
Exchange differences	–	–	–	–
As at December 31, 2020	<u>220</u>	<u>1,194</u>	<u>–</u>	<u>–</u>
Acquisition of subsidiaries (Note 36, 37, 38)	630,458	215,487	98,320	–
Impairment of goodwill	–	–	–	–
Exchange differences	(2)	(274)	(2,027)	–
As at December 31, 2021	<u>630,676</u>	<u>216,407</u>	<u>96,293</u>	<u>–</u>
Acquisition of subsidiaries	–	–	–	51,829
Impairment of goodwill	(117,502)	–	–	–
Exchange differences	(53,746)	(17,395)	(5,356)	–
As at December 31, 2022	<u>459,428</u>	<u>199,012</u>	<u>90,937</u>	<u>51,829</u>
Acquisition of subsidiaries	33,629	–	–	–
Impairment of goodwill	–	–	–	–
Exchange differences	(16,820)	9,375	(2,411)	4,584
As at June 30, 2023	<u>476,237</u>	<u>208,387</u>	<u>88,526</u>	<u>56,413</u>

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The recoverable amount of a CGU or a group of CGUs is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on certain assumptions made by management covering a ten-year period (the “Period”). The management consider the length of the forecast period is appropriate because it generally takes longer for the Group to reach a stable growth state, especially taking into account the fact that the E-commerce express industry in the abovementioned regions is an emerging industry with fast growth in the coming years and the Group is still in the initial stage of rapid growth. The key assumptions used for value-in-use calculations for the Track Record Period (if applicable) are as follows:

2020

	<u>China</u>	<u>Indonesia</u>
Annual growth rate within the Period	2.5%-195.5%	3.0%-42.6%
Growth rate to extrapolate cash flows beyond the Period	2.5%	3.0%
Gross margin	-9.7%-13.4%	25.8%-28.8%
Pre-tax discount rate	19.84%	23.66%
Excess of recoverable amount over carrying value (USD’000)	273,880	643,169

2021

	<u>China</u>	<u>Indonesia</u>	<u>Thailand</u>
Annual growth rate within the Period	5.4%-105.0%	5.5%-29.2%	10.7%-64.2%
Growth rate to extrapolate cash flows beyond the Period	2.5%	3.0%	2.0%
Gross margin	0.0%-13.4%	24.8%-28.9%	(12.0%)-33.0%
Pre-tax discount rate	18.14%	19.87%	20.24%
Excess of recoverable amount over carrying value (USD’000)	5,297,516	2,294,940	508,299

2022

	<u>China</u>	<u>Indonesia</u>	<u>Thailand</u>	<u>Brazil</u>
Annual growth rate within the Period	2.4%-33.3%	5.3%-28.0%	10.2%-40.6%	27.6%-302.9%
Growth rate to extrapolate cash flows beyond the Period	2.2%	3.0%	2.0%	3.0%
Gross margin	3.2%-8.2%	23.1%-28.5%	12.7%-30.3%	-4.4%-20.5%
Pre-tax discount rate	17.48%	19.17%	21.45%	24.85%
Excess of recoverable amount over carrying value (USD’000)	–	1,987,918	580,469	129

Six months ended June 30, 2023

	<u>China</u>	<u>Indonesia</u>	<u>Thailand</u>	<u>Brazil</u>
Annual growth rate within the Period	2.4-40.5%	5.0%-28.0%	10.2%-39.6%	10.5%-328.1%
Growth rate to extrapolate cash flows beyond the Period	2.2%	2.5%	2.0%	3.0%
Gross margin	2.0%-8.5%	24.0%-28.3%	12.7%-30.1%	-3.1%-19.8%
Pre-tax discount rate	17.58%	19.31%	20.49%	26.48%
Excess of recoverable amount over carrying value (USD’000)	20,504	2,244,912	599,514	40,052

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Management determined budgeted gross margin and growth rates based on past performance and its expectations of market development. The growth rates to extrapolate cash flows beyond the Period are consistent with forecasts included in relevant industry reports. The discount rates used are pre-tax after reflecting specific risks of the relevant CGUs and groups of CGUs.

The recoverable amount of the following CGUs would equal its carrying amount if the key assumptions were to change relatively as follows:

	As of December 31, 2020	
	China	Indonesia
Decrease in annual growth rate within the period	(8%)	(196%)
Decrease in growth rate to extrapolate cash flows beyond the period	N/A ⁽ⁱⁱ⁾	N/A ⁽ⁱⁱ⁾
Decrease in gross margin	(13%)	(73%)
Increase in pre-tax discount rate	26%	2721%

	As at December 31, 2021		
	China	Indonesia	Thailand
Decrease in annual growth rate within the period	(37%)	(152%)	(59%)
Decrease in growth rate to extrapolate cash flows beyond the period	N/A ⁽ⁱⁱ⁾	N/A ⁽ⁱⁱ⁾	N/A ⁽ⁱⁱ⁾
Decrease in gross margin	(51%)	(61%)	(46%)
Increase in pre-tax discount rate	128%	221%	64%

	As at December 31, 2022			
	China	Indonesia	Thailand	Brazil (i)
Decrease in annual growth rate within the period	N/A	(155%)	(88%)	N/A
Decrease in growth rate to extrapolate cash flows beyond the period	N/A ⁽ⁱⁱ⁾	N/A ⁽ⁱⁱ⁾	N/A ⁽ⁱⁱ⁾	N/A ⁽ⁱⁱ⁾
Decrease in gross margin	N/A	(54%)	(48%)	N/A
Increase in pre-tax discount rate	N/A	279%	68%	N/A

	As of June 30, 2023			
	China	Indonesia	Thailand	Brazil
Decrease in annual growth rate within the period	(0.6%)	(166%)	(96%)	(3%)
Decrease in growth rate to extrapolate cash flows beyond the period ⁽²⁾	(12.2%)	N/A ⁽ⁱⁱ⁾	N/A ⁽ⁱⁱ⁾	(301%)
Decrease in gross margin	(0.5%)	(55%)	(50%)	(5%)
Increase in pre-tax discount rate	0.9%	298%	104%	9%

(i) For the groups of CGUs in Brazil, management has assessed the risk of impairment of goodwill and concluded that no impairment charge would be required. However, as the Brazil related acquisition was closed in late 2022 and the relevant key assumptions used in the valuation as at the acquisition date approximated those used as at December 31, 2022, any adverse changes in key assumptions would lead to impairment.

(ii) As per relevant assessment, the headroom would not decrease to zero even if growth rate in extrapolate cash flows beyond the Period dropped to minus 10%.

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As at December 31, 2021, it is unlikely that any reasonable possible changes in key assumptions would lead to impairment for the goodwill in China, Indonesia and Thailand.

As at December 31, 2022, it is unlikely that any reasonable possible changes in key assumptions would lead to impairment for the goodwill in Indonesia and Thailand. For the groups of CGUs in China, according to management’s impairment test performed with the assistance of an independent valuer, the carrying amount exceeded relevant recoverable amount. As a result, impairment charges of goodwill amounting to approximately USD117,502,000 were recognised.

As at 30 June 2023, it is unlikely that any reasonable possible changes in key assumptions would lead to impairment for the goodwill of the Group.

18. MAJOR SUBSIDIARIES AND CONTROLLED ENTITIES

The Company’s investments in subsidiaries are as follows:

	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
	USD’000	USD’000	USD’000	USD’000
Investment in Onwing Global Limited (i)	217,958	882,972	882,972	1,042,750
Investment in J&T International Logistics Limited (ii)	–	124,506	124,506	124,506
	<u>217,958</u>	<u>1,007,478</u>	<u>1,007,478</u>	<u>1,167,256</u>

(i) Through 2021 to 2023, the Company issued certain ordinary shares as considerations of certain transactions (Note 26, Note 35, Note 36, Note 37), which were accounted for as its investment in Onwing Global Limited, a subsidiary directly held by the Company.

(ii) In 2021, as part of the reorganization of the cross-border service business, the Company established J&T International Logistics Limited, injected cash of USD124,506,000 and restructured the Group’s subsidiaries in cross-border business under it.

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As at December 31, 2020, 2021, and 2022 and June 30, 2023, and as at the date of this report, the Company had the following major subsidiaries (including controlled structured entities):

Name of entity	Type of legal entity	Country/Place and date of incorporation	Paid-in capital				Percentage of Attributable equity interest to the Company				Principal activities and place of operation	
			As at December 31,		As at June 30,		As at December 31,		As at June 30,			
			2020	2021	2022	2023	2020	2021	2022	2023		
Indirectly held: Jitu International Logistics Co., Ltd. <i>(Note 26 (iii))</i> ^(Note 2)	Limited Liability Company	The PRC, January 10, 2018	CNY14,000,000	CNY200,020,000	CNY200,020,000	CNY200,020,000	99.3%	89.3%	76.94%	76.94%	76.94%	Cross-border services
Thuan Phong Express Company Limited	Limited Liability Company	Vietnam, January 13, 2016	VND2,500,000,000	VND112,500,000,000	VND112,500,000,000	VND112,500,000,000	62%	100%	100%	100%	100%	Express delivery services
PH Global Jet Express Inc. doing business under the name and style of J&T Express <i>(PH GJE)</i> ^(Note 3)	Limited Liability Company	The Philippines September 14, 2018	PHP2,500,000	PHP2,500,000	PHP2,500,000	PHP2,500,000	40%	40%	40%	99%	99%	Express delivery services
J&T Express (Malaysia) Sdn. Bhd. <i>(PH GJE)</i> ^(Note 3)	Limited Liability Company	Malaysia, January 10, 2018	MYR 3,878,075	MYR 3,878,075	MYR 3,878,075	MYR 3,878,075	70.2%	100%	100%	100%	100%	Express delivery services
Global Jet Express (Thailand) Co., Ltd.	Limited Liability Company	Thailand, August 17, 2018	THB200,000,000	THB123,507,750	THB123,507,750	THB123,507,750	Note 1	Note 1	Note 1	Note 1	Note 1	Express delivery services
J&T Express China Co., Ltd. ^(Note 2)	Limited Liability Company	The PRC, September 29, 2007	CNY10,000,000	CNY10,000,000	CNY10,000,000	CNY10,000,000	100%	100%	100%	100%	100%	Courier and warehousing services
J&T Express (Jinhua) Supply Chain Co., Ltd. ^(Note 2)	Limited Liability Company	The PRC, October 28, 2019	CNY10,000,000	CNY10,000,000	CNY10,000,000	CNY10,000,000	100%	100%	100%	100%	100%	Courier and warehousing services
J&T Express (Hebei) Acme Supply Chain Management Co., Ltd. ^(Note 2)	Limited Liability Company	The PRC, November 13, 2019	CNY10,000,000	CNY10,000,000	CNY10,000,000	CNY10,000,000	51%	85%	85%	85%	85%	Courier and warehousing services
J&T Express (Shandong) Supply Chain Co., Ltd. ^(Note 2)	Limited Liability Company	The PRC, October 31, 2019	CNY5,100,000	CNY10,000,000	CNY10,000,000	CNY10,000,000	51%	85%	85%	85%	85%	Courier and warehousing services

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Name of entity	Type of legal entity	Country/Place and date of incorporation	Paid-in capital				Percentage of Attributable equity interest to the Company				Principal activities and place of operation
			As at December 31,		As at June 30,		As at December 31,		As at June 30,		
			2020	2021	2022	2023	2020	2021	2022	2023	
J&T Express (Henan) Acme Supply Chain Co., Ltd. ^(Note 2)	Limited Liability Company	The PRC, November 1, 2019	CNY10,000,000	CNY10,000,000	CNY10,000,000	CNY10,000,000	51%	85%	85%	85%	Courier and warehousing services
J&T Express (Jieyang) Supply Chain Management Co., Ltd. ^(Note 2)	Limited Liability Company	The PRC, November 5, 2019	CNY5,600,000	CNY6,600,000	CNY6,600,000	CNY6,600,000	51%	85%	85%	85%	Courier and warehousing services
J&T Express (Guangzhou) Supply Chain Co., Ltd. ^(Note 2)	Limited Liability Company	The PRC, October 18, 2019	CNY10,000,000	CNY10,000,000	CNY10,000,000	CNY10,000,000	100%	100%	100%	100%	Courier and warehousing services
J&T Express (Fujian) Supply Chain Management Co., Ltd. ^(Note 2)	Limited Liability Company	The PRC, November 7, 2019	CNY10,000,000	CNY10,000,000	CNY10,000,000	CNY10,000,000	51%	85%	85%	85%	Courier and warehousing services
Pt. Global Jet Express	Limited Liability Company	Indonesia, December 20, 2006	IDR3,000,000,000	IDR3,000,000,000	IDR3,000,000,000	IDR3,000,000,000	100%	100%	100%	100%	Express delivery services

Notes:

- As at December 31, 2020, the Company indirectly owns 48% shareholding of Global Jet Express (Thailand) Co., Ltd., while according to relevant investment agreements, the Company indirectly enjoys around 98% of the dividend interests of Global Jet Express (Thailand) Co., Ltd. As at December 31, 2021 and 2022, the Company indirectly owns around 74% shareholding of Global Jet Express (Thailand) Co., Ltd, and according to relevant investment agreements, the Company indirectly enjoys substantially 100% of the dividend interests of Global Jet Express (Thailand) Co., Ltd..
- The English names of the companies referred above represent the best effort made by the management of the Company to directly translate the Chinese names as they have not registered any official English names.
- Although the Company indirectly owns only 40% equity interests in PH GJE, through certain agreements and arrangements, PH GJE’s major business activities are carried out under the Company’s discretion, the Company has rights to exercise power over PH GJE, receives variable returns from its involvement in PH GJE, has the ability to affect those returns through its power over PH GJE. As a result, the Company is considered, from an accounting perspective, to have control over PH GJE.

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The statutory auditors of the Group’s major subsidiaries were as follows:

	Name of statutory auditor		
	2020	2021	2022
Indirectly held:			
Jitu International Logistics Co., Ltd.	Shenzhen Huashuo Certified Public Accountants (General Partnership) ^(Note 1)	Shenzhen Huashuo Certified Public Accountants (General Partnership) ^(Note 1)	Shenzhen Huashuo Certified Public Accountants (General Partnership) ^(Note 1)
Thuan Phong Express Company Limited	A&C Baker Tilly	A&C Baker Tilly	[RSM Vietnam Auditing & Consulting]
PH Global Jet Express Inc. doing business under the name and style of J&T Express	Isla Lipana & Co.	Isla Lipana & Co.	Isla Lipana & Co. (PwC Philippines)
J&T Express (Malaysia) Sdn.Bhd.	SJ & CO PLT	PricewaterhouseCoopers PLT	[YH TAN & ASSOCIATES PLT]
Global Jet Express (Thailand) Co., Ltd.	Kaemakorn Vachiravarakarn	Dharmniti Auditing Co., Ltd	Dharmniti Auditing Co., Ltd
Controlled entities:			
J&T Express China Co., Ltd.	Zhongzhun Certified Public Accountants (Special General Partnership) Shanghai Branch ^(Note 1)	Beijing Chengyu Certified Public Accountants (Special General Partnership) Shanghai Branch ^(Note 1)	Shanghai Shenya Certified Public Accountants Co., Ltd
J&T Express (Jinhua) Supply Chain Co., Ltd.	Jinhua Daofeng Certified Public Accountants (General Partnership) ^(Note 1)	Jinhua Daofeng Certified Public Accountants (General Partnership) ^(Note 1)	Zhejiang Nanfang Certified Public Accountants Co., Ltd.
J&T Express (Hebei) Acme Supply Chain Management Co., Ltd.	Zhongshen Zhonghuan Certified Public Accountants (Special General Partnership) Hebei Branch ^(Note 1)	HeBei ShangCheng Public Accounting Firm ^(Note 1)	HeBei ShangCheng Public Accounting Firm ^(Note 1)
J&T Express (Shandong) Supply Chain Co., Ltd.	Shandong Xinhua Co., Ltd. Jinan Branch ^(Note 1)	Jinan Suyuan Certified Public Accountants ^(Note 1)	Shandong Suyuan Certified Public Accountants (General Partnership)
J&T Express (Henan) Acme Supply Chain Co., Ltd.	Grant Thornton Certified Public Accountants (Special General Partnership) Henan Branch ^(Note 1)	Grant Thornton Certified Public Accountants (Special General Partnership) Henan Branch ^(Note 1)	Grant Thornton Certified Public Accountants (Special General Partnership) Henan Branch ^(Note 1)
J&T Express (Jieyang) Supply Chain Management Co., Ltd.	Guangdong Huaqian Accounting Firm ^(Note 1)	Guangdong Huaqian Accounting Firm ^(Note 1)	Guangzhou Hengxin Accountant Firm Co., Ltd.
J&T Express (Guangzhou) Supply Chain Co., Ltd.	Guangzhou Avalue Certified Public Accountants Co., Ltd. ^(Note 1)	Guangzhou Jinling Certified Public Accountings ^(Note 1)	Guangzhou Hengxin Accountant Firm Co., Ltd.
J&T Express (Fujian) Supply Chain Management Co., Ltd.	Xiamen Huacheng Certified Public Accountants Co., Ltd. ^(Note 1)	Xiamen Yingjian Certified Public Accountants Co., Ltd ^(Note 1)	Quanzhou Yonghexing Certified Public Accountants Co., Ltd.
Pt. Global Jet Express	ShineWing Indonesia	[ShineWing Indonesia]	[ShineWing Indonesia]

Note:

- (1) The English names of the statutory auditors represent the best effort by the management of the Company in translating their Chinese names as they do not have official English names.

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19. FINANCIAL INSTRUMENTS BY CATEGORY

Group

	<i>Note</i>	As at December 31,			As at
		2020	2021	2022	June 30,
		USD’000	USD’000	USD’000	2023
					USD’000
Financial Assets					
Financial assets at amortised cost					
Trade receivables	21	180,760	334,876	513,954	622,560
Other receivables and other assets (excluding prepayments)	22	651,021	394,518	144,088	192,426
Other non-current assets (excluding prepayments)	20	58,380	157,212	43,570	72,073
Restricted cash	23	928	125,970	79,725	96,301
Cash and cash equivalents	23	600,425	2,102,448	1,504,048	1,195,264
Financial assets at fair value through profit or loss	24	71,324	41,581	497,490	541,812
		<u>1,562,838</u>	<u>3,156,605</u>	<u>2,782,875</u>	<u>2,720,436</u>

	<i>Note</i>	As at December 31,			As at
		2020	2021	2022	June 30,
		USD’000	USD’000	USD’000	2023
					USD’000
Financial Liabilities					
Financial Liabilities at amortised cost					
Trade payables	31	225,452	577,065	484,215	471,666
Accruals and other payables (excluding salary and welfare payables, tax payables and other non-financial liabilities)	32	217,742	646,915	533,856	598,839
Advances from customers	33	137,224	291,362	209,925	241,441
Borrowings	28	444,060	89,027	1,098,377	1,162,434
Lease liabilities	16	175,017	598,722	492,666	556,142
Financial liabilities – ordinary share redemption liabilities	29	–	133,749	–	–
Financial liabilities – redemption liabilities of shares of JNT KSA	29	–	25,458	30,583	33,495
Financial liabilities at fair value through profit or loss	29	1,812,915	10,487,306	7,765,067	8,261,043
		<u>3,012,410</u>	<u>12,849,604</u>	<u>10,614,689</u>	<u>11,325,060</u>

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Company

	<i>Note</i>	As at December 31,			As at
		2020	2021	2022	June 30,
		USD’000	USD’000	USD’000	2023
					USD’000
Financial Assets					
Financial assets at amortised cost					
Loans to subsidiaries	20	688,400	4,438,706	4,379,799	4,467,925
Other receivables and other assets (excluding prepayments)	22	466,110	226,460	307	307
Cash and cash equivalents	23	105,475	222,341	3,347	66,111
Financial assets at fair value through profit or loss	24	50,007	–	481,050	532,319
		<u>1,309,992</u>	<u>4,887,507</u>	<u>4,864,503</u>	<u>5,066,662</u>

	<i>Note</i>	As at December 31,			As at
		2020	2021	2022	June 30,
		USD’000	USD’000	USD’000	2023
					USD’000
Financial Liabilities					
Financial liabilities at amortised cost					
Accrued expenses and other payables	32	–	161,901	6,127	2,420
Financial liabilities – ordinary share redemption liabilities	29	–	133,749	–	–
Financial liabilities at fair value through profit or loss	29	1,812,915	10,201,544	7,212,933	7,681,637
		<u>1,812,915</u>	<u>10,497,194</u>	<u>7,219,060</u>	<u>7,684,057</u>

20. OTHER NON-CURRENT ASSETS

Group

	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
				USD’000
Loans to related parties – non-current portion	167	146,299	–	–
Loans to third parties – non-current portion	58,829	2,127	37,428	68,806
Prepayments for constructions	15,713	13,918	19,778	7,677
Deposits	–	11,370	7,363	4,743
Others	–	–	39	–
Less: allowance for credit losses	(616)	(2,584)	(1,260)	(1,476)
	<u>74,093</u>	<u>171,130</u>	<u>63,348</u>	<u>79,750</u>

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Terms for loans to related parties and third parties were negotiated on a case-by-case basis. During the Track Record Period, generally the Group entered into loan agreements with related parties and third parties with terms ranging from 8 months to 5 years, with annual interest rates from 0.4% to 7%. At the end of each reporting period, such loans due over 12 months were included in other non-current assets.

Company

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	USD’000	USD’000	USD’000	USD’000
Loans to subsidiaries	688,400	4,438,706	4,379,799	4,467,925

During the Track Record Period, loans to subsidiaries were not interest bearing, and the Company classified such loans as non-current assets as generally management did not expect to recover the loans within twelve months as at December 31, 2021 and 2022 and June 30, 2023.

21. TRADE RECEIVABLES

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	USD’000	USD’000	USD’000	USD’000
Trade receivables	187,083	379,447	561,166	666,650
Less: provision for impairment	(6,323)	(44,571)	(47,212)	(44,090)
	180,760	334,876	513,954	622,560

The majority of the balances of trade receivables are generally due from customers of cross-border services and enterprise or other direct customers of express delivery services in China, Indonesia, Thailand, the Philippines, Malaysia and other countries, and customers of other services, to whom the Group generally grants a credit period of 30 to 120 days.

For outlets of network partners in China, service fees are typically required to be prepaid.

The aging analysis of trade receivables based on invoice date is as follows:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	USD’000	USD’000	USD’000	USD’000
Within 1 month	124,814	297,578	366,405	464,976
1-4 months	56,255	58,437	156,515	167,461
4-6 months	5,006	11,835	768	2,888
6-9 months	705	5,302	1,702	9,295
9-12 months	105	2,425	4,917	2,393
Above 12 months	198	3,870	30,859	19,637
Less: provision for impairment	(6,323)	(44,571)	(47,212)	(44,090)
Total	180,760	334,876	513,954	622,560

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The Group applies the simplified approach under IFRS 9, which requires lifetime expected losses to be recognized from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and forward-looking estimates. At the end of each reporting period, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. Information about the impairment of trade receivables and the Group’s exposure to credit risk is described in Note 3.1.

The carrying amounts of the Group’s trade receivables approximated their fair values as at the balance sheet dates.

22. PREPAYMENTS, OTHER RECEIVABLES, AND OTHER ASSETS

Group

	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
				USD’000
Loans to related parties	70,453	47,364	–	–
Loans to third parties	248,553	16,155	1,674	3,225
Receivable of Series A Preferred Share consideration (Note 29)	236,862	–	–	–
Receivable of Series C1 Preferred Share consideration (Note 25 (15))	–	30,000	–	–
Receivable of Series C2 Preferred Share consideration (Note 26 (v))	–	159,922	–	–
Prepaid VAT and other taxes	71,911	422,339	482,667	512,000
Deposits	37,356	81,379	77,151	98,487
Prepaid expenses	22,431	65,333	76,255	97,389
Others	64,211	66,298	66,302	92,446
Less: allowance for credit losses	(6,414)	(6,600)	(1,039)	(1,732)
	<u>745,363</u>	<u>882,190</u>	<u>703,010</u>	<u>801,815</u>

Company

	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
				USD’000
Loans to related parties	–	36,600	–	–
Loans to third parties	233,500	–	–	–
Receivable of Series A Preferred Share consideration (Note 29)	236,862	–	–	–
Receivable of Series C1 Preferred Share consideration (Note 25 (15))	–	30,000	–	–
Receivable of Series C2 Preferred Share consideration (Note 26 (v))	–	159,922	–	–
Other receivables from subsidiaries	–	–	–	–
Others	–	361	307	307
Less: allowance for credit losses	(4,252)	(423)	–	–
	<u>466,110</u>	<u>226,460</u>	<u>307</u>	<u>307</u>

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As at December 31, 2020, 2021, and 2022 and June 30, 2023, loans to related parties and third parties due within 1 year were included in current assets, and those due over 1 year would be included in non-current assets (Note 20).

Terms for loans to related parties and third parties were negotiated on a case-by-case basis and during the Track Record Period, the Group and the Company entered into loan agreements with related parties and third parties with terms ranging from 8 months to 2 years, with annual interest rates from 0.4% to 7% per annum and unsecured. The loans to related parties and third parties were substantially settled in 2022.

The receivable of Series C1 Preferred Share consideration settled in 2022.

In respect of the receivable of Series C2 Preferred Share consideration, as mentioned in Note 26 (v), in December 2021, 24,440,890 Series C2 Preferred Shares with total amount of consideration of USD382,877,000 were issued, of which USD159,922,000 was pending to be received as at December 31, 2021. Accordingly, the payable with the same amount related to the repurchase of the ordinary shares and preferred shares was also pending to be paid according to the relevant agreements (Note 32). Considering such, minimal credit risk was identified for the receivable of Series C2 Preferred Share consideration. The outstanding receivables and payables were settled in 2022.

23. RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

Group

	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
				USD’000
Restricted cash				
Cash at banks	928	125,970	79,725	96,301
Cash and cash equivalents				
Cash on hand and at banks	600,425	2,102,448	1,504,048	1,195,264
Total	601,353	2,228,418	1,583,773	1,291,565

Company

	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
				USD’000
Cash on hand and at banks	105,475	222,341	3,347	66,111

As at December 31, 2020, 2021, and 2022 and June 30, 2023, restricted cash with a total amount of USD621,000, USD633,000, USD218,000 and USD773,000, respectively were pledged as collaterals for the Group’s borrowings (Note 28).

As at December 31, 2020, 2021, and 2022 and June 30, 2023, restricted cash with a total amount of USD307,000, USD46,179,000, USD41,497,000 and USD42,826,000, respectively, were placed as securities of the Group’s certain guarantees and commitments.

As at December 31, 2020, 2021, and 2022 and June 30, 2023, restricted cash with a total amount of nil, USD79,158,000, USD nil and USD15,277,000, respectively, were pledged as collateral for the Group’s bank acceptance notes.

As at December 31, 2022, and June 30, 2023 restricted cash with a total amount of USD38,010,000 and USD37,425,000 was placed under restriction, due to a number of on-going legal claims, for which management has made relevant provisions (Note 32).

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24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
				USD’000
Current				
Bank wealth management products (i)	71,324	41,581	16,440	9,493
Non-current				
Investments in the convertible bonds of Huisen Global Limited (ii)	–	–	428,678	483,711
Investments in Windfall T&L SPC (iii)	–	–	52,372	48,608
	–	–	481,050	532,319
	71,324	41,581	497,490	541,812

(i) Bank wealth management products purchased by the Group were issued by major and reputable commercial banks without guaranteed returns. The Group manages and evaluates the performance of investments on a fair value basis in accordance with the Group’s risk management and investment strategy. The fair values of part of the bank wealth management products are based on cash flow discounted using the expected return based on observable market inputs and are within level 2 of the fair value hierarchy.

(ii) The Group invested around USD457,000,000 in 2022 and further invested around USD58,000,000 in May 2023 in the convertible bonds issued by Huisen Global Limited, a related party, engaged in the industry of freight less-than truckload delivery business, which was accounted for as financial assets at fair value through profit or loss. The bond matures in seven years after its issuance and may be extended at the holder’s discretion, the interest of which is 1.5% per annum. At the discretion of the holder, the entire principal amount may be converted into preferred shares to be issued by the Huisen Global Limited in the event of any of its future equity financing transaction, with the conversion price as 80% of the price at its latest equity financing immediately prior to it.

The movements of investments in the convertible bonds of Huisen Global Limited are set out below:

	Six months ended June 30, 2023
	USD’000
Carrying amount at the beginning of the period	428,678
Purchase the convertible bonds of Huisen Global Limited	58,000
Changes in fair value – profit or loss	(2,967)
Carrying amount at the end of the period	483,711

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	Six months ended June 30, 2022
	USD’000
	(Unaudited)
Carrying amount at the beginning of the period	–
Purchase the convertible bonds of Huisen Global Limited	357,000
Changes in fair value – profit or loss	(7,140)
	<u>349,860</u>
	<u><u>349,860</u></u>
	Year ended December 31, 2022
	USD’000
	(Unaudited)
Carrying amount at the beginning of the year	–
Purchase the convertible bonds of Huisen Global Limited	457,000
Changes in fair value – profit or loss	(28,322)
	<u>428,678</u>
	<u><u>428,678</u></u>

With the assistance from an external valuer appointed by the Group, the Group applied the discounted cash flow method to determine the underlying equity value of Huisen Global Limited, and adopted equity allocation model (if applicable) to determine the fair value of the abovementioned convertible bonds.

In determining the fair value of the abovementioned convertible bonds, one or more of the significant inputs are not based on observable market data, and therefore the Group included the abovementioned investments in level 3 financial instruments. Key assumptions are set out as below:

	As at December 31, 2022	As at June 30, 2023	Relationship of unobservable inputs to fair value
	USD’000	USD’000	
Discount rate	17.0%	17.0%	The higher the discount rate, the lower the fair value
Discount of lack of marketability (“DLOM”)	26.0%	26.0%	The higher the DLOM, the lower the fair value
Expected volatility	47.6%	48.8%	The higher the expected volatility, the lower the fair value

Discount rate was estimated by weighted average cost of capital as at the valuation date. The DLOM was estimated based on the option-pricing method. Under the option pricing method, the cost of put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the lack of marketability discount. Expected volatility was estimated based on annualized standard deviation of daily stock price return of comparable companies for the period before respective valuation date and with similar span as time to expiration. In addition to the assumptions adopted above, the Huisen Global Limited’s projections of future performance were also factored into the determination of the underlying equity value of Huisen Global Limited on the valuation date.

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The estimated carrying amount of relevant convertible bonds as at December 31, 2022 and June 30, 2023 would have been USD10,288,000 lower/USD12,875,000 higher and USD11,249,000 lower/USD14,101,000 higher, respectively, should the discount rate used in discounted cash flow analysis be higher/lower by 100 basis points from management’s estimates.

- (iii) Through January to March 2022, the Group invested around USD60,000,000 in a private equity fund focusing on investing in industries such as logistics and its upstream and downstream industry chains, under significant influence of Mr. Jet Li. The contractual term of investment is between 3-5 years, which may be further extended with the consent of the majority of investors.

The movements of investments in Windfall T&L SPC are set out below:

	Six months ended June 30, 2023
	USD’000
Carrying amount at the beginning of the period	52,372
Investment in Windfall T&L SPC	–
Changes in fair value – profit or loss	(3,764)
Carrying amount at the end of the period	48,608
	Six months ended June 30, 2022
	USD’000
	(Unaudited)
Carrying amount at the beginning of the period	–
Investment in Windfall T&L SPC	60,020
Changes in fair value – profit or loss	3,300
Carrying amount at the end of the period	63,320
	2022
	USD’000
Carrying amount at the beginning of the year	–
Investment in Windfall T&L SPC	60,020
Changes in fair value – profit or loss	(7,648)
Carrying amount at the end of the year	52,372

As the abovementioned fund and personnel are specialized in making investments in the abovementioned private sectors, the Group does not seek control or significant influence over it. As per relevant agreements and contracts, the Group does not take any board seats and is not involved in relevant decision-making process of the abovementioned investees. As a result, the Group does not have control or significant influence over the fund, and accounts for such investment as financial assets at fair value through profit or loss.

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25. SHARE CAPITAL

Authorised

	Ordinary shares										Preferred shares												
	Number of ordinary shares ('000)	Nominal value of Class A Ordinary Shares ('000)	Number of Class A Ordinary Shares ('000)	Nominal value of Class B Ordinary Shares ('000)	Number of Class B Ordinary Shares ('000)	Nominal value of Pre-A1 Preferred Shares ('000)	Number of Pre-A1 Preferred Shares ('000)	Nominal value of Pre-A2 Preferred Shares ('000)	Number of Pre-A2 Preferred Shares ('000)	Nominal value of Series A Preferred Shares ('000)	Number of Series A Preferred Shares ('000)	Nominal value of Series B Preferred Shares ('000)	Number of Series B Preferred Shares ('000)	Nominal value of Series B+ Preferred Shares ('000)	Number of Series B+ Preferred Shares ('000)	Nominal value of Series C1 Preferred Shares ('000)	Number of Series C1 Preferred Shares ('000)	Nominal value of Series C2 Preferred Shares ('000)	Number of Series C2 Preferred Shares ('000)	Nominal value of Series D Preferred Shares ('000)	Number of Series D Preferred Shares ('000)	Total number of shares ('000)	
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	
As at January 1, 2020	4,871,066	-	-	-	-	74,667	1	54,267	1	-	-	-	-	-	-	-	-	-	-	-	-	-	5,000,000
Reclassification and re-designation upon issuance of the Series A Preferred Shares (1)	(276,334)	-	-	-	-	-	-	-	-	276,334	3	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification and re-designation upon purchase of the Series A Preferred Shares (2)	6,413	-	-	-	-	-	-	-	-	(6,413)	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification and re-designation of Ordinary Shares (3)	(4,601,145)	(46)	4,466,745	45	134,400	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification and re-designation upon issuance of the Series B Preferred Shares (4)	-	-	(22,462)	-	-	-	-	-	-	-	-	22,462	-	-	-	-	-	-	-	-	-	-	-
Reclassification and re-designation of Class A and B Ordinary Shares (4)	-	-	(50,550)	(1)	50,550	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at December 31, 2020	-	-	4,393,733	44	184,950	2	74,667	1	54,267	1	269,921	3	22,462	-	-	-	-	-	-	-	-	-	5,000,000
Reclassification and re-designation upon issuance of the Series B Preferred Shares (5)	-	-	(255,864)	(3)	-	-	-	-	-	-	-	-	-	255,864	3	-	-	-	-	-	-	-	-
Reclassification and re-designation upon issuance of the Series C1 Preferred Shares (6)	-	-	(212,765)	(2)	-	-	-	-	-	-	-	-	212,765	2	-	-	-	-	-	-	-	-	-
Reclassification and re-designation upon issuance of the Series C2 Preferred Shares (6)	-	-	(72,250)	(1)	-	-	-	-	-	-	-	-	-	-	-	-	72,250	1	-	-	-	-	-
As at December 31, 2021 and 2022	-	-	3,852,854	38	184,950	2	74,667	1	54,267	1	269,921	3	22,462	-	255,864	3	212,765	2	72,250	1	-	-	5,000,000

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	Ordinary shares					Preferred shares																	
	Number of ordinary shares	Nominal value of Class A Ordinary Shares	Number of Class A Ordinary Shares	Nominal value of Class B Ordinary Shares	Number of Class B Ordinary Shares	Number of Series Pre-A1 Preferred Shares	Nominal value of Series Pre-A1 Preferred Shares	Number of Series Pre-A2 Preferred Shares	Nominal value of Series Pre-A2 Preferred Shares	Number of Series A Preferred Shares	Nominal value of Series A Preferred Shares	Number of Series B Preferred Shares	Nominal value of Series B Preferred Shares	Number of Series B+ Preferred Shares	Nominal value of Series B+ Preferred Shares	Number of Series C1 Preferred Shares	Nominal value of Series C1 Preferred Shares	Number of Series C2 Preferred Shares	Nominal value of Series C2 Preferred Shares	Number of Series D Preferred Shares	Nominal value of Series D Preferred Shares	Total number of shares	
	(’000)	USD’000	(’000)	USD’000	(’000)	(’000)	USD’000	(’000)	USD’000	(’000)	USD’000	(’000)	USD’000	(’000)	USD’000	(’000)	USD’000	(’000)	USD’000	(’000)	USD’000	(’000)	
Reclassification and re-designation upon issuance of the Class B Ordinary Shares (7)	-	-	(10,917)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Reclassification and re-designation upon issuance of the Series C1 Preference Shares (7)	-	-	(53,408)	(1)	-	-	-	-	-	-	-	-	-	-	-	53,408	1	-	-	-	-	-	
Reclassification and re-designation upon issuance of the Series C2 Preference Shares (7)	-	-	(43,082)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	43,082	-	-	-	-	
Reclassification and re-designation upon issuance of the Series D Preference Shares (7)	-	-	(26,144)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26,144	-	
As at June 30, 2023	-	-	3,719,303	37	195,867	2	74,667	1	54,267	1	269,921	3	22,462	-	255,864	3	266,173	3	115,332	1	26,144	-	5,000,000

- (1) In May 2020, the Company redesignated and reclassified 276,334,498 ordinary shares from its authorized ordinary shares into Series A Preferred Shares.
- (2) In September 2020, the Company repurchased and cancelled 6,413,333 Series A Preferred Shares at substantially nil consideration, redesignated and reclassified such Series A Preferred Shares into ordinary shares.
- (3) In November 2020, the Company redesignated and reclassified 4,466,745,503 ordinary shares from its authorized ordinary shares into Class A Ordinary Shares, and 134,400,000 ordinary shares from its authorized ordinary shares into Class B Ordinary Shares.
- (4) In December 2020, the Company redesignated and reclassified 22,462,293 Class A Ordinary Shares from its authorized ordinary shares into Series B Preferred Shares, and 50,550,000 Class A Ordinary Shares from its authorized ordinary shares into Class B Ordinary Shares.
- (5) In February 2021, the Company redesignated and reclassified 255,864,131 Class A Ordinary Shares from its authorized ordinary shares into Series B+ Preferred Shares.
- (6) In October 2021, the Company redesignated and reclassified 212,765,236 Class A Ordinary Shares from its authorized ordinary shares into Series C1 Preferred Shares, and 72,250,382 Class A Ordinary Shares from its authorized ordinary shares into Series C2 Ordinary Shares.
- (7) In May 2023, the Company redesignated and reclassified 10,916,682 Class A Ordinary Shares from its authorized ordinary shares into Class B Ordinary Shares, 53,408,460 Class A Ordinary Shares from its authorized ordinary shares into Series C1 Preferred Shares, 43,082,204 Class A Ordinary Shares from its authorized ordinary shares into Series C2 Preferred Shares and 26,143,791 Class A Ordinary Shares from its authorized ordinary shares into Series D Preferred Shares.

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Issued

The Company was incorporated in the Cayman Islands as an exempted company registered under the laws of the Cayman Islands on October 24, 2019. Upon incorporation of the Company, one share was issued at par value of USD0.00001.

	Number of ordinary shares	Nominal value of ordinary shares	Number of Class A Ordinary Shares	Nominal value of Class A Ordinary Shares	Number of Class B Ordinary Shares	Nominal value of Class B Ordinary Shares	Number of Series Pre-A1 Preferred Shares	Nominal value of Series Pre-A1 Preferred Shares	Number of Series Pre-A2 Preferred Shares	Nominal value of Series Pre-A2 Preferred Shares	Number of Series A Preferred Shares	Nominal value of Series A Preferred Shares	Number of Series B Preferred Shares	Nominal value of Series B Preferred Shares
	(‘000)	USD’000	(‘000)	USD’000	(‘000)	USD’000	(‘000)	USD’000	(‘000)	USD’000	(‘000)	USD’000	(‘000)	USD’000
As at January 1, 2020	320,000	3	-	-	-	-	1	74,667	54,267	-	-	-	-	-
Issuance of Series A Preferred Shares (1)	-	-	-	-	-	-	-	-	-	-	269,921	3	-	-
Reclassification and redesignation of Class A and B Ordinary Shares (2)	(320,000)	(3)	185,600	2	134,400	1	-	-	-	-	-	-	-	-
Issuance of Series B Preferred Shares (3)	-	-	-	-	-	-	-	-	-	-	-	-	22,462	-
Transfer of Series Pre-A1, Pre-A2 and Series A Preferred Shares from equity to liability (4)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at December 31, 2020	-	-	185,600	2	134,400	1	1	74,667	54,267	-	269,921	3	22,462	-

On incorporation of the Company on October 24, 2019, the Company underwent the Reorganization as described in Note 1.2. The movements in share capital of the Company subsequent to its incorporation are as follows:

- (1) In May 2020, the Company entered into a share purchase agreement with the Series A Preferred Shares investors pursuant to which, the Company issued 276,334,498 shares of Series A Preferred Shares and in September 2020 repurchased and cancelled 6,413,333 Series A Preferred Shares. The total consideration for the issuance of Series A Preferred Shares amounted to USD1,186,633,000, of which USD977,193,000 was received during the year and the outstanding consideration receivable of USD236,862,000 was recognized on the balance sheet as at December 31, 2020 (Note 22). The receivables were fully settled in 2021.
- (2) In November 2020, the Company redesignated and reclassified 185,600,000 ordinary shares into Class A Ordinary Shares, and 134,400,000 ordinary shares into Class B Ordinary Shares.
- (3) In December 2020, the Company entered into a share purchase agreement with the Series B Preferred Shares investor, pursuant to which, the Company issued 22,462,293 shares of Series B Preferred Shares with the total consideration of USD100,000,000, recognized as financial liabilities at fair value through profit or loss (Note 29).
- (4) In December 2020, along with the issuance of Series B Preferred Shares, the Company promulgated the Third Amended and Restated Memorandum of Association (Note 29), according to which certain shareholders are able to discretionarily trigger the drag-along sale, and in which all assets and funds of the Company legally available for distribution to all the shareholders shall be distributed. Consequently, Series Pre-A1 Preferred Shares, Series Pre-A2 Preferred Shares and Series A Preferred Shares were reclassified as financial liabilities measured at fair value through profit or loss on December 30, 2020 (Note 29).

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	Number of Class A Ordinary Shares ('000)	Nominal value of Class A Ordinary Shares USD'000	Number of Class B Ordinary Shares ('000)	Nominal value of Class B Ordinary Shares USD'000	Number of Series Pre-A1 Preferred Shares ('000)	Nominal value of Series Pre-A1 Preferred Shares USD'000	Number of Series Pre-A2 Preferred Shares ('000)	Nominal value of Series Pre-A2 Preferred Shares USD'000	Number of Series A Preferred Shares ('000)	Nominal value of Series A Preferred Shares USD'000	Number of Series B Preferred Shares ('000)	Nominal value of Series B Preferred Shares USD'000	Number of Series B+ Preferred Shares ('000)	Nominal value of Series B+ Preferred Shares USD'000	Number of Series C1 Preferred Shares ('000)	Nominal value of Series C1 Preferred Shares USD'000	Number of Series C2 Preferred Shares ('000)	Nominal value of Series C2 Preferred Shares USD'000
As at January 1, 2021	185,600	2	134,400	1	74,667	1	54,267	-	269,921	3	22,462	-	-	-	-	-	-	-
Issuance of Series B+ Preferred Shares (5)	-	-	-	-	-	-	-	-	-	-	-	-	3	-	-	-	-	-
Share-based compensation for employees (6,11)	77,335	1	28,808	1	-	-	-	-	-	-	-	-	255,864	-	-	-	-	-
Repurchase of Class B Ordinary Shares (7)	-	-	(3,143)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Class A Ordinary Shares to acquire Cambodia NCI (8)	259	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Class A Ordinary Shares to acquire Malaysia NCI (8)	25,669	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Class A Ordinary Shares to acquire Vietnam NCI (8)	18,778	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Class A Ordinary Shares to acquire China NCI (8)	32,509	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share-based compensation to regional sponsors (9)	32,821	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Class A Ordinary Shares to acquire operating entities of That regional sponsor (10)	11,210	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends (12)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repurchase of Class A Ordinary Shares from one shareholder (13)	(111)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Class A Ordinary Shares to acquire operating entities of Indonesian regional sponsors (14)	55,274	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Series C1 Preferred Shares (15)	-	-	-	-	-	-	-	-	-	-	-	-	-	134,051	1	-	-	-
Issuance of Series C2 Preferred Shares (16)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24,441	-
Repurchase of ordinary shares and preferred shares (17)	(4,898)	-	(3,736)	-	(1,743)	-	(1,267)	-	(6,300)	-	(524)	-	(5,972)	-	-	-	-	-
Repurchase of ordinary shares and preferred shares – commitment (17)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at December 31, 2021	434,446	4	156,329	2	72,924	1	53,000	-	263,621	3	21,938	-	249,892	3	134,051	1	24,441	-

(5) In February 2021, the Company entered into a share purchase agreement with the Series B+ Preferred Shares investors, pursuant to which, the Company issued 255,864,131 shares of Series B+ Preferred Shares with the total consideration of USD1,822,382,000, recognized as financial liabilities at fair value through profit or loss. (Note 29).

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- (6) On December 30, 2020 and February 26, 2021, pursuant to the Company’s share-based payment 2020 Plan (Note 26(i)), the Company granted 48,017,110 and 5,054,433 Class A Ordinary Shares, respectively, to an entity beneficially owned by Mr. Jet Li (“Company T”), at par value. The 53,071,543 shares were registered on March 1, 2021, of which 28,807,744 shares were redesignated as Class B Ordinary Shares on the same date. On January 8, 2021, March 31, 2021 and August 31, 2021, the Company further granted 51,051,691, 1,009,964 and 1,009,888 Class A Ordinary Shares respectively, to the Company’s employees at par value, and the 53,071,543 shares were registered during June 2021 and September 2021. The fair value of the shares granted were recognised as share-based compensation for employee benefit expenses for the relevant years (Note 26 (i)).
- (7) In February 2021, the Company repurchased 3,142,500 Class B Ordinary Shares from Company T, with total consideration of USD22,382,000 (Note 26 (iv)).
- (8) In April 2021, with the consideration of 32,508,856, 25,669,206, 18,778,451, and 259,202 Class A Ordinary Shares, the Company completed the acquisitions of certain non-controlling interests of the Chinese subsidiaries, Malaysian subsidiary, Vietnam subsidiary and Cambodia subsidiary, respectively. Details of the acquisitions are set out in Note 35. These Class A Ordinary Shares were registered later in 2021.
- (9) In April 2021, the Company granted 32,820,938 Class A Ordinary Shares to certain employees of the Group. These Class A Ordinary Shares were registered later in 2021 (Note 26 (ii)).
- (10) As per relevant agreements, the Group issued 11,210,471 Class A Ordinary Shares of the Company to acquire certain equity interests and to obtain control of 13 operating entities of Thai regional sponsors. These transactions were completed on June 30, 2021 (Note 36).
- (11) In June 2021, Company T transferred 24,263,799 Class A Ordinary Shares of the Company to other parties to fulfil its prior commitments.
- (12) In August 2021, the Company declared a cash dividend of 12.0 cents per fully paid ordinary share and preferred share, totalling USD72,244,000 out of the Company’s share premium account. The dividend was fully paid in November 2021 (Note 43).
- (13) In August 2021, the Company repurchased 111,111 Class A Ordinary Shares from one Class A Ordinary Shareholder, with total consideration of USD1,566,000 (Note 26 (iv)).
- (14) As per relevant agreements, the Group obtained control of 25 operating entities of certain Indonesian regional sponsors and issued 55,273,897 Class A Ordinary Shares to relevant Indonesian regional sponsors. These transactions were completed on August 31, 2021 (Note 37).
- (15) Through October to December 2021, the Company entered into share purchase agreements with the Series C1 Preferred Shares investors and pursuant to which, the Company issued 134,050,964 shares of Series C1 Preferred Shares with the total consideration of USD1,890,125,000, recognized as financial liabilities at fair value through profit or loss. (Note 29). As at December 31, 2021, the outstanding consideration receivable was USD30,000,000 (Note 22).
- (16) In December 2021, the Company entered into share purchase agreements with the Series C2 Preferred Shares investors and pursuant to which, the Company issued 24,440,890 shares of Series C2 Preferred Shares with the total consideration of USD382,877,000, recognized as financial liabilities at fair value through profit or loss. (Note 26 (v), Note 29). As at December 31, 2021, the outstanding consideration receivable was USD159,922,000 (Note 22).
- (17) In December 2021, accompanying with issuance of Series C2 Preferred Shares, the Company entered into agreements with certain existing shareholders to repurchase 48,607,928 shares, among which 24,440,890 shares had been repurchased and deregistered as at December 31, 2021. As to the remaining 24,167,038 shares to be repurchased, of which 4,843,603 Class A Ordinary Shares and 3,694,268 Class B Ordinary Shares are recognized as treasury shares with certain redemption liabilities recognized, and rest were related to repurchase of preferred shares with certain derivative financial liabilities recognized. The ordinary shares to be repurchased were included in the calculation of earnings per share for the year ended December 31, 2021 since such shares remained exposed to certain risks and rewards in relation to the equity interests. The repurchase and de-registration of remaining shares were completed in 2022 (Notes 26 (v) and 29).

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	Nominal value of Class A Ordinary Shares ('000) USD'000	Number of Class A Ordinary Shares ('000)	Nominal value of Class B Ordinary Shares ('000) USD'000	Number of Class B Ordinary Shares ('000)	Nominal value of Series Pre-A1 Preferred Shares ('000) USD'000	Number of Series Pre-A1 Preferred Shares ('000)	Nominal value of Series Pre-A2 Preferred Shares ('000) USD'000	Number of Series Pre-A2 Preferred Shares ('000)	Nominal value of Series A Preferred Shares ('000) USD'000	Number of Series A Preferred Shares ('000)	Nominal value of Series B Preferred Shares ('000) USD'000	Number of Series B Preferred Shares ('000)	Nominal value of Series B+ Preferred Shares ('000) USD'000	Number of Series B+ Preferred Shares ('000)	Number of Series C1 Preferred Shares ('000)	Nominal value of Series C1 Preferred Shares ('000) USD'000	Number of Series C2 Preferred Shares ('000)	Nominal value of Series C2 Preferred Shares ('000) USD'000	Number of Series D Preferred Shares ('000)	Nominal value of Series D Preferred Shares ('000) USD'000
As at January 1, 2022	434,446	4	156,329	2	72,924	1	53,000	-	263,621	3	21,938	-	249,892	3	134,051	1	24,441	-	-	-
Issuance of Series C1 Preferred Shares (18)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13,377	-	-	-	-	-
Issuance of Series C2 Preferred Shares (19,21)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31,087	-	-	-
Repurchase of ordinary shares and preferred shares (20,21)	(6,230)	-	(4,752)	-	(2,217)	-	(1,611)	-	(8,014)	-	(667)	-	(7,596)	-	-	-	-	-	-	-
Share-based compensation for employees (22,23)	1,474	-	22,288	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Class A Ordinary Shares to network partners in China (24)	38,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repurchase of Class A Ordinary Shares from one shareholder (25)	(1,450)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at December 31, 2022	466,240	4	173,865	2	70,707	1	51,389	-	255,607	3	21,271	-	242,296	3	147,428	1	55,528	-	-	-
As at January 1, 2023	466,240	4	173,865	2	70,707	1	51,389	-	255,607	3	21,271	-	242,296	3	147,428	1	55,528	-	-	-
Repurchase of ordinary shares and preferred shares (26)	(3,351)	-	(2,556)	-	(1,192)	-	(867)	-	(4,311)	-	(359)	-	(4,086)	-	-	-	-	-	-	-
Issuance of Series D Preferred Shares (27)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26,144	-	-
Share-based compensation for employees (28,29)	261	-	24,558	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of Series C1 Preferred Shares (30)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	118,746	2	-	-	-	-
Issuance of Series C2 Preferred Shares (26,30)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	59,804	1	-	-
As at June 30, 2023	463,150	4	195,867	2	69,515	1	50,522	-	251,296	3	20,912	-	238,210	3	266,174	3	115,332	1	26,144	-

- (18) Through January to March 2022, the Company entered into share purchase agreements with the Series C1 Preferred Shares investors and pursuant to which, the Company issued 13,377,060 shares of Series C1 Preferred Shares with the total consideration of USD189,024,000, recognized as financial liabilities at fair value through profit or loss. (Note 29).
- (19) Through January to March 2022, pursuant to the agreements, the Company issued 24,167,038 shares of Series C2 Preferred Shares to certain third-party investors.
- (20) Through January to March 2022, accompanying with issuance of Series C2 Preferred Shares, pursuant to relevant the agreements, the Company repurchased the 24,167,038 shares, including 4,843,603 Class A Ordinary Shares, 3,694,268 Class B Ordinary Shares, 1,723,288 Series Pre-A1 Preferred Shares, 1,252,460 Series Pre-A2 Preferred Shares, 6,229,713 Series A Preferred Shares, 518,425 Series B Preferred Shares and 5,905,281 Series B+ Preferred Shares (Notes 26 (v) and 29).

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- (21) In August 2022, the Company further entered into agreements with certain personals and third-party investors to repurchase 1,386,996 Class A Ordinary Shares, 1,057,875 Class B Ordinary Shares, 493,474 Series Pre-A1 Preferred Shares, 358,650 Series Pre-A2 Preferred Shares, 1,783,917 Series A Preferred Shares, 148,454 Series B Preferred Shares and 1,691,013 Series B+ Preferred Shares, and issued 6,920,379 Series C2 Preferred Shares as the consideration (Note 26 (v)).
- (22) In April 2022, the Company granted 1,474,280 Class A Ordinary Shares to employees of the Group at par value, and the shares granted were fully vested on the grant date (Note 26 (i)).
- (23) Through October 2021 to March 2022, the Company granted 22,287,975 Class A Ordinary Shares to Mr. Jet Li at par value and the shares granted were fully vested on relevant grant dates. The shares were registered in March 2022 and redesignated as Class B Ordinary Shares on the same date (Note 26 (i)).
- (24) In September 2022, the Company issued 38,000,000 Class A Ordinary Shares for the purpose to carry out its 2022 Incentive Plan, of which 29,502,660 Class A Ordinary Shares are treasury shares (Note 26(viii)). As at June 30, 2023, 6,398,100 Class A Ordinary Shares remains as treasure shares.
- (25) In September 2022, the Company repurchased 1,449,568 Class A Ordinary Shares at fair market value from certain Class A Ordinary Shareholders, with total consideration of USD15,294,000, of which USD11,601,000 had been paid in the year ended December 31, 2022 (Note 26(iv)).
- (26) In May 2023, the Company further entered into agreements with certain personals and third-party investors to repurchase 3,351,470 Class A Ordinary Shares, 2,556,199 Class B Ordinary Shares, 1,192,408 Series Pre-A1 Preferred Shares, 866,626 Series Pre-A2 Preferred Shares, 4,310,571 Series A Preferred Shares, 358,716 Series B Preferred Shares and 4,086,085 Series B+ Preferred Shares, and issued 16,722,075 Series C2 Preferred Shares as the consideration (Note 26 (v)).
- (27) In May 2023, the Company entered into share purchase agreements with the Series D Preferred Shares investor and pursuant to which, the Company issued 26,143,791 shares of Series D Preferred Shares with the total consideration of USD200,000,000, recognized as financial liabilities at fair value through profit or loss. (Note 29).
- (28) In May 2023, the Company granted 261,438 Class A Ordinary Shares to employees of the Group at par value, and the shares granted were fully vested on the grant date (Note 26 (i)).
- (29) In May 2023, the Company granted 24,557,934 Class B Ordinary Shares to Mr. Jet Li at par value and the shares granted were to vest within the four year period commencing on the date of initial public filing of the Company (Note 26 (i)).
- (30) In May 2023, the Company entered into agreements with the existing Series C1 and C2 Preferred Share holders to further issue 118,745,672 Series C1 Preferred Shares and 43,082,204 Series C2 Preferred Shares respectively at par value (Note 26 (vi)).

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26. SHARE-BASED COMPENSATION

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	USD’000	USD’000	USD’000	USD’000	USD’000
				(Unaudited)	
Share-based compensation					
– related to employee benefit expenses					
(Note 8):					
Employee benefit expenses					
– shares granted to employees under “J&T Global Express Limited 2020 Share Incentive Plan” (“2020 Plan”) (i)	161,073	213,314	239,521	239,521	10,295
Employee benefit expenses					
– shares granted to regional sponsors considered as staff (ii)	–	141,344	–	–	–
Equity interests transferred to management team of the cross-border business (iii)	–	27,936	4,583	4,583	–
	<u>161,073</u>	<u>382,594</u>	<u>244,104</u>	<u>244,104</u>	<u>10,295</u>
Share-based compensation					
– related to equity transactions (Note 9):					
Repurchase of Class A and Class B Ordinary Shares (iv)	–	10,652	4,292	–	–
Ordinary shares and preferred shares repurchased accompanying Series C2 Preferred Shares issuance (v)	–	105,910	16,480	–	22,960
Ordinary shares and preferred shares to be repurchased accompanying Series C2 Preferred Shares issuance (v)	–	106,566	–	–	–
Issuance of preferred shares (vi)	27,229	9,310	16,490	16,490	1,235,171
Issuance of JNT KSA shares (vii)	–	3,980	–	–	–
	<u>27,229</u>	<u>236,418</u>	<u>37,262</u>	<u>16,490</u>	<u>1,258,131</u>

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	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	USD’000	USD’000	USD’000	USD’000	USD’000
Issuance of ordinary shares to network partners and regional sponsors under “J&T Global Express Limited Equity Incentive Plan” (“2022 Incentive Plan”) (viii)					
– deducting revenue	–	–	65,193	–	1,336
– recognising in administrative expenses	–	–	–	–	158,442
	<u>188,302</u>	<u>619,012</u>	<u>346,559</u>	<u>260,594</u>	<u>1,428,204</u>

(Unaudited)

(i) Shares granted to employees under 2020 Plan

In December 2020, the board of directors of the Company approved the establishment of 2020 Plan with the purpose of attracting, motivating, retaining, and rewarding certain members of management and employees. The awards that may be awarded or granted under 2020 plan include options, RSUs, restricted shares, dividend equivalents, deferred shares, share payments, share appreciation rights and other awards. Pursuant to the Second Amended and Restated Shareholder Agreement signed on December 30, 2020, the maximum number of shares that may be issued under 2020 Plan shall be 101,088,653 Class A Ordinary Shares, which was further expanded in February 2021 accompanying the closing of Series B+ financing, and during October 2021 to March 2022 accompanying the closing of Series C1 financing, and in May 2023 accompanying the closing of Series D financing, and certain extraordinary general meetings of the shareholders of the Company.

On December 30, 2020 and February 26, 2021, the Company granted 48,017,110 and 5,054,433 Class A Ordinary Shares, respectively, to Mr. Jet Li at par value, and the shares granted were fully vested on the grant dates. The 53,071,543 shares were registered on March 1, 2021, of which 28,807,744 shares were redesignated as Class B Ordinary Shares on the same date (Note 25).

Through October to December 2021, the Company granted 1,340,510 Class A Ordinary Shares to Mr. Jet Li at par value. Through January to March 2022, the Company further granted 20,947,465 Class A Ordinary Shares to Mr. Jet Li at par value. These shares granted were fully vested on relevant grant dates, then registered in March 2022 and redesignated as Class B Ordinary Shares on the same date (Note 25).

On January 8, 2021, March 31, 2021, August 31, 2021, April 8, 2022 and May 17, 2023, the Company granted 51,051,691, 1,009,964, 1,009,888, 1,474,280 and 261,438, respectively, totalling 54,807,261 Class A Ordinary Shares to employees of the Group at par value, and the shares granted were fully vested on the grant date. The shares were registered in June 2021, September 2021, April 2022 and May 2023 respectively (Note 25).

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On May 17, 2023, the Company granted 24,557,934 Class B Ordinary Shares to Mr. Jet Li at par value. Pursuant to relevant award agreements, the vesting schedule is as follows, on the condition that Mr. Jet Li will remain in service as the chairman of the board of the Company, or as the chief executive officer or such other position equivalent (“**Executive Position**”) within the four year period commencing on the date of initial public filing of the Company [REDACTED] (Note 25).

Vesting date	Percentage of shares vested
the 1st anniversary of the [REDACTED]	25%
the 2nd anniversary of the [REDACTED]	25%
the 3rd anniversary of the [REDACTED]	25%
the 4th anniversary of the [REDACTED]	25%

Upon the termination of service as Executive Position, Mr. Jet Li shall return the unvested portion of ordinary shares to the Company at par value.

The fair values of the Company’s ordinary shares granted under 2020 Plan are as follows:

	Number of ordinary shares	Weighted average fair value per share in USD
Granted during year 2020	48,017,110	3.35
Granted during year 2021	59,466,486	3.59
Granted during year 2022	22,421,745	10.68
Granted during the six months ended June 30, 2022 (Unaudited)	22,421,745	10.68
Granted during the six months ended June 30, 2023	24,819,372	6.94

The Company appointed an external valuer to provide assistance in the valuation of the fair value of its ordinary shares at the grant dates. The discounted cash flow method was adopted to determine the underlying equity fair value of the Group and the equity allocation model was applied to determine the fair value of the underlying ordinary shares of the Company. Key assumptions, such as discount rate and projections of future performance, are required to be determined by the Company with best estimate.

The total expenses recognized in the consolidated income statements with a corresponding increase in share-based compensation reserve for the abovementioned share-based awards granted were USD161,073,000, USD213,314,000, USD239,521,000, USD239,521,000 and USD10,295,000 for the years ended December 31, 2020, 2021, and 2022 and the six months ended June 30, 2022 and 2023, respectively. Except for the abovementioned 24,557,934 Class B Ordinary Shares granted to Mr. Jet Li, all shares were vested upon the grant date without any outstanding unvested shares as at December 31, 2020, 2021, and 2022 and June 30, 2023.

(ii) Shares granted to regional sponsors considered as staff

On April 30, 2021, in addition to the abovementioned 2020 Plan, the Company granted 32,820,938 Class A Ordinary Shares to certain regional sponsors, who are considered as staff of the Group. The shares granted vested immediately upon the grant date, with a fair value amount of USD141,344,000 and fully charged to employee benefit expenses – share-based compensation expenses during the year ended December 31, 2021. The abovementioned Class A Ordinary Shares were registered later in 2021 (Note 25).

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(iii) Equity interests transferred to management team of the cross-border business

On September 30, 2021, through a reorganization of the cross-border service business, the relevant management team of cross-border business of the Group was awarded a portion of equity interests of the cross-border business of the Group at nil consideration and fully vested on the grant date. The carrying amount of the relevant equity interests of the cross-border business of the Group was approximately USD12,556,000. The fair value of such equity interests awarded was estimated to be approximately USD27,936,000, which was recognized as share-based compensation expenses. An increase of USD15,380,000 in share-based compensation reserve was recognized, representing the difference between the fair value and carrying amount of the relevant equity interests of the cross-border business of the Group.

In January 2022, the relevant management team of cross-border business of the Group invested approximately USD6,274,000 and obtained a portion of equity interests of the cross-border business of the Group, the fair value of which amounted to USD10,857,000. The difference between such consideration and the fair value of such equity interests amounted to USD4,583,000, which was recognized as share-based compensation expenses and an increase of USD6,025,000 in other reserve was recognized, representing the difference between the fair value and carrying amount of the abovementioned equity interests.

(iv) Repurchase of Class A and Class B Ordinary Shares

On February 26, 2021, the Company repurchased 3,142,500 Class B Ordinary Shares from an entity beneficially owned by Mr. Jet Li (“Company T”), with total consideration of USD22,382,000 (Note 25). The difference between such consideration and the fair value of the repurchased shares amounted to USD9,651,000, which was recognized as share-based compensation expenses during the year ended December 31, 2021.

On August 31, 2021, the Company repurchased 111,111 Class A Ordinary Shares from one shareholder of the Company, with total consideration of USD1,566,000 (Note 25). The difference between such consideration and the fair value of the repurchased shares amounted to USD1,001,000, which was recognized as share-based compensation expenses during the year ended December 31, 2021.

On September 30, 2022, the Company repurchased 1,449,568 Class A Ordinary Shares from certain shareholders of the Company, with total consideration of USD15,294,000 (Note 25). The difference between such consideration and the fair value of the repurchased shares amounted to USD4,292,000, which was recognized as share-based compensation expenses during the year ended December 31, 2022.

(v) Repurchase of ordinary shares and preferred shares in relation to Series C2 Preferred Shares issuance

On December 31, 2021, the Company entered into agreements with a number of third-party investors to issue Series C2 Preferred Shares, with the total consideration of USD761,465,000 for 48,607,928 Series C2 Preferred Shares of the Company. Simultaneously, the Company entered into agreements with its certain existing shareholders to repurchase 48,607,928 ordinary and preferred shares of the Company (see the table below), at the same amount with the consideration as the abovementioned Series C2 Preferred Shares.

On December 31, 2021, 24,440,890 Series C2 Preferred Shares with consideration of USD382,877,000 were issued (Note 25), and the same number of ordinary and preferred shares were repurchased by the Company at the same consideration (Note 25) and de-registered. As at December 31, 2021, USD222,955,000 of the abovementioned consideration was settled along with the consideration for the repurchase of relevant ordinary shares and preferred shares. The remaining consideration of USD159,922,000 was recorded as receivable of Series C2 Preferred Share consideration (Note 22) and consideration payable for repurchase of ordinary shares and preferred shares (Note 32) on the Group’s consolidated balance sheet as at December 31, 2021, which were settled on a net basis in 2022.

The remaining 24,167,038 Series C2 Preferred Shares were issued in January and March 2022.

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On December 31, 2021, the number of ordinary and preferred shares repurchased and to be repurchased and their respective fair values are set out below:

	Fair value as at the repurchase date	Number of shares	Repurchase consideration	Share-based compensation expenses
	USD’000		USD’000	USD’000
<i>Repurchased</i>				
Class A Ordinary Shares	52,046	4,898,491	76,737	24,691
Class B Ordinary Shares	39,696	3,736,129	58,528	18,832
Series Pre-A1 Preferred Shares	18,900	1,742,815	27,302	8,402
Series Pre-A2 Preferred Shares	13,738	1,266,653	19,843	6,105
Series A Preferred Shares	71,311	6,300,306	98,697	27,386
Series B Preferred Shares	6,125	524,299	8,213	2,088
Series B+ Preferred Shares	75,151	5,972,197	93,557	18,406
	<u>276,967</u>	<u>24,440,890</u>	<u>382,877</u>	<u>105,910</u>
<i>To be repurchased</i>				
Class A Ordinary Shares	51,103	4,843,603	75,877	24,774
Class B Ordinary Shares	38,977	3,694,268	57,872	18,895
Series Pre-A1 Preferred Shares	18,560	1,723,288	26,997	8,437
Series Pre-A2 Preferred Shares	13,490	1,252,460	19,620	6,130
Series A Preferred Shares	70,033	6,229,713	97,592	27,559
Series B Preferred Shares	6,016	518,425	8,121	2,105
Series B+ Preferred Shares	73,843	5,905,281	92,509	18,666
	<u>272,022</u>	<u>24,167,038</u>	<u>378,588</u>	<u>106,566</u>
	<u>548,989</u>	<u>48,607,928</u>	<u>761,465</u>	<u>212,476</u>

Shares repurchased in 2021

For the ordinary and preferred shares that had been repurchased as at December 31, 2021, share-based compensation expenses of USD105,910,000 was recognized during the year ended December 31, 2021, and such amount represented the difference between (i) the repurchase consideration of USD382,877,000 and (ii) the fair values of the relevant ordinary and preferred shares at the repurchase date of December 31, 2021.

Shares repurchased in 2022

For the abovementioned 4,843,603 Class A ordinary shares and 3,694,268 Class B ordinary shares, totalling 8,537,871 ordinary shares, share-based compensation expenses of USD43,669,000 was recognised for the year ended December 31, 2021. The amount represented the difference between (i) the repurchase consideration of USD133,749,000 which was recognized as financial liabilities – ordinary share redemption liabilities (Note 29) and (ii) the fair values of such ordinary shares as at December 31, 2021. These ordinary shares were reclassified as treasury shares as at December 31, 2021 and repurchased in January and March 2022. The ordinary shares reclassified as treasury shares were included in the calculation of earnings per share for the year ended December 31, 2021 since such shares remained exposed to certain risks and rewards in relation to the equity interests.

For the abovementioned 15,629,167 preferred shares, share-based compensation expenses of USD62,897,000 for the year ended December 31, 2021, and derivative financial liabilities at fair value through profit or loss for the same amount as at December 31, 2021 (Note 29), were recognized in the Group’s consolidated financial statements. The amount represented the difference between (i) the repurchase consideration of USD244,839,000 and (ii) the carrying amount of financial liabilities at fair value through profit or loss in relation to the relevant preferred shares. These preferred shares were repurchased in January and March 2022.

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The abovementioned 24,167,038 Series C2 Preferred Shares were issued concurrently in January and March 2022.

In August 2022, the Company further entered into agreements with certain personals and third-party investors to repurchase 1,386,996 Class A Ordinary Shares, 1,057,875 Class B Ordinary Shares, 493,474 Series Pre-A1 Preferred Shares, 358,650 Series Pre-A2 Preferred Shares, 1,783,917 Series A Preferred Shares, 148,454 Series B Preferred Shares and 1,691,013 Series B+ Preferred Shares, and issued 6,920,379 Series C2 Preferred Shares as the consideration. The difference between such consideration and the fair value of the repurchased shares amounted to USD16,480,000, which was recognized as share-based compensation expenses during the year ended December 31, 2022.

	Fair value as at the repurchase date	Number of shares	Repurchase consideration	Share-based compensation expenses
	USD’000		USD’000	USD’000
Class A Ordinary Shares	10,528	1,386,996	14,365	3,837
Class B Ordinary Shares	8,029	1,057,875	10,957	2,928
Series Pre-A1 Preferred Shares	3,836	493,474	5,111	1,275
Series Pre-A2 Preferred Shares	2,788	358,650	3,715	927
Series A Preferred Shares	14,251	1,783,917	18,476	4,225
Series B Preferred Shares	1,207	148,454	1,538	331
Series B+ Preferred Shares	14,557	1,691,013	17,514	2,957
	<u>55,196</u>	<u>6,920,379</u>	<u>71,676</u>	<u>16,480</u>

Shares repurchased in 2023

In May 2023, the Company further entered into agreements with certain personals and third-party investors to repurchase 3,351,470 Class A Ordinary Shares, 2,556,199 Class B Ordinary Shares, 1,192,408 Series Pre-A1 Preferred Shares, 866,626 Series Pre-A2 Preferred Shares, 4,310,571 Series A Preferred Shares, 358,716 Series B Preferred Shares and 4,086,085 Series B+ Preferred Shares, and issued 16,722,075 Series C2 Preferred Shares as the consideration. The difference between such consideration and the fair value of the repurchased shares amounted to USD22,960,000, which was recognized as share-based compensation expenses during the six months ended June 30, 2023.

	Fair value as at the repurchase date	Number of shares	Repurchase consideration	Share-based compensation expenses
	USD’000		USD’000	USD’000
Class A Ordinary Shares	25,843	3,351,470	31,166	5,323
Class B Ordinary Shares	19,712	2,556,199	23,771	4,059
Series Pre-A1 Preferred Shares	9,359	1,192,408	11,089	1,730
Series Pre-A2 Preferred Shares	6,802	866,626	8,059	1,257
Series A Preferred Shares	34,309	4,310,571	40,086	5,777
Series B Preferred Shares	2,882	358,716	3,336	454
Series B+ Preferred Shares	33,638	4,086,085	37,998	4,360
	<u>132,545</u>	<u>16,722,075</u>	<u>155,505</u>	<u>22,960</u>

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(vi) Issuance of preferred shares

In December 2020, after entering into an agreement with a third-party investor, the Company raised Series B financing with the total amount of USD100,000,000 by issuance of 22,462,293 Series B Preferred Shares. The fair value of all the Series B Preferred Shares was approximately USD127,229,000, and the difference of USD27,229,000 between the fair value and the total consideration received was considered as a compensation for the unidentifiable service from such investor, and recognized as share-based compensation expenses.

Through October to December 2021, the Company entered into agreements with a number of third-party investors to raise Series C1 financing, with the total amount of USD1,890,125,000 by issuance of 134,050,964 Series C1 Preferred Shares. The fair value of all the Series C1 Preferred Shares was approximately USD1,899,435,000, and the difference between such fair value and the total consideration received with the amount of USD9,310,000 was considered as a compensation for the unidentifiable service from such investors, and recognized as share-based compensation expenses.

Through January to March 2022, the Company entered into agreements with a number of third-party investors to further raise Series C1 financing, with the total amount of USD189,024,000 by issuance of 13,377,060 Series C1 Preferred Shares. The fair value of all the Series C1 Preferred Shares was approximately USD205,514,000, and the difference between such fair value and the total consideration received with the amount of USD16,490,000 was considered as a compensation for the unidentifiable service from such investors, and recognized as share-based compensation expenses.

In May 2023, accompanying Series D financing, the Company entered into agreements with the existing Series C1 and C2 Preferred Share holders to further issue 118,745,672 Series C1 Preferred Shares and 43,082,204 Series C2 Preferred Shares respectively at par value, representing both the exercise of relevant anti-dilution arrangements included in the Company’s shareholder agreement and an additional compensation to such shareholders, accordingly share-based compensation expenses with an amount of USD1,235,171,000 were recognized, representing the fair value of the additional shares issued as compensation.

(vii) Issuance of JNT KSA shares

JNT Express KSA LLC (“JNT KSA”) is a non-wholly owned subsidiary of the Group operating in Saudi Arabia, established in 2021. The shares of JNT KSA held by a third-party investor were entitled to an exit right as below and were recognized as financial liabilities – redemption liabilities of shares of JNT KSA.

Exit right

After the fifth anniversary of the closing date and so long as JNT KSA maintains its business operation, the abovementioned investor shall have an exit right for the purpose of disposing of all (but not less than all) of its shares.

The exit price will be subject to certain agreements between the Group and the third-party investor. Upon receiving the exit right exercise notice, the Company shall issue to the abovementioned investor a number of shares of the Company substantially equal to the result of (i) the exit price divided by (ii) the applicable share price of the Company. If the Company is not publicly listed as at the exit date, the satisfactory information evidencing the Company’s share price shall be provided to the exiting shareholder.

The fair value of the abovementioned shares of JNT KSA held by the third-party investor along with the exit right entitled was USD23,980,000, being the present value of the expected redemption amount, which exceeded the injected capital from the investor of USD20,000,000, the difference of USD3,980,000 was considered as a compensation for the unidentifiable service from such investor, and recognized as share-based compensation expenses for the year ended December 31, 2021.

The Company accounted such shares and exit right as a redemption liability at the amount of USD23,980,000 at initial recognition. As at June 30, 2023, the carrying amount of such redemption liability was USD33,495,000 (As at December 31, 2022: USD30,583,000; As at December 31, 2021: USD25,458,000).

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In April 2023, JNT KSA further entered into agreements with the abovementioned third-party shareholder to issue a number of its shares with similar exit right, with total consideration of USD15,000,000. The fair value of such shares to be issued approximates the abovementioned consideration, and as at June 30, 2023, such consideration had been received and was accounted for as financial liabilities at fair value through profit or loss, as the shares were still not issued.

(viii) Issuance of ordinary shares to network partners and regional sponsors under 2022 Incentive Plan

In 2022, the board of directors of the Company approved the establishment of the 2022 Incentive Plan for the purpose of enhancing the bonding between the interests of the Group and relevant regional sponsors and network partners.

Pursuant to the 2022 Incentive Plan, the maximum number of shares that may be issued shall be 38,000,000 Class A Ordinary Shares.

Shares granted to network partners

Ordinary shares granted to network partners with vesting schedule

On September 28, 2022, the Company granted certain network partners 6,330,100 ordinary shares under the abovementioned plan with the total consideration of USD44,579,000. Pursuant to relevant award agreements, the vesting schedule is as follows, on the condition that the network partners will remain in service.

Vesting date	Percentage of shares vested
September 28, 2023	30%
September 28, 2024	30%
September 28, 2025	40%

Upon the termination of service, the unvested portion of ordinary shares shall be returned to the Company, and the Company shall also refund the relevant purchase price.

Pursuant to the relevant agreements, the unvested portion of the ordinary shares are not entitled to any voting power or dividends.

A summary of activities of the shares granted under such plan is presented as follows:

	Year ended December 31, 2022		Six months ended June 30, 2023	
	Number of ordinary shares	Weighted average grant-date fair value	Number of ordinary shares	Weighted average grant-date fair value
		USD per share		USD per share
At beginning of the period	–	–	6,330,100	7.59
Granted	6,330,100	7.59	–	–
Vested	–	–	–	–
Forfeited or cancelled	–	–	(22,000)	7.59
At end of the period	<u>6,330,100</u>	<u>7.59</u>	<u>6,308,100</u>	<u>7.59</u>

In addition to the abovementioned shares granted with considerations and vesting schedule listed above, the 2022 Incentive Plan also include certain number of ordinary shares to be granted with various vesting arrangements and with nil consideration.

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Ordinary shares granted to network partners with “fast-track” vesting schedule

On September 28, 2022, the Company granted certain network partners 90,000 ordinary shares at nil consideration, the fair value of which was USD683,000. Pursuant to the relevant award agreements, these ordinary shares will fully vest on September 28, 2023 on the condition that the network partners will remain in service.

Upon the termination of service, the unvested portion of ordinary shares shall be returned to the Company.

Pursuant to the relevant agreements, the unvested portion of the ordinary shares are not entitled to any voting power or dividends.

Ordinary shares granted to network partners with no vesting schedule

On September 28, 2022, the Company granted certain network partners 8,497,340 ordinary shares at nil consideration, the fair value of which was USD64,498,000. Pursuant to the relevant award agreements, these shares granted immediately vest upon the grant date.

As the shares granted to network partners in 2022 under the 2022 Incentive Plan were not linked to distinct goods or services, such shares granted were considered as payments to customers. Revenue with a total amount of approximately USD65,193,000 and USD1,336,000 was reduced for the year ended December 31, 2022 and the six months ended June 30, 2023 respectively, representing the difference between the total consideration received and the fair value of the abovementioned vested shares at the grant date, with a corresponding increase in share-based compensation reserve.

Shares granted to regional sponsors

Ordinary shares granted to regional sponsors with no vesting schedule

On June 27, 2023, the Company granted certain regional sponsors 23,104,560 ordinary shares at nil consideration. Pursuant to the relevant award agreements, these shares granted immediately vest upon the grant date, with a fair value amount of USD158,442,000 and fully charged to share-based compensation expenses during the six months ended June 30, 2023.

The Company appointed an external valuer to provide assistance in the valuation of the fair value of its ordinary shares at the grant dates. The discounted cash flow method was adopted to determine the underlying equity fair value of the Group and the equity allocation model was applied to determine the fair value of the underlying ordinary shares of the Company. Key assumptions, such as discount rate and projections of future performance, are required to be determined by the Company with best estimate.

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27. SHARE PREMIUM AND OTHER RESERVES

(a) Share premium

Group

	Total
	USD’000
As at January 1, 2020	216,628
Issuance of Series A Preferred Shares (<i>Note 25</i>)	1,186,630
Reclassification of Series Pre-A1 Preferred Shares, Series Pre-A2 Preferred Shares and Series A Preferred Shares (<i>Note 29</i>)	(1,370,074)
As at December 31, 2020	<u>33,184</u>
As at January 1, 2021	33,184
Issuance of Class A Ordinary Shares pursuant to transactions with non-controlling interests (<i>Notes 25 and 35</i>)	332,528
Business acquisition of Thai and Indonesian operating entities of regional sponsors and others (<i>Notes 25, 36 and 37</i>)	332,485
Dividend (<i>Note 43</i>)	(72,244)
Repurchase of ordinary shares (<i>Notes 25, 26 and 29</i>)	(9,329)
Repurchase of ordinary shares – commitment (<i>Notes 25, 26 and 29</i>)	(8,890)
As at December 31, 2021	<u>607,734</u>
As at January 1, 2022	607,734
Repurchase of ordinary shares (<i>Notes 25, 26 and 29</i>)	(3,905)
As at December 31, 2022	<u>603,829</u>
As at January 1, 2023	603,829
Repurchase of ordinary shares (<i>Notes 25, 26 and 29</i>)	(5,573)
As at June 30, 2023	<u>598,256</u>
(Unaudited)	
As at January 1, 2022	607,734
Repurchase of ordinary shares (<i>Notes 25, 26 and 29</i>)	–
As at June 30, 2022	<u>607,734</u>

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Company

	<u>Total</u>
	<u>USD’000</u>
As at January 1, 2020	217,954
Issuance of Series A Preferred Shares (<i>Note 25</i>)	1,186,630
Reclassification of Series Pre-A1 Preferred Shares, Series Pre-A2 Preferred Shares and Series A Preferred Shares (<i>Note 29</i>)	<u>(1,370,074)</u>
As at December 31, 2020	<u>34,510</u>
As at January 1, 2021	34,510
Issuance of Class A Ordinary Shares pursuant to transactions with non-controlling interests (<i>Notes 25 and 35</i>)	332,528
Business acquisition of Thai and Indonesian operating entities of regional sponsors and others (<i>Notes 25, 36 and 37</i>)	332,485
Dividend (<i>Note 43</i>)	(72,244)
Repurchase of ordinary shares (<i>Notes 25, 26 and 29</i>)	(9,329)
Repurchase of ordinary shares – commitment (<i>Notes 25, 26 and 29</i>)	<u>(8,890)</u>
As at December 31, 2021	<u>609,060</u>
As at January 1, 2022	609,060
Repurchase of ordinary shares (<i>Notes 25, 26 and 29</i>)	<u>(3,905)</u>
As at December 31, 2022	<u>605,155</u>
As at January 1, 2023	605,155
Repurchase of ordinary shares (<i>Notes 25, 26 and 29</i>)	<u>(5,573)</u>
As at June 30, 2023	<u>599,582</u>
(Unaudited)	
As at January 1, 2022	609,060
Repurchase of ordinary shares (<i>Notes 25, 26 and 29</i>)	<u>–</u>
As at June 30, 2022	<u>609,060</u>

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(b) Other reserves

Group

	Share-based compensation reserve	Translation reserve	Others	Total
	USD’000	USD’000	USD’000	USD’000
As at January 1, 2020	–	(622)	–	(622)
Reclassification of Series Pre-A1 Preferred Shares, Series Pre-A2 Preferred Shares and Series A Preferred Shares (<i>Note 29</i>)	–	–	(315,612)	(315,612)
Employee benefit expenses – Share-based compensation (<i>Note 26</i>)	161,073	–	–	161,073
Transaction with non-controlling interests	–	–	1,633	1,633
Currency translation differences	–	(12,806)	–	(12,806)
Other	–	–	(134)	(134)
As at December 31, 2020	<u>161,073</u>	<u>(13,428)</u>	<u>(314,113)</u>	<u>(166,468)</u>
As at January 1, 2021	161,073	(13,428)	(314,113)	(166,468)
Other comprehensive loss – resulted from change of credit risk of financial liabilities measured at fair value	–	–	(24,874)	(24,874)
Issuance of convertible preferred shares (<i>Notes 25 and 29</i>)	–	–	(4)	(4)
Share-based compensation (<i>Note 26</i>)	370,037	–	–	370,037
Transaction with non-controlling interests (<i>Note 35</i>)	–	–	(514,661)	(514,661)
Disposal of subsidiaries	–	–	(604)	(604)
Repurchase of ordinary shares and convertible preferred shares (<i>Notes 25 and 26</i>)	–	–	(95,710)	(95,710)
Repurchase of ordinary shares – commitment (<i>Notes 25 and 26</i>)	–	–	(81,190)	(81,190)
Currency translation differences	–	(12,973)	–	(12,973)
Others	–	–	625	625
At December 31, 2021	<u>531,110</u>	<u>(26,401)</u>	<u>(1,030,531)</u>	<u>(525,822)</u>

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	Share-based compensation reserve	Translation reserve	Others	Total
	USD’000	USD’000	USD’000	USD’000
As at January 1, 2022	531,110	(26,401)	(1,030,531)	(525,822)
Other comprehensive loss – resulted from change of credit risk of financial liabilities measured at fair value	–	–	9,875	9,875
Share-based compensation (<i>Note 26</i>)	239,521	–	–	239,521
Transaction with non-controlling interests (<i>Note 35</i>)	–	–	6,025	6,025
Issuance of ordinary shares pursuant to the 2022 Incentive Plan	–	–	71,886	71,886
Repurchase of ordinary shares and convertible preferred shares (<i>Notes 25 and 26</i>)	–	–	(25,654)	(25,654)
Issuance of ordinary shares of the Company’s subsidiary pursuant to the acquisition of the operating entity of Brazilian regional sponsors (<i>Note 17</i>)	–	–	36,323	36,323
Currency translation differences	–	(247,043)	–	(247,043)
Others	–	–	781	781
At December 31, 2022	<u>770,631</u>	<u>(273,444)</u>	<u>(931,295)</u>	<u>(434,108)</u>

	Share-based compensation reserve	Translation reserve	Others	Total
	USD’000	USD’000	USD’000	USD’000
As at January 1, 2023	770,631	(273,444)	(931,295)	(434,108)
Other comprehensive loss – resulted from change of credit risk of financial liabilities measured at fair value	–	–	5,233	5,233
Share-based compensation (<i>Note 26</i>)	10,295	–	–	10,295
Transaction with non-controlling interests (<i>Note 35</i>)	–	–	58,852	58,852
Issuance of ordinary shares pursuant to the 2022 Incentive Plan	–	–	172,598	172,598
Repurchase of ordinary shares and convertible preferred shares (<i>Notes 25 and 26</i>)	–	–	(39,981)	(39,981)
Issuance of convertible preferred shares (<i>Note 26</i>)	–	–	(3)	(3)
Currency translation differences	–	(16,873)	–	(16,873)
Others	–	–	189	189
At June 30, 2023	<u>780,926</u>	<u>(290,317)</u>	<u>(734,407)</u>	<u>(243,798)</u>

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	Share-based compensation reserve	Translation reserve	Others	Total
	USD’000	USD’000	USD’000	USD’000
(Unaudited)				
As at January 1, 2022	531,110	(26,401)	(1,030,531)	(525,822)
Other comprehensive loss – resulted from change of credit risk of financial liabilities measured at fair value	–	–	9,182	9,182
Share-based compensation (<i>Note 26</i>)	239,521	–	–	239,521
Transaction with non-controlling interests (<i>Note 35</i>)	–	–	6,025	6,025
Currency translation differences	–	(154,420)	–	(154,420)
Others	–	–	54	54
	<u>770,631</u>	<u>(180,821)</u>	<u>(1,015,270)</u>	<u>(425,460)</u>
At June 30, 2022	<u>770,631</u>	<u>(180,821)</u>	<u>(1,015,270)</u>	<u>(425,460)</u>

In February, August and December 2021, January, March, August and September 2022 (Note 26 (iv)), the Company repurchased certain number of ordinary shares and preferred shares. For those repurchased ordinary shares, the differences between the carrying values (historical cost) and the fair values of such repurchased shares as at repurchase date were substantially recorded in other reserves, while the differences between the fair values of such repurchased shares as at repurchase date and the relevant repurchase considerations of such shares were substantially recorded as share-based compensation expenses. For those repurchased preferred shares which were already carried at fair value and recognised as financial liabilities at fair value through profit or loss, the difference between the carrying values (fair values) as at repurchase date and relevant repurchase considerations of such shares were substantially recorded as share-based compensation expenses.

Company

	Share-based compensation reserve	Others	Total
	USD’000	USD’000	USD’000
As at January 1, 2020	–	–	–
Reclassification of Series Pre-A1 Preferred Shares, Series Pre-A2 Preferred Shares and Series A Preferred Shares (<i>Note 29</i>)	–	(315,612)	(315,612)
Employee benefit expenses – Share-based compensation (<i>Note 26</i>)	161,073	–	161,073
	<u>161,073</u>	<u>(315,612)</u>	<u>(154,539)</u>
As at December 31, 2020	<u>161,073</u>	<u>(315,612)</u>	<u>(154,539)</u>

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	Share-based compensation reserve	Others	Total
	USD’000	USD’000	USD’000
As at January 1, 2021	161,073	(315,612)	(154,539)
Share-based compensation (<i>Note 26</i>)	354,657	–	354,657
Repurchase of ordinary shares and preferred shares (<i>Notes 25 and 26</i>)	–	(95,710)	(95,710)
Issuance of convertible preferred shares (<i>Notes 25 and 29</i>)	–	(4)	(4)
Other comprehensive loss – resulted from change of credit risk of financial liabilities measured at fair value	–	(24,780)	(24,780)
Repurchase of ordinary shares – commitment (<i>Notes 25 and 26</i>)	–	(81,190)	(81,190)
As at December 31, 2021	<u>515,730</u>	<u>(517,296)</u>	<u>(1,566)</u>
As at January 1, 2022	515,730	(517,296)	(1,566)
Share-based compensation (<i>Note 26</i>)	239,521	–	239,521
Repurchase of ordinary shares and preferred shares (<i>Notes 25 and 26</i>)	–	(25,654)	(25,654)
Issuance of ordinary shares pursuant to the 2022 Incentive Plan (<i>Note 26</i>)	–	71,886	71,886
Other comprehensive loss – resulted from change of credit risk of financial liabilities measured at fair value	–	10,321	10,321
As at December 31, 2022	<u>755,251</u>	<u>(460,743)</u>	<u>294,508</u>
As at January 1, 2023	755,251	(460,743)	294,508
Share-based compensation (<i>Note 26</i>)	10,295	–	10,295
Repurchase of ordinary shares and preferred shares (<i>Notes 25 and 26</i>)	–	(3)	(3)
Issuance of ordinary shares pursuant to the 2022 Incentive Plan (<i>Note 26</i>)	–	172,598	172,598
Other comprehensive loss – resulted from change of credit risk of financial liabilities measured at fair value	–	(39,981)	(39,981)
As at June 30, 2023	<u>765,546</u>	<u>(328,129)</u>	<u>437,417</u>
Company			
(Unaudited)			
As at January 1, 2022	515,730	(517,296)	(1,566)
Share-based compensation (<i>Note 26</i>)	239,521	–	239,521
Other comprehensive loss – resulted from change of credit risk of financial liabilities measured at fair value	–	(5,664)	(5,664)
As at June 30, 2022	<u>755,251</u>	<u>(522,960)</u>	<u>232,291</u>

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28. BORROWINGS

	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
				USD’000
Non-current				
Borrowings from financial institutions (i)	6,001	21,714	1,020,897	1,010,871
Borrowings from related parties (Note 39)	20,516	7,075	–	–
Borrowings from third parties	10,400	273	–	–
	<u>36,917</u>	<u>29,062</u>	<u>1,020,897</u>	<u>1,010,871</u>
Current				
Borrowings from financial institutions (i)	4,807	41,025	74,480	143,963
Borrowings from related parties (Note 39)	147,104	7,395	–	–
Borrowings from third parties (ii)	255,232	11,545	3,000	7,600
	<u>407,143</u>	<u>59,965</u>	<u>77,480</u>	<u>151,563</u>
Total borrowings	<u>444,060</u>	<u>89,027</u>	<u>1,098,377</u>	<u>1,162,434</u>

(i) As at December 31, 2020, 2021 and 2022 and June 30, 2023, borrowings from financial institutions of USD10,808,000, USD30,581,000, USD1,095,377,000 and USD1,028,952,000 respectively, were substantially secured by the pledges of bank deposits (Note 23), and property, plant and equipment (Note 15), supported by guarantees from certain regional sponsors, as well as debentures over the items including but not limited to the shares the Company holds in certain subsidiaries, certain receivables, bank accounts, material intellectual property and other assets of the Group. The Group was in compliance with the relevant borrowing covenants during the Track Record Period.

In addition, as at December 31, 2021, borrowings from financial institutions with an amount of USD32,158,000 were assumed from the acquisition of Best Inc.’s express business in China (Note 38), and were secured by the pledge of property, plant and equipment with carrying amount of USD14,702,000 (Note 15) and supported by guarantees from by Best Inc.. Such borrowings were settled in year 2022.

(ii) As at December 31, 2020, the outstanding Series A Preferred Share consideration from one of the Series A Preferred Share investors was around USD236,862,000. Considering such investor provided a series of outstanding borrowings to the Group’s subsidiaries in the PRC through its affiliates, generally with a repayment term of 12 months and interest free, minimal credit risk was identified for the receivable of Series A Preferred Share consideration (Note 22). The abovementioned outstanding Series A Preferred Share consideration were received, and the corresponding outstanding borrowings were repaid in 2021.

(iii) As at December 31, 2020, 2021, and 2022 and June 30, 2023, the borrowings were generally due within 1 month to 5 years, and the borrowings from related parties and third parties were not secured. The weighted average interest rates per annum as at December 31, 2020, 2021, and 2022 and June 30, 2023 were 2.94%, 3.32%, 6.29% and 6.69% respectively.

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(iv) At December 31, 2020, 2021, and 2022 and June 30, 2023, the Group’s borrowings were repayable as follows:

	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
				USD’000
Within 1 year	407,143	59,965	77,480	151,563
Between 1 and 2 years	16,922	23,039	38,493	10,555
Between 2 and 5 years	19,995	6,023	982,404	997,448
Over 5 years	–	–	–	2,868
	<u>444,060</u>	<u>89,027</u>	<u>1,098,377</u>	<u>1,162,434</u>

The fair values of the borrowings were not materially different from their carrying amounts since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

As at December 31, 2020, 2021, and 2022 and June 30, 2023, the Group has the following undrawn bank facilities:

	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
				USD’000
Undrawn bank facilities in China	–	–	99,149	41,518

29. FINANCIAL LIABILITIES

(a) **Financial liabilities at fair value through profit or loss**

Group

	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
				USD’000
Convertible preferred shares of the Company				
– Series Pre-A1 Preferred Shares	271,150	785,363	537,970	485,536
– Series Pre-A2 Preferred Shares	197,129	570,846	391,012	352,892
– Series A Preferred Shares	1,217,407	2,963,550	1,998,989	1,782,713
– Series B Preferred Shares	127,229	254,591	169,395	149,881
– Series B+ Preferred Shares	–	3,124,776	2,045,614	1,754,224
– Series C1 Preferred Shares	–	2,056,644	1,503,377	2,055,034
– Series C2 Preferred Shares	–	382,877	566,576	901,357
– Series D Preferred Shares	–	–	–	200,000

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	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
				USD’000
Liabilities of the Company’s subsidiaries				
– Series A Preferred Shares of JET Global Express Limited (“JET Global”)	–	285,762	552,134	554,390
– Redeemable Shares of JNT KSA to be issued (<i>Note 26 (vii)</i>)	–	–	–	15,000
– Convertible loans of JNT KSA	–	–	–	10,016
Derivatives				
– Commitment to repurchase preferred shares	–	62,897	–	–
	<u>1,812,915</u>	<u>10,487,306</u>	<u>7,765,067</u>	<u>8,261,043</u>

Company

	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
				USD’000
Convertible preferred shares of the Company				
– Series Pre-A1 Preferred Shares	271,150	785,363	537,970	485,536
– Series Pre-A2 Preferred Shares	197,129	570,846	391,012	352,892
– Series A Preferred Shares	1,217,407	2,963,550	1,998,989	1,782,713
– Series B Preferred Shares	127,229	254,591	169,395	149,881
– Series B+ Preferred Shares	–	3,124,776	2,045,614	1,754,224
– Series C1 Preferred Shares	–	2,056,644	1,503,377	2,055,034
– Series C2 Preferred Shares	–	382,877	566,576	901,357
– Series D Preferred Shares	–	–	–	200,000
Derivatives				
– Commitment to repurchase preferred shares	–	62,897	–	–
	<u>1,812,915</u>	<u>10,201,544</u>	<u>7,212,933</u>	<u>7,681,637</u>

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Convertible preferred shares of the Company

(i) *Series B Preferred Shares*

In December 2020, after entering into an agreement with a third-party investor, the Company raised Series B financing with total consideration of USD100,000,000 by issuance of 22,462,293 Series B Preferred Shares. The fair value of all the Series B Preferred Shares issued was around USD127,229,000. The difference of USD27,229,000 between such fair value and the total consideration received was recognized as share-based compensation expenses (Note 26 (vi)).

(ii) *Series Pre-A1 Preferred Shares, Series Pre-A2 Preferred Shares and Series A Preferred Shares*

Series Pre-A1 Preferred Shares, Series Pre-A2 Preferred Shares and Series A Preferred Shares were initially recognized as equity. On December 30, 2020, along with the issuance of Series B Preferred Shares, the Company promulgated an updated memorandum of association. According to the memorandum of association, certain shareholders are able to discretionarily trigger the drag-along sale, and in which all assets and funds of the Company legally available for distribution to the shareholders shall be distributed. Consequently, Series Pre-A1 Preferred Shares, Series Pre-A2 Preferred Shares and Series A Preferred Shares were reclassified as financial liabilities measured at fair value through profit or loss (Note 25).

Series Pre-A1 Preferred Shares, Series Pre-A2 Preferred Shares and Series A Preferred Shares were reclassified from equity as financial liabilities measured at fair value through profit or loss on December 30, 2020.

As at December 30, 2020, the effect of such reclassification is as follows:

	USD'000
Carrying amount of Series Pre-A1 Preferred Shares	103,408
Carrying amount of Series Pre-A2 Preferred Shares	80,037
Carrying amount of Series A Preferred Shares	1,186,633
	1,370,078
Less:	
Nominal value of Series Pre-A1 Preferred Shares, Series Pre-A2 Preferred Shares and Series A Preferred Shares remained in equity	(4)
Fair value of Series Pre-A1 Preferred Shares	(271,150)
Fair value of Series Pre-A2 Preferred Shares	(197,129)
Fair value of Series A Preferred Shares	(1,217,407)
Movement of other reserves	(315,612)

(iii) *Series B+ Preferred Shares*

In February 2021, the Company entered into agreements with a number of third-party investors to raise Series B+ financing, with total consideration of USD1,822,382,000 by issuance of 255,864,131 Series B+ Preferred Shares. The fair value of Series B+ Preferred Shares at issuance was the same as the consideration.

(iv) *Series C1 and C2 Preferred Shares*

Through October to December 2021, the Company entered into agreements with a number of third-party investors to raise Series C1 financing, with total consideration of USD1,890,125,000 by issuance of 134,050,964 Series C1 Preferred Shares. The fair value of Series C1 Preferred Shares at issuance was USD1,899,435,000. The difference of USD9,310,000 between the fair value and the total consideration received was recognized as share-based compensation expenses (Note 26 (vi)).

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Through January to March 2022, the Company entered into agreements with a number of third-party investors to raise Series C1 financing, with total consideration of USD189,024,000 by issuance of 13,377,060 Series C1 Preferred Shares. The fair value of Series C1 Preferred Shares at issuance was USD205,514,000. The difference of USD16,490,000 between the fair value and the total consideration received was recognized as share-based compensation expenses (Note 26 (vi)).

On December 31, 2021, the Company entered into agreements with a number of third-party investors to issue Series C2 Preference Shares, with total consideration of USD761,465,000 by issuance of 48,607,928 Series C2 Preferred Shares. As at December 31, 2021, 24,440,890 Series C2 Preferred Shares were issued at consideration of USD382,877,000 which was also the fair value of the shares at issuance and as at December 31, 2021. The remaining 24,167,038 Series C2 Preferred Shares was issued in January and March 2022 (Note 26 (v)).

In August 2022, the Company further entered into agreements with certain personals and third-party investors to repurchase 1,386,996 Class A Ordinary Shares, 1,057,875 Class B Ordinary Shares, 493,474 Series Pre-A1 Preferred Shares, 358,650 Series Pre-A2 Preferred Shares, 1,783,917 Series A Preferred Shares, 148,454 Series B Preferred Shares and 1,691,013 Series B+ Preferred Shares, and issued 6,920,379 Series C2 Preferred Shares as the consideration. The difference between such consideration and the fair value of the repurchased shares amounted to USD16,480,000, which was recognized as share-based compensation expenses during the year ended December 31, 2022. (Note 26 (v)).

In May 2023, the Company further entered into agreements with certain personals and third-party investors to repurchase 3,351,470 Class A Ordinary Shares, 2,556,199 Class B Ordinary Shares, 1,192,408 Series Pre-A1 Preferred Shares, 866,626 Series Pre-A2 Preferred Shares, 4,310,571 Series A Preferred Shares, 358,716 Series B Preferred Shares and 4,086,085 Series B+ Preferred Shares, and issued 16,722,075 Series C2 Preferred Shares as the consideration. The difference between such consideration and the fair value of the repurchased shares amounted to USD22,960,000, which was recognized as share-based compensation expenses during the six months ended June 30, 2023. (Note 26 (v)).

(v) *Series D Preferred Shares*

In May 2023, the Company entered into agreements with a third-party investor to raise Series D financing, with total consideration of USD200,000,000 by issuance of 26,143,791 Series D Preferred Shares. The fair value of Series D Preferred Shares at issuance was the same as the consideration.

The Group designated Series B Preferred Shares, Series B+ Preferred Shares, Series C1 Preferred Shares, Series C2 Preferred Shares and Series D Preferred Shares as financial liabilities at fair value through profit or loss at initial recognition upon issuance of shares.

(vi) *Rights, preferences and privileges of the Group’s convertible preferred shares*

The rights, preferences and privileges of the above convertible preferred shares are as follows:

Dividend rights

The directors of the Company may, upon approval by the majority of preferred shareholders, declare dividends and distributions on shares in issue and authorise payment of funds under such dividends or distributions out of the funds of the Company lawfully available therefor. All such payments shall be distributed pro rata among all holders of the ordinary shares and preferred shares (on an as converted basis).

Conversion rights

Each preferred share may, at the option of the holder thereof, be converted at any time after the date of issuance of such preferred shares into Class A Ordinary Shares, or shall automatically be converted into Class A Ordinary Shares upon the closing of an [REDACTED] of the Company.

The conversion ratio for the preferred shares to the Class A Ordinary Shares is 1:1 if no adjustments to conversion price have occurred. As at June 30, 2023, each convertible preferred share is convertible into one Class A Ordinary Share.

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Voting rights

The holder of each Class A Ordinary Share issued and outstanding shall have one vote for each Class A Ordinary Share held by such holder, the holder of each Class B Ordinary Share issued and outstanding shall have twenty votes for each Class B Ordinary Share held by such holder, and the holder of each preferred share shall be entitled to the number of votes equal to the whole number of Class A Ordinary Shares into which such preferred share could be converted.

Notwithstanding the above, in the event that the voting power of the collective total amount of issued and outstanding Class B Ordinary Shares ever falls lower than 70% of the entire voting power of the total issued and outstanding shares of the Company, the number of votes allotted to each issued and outstanding Class B Ordinary Share shall be automatically adjusted to the nearest whole number of votes that would result in the issued and outstanding Class B Ordinary Shares holding at least 70% of the entire voting power of the total issued and outstanding shares of the Company.

Liquidation preferences

Each holder of preferred shares and ordinary shares shall be entitled to receive for each series of preferred shares and ordinary shares he or it holds on the preferential basis, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of other series of preferred shares and ordinary shares or any other class or series of shares by reason of their ownership of such shares, the amount equal to one hundred percent (100%) of the respective applicable issue price, plus (a) all interest that would accrue on the applicable issue price during the period from the relevant issue date to the date of receipt by the holder thereof of the full liquidation amount at a rate of 6% per annum, plus (b) declared but unpaid dividends for holders of ordinary shares and preferred shares, respectively.

If the assets and funds available for distribution shall be insufficient to permit the payment to such holders of the full preferred preference amount, the liquidation preference amount will be paid to the holders of preferred shares and ordinary shares in the following order: first to holders of Series D Preferred Shares, second to holders of Series C1 Preferred Shares, third to holders of Series C2 Preferred Shares, fourth to holders of Series B+ Preferred Shares, fifth to holders of Series B Preferred Shares, sixth to holders of Series A Preferred Shares, and lastly to the holders of Series Pre-A1 Preferred Share, the holders of Series Pre-A2 Preferred Share and the holders of ordinary share (collectively, the "Early Holders"). After distributing or paying in full the liquidation preference amount to all of the holders of preferred shares and ordinary shares, the remaining assets of the Company available for distribution to members, if any, shall be distributed to the holders of the preferred shares and ordinary shares on a pro rata basis, based on the number of ordinary shares then held by each holder on an as-converted basis.

Redemption rights

The Series B Preferred Shares, Series B+ Preferred Shares, Series C1 Preferred Shares, Series C2 Preferred Shares and Series D Preferred Shares are entitled the redemption right. These convertible preferred shares issued by the Company are redeemable at a price equal to the applicable purchase price plus all accrued interest and declared but unpaid dividends, payable in cash, at any time after the earliest of (i) March 1, 2026, (ii) the occurrence of a material breach, or fraud or wilful misconduct by the Group or founder parities in its performance of the transaction documents, which remains uncured for ninety (90) days upon written notification from any holder of Series B Preferred Shares, Series B+ Preferred Shares, Series C1 Preferred Shares, Series C2 Preferred Shares or Series D Preferred Shares, (iii) the occurrence of a material adverse effect, or (iv) the request by any holder of Series B Preferred Shares, Series B+ Preferred Shares, Series C1 Preferred Shares, Series C2 Preferred Shares or Series D Preferred Shares exercising its redemption rights under (i), (ii) or (iii) to redeem all or a portion of the equity securities held by it.

The redemption price payable on each of the abovementioned convertible preferred shares is the applicable purchase price for each share, plus (a) all interest that would accrue on applicable purchase price during the period from the relevant issue date to the date of receipt by the holder thereof of the full redemption amount at a rate of 8% per annum, plus (b) all declared but unpaid dividends on the abovementioned convertible preferred shares through the date of receipt by the holder of the full redemption amount thereof.

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The aforementioned redemption right is not given to the holders of Series A Preferred Share, the holders of Series Pre-A1 Preferred Share, the holders of Series Pre-A2 Preferred Share and the holders of ordinary share.

Financial liabilities of the Company’s subsidiaries

Series A Preferred Shares of JET Global

JET Global is the holding company of the Group’s business in Mexico, Egypt, Brazil and Middle East.

In July 2021, JET Global entered into agreements with third-party investors to raise Series A financing, with total consideration of USD283,620,000 by issuance of 283,620,000 JET Global Series A Preferred Shares. These financing proceeds were divided into four parts with certain investment allocation ratio, and allocated among the businesses of the four regions, namely Mexico, Egypt, Brazil, and Middle East (“Allocated Investment”). Major operations in such regions substantially started in 2022.

The rights, preferences, and privileges of the JET Global Series A Preferred Shares are as follows:

Dividend rights

The directors of JET Global may from time to time declare dividends (including interim dividends) and distributions on JET Global’s shares. No dividend will be declared and paid on JET Global’s ordinary shares unless and until a dividend is declared and paid on JET Global Series A Preferred Shares.

Voting rights

The holder of each share issued and outstanding, including JET Global’s ordinary share and JET Global Series A Preferred Share, shall have one vote for each share held by such holder.

Liquidation preference

In the liquidation, dissolution or winding up of substantially all regional entities of a given region, prior and in preference to any distribution of any of the available funds and assets to any other holders of shares, each JET Global Series A Preferred Share holder shall be entitled to receive for each issued and outstanding JET Global Series A Preferred Share, the amount equal to one hundred percent (100%) of the Allocated Investment, plus (a) all interest that would accrue on the Allocated Investment during the period from the relevant issue date to the date of receipt by the holder thereof of the full liquidation amount at a rate of 6% per annum, plus (b) declared but unpaid dividends for such portion of preferred shares, respectively.

If the available funds and assets of liquidated regions are insufficient for the full payment to all JET Global Series A Preferred Shareholders, then these available funds and assets shall be distributed among the JET Global Series A Preferred Shareholders in proportion. After distributing or paying in full the liquidation preference amount to JET Global Series A Preferred Shareholders, the remaining available funds, and assets, if any, shall be distributed shall be distributed among the holders of the JET Global’s ordinary shares and preferred shares on a pro rata basis, based on the number of ordinary shares then held by each holder on an as-converted basis.

Conversion rights

Each preferred share may, at the option of the holder thereof, be converted at any time after the date of issuance of such preferred shares into ordinary shares of JET Global, or shall automatically be converted into ordinary shares of JET Global upon the closing of an IPO of JET Global.

The conversion ratio for the preferred shares to the ordinary shares is 1:1 if no adjustments to conversion price have occurred. As at June 30, 2023, each convertible preferred share is convertible into one ordinary share of JET Global.

Exit right

During two thirty-day periods following receipt of the annual regional financial statements of all abovementioned regions after the fifth and sixth anniversary of the closing date, each JET Global Series A Preferred Shareholders will have an exit right for the purpose of disposing of all (but not less than all) of their JET Global Series A Preferred Shares.

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The exit price will be subject to certain agreements between the group and the third-party investors.

Upon receiving the exit right exercise notice, the Company shall issue to the exiting JET Global Series A Preferred Shareholders a number of shares of the Company substantially equal to the result of (i) the sum of all regional exit prices for each unliquidated region, divided by (ii) the applicable share price of the Company. If the Company is not publicly listed as at the exit date, the satisfactory information evidencing the Company’s share price shall be provided to the exiting shareholder.

Convertible loans of JNT KSA

In April 2023, JNT KSA entered into agreements with its third-party shareholder to obtain a convertible loan with the amount of USD 10,000,000, which approximated relevant fair value as at transaction date and was accounted for as financial liabilities at fair value through profit or loss.

The convertible loan matures in 12 months after its issuance, the interest of which is 8% per annum, and the term may be adjusted under certain circumstance. Typically, the entire principal amount may be converted into the shares of JNT KSA upon the maturity date, with the conversion price as 80% of the fair market price per share of JNT KSA as determined per relevant agreements.

Derivatives – repurchase of certain preferred shares

On December 31, 2021, accompanying with issuance of Series C2 Preferred Shares, the Company entered into agreements with certain existing shareholders to repurchase totally 48,607,928 of the Company’s ordinary and preferred shares (Note 26 (v)). As at December 31, 2021, there are still 1,723,288 Series Pre-A1 Preferred Shares, 1,252,460 Series Pre-A2 Preferred Shares, 6,229,713 Series A Preferred Shares, 518,425 Series B Preferred Shares and 5,905,281 Series B+ Preferred Shares outstanding to be repurchased. The expected excess of the repurchase price over the fair value of these convertible preferred shares was recognized as financial liabilities at fair value through profit or loss.

Accompanying the repurchase of the abovementioned convertible preferred shares in January and March 2022, the relevant derivatives were derecognized concurrently. The fair value of relevant repurchased shares as at transaction date approximated the fair value as at December 31, 2021.

The movements of financial liabilities at fair value through profit or loss are set out below:

	As at December 31,			As at June 30,
	2020	2021	2022	2023
	USD’000	USD’000	USD’000	USD’000
Carrying amount at the beginning of the year/period	–	1,812,915	10,487,306	7,765,067
Reclassification of Series Pre-A1 Preferred Shares from equity (Note 25 (4))	271,150	–	–	–
Reclassification of Series Pre-A2 Preferred Shares from equity (Note 25 (4))	197,129	–	–	–
Reclassification of Series A Preferred Shares from equity (Note 25 (4))	1,217,407	–	–	–
Issuance of Series B Preferred Shares	127,229	–	–	–
Issuance of Series B+ Preferred Shares	–	1,822,381	–	–
Issuance of Series C1 Preferred Shares	–	1,899,435	205,514	898,649
Issuance of Series C2 Preferred Shares	–	382,877	442,944	492,027
Issuance of Series D Preferred Shares	–	–	–	200,000

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	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
				USD’000
Repurchase of Series Pre-A1 Preferred Shares (<i>Note 26 (v)</i>)	–	(18,900)	(21,685)	(9,359)
Repurchase of Series Pre-A2 Preferred Shares (<i>Note 26 (v)</i>)	–	(13,738)	(15,754)	(6,802)
Repurchase of Series A Preferred Shares (<i>Note 26 (v)</i>)	–	(71,311)	(81,522)	(34,309)
Repurchase of Series B Preferred Shares (<i>Note 26 (v)</i>)	–	(6,125)	(6,981)	(2,882)
Repurchase of Series B+ Preferred Shares (<i>Note 26 (v)</i>)	–	(75,151)	(85,330)	(33,638)
Issuance of Series A Preferred Shares of JET Global	–	283,620	–	–
Redeemable shares of JNT KSA to be issued	–	–	–	15,000
Issuance of convertible loans of JNT KSA	–	–	–	10,000
Derivative – commitment to repurchase preferred shares (<i>Note 26 (v)</i>)	–	62,897	(62,897)	–
Changes in fair value – profit or loss	–	4,383,532	(3,086,653)	(1,027,477)
Changes in fair value – other comprehensive loss	–	24,874	(9,875)	(5,233)
Carrying amount at the end of the year/period	<u>1,812,915</u>	<u>10,487,306</u>	<u>7,765,067</u>	<u>8,261,043</u>

Determination of fair value

With the assistance from an external valuer appointed by the Group, the Group applied the discounted cash flow method to determine the underlying equity value of the Company and adopted option-pricing method and equity allocation model to determine the fair value of the convertible preferred shares. Key assumptions are set out as below:

	As at December 31,			As at	Relationship of unobservable inputs to fair value
	2020	2021	2022	June 30, 2023	
Discount rate	17%	15%	14%	14%	The higher the discount rate, the lower the fair value
Discount of lack of marketability (“DLOM”)	9%-17%	9%-13%	9%-13%	9%-12%	The higher the DLOM, the lower the fair value
Expected volatility	41.29%	42.63%	49.61%	49.93%	The higher the expected volatility, the lower the fair value

Discount rate was estimated by weighted average cost of capital as at each valuation date. The DLOM was estimated based on the option-pricing method. Under the option pricing method, the cost of put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the lack of marketability discount. Expected volatility was estimated based on annualised standard deviation

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of daily stock price return of comparable companies for the period before respective valuation date and with similar span as time to expiration. In addition to the assumptions adopted above, the Company’s projections of future performance were also factored into the determination of the fair value of the preferred shares on each valuation date.

The estimated carrying amount of relevant preferred shares as at June 30, 2023 would have been USD 829,875,000 lower/USD980,284,000 higher, respectively, should the discount rate used in discounted cash flow analysis be higher/lower by 100 basis points from management’s estimates. (2022: USD788,022,000 lower/USD903,958,000 higher; 2021: USD882,235,000 lower/USD1,075,386,000 higher; 2020: USD115,717,000 lower/USD132,117,000 higher).

(b) Financial liabilities – ordinary share redemption liabilities

	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
				USD’000
Financial liabilities – ordinary share redemption liabilities	–	133,749	–	–
Financial liabilities – redemption liabilities of shares of JNT KSA (Note 26 (vii))	–	25,458	30,583	33,495

On December 31, 2021, accompanying with issuance of Series C2 Preferred Shares, the Company entered into agreements with certain existing shareholders to repurchase totally 48,607,928 their shares. As at December 31, 2021, there were 4,843,603 Class A Ordinary Shares and 3,694,268 Class B Ordinary Shares to be repurchased, and the repurchase consideration was recognized as financial liabilities – ordinary share redemption liabilities. Details are set out in Note 26 (v).

30. DEFERRED INCOME TAX

(i) Deferred income tax assets

	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
				USD’000
The balance comprises temporary differences attributable to:				
Deductible tax losses	4,006	23,080	58,788	74,881
Lease liabilities	45,688	140,636	129,047	138,366
Provision and other temporary difference	876	4,104	6,643	8,822
Total deferred tax assets	50,570	167,820	194,478	222,069
Net-off with deferred tax liabilities	(45,569)	(157,972)	(151,371)	(170,493)
Net deferred tax assets	5,001	9,848	43,107	51,576

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Deferred income taxes are calculated in full on temporary differences under the liability method using the tax rates at which are expected to be applied at the time of reversal of the temporary differences. The analysis of deferred income tax assets is as follows:

	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
				USD’000
Deferred income tax assets				
– to be recovered after 12 months	25,442	45,467	39,617	78,496
– to be recovered within 12 months	25,128	122,353	154,861	143,573
	<u>50,570</u>	<u>167,820</u>	<u>194,478</u>	<u>222,069</u>

The gross movements in deferred income tax assets before offsetting during the Track Record Period are as follows:

	Deductible	Lease	Provision	Total
	tax losses	liabilities	and other	
	USD’000	USD’000	temporary	
			difference	USD’000
As at January 1, 2020	–	15,777	879	16,656
Credit/(debit) to consolidated income statement	3,948	29,778	(125)	33,601
Exchange differences	58	133	122	313
As at December 31, 2020 and January 1, 2021	<u>4,006</u>	<u>45,688</u>	<u>876</u>	<u>50,570</u>
Acquisition of subsidiaries (Notes 36, 37, 38)	23,080	–	–	23,080
Credit/(debit) to consolidated income statement	(4,075)	94,248	3,102	93,275
Exchange differences	69	700	126	895
As at December 31, 2021 and January 1, 2022	<u>23,080</u>	<u>140,636</u>	<u>4,104</u>	<u>167,820</u>
Credit/(debit) to consolidated income statement	37,378	(8,479)	1,580	30,479
Exchange differences	(1,670)	(3,110)	959	(3,821)
As at December 31, 2022	<u>58,788</u>	<u>129,047</u>	<u>6,643</u>	<u>194,478</u>
Credit to consolidated income statement	18,378	6,976	2,333	27,687
Exchange differences	(2,285)	2,343	(154)	(96)
As at June 30, 2023	<u>74,881</u>	<u>138,366</u>	<u>8,822</u>	<u>222,069</u>

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Deferred income tax assets are recognized to the extent that the realisation of the related tax benefit through the future taxable profits is probable. Deferred income tax assets have not been recognized in respect of the following items:

	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
Tax losses	733,619	2,336,651	3,130,790	3,660,958
Deductible temporary differences	4,985	257,223	357,289	265,433
	<u>738,604</u>	<u>2,593,874</u>	<u>3,488,079</u>	<u>3,926,391</u>

As at December 31, 2020 and December 31, 2021, the unrecognized tax losses primarily arise from the Company’s subsidiaries in the PRC and other South-East Asia countries. As at December 31, 2022 and June 30, 2023, the unrecognized tax losses primarily arise from the Company’s subsidiaries in the PRC and other South-East Asia countries.

The expiry dates of the unrecognized tax losses are as follows:

	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
2021	25	–	–	–
2022	15	72	–	–
2023	18,611	18,611	18,611	–
2024	84,400	84,407	84,407	83,567
2025	620,089	760,014	444,786	381,885
2026	–	1,452,090	949,673	979,317
2027	4,450	396	1,552,579	1,591,385
2028	–	–	–	450,900
2031	–	3,358	3,358	3,358
2032	–	–	5,895	5,895
2033	–	–	–	31,965
no expiry date	6,029	17,703	71,481	132,686
	<u>733,619</u>	<u>2,336,651</u>	<u>3,130,790</u>	<u>3,660,958</u>

(ii) Deferred income tax liabilities

	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
The balance comprises temporary differences attributable to:				
Right-of-use assets	45,569	143,189	130,805	142,639
Depreciation and other temporary difference	3,051	47,867	42,973	43,382
Total deferred tax liabilities	48,620	191,056	173,778	186,021
Net-off of deferred tax assets	(45,569)	(157,972)	(151,371)	(170,493)
Net deferred tax liabilities	<u>3,051</u>	<u>33,084</u>	<u>22,407</u>	<u>15,528</u>

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Deferred income taxes are calculated in full on temporary differences under the liability method using the tax rates at which are expected to be applied at the time of reversal of the temporary differences. The analysis of deferred income tax liabilities is as follows:

	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
				USD’000
Deferred income tax liabilities				
– to be settled after 12 months	23,557	66,482	57,947	65,754
– to be settled within 12 months	25,063	124,574	115,831	120,267
	<u>48,620</u>	<u>191,056</u>	<u>173,778</u>	<u>186,021</u>

The gross movements in deferred income tax liabilities before offsetting during the Track Record Period are as follows:

	Right-of-use	Depreciation	Total
	assets	and other	
	USD’000	temporary	
		difference	USD’000
As at January 1, 2020	15,768	–	15,768
Debit to consolidated income statement	29,642	3,067	32,709
Exchange differences	159	(16)	143
As at December 31, 2020 and January 1, 2021	<u>45,569</u>	<u>3,051</u>	<u>48,620</u>
Acquisition of a subsidiary (<i>Note 36, Note 37, Note 38</i>)	–	40,631	40,631
Debit to consolidated income statement	96,867	3,492	100,359
Exchange differences	753	693	1,446
As at December 31, 2021 and January 1, 2022	<u>143,189</u>	<u>47,867</u>	<u>191,056</u>
Credit to consolidated income statement	(9,574)	(5,367)	(14,941)
Exchange differences	(2,810)	473	(2,337)
As at December 31, 2022	<u>130,805</u>	<u>42,973</u>	<u>173,778</u>
Credit to consolidated income statement	12,734	(1,707)	11,027
Exchange differences	(900)	2,116	1,216
As at June 30, 2023	<u>142,639</u>	<u>43,382</u>	<u>186,021</u>

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31. TRADE PAYABLES

The following is an aging analysis of the Group’s trade payables presented based on the invoice issuance date:

	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
				USD’000
Within 3 months	212,619	505,960	434,660	404,373
3 to 6 months	9,028	19,200	26,512	44,560
6 to 9 months	1,253	28,286	14,360	13,074
9 to 12 months	1,891	22,903	5,103	3,782
Above 12 months	661	716	3,580	5,877
	<u>225,452</u>	<u>577,065</u>	<u>484,215</u>	<u>471,666</u>

The carrying amounts of trade payables approximated their fair values as at the balance sheet dates.

32. ACCRUALS AND OTHER PAYABLES

Group

	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
				USD’000
Cash on delivery related payables	137,017	95,047	156,666	167,553
Salary and welfare payables	62,336	219,607	163,637	169,079
Deposits	25,928	192,734	175,229	192,797
Tax payables (excluding Corporate Income Tax)	24,284	48,830	40,999	37,237
Payables for purchase of long-term assets	5,644	110,710	88,587	67,022
Consideration payable for repurchase of ordinary shares and preferred shares (<i>Note 26 (v)</i>)	–	159,922	–	–
Consideration received pursuant to 2022 Incentive Plan (<i>Note 26(viii)</i>)	–	–	37,886	23,991
Others	49,153	88,502	113,374	171,467
	<u>304,362</u>	<u>915,352</u>	<u>776,378</u>	<u>829,146</u>

Company

	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
				USD’000
Consideration of repurchase of ordinary shares and preferred shares (<i>Note 26 (v)</i>)	–	159,922	–	–
Others	–	1,979	6,127	2,420
	<u>–</u>	<u>161,901</u>	<u>6,127</u>	<u>2,420</u>

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33. ADVANCES FROM CUSTOMERS

	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
				USD’000
Advances from customers for express delivery services	137,224	291,362	209,925	241,441

Advances from customers for express delivery services were mainly the advance payments from customers which can be refunded as per request by customers.

As at December 31, 2020, 2021, and 2022 and June 30, 2023, the outstanding express delivery service orders would generally be completed within ten days, while other types of orders generally within one month.

All contracts are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

34. CASH FLOW INFORMATION

(a) Cash generated (used in)/generated from operations

The reconciliation from (loss)/profit for the year/period to cash (used in)/generated from operations is as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	USD’000	USD’000	USD’000	USD’000	USD’000
	(Unaudited)				
(Loss)/profit for the year/period	(664,163)	(6,192,258)	1,572,567	1,372,272	(666,769)
Adjustments for:					
Income tax expense	45,530	73,126	10,763	(2,876)	6,579
Depreciation of property, plant and equipment	39,270	104,444	227,910	111,813	104,383
Depreciation of right-of-use assets	56,000	113,878	257,176	128,015	133,964
Depreciation of investment properties	1,228	266	154	81	27
Amortization of intangible assets	804	1,901	20,707	6,603	13,607
Impairment losses on financial assets	9,488	41,320	37,219	25,033	11,814
(Reversal)/accrual of inventory provisions	(4)	3	103	33	2
Impairment losses on long-term assets	–	250,292	219,080	–	–
Impairment losses on goodwill	–	–	117,502	–	–
Finance income	(1,965)	(9,476)	(22,002)	(8,025)	(11,367)
Finance costs	13,831	99,077	99,499	44,647	56,002
Other income	(17,056)	(82,542)	(98,149)	(48,080)	(12,228)
Other (losses)/gains – net	(258)	(560)	(1,263)	267	2,958
Share-based compensation	188,302	619,012	346,559	260,594	1,428,204
Net loss on disposal of property, plant and equipment	37	1,424	1,873	(3,470)	21,306
Fair value change of financial assets and liabilities at fair value through profit or loss	–	4,383,532	(3,050,694)	(2,028,151)	(1,020,747)
Share of results of associates	323	(1,208)	302	222	84
Foreign exchange (gains)/losses – net	(29,362)	(19,887)	17,338	25,073	12,686
Movements in working capital					
(Increase)/decrease in inventories	(9,867)	(8,622)	127	5,273	6,088
Increase in trade receivables	(128,078)	(4,322)	(191,126)	(18,875)	(95,108)

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	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	USD’000	USD’000	USD’000	USD’000	USD’000
				(Unaudited)	
(Increase)/decrease in prepayments, other receivables, and other assets	(203,926)	(105,520)	(42,182)	(37,233)	86,113
Increase/(decrease) in trade payables	189,454	(305,366)	(84,661)	(183,190)	(11,403)
Increase/(decrease) in accruals and other payables	324,141	128,302	118,202	(18,162)	(29,296)
Increase/(decrease) in advances from customers	68,792	62,774	(73,643)	(31,757)	29,030
(Placement)/return of restricted cash	–	(49,950)	45,830	79,163	(16,021)
Cash (used in)/generated from operations	(117,479)	(900,360)	(470,809)	(320,730)	49,908

(b) Net debt reconciliation

Net debt

	As at December 31,			As at June 30,	
	2020	2021	2022	2022	2023
	USD’000	USD’000	USD’000	USD’000	USD’000
				(Unaudited)	
Cash and cash equivalents	600,425	2,102,448	1,504,048	2,133,231	1,195,264
Restricted cash	928	125,970	79,725	46,721	96,301
Financial assets at fair value through profit or loss	71,324	41,581	497,490	545,173	541,812
Borrowings	(444,060)	(89,027)	(1,098,377)	(1,040,707)	(1,162,434)
Lease liabilities	(175,017)	(598,722)	(492,666)	(505,210)	(556,142)
Financial liabilities at fair value through profit or loss	(1,812,915)	(10,487,306)	(7,765,067)	(8,785,417)	(8,261,043)
Financial liabilities – redemption liabilities of shares of JNT KSA	–	(25,458)	(30,583)	(26,635)	(33,495)
Financial liabilities – ordinary share redemption liabilities	–	(133,749)	–	–	–
Net debt	(1,759,315)	(9,064,263)	(7,305,430)	(7,632,844)	(8,179,737)
Cash and financial assets at fair value through profit or loss	672,677	2,269,999	2,081,263	2,725,125	1,833,377
Gross debt – fixed interest rates	(2,431,992)	(11,334,262)	(9,386,693)	(10,357,969)	(10,013,114)
Net debt	(1,759,315)	(9,064,263)	(7,305,430)	(7,632,844)	(8,179,737)

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This section sets out the movements in net debt for each of the years presented.

	Liabilities from financing activities				Other assets			Total	
	Borrowings	Lease liabilities	Financial liabilities at FVTPL	Financial liabilities – redemption liabilities of shares of JNT KSA	Financial liabilities at FVTPL – ordinary share redemption liabilities	Cash and cash equivalents	Restricted cash		Financial assets at FVTPL
As at January 1, 2020	(163,881)	(61,063)	–	–	–	97,173	586	6,752	(120,433)
Cash flows	(260,090)	67,412	(100,000)	–	–	495,380	342	63,909	266,953
New leases entered	–	(169,150)	–	–	–	–	–	–	(169,150)
Interest expenses	(7,824)	(6,007)	–	–	–	–	–	–	(13,831)
Share-based compensation expense	–	–	(27,229)	–	–	–	–	–	(27,229)
Transfer from equity (Note 25, 29)	–	–	(1,685,686)	–	–	–	–	–	(1,685,686)
Foreign exchange adjustments	(12,265)	(6,209)	–	–	–	7,872	–	663	(9,939)
As at December 31, 2020 and January 1, 2021	(444,060)	(175,017)	(1,812,915)	–	–	600,425	928	71,324	(1,759,315)
Cash flows	403,056	115,563	(3,966,126)	(20,000)	–	1,501,327	49,962	(30,954)	(1,947,172)
New leases entered	–	(207,356)	–	–	–	–	–	–	(207,356)
Interest expenses	(3,615)	(13,860)	–	(1,478)	–	–	–	–	(18,953)
Repurchase of preferred shares (Note 29)	–	–	185,225	–	–	–	–	–	185,225
Share-based compensation expense	–	–	(9,310)	(3,980)	(43,669)	–	–	–	(56,959)
Outstanding proceeds of Series C2 Preferred Shares	–	–	(159,922)	–	–	–	–	–	(159,922)
Non-cash payment for Series C2 Preferred Shares	–	–	(222,955)	–	–	–	–	–	(222,955)
Outstanding proceeds of Series C1 Preferred Shares	–	–	(30,000)	–	–	–	–	–	(30,000)
Derivative – commitment to repurchase preferred shares	–	–	(62,897)	–	–	–	–	–	(62,897)
Fair Value Change	–	–	(4,383,532)	–	–	–	–	–	(4,383,532)
Fair Value Change – other comprehensive loss	–	–	(24,874)	–	–	–	–	–	(24,874)

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	Liabilities from financing activities				Other assets				
	Borrowings	Lease liabilities	Financial liabilities at FVTPL	Financial liabilities – redemption liabilities of shares of JNT KSA	Financial liabilities at FVTPL – ordinary share redemption liabilities	Cash and cash equivalents	Restricted cash	Financial assets at FVTPL	Total
Recognition of ordinary share redemption liabilities	–	–	–	–	(90,080)	–	–	–	(90,080)
Acquisition of subsidiaries	(41,067)	(336,714)	–	–	–	–	75,080	488	(302,213)
Foreign exchange adjustments	(3,341)	18,662	–	–	–	696	–	723	16,740
As at December 31, 2021 and January 1, 2022	<u>(89,027)</u>	<u>(598,722)</u>	<u>(10,487,306)</u>	<u>(25,458)</u>	<u>(133,749)</u>	<u>2,102,448</u>	<u>125,970</u>	<u>41,581</u>	<u>(9,064,263)</u>
Cash flows	(954,715)	299,986	(219,024)	–	–	(498,246)	(46,245)	490,979	(927,265)
New leases entered	–	(261,593)	–	–	–	–	–	–	(261,593)
Interest expenses	(57,056)	(37,318)	–	(5,125)	–	–	–	–	(99,499)
Lease modification	–	108,461	–	–	–	–	–	–	108,461
Settlement of receivable of Series C2 Preferred Share consideration	–	–	30,000	–	–	–	–	–	30,000
Repurchase of preferred shares (Note 29)	–	–	211,272	–	–	–	–	–	211,272
Share-based compensation expense	–	–	(16,490)	–	–	–	–	–	(16,490)
Non-cash payment for Series C2 Preferred Shares	–	–	(442,944)	–	–	–	–	–	(442,944)
Fulfillment of commitment to repurchase preferred shares	–	–	62,897	–	–	–	–	–	62,897
Fair Value Change	–	–	3,086,648	–	–	–	–	–	3,086,648
Fair Value Change – other comprehensive loss	–	–	9,880	–	–	–	–	(35,970)	(26,090)
Repurchase of ordinary shares (Note 29)	–	–	–	–	133,749	–	–	–	133,749
Acquisition of subsidiaries	–	(8,981)	–	–	–	–	–	–	(8,981)
Foreign exchange adjustments	2,421	5,501	–	–	–	(100,154)	–	900	(91,332)
As at December 31, 2022	<u>(1,098,377)</u>	<u>(492,666)</u>	<u>(7,765,067)</u>	<u>(30,583)</u>	<u>–</u>	<u>1,504,048</u>	<u>79,725</u>	<u>497,490</u>	<u>(7,305,430)</u>

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	Liabilities from financing activities				Other assets				
	Borrowings	Lease liabilities	Financial liabilities at FVTPL	Financial liabilities – redemption shares of JNT KSA	Financial liabilities at FVTPL – ordinary share redemption liabilities	Cash and cash equivalents	Restricted cash	Financial assets at FVTPL	Total
As at January 1, 2023	(1,098,377)	(492,666)	(7,765,067)	(30,583)	-	1,504,048	79,725	497,490	(7,305,430)
Cash flows	(33,586)	187,442	(225,000)	-	-	(277,372)	16,576	51,046	(280,894)
New leases entered	-	(260,692)	-	-	-	-	-	-	(260,692)
Interest expenses	(35,075)	(19,015)	-	(2,912)	-	-	-	-	(57,002)
Lease modification	-	47,156	-	-	-	-	-	-	47,156
Repurchase of preferred shares (Note 29)	-	-	86,990	-	-	-	-	-	86,990
Share-based compensation expense	-	-	(1,235,171)	-	-	-	-	-	(1,235,171)
Non-cash payment for Series C2 Preferred Shares	-	-	-	-	-	-	-	-	-
Fair Value Change	-	-	(155,505)	-	-	-	-	-	(155,505)
Fair Value Change – other comprehensive loss	-	-	1,027,477	-	-	-	-	(6,731)	1,020,746
Acquisition of subsidiaries	-	-	5,233	-	-	-	-	-	5,233
Foreign exchange adjustments	4,604	(667)	-	-	-	(21,698)	-	-	(22,365)
		(17,700)	-	-	-	(9,714)	-	7	(22,803)
As at June 30, 2023	(1,162,434)	(556,142)	(8,261,043)	(33,495)	-	1,195,264	96,301	541,812	(8,179,737)
(Unaudited)									
As at January 1, 2022	(89,027)	(598,722)	(10,487,306)	(25,458)	(133,749)	2,102,448	125,970	41,581	(9,064,263)
Cash flows	(929,249)	145,529	(219,024)	-	-	98,551	(79,249)	510,225	(473,217)
New leases entered	-	(152,288)	-	-	-	-	-	-	(152,288)
Interest expenses	(23,231)	(18,239)	-	(1,177)	-	-	-	-	(42,647)
Lease modification	-	112,397	-	-	-	-	-	-	112,397
Settlement of receivable of Series C2 Preferred Share consideration	-	-	30,000	-	-	-	-	-	30,000
Repurchase of preferred shares (Note 29)	-	-	174,633	-	-	-	-	-	174,633
Share-based compensation expense	-	-	(16,490)	-	-	-	-	-	(16,490)
Non-cash payment for Series C2 Preferred Shares	-	-	(371,268)	-	-	-	-	-	(371,268)

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	Liabilities from financing activities				Other assets				
	Borrowings	Lease liabilities	Financial liabilities at FVTPL	Financial liabilities – redemption liabilities of shares of JNT KSA	Financial liabilities at FVTPL – ordinary share redemption liabilities	Cash and cash equivalents	Restricted cash	Financial assets at FVTPL	Total
Fulfilment of commitment to repurchase preferred shares	-	-	62,897	-	-	-	-	-	62,897
Fair Value Change	-	-	2,031,959	-	-	-	-	-	2,031,959
Fair Value Change – other comprehensive loss	-	-	9,182	-	-	-	-	(3,820)	5,362
Repurchase of ordinary shares (Note 29)	-	-	-	-	133,749	-	-	-	133,749
Foreign exchange adjustments	800	6,113	-	-	-	(67,768)	-	(2,813)	(63,668)
As at June 30, 2022	(1,040,707)	(505,210)	(8,785,417)	(26,635)	-	2,133,231	46,721	545,173	(7,632,844)

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35. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The material transactions with non-controlling interests during the Track Record Period are as follows:

(a) Acquisition of non-controlling interests of Chinese subsidiaries

On April 30, 2021, the Group acquired additional 34% of the 49% non-controlling equity interests of 36 the PRC subsidiaries with aggregated cash consideration of USD837,000, and the issuance of 32,508,856 Class A Ordinary Shares of the Company with fair value of USD4.3065 per share.

Immediately prior to the purchase, the carrying amount of the 49% non-controlling interests in these the PRC subsidiaries in aggregate was negative USD223,081,000. The Group recognized an increase in non-controlling interests by USD154,791,000 and a decrease in equity attributable to owners of the Company by USD295,627,000.

(b) Acquisition of non-controlling interests of the Malaysian subsidiary

On April 30, 2021, the Group acquired an additional 29.8% of the equity interests of the Group's main operating entity in Malaysia with the issuance of 25,669,206 Class A Ordinary Shares of the Company with fair value of USD4.3065 per share.

Immediately prior to the purchase, the carrying amount of the 29.8% non-controlling interests in the Malaysian subsidiary was USD5,444,000. The Group recognized a decrease in non-controlling interests by USD5,444,000 and a decrease in equity attributable to owners of the Company by USD105,101,000.

(c) Acquisition of non-controlling interests of the Vietnamese subsidiary

On April 30, 2021, through updating certain contractual arrangements, the Group indirectly obtained an additional 38.0% of the equity interests of the Group's main operating entity in Vietnam, with the issuance of 18,778,451 Class A Ordinary Shares of the Company with fair value of USD4.3065 per share.

Immediately prior to the purchase, the carrying amount of the 38.0% non-controlling interest in the Vietnamese subsidiary was negative USD27,772,000. The Group recognized an increase in non-controlling interests by USD27,772,000 and a decrease in equity attributable to owners of the Company by USD108,642,000.

(d) Acquisition of non-controlling interests of the Cambodia subsidiary

On April 30, 2021, the Group acquired an additional 28.0% of the equity interests of the Group's main operating entity in Cambodia with the issuance of 259,202 Class A Ordinary Shares of the Company with fair value of USD4.3065 per share.

Immediately prior to the purchase, the carrying amount of the 28.0% non-controlling interest in the Cambodia subsidiary was negative USD810,000. The Group recognized an increase in non-controlling interests by USD810,000 and a decrease in equity attributable to owners of the Company by USD1,925,000.

The Class A Ordinary Shares issued in the abovementioned transactions were all registered in 2021.

(e) Acquisition of non-controlling interests of the Philippines subsidiary

Till April 10, 2023, the Group acquired an additional 59.0% of the equity interests of the Group's main operating entity in the Philippines by making additional capital injection of approximately USD10,864,000 into such entity. After the transaction, the Group holds 99% of the equity interests of the above mentioned entity in the Philippines.

Immediately prior to the transaction, the carrying amount of the 59.0% non-controlling interest in the Philippines subsidiary was around USD62,485,000. The Group recognized an decrease in non-controlling interests by USD62,378,000 and an increase in equity attributable to owners of the Company by USD62,378,000.

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The effect of the transactions with non-controlling interests on the equity attributable to the owners of the Company during the Track Record Period are summarised follows:

2020	Total USD’000
Carrying amount of non-controlling interests debited/(credited)	914
Consideration received from non-controlling interests in cash – net	719
Total consideration	719
Excess of consideration received recognized in the transactions with non-controlling interests reserve within equity	<u>1,633</u>

2021	Acquisition of NCI of the PRC subsidiaries	Acquisition of NCI of Malaysia subsidiary	Acquisition of NCI of Vietnam subsidiary	Acquisition of NCI of Cambodia subsidiary	Other immaterial transactions	Total
	USD’000	USD’000	USD’000	USD’000	USD’000	USD’000
Carrying amount of non-controlling interests debited/(credited)	(154,791)	5,444	(27,772)	(810)	5,198	(172,731)
Consideration paid to non-controlling interests in cash	(837)	–	–	–	(8,564)	(9,401)
Consideration paid to non-controlling interests in ordinary shares	(139,999)	(110,545)	(80,870)	(1,115)	–	(332,529)
Total consideration	<u>(140,836)</u>	<u>(110,545)</u>	<u>(80,870)</u>	<u>(1,115)</u>	<u>(8,564)</u>	<u>(341,930)</u>
Excess of consideration paid recognized in the transactions with non-controlling interests reserve within equity	<u>(295,627)</u>	<u>(105,101)</u>	<u>(108,642)</u>	<u>(1,925)</u>	<u>(3,366)</u>	<u>(514,661)</u>

With the assistance from an external valuer appointed by the Group, the Group applied the discounted cash flow method to determine the underlying equity value of the Company and adopted option-pricing method and equity allocation model to determine the fair value of the issued ordinary shares. Key assumptions are set out as below:

Discount rate	17%
DLOM	15%
Expected volatility	41.83%

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2022	Equity interests transferred to management team of the cross-border business (Note 26 (iii))		
	USD’000		
Carrying amount of non-controlling interests credited			(4,832)
Consideration received from non-controlling interests in cash			6,274
Share-based compensation expenses			4,583
Increase in other reserve			<u>6,025</u>
Six months ended June 30, 2022 (Unaudited)	Equity interests transferred to management team of the cross-border business (Note 26 (iii))		
	USD’000		
Carrying amount of non-controlling interests credited			(4,832)
Consideration received from non-controlling interests in cash			6,274
Share-based compensation expenses			4,583
Increase in other reserve			<u>6,025</u>
Six months ended June 30, 2023	Acquisition of NCI of the Philippines subsidiary	Other immaterial transactions	Total
	USD’000	USD’000	USD’000
Carrying amount of non-controlling interests debited/(credited)	62,378	(3,526)	58,852
(Increase)/decrease in other reserve	<u>(62,378)</u>	<u>3,526</u>	<u>(58,852)</u>

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36. BUSINESS COMBINATION OF OPERATING ENTITIES OF THAILAND REGIONAL SPONSORS

(a) Summary of acquisition

According to relevant agreements entered in 2021, the Company issued 11,210,471 Class A Ordinary Shares for the Group to acquire 70% of the equity interests of 12 operating entities and 86.5% of one operating entity of Thai regional sponsors (the “Thai Acquirees”) and to obtain control of each Thai Acquiree. The transactions were completed on June 30, 2021.

Details of the companies acquired, and the purchase consideration are as follows:

Name of the acquirees	Transaction Date	Ordinary shares issued	Fair value of ordinary shares issued USD’000
Thai Acquiree 1	June 30, 2021	907,206	4,135
Thai Acquiree 2	June 30, 2021	907,206	4,135
Thai Acquiree 3	June 30, 2021	907,206	4,135
Thai Acquiree 4	June 30, 2021	907,206	4,135
Thai Acquiree 5	June 30, 2021	907,206	4,135
Thai Acquiree 6	June 30, 2021	907,204	4,135
Thai Acquiree 7	June 30, 2021	907,207	4,135
Thai Acquiree 8	June 30, 2021	907,206	4,135
Thai Acquiree 9	June 30, 2021	907,206	4,135
Thai Acquiree 10	June 30, 2021	907,206	4,135
Thai Acquiree 11	June 30, 2021	907,204	4,135
Thai Acquiree 12	June 30, 2021	907,206	4,135
Thai Acquiree 13	June 30, 2021	324,002	1,471
Subtotal		11,210,471	51,091
Settlement of pre-existing net payables to the Group			86,578
Total consideration			137,669

The pre-existing net payables of the acquirees to the Group is USD86,578,000 as at June 30, 2021. No gain or loss is recognised on the settlement, because the net payables were effectively settled at the recorded amount.

The fair value of the ordinary shares of the Company issued as part of the consideration paid for the Thai Acquirees was USD4.5574 per share.

With the assistance from an external valuer appointed by the Group, the Group applied the discounted cash flow method to determine the underlying equity value of the Company and adopted option-pricing method and equity allocation model to determine the fair value of the issued ordinary shares of the Company. Key assumptions are set out as below:

Discount rate	17%
DLOM	14%
Expected volatility	41.78%

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The assets and liabilities recognized as a result of the acquisition, excluding the pre-existing net payables of the acquirees to the Group are as follows:

	Fair value
	USD’000
Cash and cash equivalents	5,930
Inventories	1,202
Trade receivables	10,851
Prepayments, other receivables, and other assets	4,309
Right-of-use assets	5,407
Property, plant and equipment	2,406
Intangible assets: customer relationship	2,192
Intangible assets: others	55
Other non-current assets	3,999
Trade Payables and other payables	(3,293)
Lease liabilities	(5,407)
Current income tax liabilities	(1,074)
Borrowings	(4,946)
	<hr/>
Net identifiable assets acquired	21,631
	<hr/>
Add: non-controlling deficits	17,718
	<hr/>
Add: goodwill	98,320
	<hr/>
Net assets acquired	<u>137,669</u>

The goodwill is attributable to the workforce and the expected future high profitability of the acquired business. It will not be deductible for tax purposes.

(i) Acquired receivables

The fair value of acquired trade receivables is USD10,851,000. The gross contractual amount for trade receivables due is USD12,075,000, with a loss allowance of USD1,224,000 recognised on acquisition.

(ii) Accounting policy of non-controlling interests

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest’s proportionate share of the acquired entity’s net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in the Thai Acquirees, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets.

(iii) Revenue and profit contribution

The acquired business contributed revenue of USD4,795,000, gross loss of USD26,357,000, loss before tax of USD46,017,000 and net loss of USD46,017,000 to the Group for the period from June 30, 2021 to December 31, 2021.

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If the acquisition had occurred on January 1, 2021, consolidated pro-forma revenue, gross loss, loss before tax and net loss for the year ended December 31, 2021 would have been USD4,901,284,000, USD547,870,000, USD6,129,906,000, and USD6,203,033,000 respectively. These amounts have been calculated using the subsidiaries’ results and adjusting them for:

- differences in the accounting policies between the Group and the subsidiaries, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from January 1, 2021, together with the consequential tax effects.

(b) Purchase consideration – cash inflow

	USD’000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	–
Add: Balances acquired – cash	5,930
	<hr/>
Net inflow of cash – investing activities	5,930
	<hr/> <hr/>

37. BUSINESS COMBINATION OF OPERATING ENTITIES OF INDONESIAN REGIONAL SPONSORS

(a) Summary of acquisition

According to relevant agreements entered in 2021, the Group had contractual agreements with an operating entity and its relevant shareholders (terminated in 2022, as the Group obtained relevant equity interests), and made capital injection totalling USD19,342,000 to 24 operating entities of certain Indonesian regional sponsors (the “Indonesian Acquirees”), and the Company issued 55,273,897 Class A Ordinary Shares to such Indonesian regional sponsors for the Group to acquire 70% of the equity interests and to obtain control of each Indonesian Acquiree. The transactions were completed on August 31, 2021.

Details of the companies acquired, and the purchase considerations are as follows:

Name of the Indonesian Acquirees	Acquisition date	Number of ordinary shares issued	Fair value of ordinary shares issued	Cash consideration	Total consideration
			USD’000	USD’000	USD’000
Indonesian Acquiree 1	August 31, 2021	797,261	4,059	81	4,140
Indonesian Acquiree 2	August 31, 2021	1,080,007	5,498	161	5,659
Indonesian Acquiree 3	August 31, 2021	540,004	2,749	81	2,830
Indonesian Acquiree 4	August 31, 2021	1,231,424	6,269	40	6,309
Indonesian Acquiree 5	August 31, 2021	1,080,007	5,498	40	5,538
Indonesian Acquiree 6	August 31, 2021	826,638	4,208	161	4,369
Indonesian Acquiree 7	August 31, 2021	1,016,935	5,177	20	5,197
Indonesian Acquiree 8	August 31, 2021	1,753,283	8,926	211	9,137
Indonesian Acquiree 9	August 31, 2021	543,460	2,767	48	2,815
Indonesian Acquiree 10	August 31, 2021	1,071,799	5,456	403	5,859
Indonesian Acquiree 11	August 31, 2021	1,768,403	9,003	484	9,487
Indonesian Acquiree 12	August 31, 2021	2,216,174	11,282	484	11,766
Indonesian Acquiree 13	August 31, 2021	1,972,093	10,040	48	10,088
Indonesian Acquiree 14	August 31, 2021	864,006	4,399	1,693	6,092
Indonesian Acquiree 15	August 31, 2021	6,223,865	31,685	3,224	34,909
Indonesian Acquiree 16	August 31, 2021	3,366,598	17,139	1,612	18,751
Indonesian Acquiree 17	August 31, 2021	4,464,965	22,731	2,466	25,197

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Name of the Indonesian Acquirees	Acquisition date	Number of ordinary shares issued	Fair value of ordinary shares issued	Cash consideration	Total consideration
			USD’000	USD’000	USD’000
Indonesian Acquiree 18	August 31, 2021	7,916,451	40,302	1,755	42,057
Indonesian Acquiree 19	August 31, 2021	2,160,014	10,996	1,628	12,624
Indonesian Acquiree 20	August 31, 2021	2,160,014	10,996	484	11,480
Indonesian Acquiree 21	August 31, 2021	709,997	3,615	8	3,623
Indonesian Acquiree 22	August 31, 2021	862,278	4,390	20	4,410
Indonesian Acquiree 23	August 31, 2021	2,052,661	10,450	1,612	12,062
Indonesian Acquiree 24	August 31, 2021	2,193,279	11,166	967	12,133
Indonesian Acquiree 25	August 31, 2021	6,402,281	32,594	1,611	34,205
Subtotal		55,273,897	281,395	19,342	300,737
Settlement of pre-existing net payables					11,363
Total purchase consideration					312,100

The pre-existing net payables of the acquirees to the Group is USD11,363,000 as at August 31, 2021. No gain or loss is recognised on the settlement, because the net payables were effectively settled at the recorded amount.

The fair value of the ordinary shares of the Company issued as part of the consideration paid for the Indonesian Acquirees was USD5.0909 per share.

With the assistance from an external valuer appointed by the Group, the Group applied the discounted cash flow method to determine the underlying equity value of the Company and adopted option-pricing method and equity allocation model to determine the fair value of the issued ordinary shares. Key assumptions are set out as below:

Discount rate	16%
DLOM	14%
Expected volatility	41.13%

The assets and liabilities recognized as a result of the acquisition, excluding the pre-existing net payables of the acquirees to the Group are as follows:

	Fair value
	USD’000
Cash and cash equivalents	109,193
Inventories	2,752
Trade Receivables	36,492
Prepayments, other receivables, and other assets	42,639
Right-of-use assets	19,959
Investment properties	468
Property, plant and equipment	33,975
Intangible assets: customer relationship	80,370
Intangible assets: others	134
Other non-current assets	171
Trade Payables	(22,771)
Advances from customers	(227)
Accrued expenses and other payables	(119,026)

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	Fair value
	USD’000
Current income tax liabilities	(18,729)
Borrowings	(3,851)
Lease liabilities	(2,592)
Employee benefit obligations	(349)
Long-term payables	(867)
Deferred tax liability	(17,477)
	<hr/>
Net identifiable assets acquired	140,264
	<hr/>
Less: non-controlling interests	(43,651)
Add: goodwill	215,487
	<hr/>
Net assets acquired	312,100
	<hr/> <hr/>

The goodwill is attributable to the workforce and the high profitability of the acquired business. It will not be deductible for tax purposes.

(i) Acquired receivables

The fair value of acquired trade receivables is USD36,492,000. The gross contractual amount for trade receivables due is USD36,966,000, with a loss allowance of USD474,000 recognised on acquisition.

(ii) Accounting policy for non-controlling interests

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest’s proportionate share of the acquired entity’s net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in the Indonesian Acquirees, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets.

(iii) Revenue and profit contribution

The acquired business contributed revenue of USD12,167,000, gross profit of USD81,821,000, profit before tax of USD69,352,000 and net profit of USD52,104,000 to the Group for the period from August 31, 2021 to December 31, 2021.

If the acquisition had occurred on January 1, 2021, consolidated pro-forma revenue, gross loss, loss before tax and net loss for the year ended December 31, 2021 would have been USD4,957,201,000, USD427,372,000, USD6,035,388,000 and USD6,109,451,000 respectively. These amounts have been calculated using the subsidiaries’ results and adjusting them for:

- differences in the accounting policies between the Group and the subsidiaries, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from January 1, 2021, together with the consequential tax effects.

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(b) Purchase consideration – cash inflow

	<u>USD’000</u>
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	(19,343)
Add: Balances acquired – cash	<u>109,193</u>
Net inflow of cash – investing activities	<u><u>89,850</u></u>

38. BUSINESS COMBINATION OF BEST INC.’S EXPRESS BUSINESS IN CHINA

(a) Summary of acquisition

On December 8, 2021, as to further enhance the Group’s scale and network in China, the Group acquired Best Inc.’s express business in China with cash consideration of USD715,511,000, through obtaining 100% of the equity interests of the main operating entity of such business and other relevant assets.

Details of the purchase consideration, the net assets acquired, and goodwill are as follows:

The assets and liabilities recognized as a result of the acquisition are as follows:

	<u>Fair value</u>
	<u>USD’000</u>
Cash and cash equivalents	11,042
Restricted cash	75,080
Financial assets at fair value through profit or loss	147
Inventories	1,088
Trade receivables	109,285
Prepayments, other receivables, and other assets	197,836
Right-of-use assets	297,971
Property, plant and equipment	558,389
Intangible assets: customer relationships	88,258
Other intangible assets	549
Other non-current assets	9,975
Trade payables and other payables	(806,019)
Advances from customers	(95,700)
Borrowings	(34,134)
Lease liabilities	<u>(328,714)</u>
Net identifiable liabilities acquired	<u>85,053</u>
Less: non-controlling interests	–
Add: goodwill	<u>630,458</u>
Net assets acquired	<u><u>715,511</u></u>

The goodwill is attributable to the workforce and the expected future high profitability of the acquired business. It will not be deductible for tax purposes.

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(i) *Acquired receivables*

The fair value of acquired trade receivables is USD109,285,000. The gross contractual amount for trade receivables due is USD147,480,000, with a loss allowance of USD38,195,000 recognised on acquisition.

(ii) *Revenue and profit contribution*

The acquired business contributed revenue of USD196,958,000, gross loss of USD10,583,000, loss before tax of USD39,348,000 and net loss of USD39,348,000 to the Group for the period from December 8, 2021 to December 31, 2021.

If the acquisition had occurred on January 1, 2021, consolidated pro-forma revenue, gross loss, loss before tax and net loss for the year ended December 31, 2021 would have been USD7,331,286,000, USD732,207,000, USD6,422,307,000, and USD6,495,434,000 respectively.

In addition, if the abovementioned acquisitions of operating entities of Thailand regional sponsors (Note 36), operating entities of Indonesian regional sponsors (Note 37) and Best Inc.’s express business in China (Note 38) had occurred on January 1, 2021, consolidated pro-forma revenue, gross loss, loss before tax and net loss for the year ended December 31, 2021 would have been USD7,486,172,000, USD617,961,000, USD6,375,067,000, and USD6,449,131,000 respectively.

These amounts have been calculated using the subsidiaries’ results and adjusting them for:

- differences in the accounting policies between the Group and the subsidiaries, and
- the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from January 1, 2021, together with the consequential tax effects.

(b) **Purchase consideration – cash outflow**

	<u>USD’000</u>
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	715,511
Less: Balances acquired	
Cash	<u>(11,042)</u>
Net outflow of cash – investing activities	<u><u>704,469</u></u>

39. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control.

Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the periods presented. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

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(a) Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the Track Record Period.

Name of related party	Relationship with the Group
Galaxy Brilliant Inc.	Controlled by Mr. Jet Li
Constant Talent Limited	Controlled by Mr. Jet Li
Jet Commerce Group	Controlled by Mr. Jet Li
Jie Business Sdn Bhd	Controlled by Mr. Jet Li
Windfall T&L SPC	Under significant influence of Mr. Jet Li
J&T Courier Service Sdn Bhd	Under significant influence of Mr. Jet Li
Honour Victory Holdings Limited	Under significant influence of Mr. Jet Li
Jumbo Link Holdings Limited	Under significant influence of Mr. Jet Li
Shanghai Huisen Zhilian Express Co., Ltd	Under significant influence of Mr. Jet Li
Huisen Global Limited	Under significant influence of Mr. Jet Li
BNT Express Co., Ltd	Controlled by a member of key management personnel (before acquisition) (Note 36)
Guangdong OPPO Mobile Telecommunications Corp.,Ltd.	Controlled by a member of key management personnel (before the end of appointment of the member of key management personnel)
PT. Semut Merah Squad	Controlled by a member of key management personnel (before acquisition) (Note 37)
Suzhou BBK Investment Development Co., Ltd.	Controlled by a member of key management personnel

(b) Transactions with related parties

Save as disclosed in other notes of this report, related party transactions of the Group are listed as follows:

(i) Borrowings received from related parties

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	USD’000	USD’000	USD’000	USD’000	USD’000
Guangdong OPPO Mobile Telecommunications Corp., Ltd.	118,509	-	-	-	-
Honour Victory Holdings Limited	6,099	3,236	-	-	-
Others	-	4,756	-	-	-
	<u>124,608</u>	<u>7,992</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Unaudited)

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(ii) Repayment of borrowings from related parties

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	USD’000	USD’000	USD’000	USD’000	USD’000
				(Unaudited)	
Guangdong OPPO Mobile Telecommunications Corp., Ltd.	–	124,025	–	–	–
Honour Victory Holdings Limited	–	23,422	5,651	5,651	–
Jumbo Link Holdings Limited	–	9,775	4,659	4,659	–
Suzhou BBK Investment Development Co., Ltd.	7,407	–	–	–	–
Others	1,057	2,444	3,843	3,843	–
	<u>8,464</u>	<u>159,666</u>	<u>14,153</u>	<u>14,153</u>	<u>–</u>

(iii) Loans to related parties

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	USD’000	USD’000	USD’000	USD’000	USD’000
				(Unaudited)	
Shanghai Huisen Zhilian Express Co., Ltd	52,292	80,430	–	–	–
Huisen Global Limited	–	24,200	320,000	320,000	–
Galaxy Brilliant Inc.	–	21,600	–	–	–
Jet Commerce Group	450	–	–	–	–
Others	4,857	1,928	–	–	–
	<u>57,599</u>	<u>128,158</u>	<u>320,000</u>	<u>320,000</u>	<u>–</u>

(iv) Collection of loans to related parties

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	USD’000	USD’000	USD’000	USD’000	USD’000
				(Unaudited)	
Huisen Global Limited	–	–	344,200	344,200	–
Shanghai Huisen Zhilian Express Co., Ltd	–	–	135,424	138,044	–
Galaxy Brilliant Inc.	–	6,200	15,400	15,400	–
Others	1,004	411	8,777	7,883	–
	<u>1,004</u>	<u>6,611</u>	<u>503,801</u>	<u>505,527</u>	<u>–</u>

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(v) *Interest expenses on borrowings from related parties*

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	USD’000	USD’000	USD’000	USD’000	USD’000
				(Unaudited)	
Guangdong OPPO Mobile Telecommunications Corp., Ltd.	4,218	178	–	–	–
Others	625	464	17	8	–
	<u>4,843</u>	<u>642</u>	<u>17</u>	<u>8</u>	<u>–</u>

(vi) *Interest income on loans to related parties*

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	USD’000	USD’000	USD’000	USD’000	USD’000
				(Unaudited)	
Shanghai Huisen Zhilian Express Co., Ltd	1,198	4,009	8,552	3,754	–
Others	107	403	1,623	1,334	–
	<u>1,305</u>	<u>4,412</u>	<u>10,175</u>	<u>5,088</u>	<u>–</u>

(vii) *Rendering of services*

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	USD’000	USD’000	USD’000	USD’000	USD’000
				(Unaudited)	
Jie Business Sdn Bhd	967	2,630	2,450	1,310	886
Jet Commerce Group	–	–	1,655	201	14
PT. Semut Merah Squad	19,361	3,466	N/A	N/A	N/A
BNT Express Co., Ltd	3,655	2,325	N/A	N/A	N/A
Others	2,585	5,031	2,820	1,269	719
	<u>26,568</u>	<u>13,452</u>	<u>6,925</u>	<u>2,780</u>	<u>1,619</u>

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(viii) *Receiving of services*

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	USD’000	USD’000	USD’000	USD’000	USD’000
				(Unaudited)	
J&T Courier Service Sdn Bhd	–	–	4,790	384	238
PT. Semut Merah Squad	12,379	57,899	N/A	N/A	N/A
BNT Express Co., Ltd	10,344	3,723	N/A	N/A	N/A
Others	2,127	2,402	188	52	404
	<u>24,850</u>	<u>64,024</u>	<u>4,978</u>	<u>436</u>	<u>642</u>

(ix) *Other transactions*

During 2021, a series of transactions were completed by the Group (Note 35, Note 36, Note 37), and part of the transaction consideration was paid to a member of key management personnel, who is also a regional sponsor, as follows:

	USD’000
Acquisition of Minority interests in Subsidiaries in China and South-East Asia	16,222
Business acquisition of entities of the regional sponsor	19,255
	<u>35,477</u>

Through January to March 2022, the Group invested around USD60,000,000 in Windfall T&L SPC, a private equity fund focusing on investing in industries such as logistics and its upstream and downstream industry chains, under significant influence of Mr. Jet Li. The contractual term of investment is between 3-5 years. As the Group does not have significant influence over such fund, the Group accounted such investment as financial assets at fair value through profit or loss. (Note 24)

(c) **Balances with related parties**

(i) *Borrowings*

	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
				USD’000
– Non-trade				
Honour Victory Holdings Limited	24,654	5,694	–	–
Jumbo Link Holdings Limited	9,947	4,933	–	–
Constant Talent Limited	3,755	3,843	–	–
Guangdong OPPO Mobile Telecommunications Corp., Ltd.	126,777	N/A	N/A	N/A
Others	2,487	–	–	–
	<u>167,620</u>	<u>14,470</u>	<u>–</u>	<u>–</u>

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(ii) *Loan receivables*

	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
				USD’000
– Non-trade				
Shanghai Huisen Zhilian Express Co., Ltd	57,166	145,688	–	–
Jet Commerce Group	8,033	7,967	–	–
Huisen Global Limited	–	24,200	–	–
Galaxy Brilliant Inc.	–	15,400	–	–
BNT Express Co., Ltd	3,854	N/A	N/A	N/A
Others	1,567	408	–	–
Subtotal	70,620	193,663	–	–
Less: allowance for credit losses	(1,116)	(2,974)	–	–
	<u>69,504</u>	<u>190,689</u>	<u>–</u>	<u>–</u>

(iii) *Bond receivables*

	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
				USD’000
– Non-trade				
Huisen Global Limited (Note 24)	–	–	428,678	483,711
	<u>–</u>	<u>–</u>	<u>428,678</u>	<u>483,711</u>

(iv) *Receivables from related parties*

	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
				USD’000
Trade receivables				
PT. Semut Merah Squad	2,326	N/A	N/A	N/A
BNT Express Co., Ltd	2,046	N/A	N/A	N/A
Others	217	897	589	449
Subtotal	4,589	897	589	449
Less: allowance for credit losses	(161)	(41)	(20)	(16)
	<u>4,428</u>	<u>856</u>	<u>569</u>	<u>433</u>

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	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
				USD’000
Other receivables				
–Non-trade				
BNT Express Co., Ltd	4,024	N/A	N/A	N/A
Shanghai Huisen Zhilian				
Express Co., Ltd	1,533	–	–	–
Others	663	316	319	146
Subtotal	6,220	316	319	146
Less: allowance for credit losses	(75)	(4)	(5)	(3)
	<u>6,145</u>	<u>312</u>	<u>314</u>	<u>143</u>
(v) <i>Payables to related parties</i>				
	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
				USD’000
Trade payables				
BNT Express Co., Ltd	1,324	–	–	–
Others	520	21	115	56
	<u>1,844</u>	<u>21</u>	<u>115</u>	<u>56</u>
Other payables				
– Non-trade				
Honour Victory Holdings Limited	–	–	6,605	–
J&T Courier Service Sdn Bhd	–	2,340	2,461	–
Others	612	500	7	2
	<u>612</u>	<u>2,840</u>	<u>9,073</u>	<u>2</u>

Except for the abovementioned bond receivables, the remaining outstanding non-trade balances with related parties were subsequently settled by the date of this report.

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(d) Key management compensation

Key management includes directors (executive and non-executive) and the senior management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	USD’000	USD’000	USD’000	USD’000	USD’000
				(Unaudited)	
Salaries, bonuses and fees	2,721	20,031	11,040	5,440	4,997
Pension cost – defined contribution plans	8	51	45	22	20
Share-based compensation	161,073	114,085	223,773	223,773	8,502
	<u>163,802</u>	<u>134,167</u>	<u>234,858</u>	<u>229,235</u>	<u>13,519</u>

(e) Terms and conditions

Terms for loans to related parties were negotiated on a case-by-case basis. During the Track Record Period, generally the Group entered into loan agreements with related parties with terms substantially ranging from 8 months to 3 years, with annual interest rates ranging from 0.4% to 7%.

The loans from the related parties generally mature between 1 to 3 years are repayable in a lump sum at maturity. The annual interest rate on these loans is generally fixed at a rate below 5%.

Services were rendered to or received from the related parties during the Track Record Period based on normal commercial terms, conditions and market rates that would be available to third parties and further negotiations.

40. COMMITMENT

(a) Capital commitments

Capital expenditure contracted for as at December 31, 2020, 2021 and 2022 and June 30, 2023 but not yet incurred is as follows:

	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
Buildings	–	–	–	31,325
Right-of-use asset – Land in the PRC	–	22,052	11,659	11,238
Vehicles	–	–	–	2,524
	<u>–</u>	<u>22,052</u>	<u>11,659</u>	<u>45,087</u>

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(b) Short-term lease commitments

The Group leases certain warehouses and vehicles under non-cancellable short-term lease agreements. The lease terms are generally within one year.

The Group’s future aggregate minimum lease payments under such non-cancellable short-term leases are as follows:

	As at December 31,			As at
	2020	2021	2022	June 30,
	USD’000	USD’000	USD’000	2023
				USD’000
Within one year	9,675	22,575	41,733	20,285

41. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors’ emoluments

The remuneration paid or payable to the directors of the Company (including emoluments for services as employee/directors of the group entities prior to becoming the directors of the Company) during the years ended December 31, 2020, 2021, and 2022 and the six months ended June 30, 2022 and 2023 was as follows.

Name	Year ended December 31, 2020				
	Fees	Salaries and bonuses	Pension cost – defined contribution plans	Share-based compensation	Total
	USD’000	USD’000	USD’000	USD’000	USD’000
Executive Director:					
Mr. Jet Jie Li (i)	–	1,642	5	161,073	162,720
Non-executive Directors:					
Ms. Alice Yu-fen Cheng (ii)	70	–	–	–	70
Mr. Yuan Zhang (ii)	–	–	–	–	–
Ms. Qinghua Liao (ii)	–	–	–	–	–
Other directors (iv)	–	113	–	–	113
	70	1,755	5	161,073	162,903

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Year ended December 31, 2021					
Name	Fees	Salaries and bonuses	Pension cost – defined contribution plans	Share-based compensation	Total
	USD’000	USD’000	USD’000	USD’000	USD’000
Executive Director:					
Mr. Jet Jie Li (<i>i</i>)	–	11,932	23	80,223	92,178
Non-executive Directors:					
Ms. Alice Yu-fen Cheng (<i>ii</i>)	120	–	–	–	120
Mr. Yuan Zhang (<i>ii</i>)	–	–	–	–	–
Ms. Qinghua Liao (<i>ii</i>)	–	–	–	–	–
Other directors (<i>iv</i>)	–	762	12	3,988	4,762
	120	12,694	35	84,211	97,060

Year ended December 31, 2022					
Name	Fees	Salaries and bonuses	Pension cost – defined contribution plans	Share-based compensation	Total
	USD’000	USD’000	USD’000	USD’000	USD’000
Executive Director:					
Mr. Jet Jie Li (<i>i</i>)	–	4,349	11	223,773	228,133
Non-executive Directors:					
Ms. Alice Yu-fen Cheng (<i>ii</i>)	–	–	–	–	–
Mr. Yuan Zhang (<i>ii</i>)	–	–	–	–	–
Ms. Qinghua Liao (<i>ii</i>)	–	–	–	–	–
Other directors (<i>iv</i>)	–	656	10	–	666
	–	5,005	21	223,773	228,799

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Six months ended June 30, 2022 (Unaudited)

Name	Fees	Salaries and bonuses	Pension cost – defined contribution plans	Share-based compensation	Total
	USD’000	USD’000	USD’000	USD’000	USD’000
Executive Director:					
Mr. Jet Jie Li (i)	–	2,034	5	223,773	225,812
Non-executive Directors:					
Ms. Alice Yu-fen Cheng (ii)	–	–	–	–	–
Mr. Yuan Zhang (ii)	–	–	–	–	–
Ms. Qinghua Liao (ii)	–	–	–	–	–
Other directors (iv)	–	317	5	–	322
	–	2,351	10	223,773	226,134

Six months ended June 30, 2023

Name	Fees	Salaries and bonuses	Pension cost – defined contribution plans	Share-based compensation	Total
	USD’000	USD’000	USD’000	USD’000	USD’000
Executive Director:					
Mr. Jet Jie Li (i)	–	1,894	5	8,502	10,401
Non-executive Directors:					
Ms. Alice Yu-fen Cheng (ii)	–	–	–	–	–
Mr. Yuan Zhang (ii)	–	–	–	–	–
Ms. Qinghua Liao (ii)	–	–	–	–	–
Other directors (iv)	–	250	4	–	254
	–	2,144	9	8,502	10,655

Notes:

- (i) Mr. Jet Jie Li was appointed as executive director, Chief Executive Officer of the Company and chairman of the Board of the Company on May 15, 2020.
- (ii) Ms. Alice Yu-fen Cheng and Mr. Yuan Zhang were appointed as non-executive directors of the Company on May 15, 2020. Ms. Qinghua Liao was appointed as non-executive director of the Company on March 3, 2022.
- (iii) The appointment of Mr. Erh Fei Liu, Mr. Peng Shen and Mr. Charles Zhaoxuan Yang as our independent non-executive Directors will take effect on the [REDACTED]. During the years ended December 31, 2020, 2021, and 2022 and the six months ended June 30, 2022 and 2023, the independent non-executive directors have not yet been appointed and did not receive any directors’ remuneration in the capacity of independent non-executive directors of the Company.
- (iv) Ms. Yang Lulu, Mr. Zhu He, Mr. Qiu Yanjie, Mr. Chen Mingyong, Mr. Li Leheng and Mr. Chen Zhiyi were appointed as directors on October 24, 2019, May 15, 2020, May 15, 2020, May 15, 2020, May 15, 2020 and February 26, 2021 and resigned on May 15, 2020, March 22, 2021, March 22, 2021, September 1, 2021, September 1, 2021 and March 3, 2022, respectively.

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(b) Directors’ retirement and termination benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries’ undertaking during the Track Record Period.

No payment was made to the directors as compensation for early termination of appointment during the Track Record Period.

(c) Consideration provided to third parties for making available directors’ services

No consideration was provided to third parties for making available directors’ services at the end of each reporting period or at any time during the Track Record Period.

(d) Information about loans, quasi-loans, and other dealings in favour of directors, their controlled bodies, and connected entities

Save as disclosed in the Note 39, there were no loans, quasi-loans, and other dealings in favour of directors, their controlled bodies corporate and connected entities at the end of each reporting period or at any time during the Track Record Period.

(e) Directors’ material interests in transactions, arrangements, or contracts

Save as disclosed in the Note 39, no significant transactions, arrangements, and contracts in relation to the Group’s business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of each reporting period or at any time during the Track Record Period.

42. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees include one director whose remuneration is set out in Note 41 for each of the years ended December 31, 2020, 2021, and 2022 and the six months ended June 30, 2022 and 2023. All of these individuals including that director have not received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for the loss of office during the Track Record Period. None of the directors, the CEO and employees waived or agreed to waive any emoluments during the Track Record Period. The emoluments payable to the remaining four individuals, who are neither a director nor chief executive of the Company, during the Track Record Period, are as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
	USD’000	USD’000	USD’000	USD’000	USD’000
				(Unaudited)	
Salaries, bonuses and fees	11,817	14,127	7,958	4,199	4,167
Pension cost – defined contribution plans	32	38	43	23	16
Welfare, medical and other benefits	–	28	32	26	12
Share-based compensation	–	42,919	15,748	15,748	–
	<u>11,849</u>	<u>57,112</u>	<u>23,781</u>	<u>19,996</u>	<u>4,195</u>

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The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Year ended December 31,			Six months ended June 30,	
	2020	2021	2022	2022	2023
				(Unaudited)	
Emolument bands (in HK dollar)					
HK\$6,500,001 to HK\$7,000,000	-	-	-	-	1
HK\$7,500,001 to HK\$8,000,000	-	-	-	-	2
HK\$9,000,001 to HK\$9,500,000	-	-	-	1	-
HK\$10,000,001 to HK\$10,500,000	-	-	-	-	1
HK\$10,500,001 to HK\$11,000,000	-	-	-	1	-
HK\$17,000,001 to HK\$17,500,000	-	-	1	-	-
HK\$18,500,001 to HK\$19,000,000	1	-	-	-	-
HK\$20,000,001 to HK\$20,500,000	1	-	-	-	-
HK\$21,500,001 to HK\$22,000,000	-	-	1	-	-
HK\$22,500,001 to HK\$23,000,000	1	-	-	-	-
HK\$30,500,001 to HK\$31,000,000	1	-	-	-	-
HK\$59,500,001 to HK\$60,000,000	-	1	-	-	-
HK\$63,500,001 to HK\$64,000,000	-	1	-	-	-
HK\$65,000,001 to HK\$65,500,000	-	-	-	1	-
HK\$67,000,001 to HK\$67,500,000	-	-	-	1	-
HK\$69,500,001 to HK\$70,000,000	-	-	1	-	-
HK\$76,000,001 to HK\$76,500,000	-	-	1	-	-
HK\$129,000,001 to HK\$129,500,000	-	1	-	-	-
HK\$191,000,001 to HK\$191,500,000	-	1	-	-	-
	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

43. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation until July 2021.

In August 2021, the Company declared a cash dividend of USD12.0 cents per share, which was accounted for as a distribution of the share premium account of the Company with the amount of USD72,244,000 to holders of ordinary shares of the Company as at August 31, 2021, and interest expenses of USD81,602,000 (Note 10) payable to holders of preferred shares of the Company as at August 31, 2021. Such dividend was fully settled by cash in November 2021. No dividend has been paid or declared by the Company since then till June 30, 2023 and up to the date of this report.

44. CONTINGENT LIABILITIES

There are no significant contingent liabilities as at December 31, 2020, 2021, and 2022 and June 30, 2023.

45. SUBSEQUENT EVENTS

[•]

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2023 and up to the date of this report.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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LAWS AND REGULATIONS IN RELATION TO OUR BUSINESS IN INDONESIA

REGULATORY OVERVIEW

Our business operations in Indonesia are subject to various laws and regulations. Please find below an overview of the key laws and regulations relating our business.

GENERAL INVESTMENT REQUIREMENTS

A foreign investor which intends to establish a business in Indonesia must comply with certain regulations related to the investment sector. In general, investment activities in Indonesia are regulated by Law No. 25 of 2007 on Investments which then was amended by the Job Creation Law (as amended, the “**Indonesian Investment Law**”). Currently, investment activities in Indonesia are coordinated and supervised by the Ministry of Investment/Indonesian Investment Coordinating Board (*Badan Koordinasi Penanaman Modal*) – “**BKPM**” as the authorized agency in the investment field. The followings are the requirements related to conducting investment activities that must be complied by a business actor:

Indonesia Standard Industrial Classification (*Klasifikasi Baku Lapangan Usaha di Indonesia* – “KBLI”)

In performing and monitoring the business sectors in Indonesia, the Indonesian Government has issued the Indonesia Standard Industrial Classification – or KBLI, which serves as a classification for the existing and regulated business lines. Currently, the applicable KBLI is as stipulated and regulated under Statistics Indonesia (*Badan Pusat Statistik* – “**BPS**”) Regulation No. 2 of 2020 (“**KBLI 2020**”), which revoked the prior applicable KBLI that was regulated under Head of BPS Regulation No. 19 of 2017.

KBLI is also used to determine such company’s minimum investment value, required licensing, and also foreign shareholder restrictions. Article 12 (1) of the Indonesian Investment Law states that all business sectors shall be opened to investment activities, except for business sectors that are declared to be closed to investment or activities that can only be carried out by the Indonesian central government.

After the implementation of the Indonesian Investment Law, the President of the Republic of Indonesia has issued the President Regulation No. 77 of 2007 dated July 3, 2007 which was last amended by the President Regulation No. 10 of 2021 regarding Investment Business Fields, which was partially amended by the Presidential Regulation No. 49 of 2021 on May 25, 2021 (“**PR 49/2021**”). Furthermore, Article 2 of PR 49/2021 (1a) states that the aforementioned open business sectors refer to the business sectors that are commercial in nature.

Capital Requirement and Certain Shares Ownership

Indonesian laws also regulate the capital requirement for companies in accordance with their sizes, i.e., micro, small, medium, or large-scale businesses.

As a further note, Article 12 of Guidelines and Procedures for Risk-Based Business Licensing Services and Investment Facilities (“**BKPM Regulation No. 4/2021**”) stipulates that (every) business that is classified as a Foreign Direct Investment (*Penanaman Modal Asing*) Company shall be categorized as a large-scale business, which therefore must comply with the minimum investment value and capital requirement which shall be more than Indonesian Rupiah (“**IDR**”) 10 billion for each line of business according to the KBLI codes (5 digits) and per project

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location, unless specified otherwise by the laws and regulations. Every new Foreign Direct Investment made subsequent to the enactment of BKPM Regulation No. 4/2021 are also required to have a minimum issued and paid-up capital of at least IDR 10 billion.

In relation to the general investment requirements in Indonesia, Article 33 (1) of the Indonesian Investment Law stipulates that both domestic and foreign investors investing in the form of a limited liability company are prohibited from entering into an agreement and/or making a statement asserting that the ownership of shares in a limited liability is for and on behalf of another person. According to Article 33 (2) of the Indonesian Investment Law, violation of the abovementioned regulation will result in such agreement being declared as null and void.

Repatriation

The Indonesian Investment Law also regulates matters regarding repatriation, in which an investor may transfer the assets they own to any party the investors desire in accordance with the laws and regulations. Pursuant to Article 8 (3) of the Indonesian Investment Law, the investors shall be granted the right to perform transfer and repatriation in foreign currencies for a number of reasons as defined within the relevant regulations.

In relation to the above, Article 8 (5) of the Indonesian Investment Law further states that the existence of this repatriation right does not reduce the Indonesian Government’s authority to (a) enforce the provisions of the laws and regulations which requires the reporting of such fund transfers; (b) impose tax on investments in accordance with the provisions of the laws and regulations; (c) enforce the laws protecting the rights of creditors; and (d) enforce the law in order to avoid losses to the state.

GENERAL COMPANY LICENSING REQUIREMENTS

General Company Licensing

The Government Regulation No. 5 of 2021 on the Implementation of Risk-Based Business Licensing (“**GR No. 5/2021**”) stipulates that businesses are required to fulfill certain general requirements for business licensing and/or risk-based business licensing in order to conduct its business in the territory of Indonesia. Under Article 176 of the GR No. 5/2021, businesses shall obtain a business identification number (“**NIB**”) as a business identity and legality of the business, which remains valid as long as the company still conducts its business activities. Furthermore, Article 12-14 of the GR No. 5/2021 regulates the business licensing obligations i.e. NIB, standard certificate, and business license depending on the level of risk of the relevant business activity. Pursuant to Article 212 (2) of GR No. 5/2021, a NIB can be revoked and terminated under certain circumstances.

Environmental Licenses

Article 40 (1) of Law No. 32 of 2009 on Environmental Protection and Management as partially amended by the Job Creation Law (as amended, “**Indonesian Environmental Law**”), stipulates that an environmental license is required to obtain a business license.

In general, the environmental license under the law of Indonesia is divided into three categories: (i) Environmental Impact Assessment (*analisis mengenai dampak lingkungan* – “**AMDAL**”); (ii) Environmental Management Efforts and Environmental Monitoring Efforts (*Upaya Pengelolaan Lingkungan – Upaya Pemantauan Lingkungan* – “**UKL-UPL**”); or (iii)

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the Statement of Capability for Environmental Management and Monitoring (*Surat Pernyataan Kesanggupan Pengelolaan dan Pemantauan Lingkungan Hidup* – “**SPPL**”), depending on the environmental risk of each activity and/or business.

Based on Article 22 of Indonesian Environmental Law, should an activity and/or business be deemed as having significant impact on the environment, the relevant activity and/or business is mandated to obtain AMDAL. In addition, pursuant to Article 34 of Indonesian Environmental Law, every activity and/or business that does not have a significant impact on the environment and is not included in the mandatory AMDAL criteria must have UKL-UPL. Moreover, the activity and/or business that does not have a significant impact on the environment and is not included in the mandatory UKL-UPL criteria must have an SPPL.

Based on the Minister of the Environment Regulation No. 4 of 2021 on List of Businesses and/or Activities that Must Have Environmental Impact Assessment, Environmental Management Efforts and Environmental Monitoring Efforts, or the Statement of Capability for Environmental Management and Monitoring (“**MOER No. 4/2021**”), there are certain obligations to obtain environmental license in conducting construction activity, depending on the relevant built-up area.

Pursuant to Article 82A and Article 82C of Indonesian Environmental Law, if business actors conduct business activities without obtaining the valid licenses, administrative sanctions could be imposed in stages.

Business Licensing

Postal Service Regulation

In general, postal service activities in Indonesia could be classified into two categories: (i) Courier Activities; and (ii) Universal Postal Services, which are further elaborated below:

Courier Activities

In order to conduct business activities under KBLI 53201 (Courier Activities), a Postal Operator shall obtain a postal operator license issued by the Ministry of Communication and Information Technology (“**MOCI**”).

Based on Article 5 of the Indonesian Postal Law, Article 3 of Government Regulation No. 46 of 2021 on Postal, Telecommunication and Broadcasting (“**GR No. 46/2021**”) and Article 6 of MOCI Regulation No. 4 of 2021 on Postal Operation (“**MOCIR No. 4/2021**”), the services of Postal Operators include the following: (a) delivering written communications and/or electronic mail; (b) delivering packages; (c) logistic services; (d) facilitating financial transactions; and/or (e) provision of services as postal agent.

After obtaining the postal operator license, under the MOCIR No. 4/2021, a Postal Operator has to fulfil certain obligations including: (a) submitting an annual Postal Operation Report to MOCI; (b) payment of the Universal Postal Services (*Layanan Pos Universal*, “**LPU**”) Implementation Contribution fees on an annual basis; and (c) submission of the LPU Implementation Contribution Payment supporting documentation.

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Pursuant to Article 124 (1) and (3) of MOCIR No. 4/2021, failure to comply or fulfil the aforementioned obligations shall result in the company being subject to administrative sanctions. The imposition of administrative sanctions can be carried out in stages or independently for each type of administrative sanction.

Universal Postal Services

Based on Article 1.3 of MOCIR No. 4/2021, LPU includes certain types of postal services that are guaranteed by the government to reach the entire territory of the Republic of Indonesia which allow people to send and/or receive mail. In addition, under Article 57 of MOCIR No. 4/2021, the operator of LPU is assigned by MOCI and determined by Ministerial Decree.

The business activity of Universal Postal Activities is classified under KBLI 53100 (Postal Activities, or previously known as the Universal Postal Activities). In order to carry out business under KBLI 53100 (Postal Activities), the postal company would have to fulfil certain additional criteria including: (a) be appointed by MOCI; (b) has experience in conducting postal activities for a minimum of 25 (twenty-five) years; (c) owns and/or controls the postal network throughout the territory of Indonesia; and (d) has the capability and resources to deliver postal items worldwide.

Joint Venture Between Foreign Postal Operator and Indonesia Postal Operator

Article 113 of MOCIR No. 4/2021 states that Foreign Postal Operators would be allowed to conduct postal activities within the territory of the Republic of Indonesia subject to the following conditions: (a) the Foreign Postal Operator must enter into a joint venture with an Indonesian Postal Operator; and (b) the operational area will be limited to only the provincial capital.

Such Foreign Postal Operators can only conduct postal activities in Indonesia by establishing a new joint venture entity (“**new JV**”) with an Indonesian Postal Operator. The new JV must be incorporated in Indonesia and the Foreign Postal Operator is allowed to subscribe for a certain percentage of shares during the establishment of the new JV.

Pursuant to the elucidation of Article 11 (1) (b) of Indonesian Postal Law, the Foreign Postal Operator refers to foreign business entities that provide postal services outside of Indonesia. According to our consultation with MOCI, the Foreign Postal Operator and any of its affiliates are different separate entities. As such, the operation of its affiliates will not be taken into consideration as the operations of the relevant Foreign Postal Operator (separate entities). In conclusion, if a parent company does not conduct the business of courier activities but the affiliates do, such parent company cannot be considered as a Postal Operator (and vice versa).

A Foreign Non-Postal Operator Cannot Subscribe for Shares in an Indonesian Postal Company

Based on Article 11 of the Indonesian Postal Law, an Indonesian Postal Operator could cooperate with a Foreign Non-Postal Operator. However, such cooperation between Indonesian Postal Operators and Foreign Non-Postal Operators expressly prohibits the Foreign Non-Postal Operator (or any holding entities it may control) from directly owning shares of the Indonesian Postal Operator. This position has been further confirmed by MOCI following a formal consultation.

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Trade Activities Regulations

In Indonesia, trade activities are generally governed under the Law No. 7 of 2014 on Trade as partially amended by the Job Creation Law (as amended, “**Trade Law**”). Based on Article 24 Trade Law, a business that conducts trade activities shall obtain the relevant business licensing i.e., Trade Business License (*Surat Izin Usaha Perdagangan* – “**SIUP**”).

Pursuant to Article 24 of the Trade Law, every business owner who carries out trading business activities but does not fulfill/obtain a business license is subject to administrative sanctions.

In addition, pursuant to Article 106 of Trade Law, business owners who carry out trading business activities without a business license for trade activities might face imprisonment of up to 4 (four) years and/or a maximum fine of IDR 10,000,000,000.

MANDATORY INVESTMENT REPORT (LAPORAN KEGIATAN PENANAMAN MODAL – “LKPM”)

In relation to investment activities that are being conducted in Indonesia, BKPM has issued a set of regulations, which stipulate the need for companies to submit LKPM to the BKPM periodically. The obligation of submitting LKPM varies, depending on the size and capitalization of the company.

Pursuant to Article 47 of BKPM Regulation No. 5/2021, failure to comply or fulfil the aforementioned obligations shall result in the company being subject to administrative sanctions which will be imposed in stages.

EMPLOYMENT LICENSES, WORK SAFETY AND HEALTH REQUIREMENTS AND EMPLOYEE SOCIAL AND HEALTH INSURANCE

Employment Licenses

Law No. 13 of 2003 as partially amended by the Job Creation Law (as amended, the “**Employment Law**”) governs employment related issues. Based on Article 42 of the Employment Law in conjunction with Article 6 of Government Regulation No. 34 of 2021 regarding the Recruitment of Foreign Workers (“**GR No. 34/2021**”), the employment of foreign workers necessitates a Foreign Workers Recruitment Plan (*Rencana Penggunaan Tenaga Kerja Asing* – “**RPTKA**”) validated by the Ministry of Manpower. After obtaining the RPTKA, pursuant to Article 27 of GR No. 34/2021, the employer is required to obtain stay permits for their foreign workers residing in Indonesia, namely Limited Stay Permit (*Izin Tinggal Terbatas* – “**ITAS**”), which is further regulated by the Minister of Law and Human Rights Regulations No. 16 of 2018 on Visa and Stay Permit for Foreign Workers (“**MOLHR Regulation No. 16/2018**”). The GR No. 34/2021 further stipulates additional requirements whereby failure to comply shall result in the company being subject to administrative sanctions.

In addition, Law No. 7 of 1981 on the Mandatory Manpower Report in a Company (the “**Manpower Report Law**”) states that every company in Indonesia must submit an annual report regarding its manpower (known as *Wajib Laporan Ketenagakerjaan di Perusahaan* – “**WLKP**”) to the relevant authority. The consequences for not complying with the obligation to report WLKP pursuant to Article 10 of the Manpower Report Law include: (a) fine up to the maximum amount of IDR 1,000,000 or (b) detention for up to 3 (three) months if the employer has failed to comply with its obligations for the second time or more.

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Pursuant to Article 108 of Employment Law, a company that employs at least 10 (ten) employees must have company regulations regulating: (a) the rights and obligations of the employees and employers; (b) working terms and conditions; (c) company procedure; and (d) the validity period of the company regulations.

Pursuant to Article 111 of Employment Law, company regulations will remain to be effective for the period of 2 (two) years. The company regulations will be effective after it has been ratified by the Ministry of Manpower.

Work Safety and Health Requirements

Indonesian laws and regulations protect every employee’s right to safe working conditions, which is governed by the Law No. 1 of 1970 on Occupational Health and Safety (“**Occupational Health and Safety Law**”). The provisions set out in the Occupational Health and Safety Law cover all working places conducted in the territory of the Republic of Indonesia and stipulate the employers which would be required to implement Occupational Health and Safety Management Systems. Any violation of Article 87 of the Employment Law would result in administrative sanctions to be imposed in stages governed under Article 190 of Employment Law.

Employee Social and Health Insurance

Pursuant to Article 14 and 15 of Law No. 24 of 2011 on Agency of Employee Social Security (*Badan Penyelenggara Jaminan Sosial* – “**BPJS**”) as partially amended by the Job Creation Law (as amended, “**BPJS Law**”), Indonesian employers are obliged to register themselves and their workers for BPJS. Pursuant to Article 14 of the BPJS Law, domestic and foreign employees who work for a minimum of 6 (six) months in Indonesian territory are obliged to obtain BPJS, which is registered by employers.

Pursuant to Article 6 of BPJS Regulation No. 6 of 2018 on Health Insurance Program Participation Administration as partially amended by BPJS Regulation No. 6 of 2019 on Amendment BPJS Regulation No. 6 of 2018 on Health Insurance Program Participation Administration (“**BPJS Regulation No. 6/2018**”), everyone is obliged to participate and contribute to the health insurance program.

According to Article 19 of BPJS Law, the employer is also obliged to contribute to the BPJS of its employees on a monthly basis. The contribution shall be collected from both the employer and the employee. Based on Article 17 of BPJS Law in conjunction with Article 5 (2) of the Government Regulation No. 86 of 2013 on the procedures for imposing administrative sanctions to employers other than state administrators and any persons, other than employers, employees, and assistance recipients in the administration of social security, the non-compliance of this obligation will be subject to administrative sanctions.

The sanctions will be given in stages in the forms of: (a) written warning; (b) fine payment; and/or (c) rejection to obtain public services. However, if the employer has been given a sanction in form of point (c) above, then the employer will be denied from applying any licenses related to its employee or its business. Therefore, it is crucial for the employer to register the BPJS.

Following the issuance of Government Regulation in Lieu of the Law No. 2 of 2022 on Job Creation, the Government has now issued Government Regulation No. 37 of 2021 on the Implementation of Loss of Job Security Program (“**GR No. 37/2021**”) which sets out further

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provisions on the organization of the unemployment insurance program (*jaminan kehilangan pekerjaan* – “**JKP**”), a program held by the Indonesian central government and BPJS employment that guarantees workers that have been laid off to obtain certain benefits.

Based on Article 2 of GR No. 37/2021, employers are required to register their workers as members of the JKP program if they are eligible.

Further, based on Article 37 of GR No. 37/2021, an employer’s (with the exception of micro-scale employers) failure to register their workers under the JKP program will result in them having to provide the following benefits to workers if they are terminated: (a) cash payments, in accordance with the provisions elaborated upon in the above table; and (b) work training.

TRANSACTION REQUIREMENTS

Mandatory Use of Rupiah Currency

Bank of Indonesia (“**BI**”), as the authorized authority which supervises the monetary and the banking system of Indonesia, issued Bank Indonesia Regulation No. 17/3/PBI/2015 on Mandatory Use of Rupiah in the Territory of the Republic of Indonesia (“**BI Regulation No. 17/2015**”) and Circular Letter of Bank Indonesia No. 17/11/DKSP of 2015 on Mandatory Use of Rupiah in the Territory of the Republic of Indonesia (“**BI Circular Letter No. 17/2015**”), in order to achieve and maintain the stability of Rupiah as the official currency of Indonesia.

Under Article 2 and 3 of BI Regulation No. 17/2015, BI provides the obligation for all parties (regardless of the nationality) to use Rupiah as the lawful currency of Indonesia in any transactions (both cash and non-cash) conducted within the territory of the Republic of Indonesia. The mandatory use of Rupiah is applicable to any transaction that is: (1) intended for payment purposes; (2) intended to fulfill obligations that must be performed by money; and (3) intended for other financial services transactions, such as the deposit of money into a bank account – whether it is conducted by Indonesian or non-Indonesian parties. Article 4 and 5 of BI Regulation No. 17/2015 further set out certain exemptions to the mandatory use of Rupiah.

Should a violation of BI No. 17/2015 be incurred, sanctions in the form of a maximum of a one-year imprisonment or fine of up to IDR 200,000,000 (two hundred million Indonesian Rupiah) could be imposed. Moreover, Articles 18 and 20 of BI No. 17/2015 also stipulate an administrative sanction should any party refuse to use Rupiah in any non-cash transactions.

PERSONAL DATA PROTECTION

Data security, cybersecurity and privacy in Indonesia are generally regulated under Law of Indonesia No. 27 of 2022 on Personal Data Protection (“**PDP Law**”), which came into force on October 17, 2022. According to PDP Law, there are two forms of subjects deemed to be involved in personal data processing, namely, individuals or entities who process personal data (“**Personal Data Processor**”), and individuals or entities who control and determine the objective of personal data processing are personal data controllers (“**Personal Data Controller**”). Under Article 18 of the PDP Law, two or more Personal Data Controllers may jointly carry out personal data processing, provided that there are: (i) an agreement between the Personal Data Controllers which contain the role, responsibility, and relation between the Personal Data Controllers; (ii) a jointly determined interrelated goals and methods of processing the personal data; and (iii) a jointly appointed contact person.

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Pursuant to the PDP Law, in processing the personal data, Personal Data Controller and/or Personal Data Processors have the obligations to, among others:

- (a) obtain the consent from owners of personal data;
- (b) only carry out the processing of personal data on a limited and specific matter, lawful, and transparent in accordance with its purposes;
- (c) ensure the accuracy, completeness, and consistency of personal data in accordance with the laws and regulations through verification;
- (d) record all activities on the processing of personal data and provide access for its owner at the owner’s request;
- (e) restrict/deny access of personal data alteration if such alteration: (i) endangers the security, physical health, or mental health of the personal data owner and/or other persons; (ii) results in the disclosure of personal data of other people; and/or (iii) is against the interest of national defense and security;
- (f) carry out risk assessment of personal data protection for high-risk data processing (e.g. high impact on the owner, large scale processing, new processing technology); and
- (g) protect and ensure the security and confidentiality of the original and processed personal data, including supervision and control of the parties involved in the personal data processing, prevention and control against unlawful processing.

Additionally, based on Article 53 of the PDP Law, there are conditions where the Personal Data Processor and Personal Data Controller must appoint a Data Protection Officer, among others if it is a large-scaled Personal Data processing which requires regular and systematic monitoring or involving specific Personal Data. The PDP Law also stipulates the general provisions on removal and destruction of personal data as well failure of the personal data protection.

The Personal Data Controller, Personal Data Processor and other parties related to the processing of personal data must comply to the provisions of the PDP Law at the latest within 2 years as of the promulgation of the PDP Law, i.e. no later by October 17, 2024. After the lapse of such date, any non-compliances with the PDP Law shall result in the imposition of (a) administrative sanctions, which may be imposed in stages in the forms of written notification, temporary suspension on the personal data processing activities, removal and/or destruction of personal data, and/or administrative fines; or (b) criminal sanctions, which for corporation is in the form of fines up to IDR60 billion as well as other supplemental criminal sanctions which may be imposed.

The PDP Law also provided that further provisions on certain technical matters will be further regulated in the implementing regulation (government regulation) of the PDP Law, which could cover among others: (i) filing on the objection of automatic personal data processing; (ii) violation on personal data processing as well as its compensation procedures; (iii) rights of a personal data owner to use and circulate personal data; (iv) implementation of personal data processing; (v) notification procedures on the storing, transfer, deletion, or destruction of personal data; (vi) personal data protection officer; (vii) transfer of personal data; and (viii) administrative sanctions. However, until the Latest Practicable Date, the Indonesian Government has not issued any further government regulations to serve as the implementing regulations to the PDP Law.

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LAWS AND REGULATIONS IN RELATION TO OUR BUSINESS IN THE PHILIPPINES

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Our business operations in Philippines are subject to various laws and regulations. Please find below an overview of the key laws and regulations relating to our business.

REGULATION OF PUBLIC UTILITIES, LAND OWNERSHIP, AND OTHER RELATED MATTERS

Foreign Ownership Restriction

The Philippine Constitution restricts the operation of a public utility to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens. It also mandates that all the executive and managing officers of such public utility be citizens of the Philippines. Private express and/or messenger delivery service, as well as domestic airfreight forwarding, were previously considered to be public utilities.

The Philippine Constitution likewise restricts the ownership of land to Philippine nationals and to corporations at least 60% the capital of which is owned by citizens of the Philippines.

Republic Act No. 7042 (as amended, the (“**Foreign Investments Act**”), defines a Philippine national as, among others, a citizen of the Philippines or a corporation organized under the laws of the Philippines of which at least sixty percent (60%) of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines. Under Memorandum Circular No. 8, series of 2013 issued by the Philippine Securities and Exchange Commission (the “**PSEC**”), the minimum Filipino percentage of ownership applies to both (a) the total number of outstanding shares of stock entitled to vote in the election of directors, and (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors.

Commonwealth Act No. 108, known as the Anti-Dummy Law (“**ADL**”), imposes criminal liability upon, among others, (a) any entity exercising a right or franchise that is reserved for Philippine citizens or entities without complying with the required ownership by Philippine citizens, (b) any person who allows his name or citizenship to be used for the purpose of evading such ownership requirement, or (c) who falsely simulates the existence of the required minimum percentage of Philippine ownership. The ADL also penalizes persons, corporations or partnerships that allow foreigners to intervene in the management, control or administration of such entity and any person who knowingly aids, assists or abets in the planning, consummation or perpetration of such acts by imprisonment and/or fine. It also limits the participation of foreign shareholders in the governing body of corporations covered thereunder to the foreign shareholders’ proportionate share in the corporation’s capital, and mandates that the corporation’s officers and employees be Filipino citizens, except for alien technical personnel specifically authorized by the Secretary of the Philippine Department of Justice (“**DOJ Secretary**”).

Commonwealth Act No. 146, as amended (the “**Public Service Act**”), lists common carriers and freight service in the definition of the term “public service.” On March 21, 2022, the President has signed into law Republic Act No. 11659 or an Act Amending Commonwealth Act No. 146, otherwise known as the Public Service Act, (“**PSA Amendment**”), which shall take effect 15 days after its publication in the Official Gazette or in a newspaper of general circulation. It was published in the online version of the Official Gazette on March 23, 2022

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and in a newspaper of general circulation on March 25, 2022. Thus, it became effective on April 7, 2022. The implementing rules to the PSA Amendment was published on March 20, 2023 and took effect on April 4, 2023.

The PSA Amendment provides for an exclusive enumeration of what constitutes a public utility and states that “[n]o other person shall be deemed a public utility unless otherwise subsequently declared by law.”

Under the PSA Amendment, private express and/or messenger delivery service, as well as domestic airfreight forwarding, are no longer considered public utilities and are therefore no longer subject to minimum 60% Filipino ownership.

REGULATIONS ON FREIGHT FORWARDING

Freight Forwarding by Air (Domestic and International)

Republic Act No. 776 or the Civil Aeronautics Act of the Philippines (“**Civil Aeronautics Act**”) provides for the regulatory framework for freight forwarding by air. It defines an air freight forwarder as an indirect air carrier which, in the ordinary and usual course of its undertaking, assembles and consolidates or provides for assembling and consolidating such property or performs or provides for the performance of break-bulk and distributing operations with respect to consolidated shipments, and is responsible for the transportation of property from the point of receipt to point of destination and utilizes for the whole or any part of such transportation the services of a direct air carrier.

Pursuant to the provisions of the Civil Aeronautics Act, an entity may only be allowed to operate as an airfreight forwarder if it possesses a Certificate of Authority to engage in the business of an International and/or Domestic Freight Forwarder issued by the Civil Aeronautics Board (“**CAB**”). Permits for domestic freight forwarding may only be granted to citizens of the Philippines. For this purpose, “citizen of the Philippines” means (a) an individual who is a citizen of the Philippines; or (b) a partnership of which each member is such an individual; or (c) a corporation or association created or organized under the laws of the Philippines, of which the directing head and two-thirds (2/3) or more of the Board of Directors and other managing officers are citizens of the Philippines, and in which 60% of the voting interest is owned or controlled by persons who are citizens of the Philippines. The PSA Amendment has repealed this nationality restriction. No permit may be transferred without the prior approval of the CAB. Operating without an authorization by CAB is subject to administrative and criminal penalties.

Pursuant to its authority under the Civil Aeronautics Act, the CAB issued Economic Regulation No. 4 (“**ER-4**”) or the Economic Regulation on Air Freight Forwarder and Off-line Carriers. Among other things, ER-4 requires securing (i) a letter of authority issued by the CAB before operating as an air freight forwarder and (ii) CAB approval before adopting a commercial or business name. Further, no air freight forwarder shall engage in the performance of transfer, collection or delivery services unless it files with the CAB a satisfactory certificate of insurance evidencing a properly endorsed insurance policy or surety bond, conditioned to pay any final judgment recovered against it on account of, among other things, loss of or damage to property, resulting from the negligent operation, maintenance or use of motor vehicle operation by or under its direction and control.

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Freight Forwarding by Sea (Domestic and International)

Executive Order No. 514 (“**EO 514**”) provides for the regulatory framework for freight forwarding by sea and grants to the Philippine Shippers’ Bureau (the “**PSB**”), now, the Fair Trade Enforcement Bureau of the Department of Trade and Industry (“**FTEB**”) the power to, among others, register and accredit non-vessel operating common carriers, freight forwarders, cargo consolidators and break-bulk agents in accordance with existing agreements and charge reasonable fees therefor.

Pursuant to the foregoing authority, the PSB issued the Revised Rules on Freight Forwarding (the “**PSB Rules**”), which the FTEB has adopted. The PSB Rules, defines an international freight forwarder as a local entity that acts as a cargo intermediary and facilitates transport of goods on behalf of its client without assuming the role of a carrier. An international freight forwarder can also perform other forwarding services, such as booking cargo space, negotiating freight rates, preparing documents, advancing freight payments, providing packing/crating, trucking and warehousing, engaging as an agent/representative of a foreign Non-Vessel Operating Common Carrier/cargo consolidator named in a master bill of lading as consignee of a consolidated shipment, and other related undertakings.

A domestic freight forwarder, on the other hand, is defined under the PSB Rules as an entity that facilitates and provides the transport of cargo and distribution of goods within the Philippines on behalf of its client.

The PSB Rules require international and/or domestic freight forwarders to secure a Certificate of Accreditation from the FTEB in order to conduct sea freight forwarding activities. The Certificate of Accreditation has a life span of two years unless sooner cancelled or revoked under the PSB Rules. The Certificate of Accreditation cannot be transferred, alienated, or inherited, in any manner.

A company must obtain the necessary certificate depending on its business. Moreover, every branch of an international and domestic freight forwarder must first be accredited before such branch can legally engage in the freight forwarding business. Violations of the PSB Rules may result in the imposition of fines and other administrative penalties.

Foreign Ownership Restriction in Freight Forwarding

Domestic freight forwarding was previously considered a “public utility” which is subject to a minimum of 60% Filipino ownership requirement. However, the PSA Amendment has taken out this activity from the definition of a “public utility” that is restricted to Filipinos and to corporations at least 60% of the capital of which is owned by Filipino citizens.

There was a divergence of opinion with regard to whether international freight forwarding may be foreign-owned. On the one hand, the PSEC, citing issuances of the Philippine Department of Justice (“**DOJ**”), has opined that corporations engaged exclusively in international freight forwarding are considered beyond the purview of the nationality requirement for the operation of public utilities and therefore, may be owned up to 100% by foreigners. On the other hand, a division of the Court of Appeals had ruled in *Merit Freight International, Inc. v. Federal Express Pacific, Inc.*, C.A.-G.R. SP No. 119658 and *Ace Logistics Inc., v. Federal Express Pacific, Inc.*, C.A.-G.R. SP. No. 121661, (consolidated) (January 23, 2013), which involved a complaint against the grant of provision and regular permit to Federal Express to operate as an international freight forwarder, that foreign corporations are disqualified from operating as international airfreight forwarders in the Philippines, being violative of the nationality restrictions under the Philippine Constitution. In this case, the Court of Appeals mentioned the

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DOJ opinion which ruled that international airfreight forwarders are not covered by the nationality requirement, but nevertheless held that, while the DOJ opinion is persuasive, the court is not bound by the resolution of the DOJ Secretary. The case is pending appeal with the Supreme Court. In the meantime, however, the PSEC has issued opinions reiterating its view that international freight forwarding may be foreign-owned.

This issue is now rendered moot with the passage of the PSA Amendment as mentioned above. Thus, international freight forwarding activity is no longer considered nationalized – i.e., subject to the 40% foreign ownership restriction.

REGULATIONS ON PRIVATE EXPRESS AND/OR MESSENGER DELIVERY SERVICE (“PEMEDES”)

Authority to Operate PEMEDES

Presidential Decree No. 240 issued on July 9, 1973 states that no express and/or messenger delivery service firm shall operate in the Philippines without possessing an “Authority to Operate and/or Messenger Delivery Service” to be issued by the Postmaster General (now the Department of Information and Communications Technology or the “**DICT**”).

Under Republic Act No. 7354 or the Postal Service Act of 1992, the Department of Transportation and Communications (“**DOTC**”) (whose functions relating to the operation and maintenance of a national postal system including delivery services are transferred to the DICT) was given the exclusive power and authority to regulate the postal delivery services industry or those engaged in domestic postal commerce, including the registration and prequalification of any natural or juridical person, other than freight forwarders, who engage in the business of letter and parcel messengerial services, door-to-door delivery, or the transporting of the property of others that are similar to mail or parcel.

“Mail” or “mail matters” refer to all matters authorized by the government to be delivered through the postal service and shall include letters, parcels, printed materials, and money orders. “Parcel” means a rectangular box, the dimension and weight of which is as specified by the Philippine Postal Corporation or the Government containing goods or some form of transportable property intended for delivery to an addressee prominently displayed on at least one of its sides.

Under DOTC Department Circular No. 2001-01 (“**DC 2001-01**”), which the DICT has adopted as stated in DICT Department Order No. 001, Series of 2017, an “Express and/or Messengerial Delivery Service Firm” is defined as those that own, operate, manage or control in the Philippines, for hire or compensation, with general or limited clientele, whether permanent, occasional or accidental, and for general business purposes, any service for the personal delivery to other persons, of written messages and any mail matter, except telegram.

The DICT has proposed revised rules in procedures for applications for issuance/grant/renewal of authority to operate PEMEDES, including the processing, hearing, and adjudicating applications thereof and the investigation of complaints in connection with the operation of such services.

DC 2001-01 provides that only citizens of the Philippines or entities at least 60% of whose capital stock is owned by citizens of the Philippines may apply to operate a PEMEDES. The DICT has not yet amended this notwithstanding the passage and effectivity of the PSA Amendment.

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A holder of a PEMEDES license must comply with certain terms and conditions, including that:

- any change in the composition of the stockholders/stockholdings, directors and officers must be submitted to the DICT for prior approval and/or notations;
- the grantee shall neither lease, transfer, sell or assign the authority and the rights and privileges appurtenant thereto to any person, firm, company, corporation or other legal entity nor merge with any other person, company or corporation organized for the same purpose, without the approval of the DICT;
- the grantee shall not allow other persons or entities to operate under its authority to operate PEMEDES under a contract of agency, on commission basis or other arrangements; and
- the grantee shall not open or operate a branch in authorized places without notifying the DICT within 10 days prior to actual operations; and
- Any violation of the conditions will be subject to corresponding penalties or ground for revocation or cancellation of such authority.

The DICT has recently issued Department Circular No. 001, Series of 2022 dated April 8, 2022 (“**DC 2022-001**”) which rationalizes the registration, accreditation and monitoring of PEMEDES operators. Under DC 2022-001, the ICT Infrastructure and Services and Enabling Division (“**IISED**”) (formerly the Postal Regulation Division) is created to expedite the application process for new entrants for the PEMEDES industry. The IISED is under the control and supervision of the DICT Office of the Undersecretary for Digital Philippines (“**OUDP**”) and will handle the processing and evaluation for registration of, among others, PEMEDES operators and their subsequent monitoring and regulation. Under the DC 2022-001, the OUDP and IISED are tasked to ensure that all relevant processes are simplified through process reengineering and through the use of appropriate digital technologies. They are also authorized to impose and collect reasonable fees to cover the costs of administration and regulation over the PEMEDES operators, among others.

Messenger’s Work License

Every operator of PEMEDES must also secure from the DICT a Messenger’s Work License for every person it employs as a messenger. The Messenger’s Work License will be valid for two years and may be renewed for the same period after the messenger concerned is ascertained to have no derogatory record. However, notwithstanding the requirement under the PEMEDES Rules obtain Messenger’s Work Licenses, the DICT is not able to process applications for messenger’s work licenses. Consequently, the DICT issued Department Circular No. 002 dated February 21, 2020, which requires PEMEDES operators to submit (i) a complete list of employees functioning as messengers/couriers, and (ii) their respective Messenger’s Work License Number, if any.

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REGULATIONS ON DATA PRIVACY

Republic Act No. 10173 (Data Privacy Act of 2012) (the “**DPA**”), its implementing rules and regulations, and the issuances of the National Privacy Commission (“**Philippine NPC**”) govern the processing of all types of personal information “Personal Information” is defined as any information whether recorded in a material form or not, from which the identity of an individual is apparent or can be reasonably and directly ascertained by the entity holding the information, or when put together with other information would directly and certainly identify an individual. The DPA applies to any natural and juridical person involved in personal information processing including those personal information controllers and processors who, although not found or established in the Philippines, use equipment that are located in the Philippines, or those who maintain an office, branch or agency in the Philippines, subject to certain exceptions.

The DPA expressly requires that before an entity can collate, process, and then use or share personal data, the personal information controller or processor must have a lawful criterion or basis for processing, such as consent (which is defined as any freely given, specific, informed indication of will, whereby the data subject agrees to the collection and processing of his or her personal data). Such entity must also register with the Philippine NPC and appoint a data protection officer.

The DPA and its implementing rules require personal information controllers and processors to have a data protection officer or compliance officer who shall be accountable for ensuring compliance with applicable laws and regulations for the protection of data privacy and security.

Personal information controllers (“**PICs**”) and personal information processors (“**PIPs**”) must also (i) conduct a privacy impact assessment as part of the organizational security measures pursuant to Philippine NPC Advisory No. 2017-03, and (ii) register its data processing system with the Philippine NPC if any of the following thresholds are met: (a) it employs at least 250 employees; (b) the processing it conducts is likely to pose a risk to the rights and freedoms of the data subjects; (c) it processes the sensitive personal information of at least 1,000 individuals; or (d) the processing involves automated decision making or profiling, pursuant to Philippine NPC Circular No. 2022-04. PICs and PIPs who do not fall under mandatory registration and do not undertake voluntary registration are required to submit a sworn declaration to the Philippine NPC stating, among other things, why they are not required to register.

PICs and PIPs are also required to constitute a data breach response team and proper documentation under Philippine NPC Circular No. 2016-03.

Data sharing arrangements (which involves the transfer or disclosure of personal information from one personal information to another personal information controller) and data outsourcing arrangements (which involve the transfer or disclosure of personal information from a personal information controller to a personal information processor) are also regulated under the DPA and its implementing rules and regulations.

Non-compliance with the DPA is subject to administrative and criminal penalties. On August 8, 2022, the Philippine NPC issued Philippine NPC Circular No. 2022-01 or the Guidelines on Administrative Fines. Philippine NPC Circular No. 2022-01 provides for the imposition of administrative fines for data privacy infractions committed by PICs and PIPs. Depending on whether the violation is grave or major, the Philippine NPC will impose administrative fines ranging from 0.5% to 3% and 0.25% to 2%, respectively, of the annual gross income of the PIC or PIP that committed the infraction. As for other violations, the PIC or PIP shall be subject

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to an administrative fine of not less than Philippine Peso (“**PHP**”) 50,000 but not exceeding PHP200,000 for either of the following: (1) failure to register the true identity or contact details of the PIC, the data processing system, or information on automated decision making; or (2) failure to provide updated information as to the identity or contact details of the PIC, the data processing system, or information on automated decision making. The failure to comply with any Order, Resolution, or Decision of the Philippine NPC, or of any of its duly authorized officers, will result to an administrative fine not exceeding PHP50,000 on top of the fine imposed for the original infraction. Philippine NPC Circular No. 2022-01 also enumerates the circumstances that will be taken into consideration in computing the fine. PICs or PIPs that refuse to pay the administrative fine may be subject to a Cease and Desist Order, other processes or reliefs as the Philippine NPC may be authorized to initiate pursuant to the DPA, and appropriate contempt proceedings under the Rules of Court. Philippine NPC Circular No. 2022-01 applies prospectively. Complaints already filed to the Philippine NPC are not affected by the said issuance.

REGULATIONS ON COMPETITION LAW

Republic Act No. 10667 (Philippine Competition Act) (“**PCA**”) is the primary competition policy of the Philippines. It came into effect on August 8, 2015 and was enacted to provide free and fair competition in trade, industry and all commercial economic activities. The PCA prohibits practices that restrict market competition through anti-competitive agreements and abuse of a dominant position and requires parties to notify and obtain clearance for certain mergers and acquisitions. The PCA prescribes administrative and criminal penalties for violations of its provisions.

The PCA also requires compulsory notification for mergers and acquisitions which meet certain thresholds. Starting March 1, 2023, the thresholds are PHP7 billion for the Size of Party Test and PHP2.9 billion for the Size of Transaction Test. These thresholds are subject to annual adjustment based on the Gross Domestic Product of the Philippines.

REGULATIONS ON EMPLOYMENT

General Labor Standards

The Labor Code of the Philippines, as amended (“**Philippine Labor Code**”) and various labor laws govern the employer’s relationship with its employees and provide the minimum benefits the employer is required to provide to its employees. These laws include minimum wage requirements, mandatory leave benefits, mandatory health benefits, overtime compensation, retirement pay, separation pay, and other wage and benefit requirements. The non-payment of statutory benefits or the payment of benefits that are less than those required by law may expose an employer to (i) monetary claims subject to a three-year prescriptive period; (ii) issuance of compliance order or writ of execution during labor inspection audits of the Department of Labor and Employment (“**DOLE**”); and (iii) potential criminal liability in case of non-compliance with the compliance order. Further, if the employer is unconditionally and consistently providing benefits that are greater than what the law provides, it cannot unilaterally reduce, diminish, discontinue or withdraw such benefits without violating the principle of non-diminution of benefits.

Labor Unions

The Philippine Labor Code and Department Order No. 40, series of 2003, as amended, issued by the DOLE set out the guidelines for the formation of labor unions. In unionized establishments, the collective bargaining agreement (“**CBA**”) entered into by the management

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with the labor union governs the terms and conditions of employment of the union members. Labor unions in the Philippines that have been certified as sole and exclusive bargaining agents may request the management to enter into a CBA and negotiate the terms of their employment, including salaries and benefits, which may be higher than the minimum required by law. While a CBA is effective for five years, the union may renegotiate the economic terms (or those provisions affecting the salaries and benefits of the employees) not later than three years from the execution of the agreements, which may further result in periodic increase of costs for the employer.

Under the Philippine Labor Code, the management has the duty to enter into collective bargaining negotiations with a union in good faith. The management should be cautious not to perform any of the following unfair labor practices: (a) require as a condition of employment that a person or an employee shall not join a labor organization or shall withdraw from one to which he belongs; (b) contract out services or functions being performed by union members when such will interfere with, restrain, or coerce employees in the exercise of their right to self-organization; (c) discriminate as regards to wages, hours of work, and other terms and conditions of employment in order to encourage or discourage membership in any labor organization; and (d) dismiss, discharge, prejudice or discriminate against an employee for having given or being about to give testimony under the Philippine Labor Code. Unfair labor practices violate the constitutional right of workers and employees to self-organization, and are inimical to the legitimate interests of both labor and management. The commission of unfair labor practices exposes the employer to civil and criminal liabilities.

Prohibition on Engagement of Foreign Nationals in Partly Nationalized Business

Section 2-A of the ADL prohibits the participation of non-Philippine nationals in the management, operation, administration or control of a company in wholly or partly nationalized business, whether as an officer, employee or laborer therein with or without remuneration, except where: (i) the Secretary of Justice specifically authorizes the employment of alien technical personnel; and (ii) the foreign nationals are elected as members of the board of directors or governing body of corporations or associations in proportion to their allowable participation in the capital of such entities. In DOJ Opinion No. 239 dated November 12, 1976, the term "technical personnel" would generally include any person who has special extraordinary or practical knowledge, specially of a mechanical or scientific occupation. Violations of the ADL may be punished by a penalty of imprisonment for not less than five but not more than 15 years and by a fine of not less than the value of the right, franchise or privilege enjoyed or acquired in violation of the ADL, but in no case less than PHP5,000 (approximately US\$100). If the violator is a corporation, the penalties would be imposed on the President, manager, and directors of the company in question and any person who knowingly aids, assists, or abets in the planning, consummation, or perpetration of the violation.

Occupational Safety and Health Standards

Rule 1020 of the Occupational Safety and Health Standards ("OSHS") requires every employer to register its business with the relevant Regional Office of the DOLE on a per location basis within 30 days before the start of operations. In addition, the OSHS and DOLE Department Order No. 198, series of 2018 require employers to engage health personnel and safety officers and provide health facilities depending on the number of employees per location and the company's risk classification. The willful failure or refusal of an employer to comply with the OSHS requirements shall make it liable for administrative fines. The failure or refusal to comply with OSHS shall be deemed willful when done voluntarily, deliberately and intentionally. The penalty shall be computed on a per day basis until full compliance reckoned from the date of the notice of violation or service of the compliance order to the employer.

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Registration with Social Welfare Agencies

Under the Social Security Act of 2018, social security coverage is compulsory for all employees under 60 years of age. An employer is obligated to deduct and withhold from each employee’s monthly salary, wage, compensation or earnings, the employee’s contribution, and the employer, for its part, makes a counterpart contribution for the employee, and remits both amounts to the Social Security System (“SSS”). This enables the employees to claim their pension, death benefits, permanent disability benefits, funeral benefits, sickness benefits and maternity-leave benefits. The failure to register employees or deduct contributions from the employees’ compensation and remit the same to the SSS is punishable by a fine of not less than PHP5,000 but not more than PHP20,000 (approximately US\$100 to US\$400) and imprisonment for not less than six years and one day but not more than 12 years, or both, at the discretion of the court.

The Universal Health Care Act requires every employer to report its employees to the Philippine Health Insurance Corporation (“PhilHealth”), and deduct and withhold the contributions from the employee’s salary, wage or earnings, make a counterpart contribution for the employee, and remit both amounts to PhilHealth. An employer who fails or refuses to register its employees or timely and accurately deduct contributions from the employee’s compensation shall be punished with a fine of PHP50,000 for (approximately US\$1,000) every violation per affected employee, or imprisonment of not less than six months but not more than one year, or both.

The Home Development Fund Law created the Home Development Mutual Fund (“HDMF”), a national savings program as well as a fund to provide for affordable shelter financing to Filipino workers. Coverage under the HDMF is compulsory for all SSS members and their employers. Under the law, an employer must deduct and withhold 2% of the employee’s monthly compensation, up to a maximum of PHP5,000 (approximately US\$100), and likewise make a counterpart contribution of 2% of the employee’s monthly compensation, and remit the contributions to the HDMF. The non-compliance with the obligations under the HDMF Law is punishable by a fine of not less than, but not more than, twice the amount involved or imprisonment of not more than six years or both fine and imprisonment. When the offender is a corporation, the penalty will be imposed upon the members of the governing board and the President or General Manager, without prejudice to the prosecution of related offenses under the Revised Penal Code and other laws, revocation and denial of operating rights and privileges in the Philippines, and deportation when the offender is a foreigner.

Independent Contractor

Job contracting or outsourcing of work is allowed in the Philippines, but it is heavily regulated by the Labor Code of the Philippines, as amended, and DOLE Department Order No. 174, series of 2017 (“DOLE DO 174-17”). There is legitimate or permissible contracting where the contractor (i) is engaged in a distinct and independent business and undertakes to perform the job or work on its own responsibility, according to its own manner and method; (ii) has substantial capital to carry out the job farmed out by the principal on his account, manner and method, and investment in the form of tools, equipment and supervision; (iii) is free from the control and/or direction of the principal in all matters connected with the performance of the work except as to the result thereof; and (iv) enters into a service agreement that ensures compliance with all the rights and benefits of all the employees of the contractor under the labor laws. On the other hand, DOLE DO 174-17 prohibits labor-only contracting, which is an arrangement where the contractor merely supplies workers to an employer and any of the following arrangements exists: (i) the contractor does not have substantial capital or investments to perform the job, and the employees recruited and placed by the contractor are

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performing activities which are directly related to the main business operation of the principal; or (ii) the contractor does not exercise the right to control over the performance of the work of the employee. In case of a finding of labor-only contracting, the contractor shall be considered merely as an agent of the principal who shall be responsible to the workers in the same manner and extent as if the latter were directly employed by the principal.

DOLE DO 174-17 also requires all entities acting as job contractors to register with the DOLE Regional Office where they principally operate. Failure on the part of the contractor to register with the DOLE gives rise to the presumption that it is engaged in the prohibited labor-only contracting.

TAXATION

Tax on Dividends

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or residents of the Philippines are subject to income tax at a final withholding tax rate of 10%, which shall be withheld by the Philippine company. Subject to the applicable preferential tax rates under income tax treaties executed between the Philippines and the country of residence or domicile of such non-resident alien individuals, cash and property dividends received by (a) non-resident alien individuals engaged in trade or business in the Philippines are subject to income tax at a 20% final withholding tax rate on the gross amount thereof, and (b) non-resident alien individuals not engaged in trade or business in the Philippines are subject to income tax at a final withholding tax rate of 25% of the gross amount.

Cash and property dividends received from a domestic corporation by another domestic corporation or by resident foreign corporations are not subject to income tax, while those received by non-resident foreign corporations are generally subject to income tax at a final withholding tax rate 25%. The 25% income tax rate for dividends paid to a non-resident foreign corporation may be reduced to a lower rate of 15% if tax sparing applies, which is when the country of domicile of the non-resident foreign corporation allows a 10% (*i.e.*, the difference between the regular income tax rate and 15% tax on dividends) credit equivalent for taxes deemed to have been paid in the Philippines. A non-resident foreign corporation availing of the tax sparing rate is required under Revenue Memorandum Order (“**RMO**”) No. 46-20 (Guidelines and Procedures for the Availment of the Reduced Rate of 15% on Intercompany Dividends Paid by a Domestic Corporation to a Non-resident Foreign Corporation Pursuant to section 28 (B) (5) (b) of the National Internal Revenue Code of 1997, as Amended, dated December 23, 2020) to file an application with the BIR for a confirmatory ruling on its entitlement to the tax sparing rate.

The abovementioned tax rates are without prejudice to applicable preferential tax rates under income tax treaties in force between the Philippines and the country of domicile of the non-resident shareholder. Most tax treaties to which the Philippines is a party provide for a reduced tax rate of 10% or 15% in cases where the dividend arises in the Philippines and is paid to a resident of the other contracting state. Most income tax treaties also provide that reduced withholding tax rates shall not apply if the recipient of the dividend, who is a resident of the other contracting state, carries on business in the Philippines through a permanent establishment and the holding of the relevant dividend-earning interest is effectively connected with such permanent establishment. Under RMO 14-2021 (Streamlining the Procedures and Documents for the Availment of Treaty Benefits dated March 31, 2021), as clarified by Revenue Memorandum Circular No. 077-21, there are two ways to avail of the preferential tax rates under tax treaties, *i.e.*, through request for confirmation (“**RFC**”) or through a tax treaty relief application (“**TTRA**”). Accordingly, an RFC is filed by the withholding tax agent (or its

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duly authorized representative) when the preferential rate under the tax treaty is applied, while a TTRA is filed by the non-resident income recipient (or its duly authorized representative) when the regular income tax rate is applied. If the RFC or TTRA is approved, the Bureau of Internal Revenue will issue a Certificate of Entitlement to Treaty Benefit (“COE”). RMO 20-2022 has clarified that taxpayers who were issued with COEs containing tenor allowing the ruling to be applied to subsequent or future payments (i.e., for recurring transactions such as the payment of dividends) are no longer required to file an RFC or TTRA every time an income of similar nature is paid to the same nonresident, as long as the requisites mentioned in the COE are met.

Transfer taxes (e.g., documentary stamp tax, local transfer tax) may also be payable in addition to income tax if the dividends declared are property dividends, depending on the type of property distributed as dividends. Stock dividends distributed pro rata to any holder of shares of stock outside of local stock exchange are generally not subject to Philippine income tax. However, the subsequent sale, exchange or disposition of shares in a domestic corporation that is not listed in the local exchange previously received as stock dividends by the shareholder is subject to capital gains tax and documentary stamp tax.

Corporate Income Tax

Generally, the Philippine Tax Code, as amended by the Corporate Recovery and Tax Incentives for Enterprises Act, imposes on a domestic corporation a tax of (i) 30% until June 30, 2020 and (ii) 25% starting July 1, 2020, on its taxable income from all sources within and outside the Philippines. If the corporation’s net taxable income does not exceed PHP5,000,000 (approximately US\$100,000) and its total assets do not exceed PHP100,000,000 (approximately US\$2,000,000) (excluding land on which the corporation’s office, plant and equipment are situated) during the taxable year for which the tax is imposed, the income tax rate will be further reduced to 20%. A minimum corporate income tax at the rate of 1% until June 30, 2023 and 2% thereafter of the gross income of the corporation as of the end of the taxable year, beginning on the fourth taxable year immediately following the year in which the corporation commenced its business operations, may be imposed in lieu of the ordinary income tax if the minimum corporate income tax is greater than the computed ordinary income tax for the taxable year. Certain passive incomes are subject to final tax rates different from the 25% rate imposed on ordinary income tax.

Aside from the corporate income tax, entities doing business in the Philippines are generally liable to pay other taxes, such as value-added tax, documentary stamp tax and local taxes.

LAWS AND REGULATIONS IN RELATION TO OUR BUSINESS IN CHINA

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Our business operations in China are subject to various laws and regulations. Please find below an overview of the key laws and regulations relating to our business.

REGULATIONS RELATING TO FOREIGN INVESTMENT

Investment activities in the PRC by foreign investors are principally governed by the Encouraging Catalog and the Negative List, which were promulgated and are amended from time to time by the MOFCOM and the NDRC. The Encouraging Catalog and the Negative List lay out the basic framework for foreign investment in the PRC, classifying businesses into three categories with regard to foreign investment: “encouraged”, “restricted” and “prohibited”. Industries not listed in the Encouraging Catalog and the Negative List are

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generally deemed as falling into a fourth category “permitted”. The NDRC and the MOFCOM promulgated the Catalog of Industries for Encouraging Foreign Investment (2022 Version) (《鼓勵外商投資產業目錄(2022年版)》) (the “**2022 Encouraging Catalog**”), on October 26, 2022, which became effective on January 1, 2023, and the Special Management Measures (Negative List) for the Access of Foreign Investment (2021 Version) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the “**2021 Negative List**”), on December 27, 2021, to replace the previous encouraging catalog and negative list thereunder.

We are mainly engaged in express delivery services, which could not exclude the possibility of involving domestic express delivery services of letter in practices. According to the 2021 Negative List, foreign investments in domestic express delivery services of letter are prohibited. Therefore, we provide domestic express delivery services of letter through our Consolidated Affiliated Entities in China.

On March 15, 2019, the National People’s Congress (the “**PRC NPC**”) promulgated the PRC Foreign Investment Law (《中華人民共和國外商投資法》) (the “**FIL**”), which came into effect on January 1, 2020 and replaced the trio of laws regulating foreign investment in the PRC, namely, the PRC Equity Joint Venture Law (《中華人民共和國中外合資經營企業法》), the PRC Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法》) and the PRC Cooperative Joint Venture Law (《中華人民共和國中外合作經營企業法》). Its implementation rules promulgated by the State Council in December 2019 also came into effect on January 1, 2020. The FIL, by means of legislation, establishes the basic framework for the access, promotion, protection and administration of foreign investment in view of investment protection and fair competition.

According to the FIL, foreign investment shall enjoy pre-entry national treatment, except for those foreign invested entities that operate in industries deemed to be either “restricted” or “prohibited” in the “negative list.” The FIL provides that foreign invested enterprises operating in foreign “restricted” or “prohibited” industries will require entry clearance and other approvals. The FIL does not comment on the concept of “de facto control” or contractual arrangements with variable interest entities. However, it has a catch-all provision under definition of “foreign investment” to include investments made by foreign investors in China through means stipulated by laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions to provide for contractual arrangements as a form of foreign investment. In addition, pursuant to the Measures for Reporting of Information on Foreign Investment (《外商投資信息報告辦法》), which came into effect on January 1, 2020, a foreign investment information reporting system shall be established and foreign investors or foreign invested enterprises shall submit the investment information to competent departments for commerce through the enterprise registration system and the enterprise credit information publicity system.

Furthermore, the PRC FIL provides that foreign invested enterprises established according to the previous laws regulating foreign investment may maintain their structure and corporate governance within five years after the implementation of the PRC FIL, which means that foreign invested enterprises may be required to adjust the structure and corporate governance in accordance with the current PRC Company Law (《中華人民共和國公司法》) and other laws and regulations governing the corporate governance.

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On December 26, 2019, the State Council promulgated the Implementation Rules to the PRC Foreign Investment Law (《中華人民共和國外商投資法實施條例》), which became effective on January 1, 2020. The implementation rules further clarified that the state encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize foreign investment environment, and advances a higher-level opening.

According to the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》) which was promulgated by the NDRC and the MOFCOM on December 19, 2020 and became effective on January 18, 2021, any foreign investment that has or possibly has an impact on state security shall be subject to security review in accordance with the provisions hereof. A foreign investor or a party concerned in China shall take the initiative to make a declaration to the working mechanism office prior to making the investment in any important infrastructure, important transportation services and other important fields that concern state security while obtaining the actual control over the enterprises invested in.

REGULATIONS RELATING TO EXPRESS DELIVERY SERVICES

The PRC Postal Law (《中華人民共和國郵政法》), which was promulgated on December 2, 1986 and was most recently amended on April 24, 2015, sets out the fundamental rules on the establishment and operation of an express delivery company. Pursuant to the PRC Postal Law, an enterprise that operates and provides express delivery services must operate its express delivery business by obtaining a Courier Service Operation Permit. In order to apply for a Courier Service Operation Permit, a company must meet all the requirements as a corporate legal person and satisfy certain prerequisites with respect to its service capacity and management system, and its registered capital must be no less than RMB500,000 to operate within a province, autonomous region, or municipality directly under the central government, no less than RMB1,000,000 in the case of cross-provincial operation, and no less than RMB2,000,000 to operate international express delivery services.

Filing with the postal administrative department is required where an express delivery company sets up branches. The requirements for the establishment of a branch of express delivery company are specified in the Administrative Measures for Courier Service Market (《快遞市場管理辦法》) (the “**Courier Market Measures**”), which was announced by the Ministry of Transport in 2013. The Courier Market Measures stipulates that where any express delivery company establishes its branches or business departments, it must register with the local counterpart of the SAMR where such branches or business departments are located by submitting its Courier Service Operation Permit and a list of its branches and, such branches or business departments must, within 20 days after they obtain their relevant business licenses, file with the local postal administrative department. The PRC Postal Law stipulates that if an express delivery company fails to complete such required registration and/or filing with the relevant governmental authority, it may be ordered to rectify and to pay general fines of no more than RMB10,000. If the non-compliance situations are severe, a fine ranging from RMB10,000 to RMB50,000 can be imposed, and the offender may face suspension of its business operation before completing the rectification. State Postal Bureau and the Ministry of Transport publicly solicited opinions on Administrative Measures for Courier Service Market (Revised Draft For Comments) (《快遞市場管理辦法(修訂草案)》(徵求意見稿)) in January 2022, which provides that an express delivery company must complete the registration with the local counterpart of SAMR within 20 days for its branches after it filed with the local postal administrative department for such branches, otherwise the filing with local postal administrative department will be revoked, while stipulating other operation requirements with respect to services standards, operation safety, and personal information protection, among others.

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Pursuant to (i) the PRC Postal Law, (ii) the Courier Market Measures, (iii) the Administrative Measures on Courier Service Operation Permits(《快遞業務經營許可管理辦法》), which was promulgated on September 1, 2009 and was most recently amended on November 28, 2019, and (iv) the Interim Regulations on Express Delivery(《快遞暫行條例》), which was promulgated on March 2, 2018 and was mostly recently amended on March 2, 2019, any entity engaged in express delivery services must obtain a Courier Service Operation Permit from the State Post Bureau or its local counterpart and is subject to their supervision and regulation. If an entity operates express delivery services without obtaining a Courier Service Operation Permit in accordance with the above measures and regulations, it may be compelled to make corrections, subject to the confiscation of its earnings generated from its unlicensed operating express delivery services, imposed a fine ranging from RMB50,000 to RMB100,000 or where the circumstances are severe, ranging from RMB100,000 to RMB200,000, and/or ordered to suspend its business operation for rectification or even cancelation of its Courier Service Operation Permit. If a permit-holder who ceases its business operation for over six months within the effective period of the Courier Service Operation Permit, it will be ordered by the postal administration departments to return the Courier Service Operation Permit, and if it refuses or fails to do so on time, the postal administration departments shall publicly announce the annulment of the Courier Service Operation Permit.

Enterprises engaged in express delivery services other than China Post and their wholly owned and/or controlled enterprises that provide postal services (“**Postal Enterprise**”) may not engage in post and mail delivery business which are exclusively operated by Postal Enterprise, and may not deliver any official documents of state-owned organizations. The express delivery business must operate within the permitted scope and under the valid terms of the Courier Service Operation Permit. The Courier Service Operation Permit is valid for 5 years upon its issuance and comes with an annual reporting obligation. The Circular on Implementing the Administrative Measures for the Courier Market and Strengthening the Administration of Courier Service Operations (《關於貫徹實施〈快遞市場管理辦法〉加強快遞業務經營活動管理的通知》), which was issued by the State Post Bureau in 2013, further clarifies that the postal administrative department must examine whether an entity operates express delivery service within the permitted business scope and geographic scope of its Courier Service Operation Permit, and the geographic examination must be carried out down to the level of cities that may be divided into districts. Pursuant to the Courier Market Measures, failure to conduct express delivery services within the permitted operation scopes would subject the express delivery company to a correction order by the postal administrative department and a fine ranging from RMB5,000 to RMB30,000. Moreover, in accordance with the Administrative Measures on Courier Service Operation Permits, an enterprise engaged in express delivery services must submit an annual report on its Courier Service Operation Permit with the postal administrative authority which issued its Courier Service Operation Permit prior to April 30, each year. Where an express delivery service company fails to submit its annual report to the relevant postal administrative authority in a timely manner, it may be ordered by the postal administrative authorities to make correction, and may be subject to a fine of up to RMB10,000. Where an express delivery service company conceals any facts or commits fraud in its annual report, such express delivery service company may be ordered by the postal administrative authorities to make correction and imposed a fine ranging from RMB10,000 to RMB30,000.

Pursuant to the Risk Assessment and Reporting for Major Operation and Management Issues of Courier Enterprise Headquarters (Trial) (《快遞企業總部重大經營管理事項風險評估和報告制度(試行)》), which was issued by the State Post Bureau on October 20, 2020, the headquarters of a courier enterprise must submit a report within 3 days after making a major decision on business that may cause an impact on the nationwide postal industry, including but not limited to nationwide price adjustment, capital reduction, dissolution and bankruptcy, to the State Post Bureau. Where it fails to submit the report to the postal administration authorities

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in a timely manner, such courier enterprise may be ordered to make correction, and it may be subject to a fine ranging from RMB50,000 to RMB100,000 and ordered to suspend business operation until cancelation of its Courier Service Operation Permit.

In accordance with the Decision of the State Council on Issues concerning Canceling and Adjusting a Batch of Administrative Examination and Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) in February 2015, a company operating express delivery services must apply for and obtain the Courier Service Operation Permit prior to the application of its business license.

In accordance with the Courier Market Measures, if any express delivery service is carried out through franchise, both the franchisees and franchisors must obtain the Courier Service Operation Permit and any franchisee must run its franchise business within franchisors' licensed scopes; and the franchisees and franchisors must enter into written agreements providing the rights and obligations of both parties and the liabilities of both parties in case of any violation of the legal rights and interests of the users of express delivery services. Any franchisee or franchisor failing to obtain the Courier Service Operation Permit or any franchisee failing to run its franchise business within franchisors' licensed scopes would be subject to a correction order by the relevant postal administrative authority and a fine ranging from RMB5,000 to RMB30,000.

Companies engaged in express delivery service must establish and implement a system for the examination of parcels or articles received for delivery. Pursuant to the PRC Postal Law and Measures for the Supervision and Administration of Postal Security in the Postal Industry (《郵政業寄遞安全監督管理辦法》) issued by the Ministry of Transport on January 2, 2020, which became effective on February 15, 2020, express delivery companies must examine the postal articles so as to inspect whether the postal articles are prohibited or restricted from express delivery. Express delivery companies must also examine whether the names, nature and quantity of the postal articles are consistent with delivery form. According to the PRC Postal Law, any failure to establish or implement such inspection system, or any unlawful acceptance or delivery of prohibited or restricted parcels/articles may result in the sanctions to the in-charge persons bearing direct responsibility and other persons subject to direct liability of the express delivery companies and the suspension of the company's business operation for rectification or even cancelation of its Courier Service Operation Permit, being compelled to make corrections and being imposed a fine up to RMB5,000.

According to the Interim Regulations on Express Delivery, express delivery operators shall obtain the Courier Service Operation Permit for express delivery. Express delivery operators and their branches may open express delivery terminal outlets which are required to file with the local post administrations in the places where they are located for record within 20 days from the date of opening their express delivery terminal outlets. The delivery terminal outlets are not required to obtain a business license. Where an express delivery service operator fails to file with the local post administrations for opening their express delivery terminal outlets, such express delivery service company may be compelled to make corrections, imposed a fine up to RMB50,000 and/or ordered to suspend business for rectification. In case an express delivery service company intends to suspend operating express delivery services, it shall (i) make public announcement ten days in advance, (ii) submit a written notice to the postal administrative departments, (iii) return the Courier Service Operation Permit and (iv) make proper arrangement on undelivered express parcels. Failure to comply with such requirements may be compelled to make corrections, imposed a fine up to RMB50,000 and/or ordered to suspend business for rectification. According to the Interim Regulations on Express Delivery, express delivery operators shall also verify the identity of senders and register their identity information when receiving express parcels. Where senders refuse to furnish their identity

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information or furnish false identity information, express delivery operators shall not receive their express parcels. According to the Interim Regulations on Express Delivery, the PRC Postal Law and the Anti-Terrorism Law (《反恐怖主義法》), if any express delivery operator fails to verify the identity of senders and registers their identity information, or identifies that the senders provide false identity information, but still receives the express parcels, such express delivery operator may be subject to a fine ranging from RMB100,000 to RMB500,000 or ordered to suspend business operation until cancelation of its Courier Service Operation Permit, and the personnel directly in charge and other persons directly liable may be subject to a fine ranging up to RMB100,000. The Interim Regulations on Express Delivery also indicates that two or more express delivery operator may use a unified trademark, corporate name or express waybill to conduct the express delivery business. The express delivery operators shall enter into a written agreement to define their respective rights and obligations, carry out unified management of service quality, safety guarantee and business process, and provide unified express mail tracking, inquiry and complaint handling services for clients. Where the legitimate rights and interests of any client have been jeopardized due to the delay, missing, damage or shortage of express parcels, the client may request the express delivery operator to which the trademark, corporate name or express waybill belongs to offer compensation, or request the actual express delivery provider to pay compensation.

Pursuant to the E-commerce Law of the PRC (《中華人民共和國電子商務法》) promulgated by Standing Committee of the National People’s Congress (the “SCNPC”), which took effect on January 1, 2019, e-commerce businesses are subject to certain requirements, including but not limited to the following: while handing over commodities, express logistics service providers shall remind consignees to examine the commodities immediately on the spot; where the commodities are received by others for consignees, such providers shall obtain the consent of consignees. Express logistics service providers shall use environmental-friendly packaging materials in accordance with the relevant provisions in an effort to reduce the consumption of and recycle packaging materials. While offering express logistics services, the providers thereof may agree to be entrusted by e-commerce operators to collect payments for goods. The operation of our business is subject to E-commerce Law of the PRC. If our express delivery services are not in compliance with the law, we may be required to make certain rectifications.

In accordance with the Measures for Administration of Packaging of Mails and Express Mails (《郵件快件包裝管理辦法》), which was promulgated by the Ministry of Transport on February 8, 2021 and has come into effect on March 12, 2021, express delivery companies shall give priority to recyclable materials for packaging mails while optimizing the design of express packaging and reducing the use of filling materials, and may not use non-degradable plastic materials. Where an express delivery company uses packaging that is not in compliance with the law, or uses a toxic substance as filling material, it would be subject to a correction order by the postal administration authority; if the express delivery company fails to make corrections within a time limit, it would be fined from RMB5,000 to RMB10,000. Express delivery companies shall formulate and revise their own packaging operation regulations, and make filings in accordance with the regulations of the postal administration authorities of the State Council. If an express delivery company fails to formulate packaging operation regulations or to file with the State Council, such express delivery company may be compelled to make corrections with a time limit, and be imposed a fine ranging from RMB3,000 to RMB10,000.

On August 6, 2021, nine PRC governmental and regulatory agencies, including the MOFCOM, the NDRC and the Ministry of Transport, jointly issued the Special Action Plan for the High-Quality Development of Commercial Courier (《商貿物流高質量發展專項行動計劃(2021-2025年)》) (the “Plan”). The Plan proposes to, among others, support and encourage qualified express delivery companies to optimize and expand its business scale through

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mergers, reorganizations, listing and financing. It also calls for further developing courier industry through technological innovation and business model innovation. The Plan aims to build an efficient urban-rural distribution system and to promote the integration of regional express delivery companies during the five-year plan period.

ROAD TRANSPORTATION OPERATION PERMIT

Pursuant to the Regulations on Road Transportation of the PRC (《中華人民共和國道路運輸條例》) promulgated by the State Council in April 2004 and most recently amended in September 2022, and the Provisions on Administration of Road Freight Transportation and Stations (Sites) (《道路貨物運輸及站場管理規定》) issued by the Ministry of Transport in June 2005 and most recently amended in June 2019 (the “**Road Freight Provisions**”), the business operations of road freight transportation refer to commercial road freight transportation activities that provide public services. The road freight transportation includes general road freight transportation, special road freight transportation, road transportation of large articles, and road transportation of hazardous cargos. Special road freight transportation refers to freight transportation using special vehicles with containers, refrigeration equipment, or tank containers, etc. The Road Freight Provisions set forth detailed requirements with respect to vehicles and drivers.

Under the Road Freight Provisions, anyone engaged in the business of operating road freight transportation must obtain a Road Transportation Operation Permit from the local county-level road transportation administrative bureau, and each vehicle used for road freight transportation must have a Road Transportation Certificate from the same authority. The incorporation of a subsidiary of road freight transportation operator that intends to engage in road transportation business is subject to the same approval procedure. If it intends to establish a branch, it should file with the local road transportation administrative bureau where the branch is to be established. Pursuant to the Notice on the Cancellation of the Road Transportation Operation Permit and the Driver Qualification Certificate for Ordinary Freight Vehicles with a Total Mass of 4.5 Tons or Less (《交通運輸部辦公廳關於取消總質量4.5噸及以下普通貨運車輛道路運輸證和駕駛員從業資格證的通知》) promulgated by the Ministry of Transport, which took effect on January 1, 2019, local transportation management departments will no longer issue road transportation operation permit for ordinary freight vehicles with a total mass of 4.5 tons or less, and shall not impose administrative penalties on such vehicles and drivers for the reasons of operating without permits and driving freight transportation vehicles without corresponding qualification certificates.

Although the Road Transportation Operation Permits have no limitation with respect to geographical scope, several provincial governments in China, including Shanghai and Beijing, promulgated local rules on administration of road transportation, stipulating that permitted operators of road freight transportation registered in other provinces should also make record-filing with the local road transportation administrative bureau where they carry out its business.

REGULATIONS RELATING TO CARGO VEHICLES

Pursuant to the Administrative Provisions concerning the Running of Cargo Vehicles with Out-of-Gage Goods (《超限運輸車輛行駛公路管理規定》) promulgated by the PRC Ministry of Transport, which took effect on September 21, 2016 and was most recently amended on August 11, 2021, cargo vehicles running on public roads shall not carry cargo weighing more than the limits prescribed by this regulation and their dimensions shall not exceed those as set forth by the same regulation. Vehicle operators who violate this regulation may be subject to a fine of up to RMB30,000 for each violation. In the event of repeated violations, the regulatory

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authority may suspend the operating license of the vehicle operator and/or revoke the business operation registration of the relevant vehicle. In the event more than 10% of the total vehicles of any road transportation enterprise are not in compliance with this regulation in any year, such road transportation enterprise shall suspend its business for rectification and its road transportation license may be revoked.

The operation of our truck fleet is subject to this regulation. If our trucks are not in compliance with this regulation, we may be required to modify such trucks to reduce their length or purchase new ones to replace them. Otherwise, we may be subject to penalties under this regulation if we continue to operate those trucks that exceed the limits set forth in the regulation. See "Risk Factors – Risks Related to Our Business and Industry – Our business and the business of our network partners are subject to a broad range of laws and regulations."

REGULATIONS RELATING TO INTERNATIONAL FREIGHT FORWARDING BUSINESS

Administrative Provisions on International Freight Forwarders of the PRC (《中華人民共和國國際貨物運輸代理業管理規定》) promulgated in 1995 and its detailed rules issued in 2004 regulate the business of international freight forwarding. According to the provisions and its detailed rules, the minimum amount of registered capital must be RMB5 million for an international freight forwarder by sea, RMB3 million for an international freight forwarder by air and RMB2 million for an international freight forwarder by land or for an entity operating international express delivery services. An international freight forwarder must, when each time applying for setting up a branch, increase its registered capital (or the excess amount over its minimum registered capital) by RMB500,000. Under the Measures on Filing of International Freight Forwarders (Interim) (《國際貨運代理企業備案(暫行)辦法》) announced in March 2005 and amended in August 2016, all international freight forwarders and their branches registered with the SAMR must be filed with the MOFCOM or its authorized organs.

REGULATIONS RELATING TO COMMERCIAL FRANCHISING

Pursuant to the Administrative Regulations on Commercial Franchising Operations (《商業特許經營管理條例》) promulgated by the State Council on February 6, 2007, which became effective on May 1, 2007, and the Administrative Measures on the Record Filing of Commercial Franchises (《商業特許經營備案管理辦法》) issued by MOFCOM on December 12, 2011, which became effective on February 1, 2012, collectively the Regulations and Provisions on Commercial Franchising, commercial franchising refers to the business activities where an enterprise that possesses the registered trademarks, enterprise logos, patents, proprietary technology or any other business resources allows such business resources to be used by another business operator through contract and the franchisee follows the uniform business model to conduct business operations and pay franchising fees to the franchisor according to the contract. We and our network partners are therefore subject to regulations on commercial franchising. Under the Regulations and Provisions on Commercial Franchising, within 15 days of the first conclusion of franchising contract, the franchisor must carry out record-filing with MOFCOM or its local counterparts and must report the status of its franchising contracts in the previous year in the first quarter of each year after record-filing. The MOFCOM announces the names of franchisors who have completed filing on the government website and makes prompt updates. If the franchisor fails to comply with these Regulations and Provisions on Commercial Franchising, the MOFCOM or its local counterparts have the discretion to take administrative measures against the franchisor, including fines and public announcements. The Regulations and Provisions on Commercial Franchising also sets forth requirements on the contents of franchising contracts. J&T Express China has signed franchising contracts under the Regulations and Provisions on Commercial

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Franchising with its direct network partners. If we are deemed as a franchisor who fails to comply with the stipulations of filing with the competent commerce authority, a fine ranging from RMB10,000 to RMB100,000 may be imposed.

REGULATIONS RELATING TO PERSONAL INFORMATION SECURITY AND CONSUMER PROTECTION

The Administrative Provisions on the Security of Personal Information of Express Service Users (《寄遞服務用戶個人信息安全管理規定》), promulgated by the State Post Bureau on March 26, 2014 and amended on February 13, 2023, provides for the protection of the personal information of users of express or express delivery services, and the supervision on the express operations of postal enterprises and express delivery companies. In accordance with these provisions, the state postal administrative department and its local counterparts are the supervising and administering authority responsible for the security of the personal information of users of express or express delivery services, and postal enterprises and express delivery companies must establish and refine systems and measures for the security of such information. A user of express delivery services may further seek remedies by following the Measures on Settling the Complaints of the Postal Users (《郵政業用戶申訴處理辦法》) issued by State Post Bureau, which took effect on October 1, 2020. The Postal Users Complaints Settling Center implements the regime of mediation to handle the complaints from users on the quality of the express delivery services. According to the Interim Regulations on Express Delivery, an express delivery service company shall not sell, reveal or illegally provide any information of client during the provision of express services. In case the information of client is revealed or may be revealed, the express delivery service company shall take remedial measures immediately and report to the local post administrations. Failure to comply with such requirement may be subject to penalties including a fine ranging from RMB10,000 to RMB100,000, suspension of business for rectification or revoke of its Courier Service Operation Permit.

REGULATIONS RELATING TO DATA SECURITY

On July 1, 2015, the SCNPC issued the National Security Law of the PRC (《中華人民共和國國家安全法》), which came into effect on the same day, pursuant to which the state shall safeguard the sovereignty, security and cybersecurity development interests of the state, and that the state shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet and information technology products and services, and other important activities that are likely to impact the national security of the PRC.

The Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》), promulgated by the SCNPC on November 7, 2016 and became effective on June 1, 2017, requires network operators to abide by the principles of legality, appropriateness and necessity when collecting or using personal data. Network operators are prohibited from leaking, tampering with or damaging collected personal data, and they should adopt technical and other necessary measures to ensure security of personal data, safeguard against information leakage, damage or loss, improve information management with respect to data published by users and establish complaint and reporting mechanisms with respect to network data security.

On June 10, 2021, the SCNPC issued the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the “**Data Security Law**”), which came into effect on September 1, 2021, to regulate data processing activities and security supervision in the PRC. The Data Security Law clarifies the scope of data to cover a wide range of information records generated from all aspects of production, operation and management of government affairs and enterprises in the

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process of the gradual transformation of digitalization, and requires that data collection shall be conducted in a legitimate and proper manner, and theft or illegal collection of data is not permitted. Data processors shall establish and improve the whole-process data security management rules, organize and implement data security trainings as well as take appropriate technical measures and other necessary measures to protect data security. In addition, data processing activities shall be conducted on the basis of the graded protection system for cybersecurity. Monitoring of the data processing activities shall be strengthened, and remedial measures shall be taken immediately in case of discovery of risks regarding data security related defects or bugs. In case of data security incidents, responding measures shall be taken immediately, and disclosure to users and report to the competent authorities shall be made in a timely manner.

On August 20, 2021, the SCNPC promulgated the PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》) (the “**PIPL**”), which came into effect on November 1, 2021. The PIPL further accentuates the importance of processors’ obligations and responsibilities for personal information protection and sets out the basic rules for processing personal information. It stipulates an expanded definition of personal information, providing a long-arm jurisdiction in cross-border scenarios, emphasizing individual rights, and prohibiting rampant infringement of personal information. The information processor may process sensitive personal information only when the information processor has specific purpose and sufficient necessity, and under circumstances where strict protection measures are taken.

On November 14, 2021, the CAC publicly solicited opinions on the Regulations on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “**Draft Data Security Regulations**”). According to the Draft Data Security Regulations, data processors shall, in accordance with relevant state provisions, apply for cyber security review when carrying the following activities: (i) the merger, reorganization or separation of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests, which affects or may affect national security; (ii) data processors that handle the personal information of more than one million people intends to be listed abroad; (iii) the data processor intends to be listed in Hong Kong, which affects or may affect national security; and (iv) other data processing activities that affect or may affect national security. However, the Draft Data Security Regulations provides no further explanation or interpretation for “affects or may affect national security.” In addition, the Draft Data Security Regulations also regulate other specific requirements in respect of the data processing activities conducted by data processors through internet in view of personal data protection, important data safety, data cross-broader safety management and obligations of internet platform operators.

On December 28, 2021, the CAC jointly with relevant authorities issued the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the “**Cybersecurity Review Measures**”), which became effective on February 15, 2022. Pursuant to the Cybersecurity Review Measures, the member organizations of the working mechanism for cybersecurity review can initiate cybersecurity review if they consider national security is or may be affected by any network products or services, or data processing activities.

On July 7, 2022, the CAC promulgated the Data Outbound Transfer Security Assessment Measures (《數據出境安全評估辦法》) (the “**Security Assessment Measures**”), which became effective on September 1, 2022. The Security Assessment Measures provides that, among others, data processors who transfer important data abroad shall apply to competent authorities for security assessment where (1) a critical information infrastructure operator and personal information processor that has processed personal information of more than one million people, transferring personal information abroad; (2) a data processor who has

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provided personal information of 100,000 individuals or sensitive personal information of 10,000 individuals to overseas recipients, in each case as calculated cumulatively, since January 1 of the last year; or (3) other circumstances where the security assessment of data cross-border transfer is required as prescribed by the CAC.

On February 24, 2023, the CAC published the Standard Contract Measures which became effective on June 1, 2023, with a built-in six-month grace period (i.e., up to December 1, 2023). Under the Standard Contract Measures, handlers of PI that do not meet the threshold requirements under the Security Assessment Measures and have not obtained a PI protection certification from a qualified certification institution designated by the CAC, but that nevertheless engage in the transfer of PI out of China based on contractual arrangements must (1) execute standard form contracts that strictly comply with the “Standard Contract” published by the CAC with the overseas recipients of the PI that the PI handlers transfer out of China; (2) complete PI protection impact assessments; and (3) file the relevant standard contracts and PI protection impact assessments to their provincial CAC branch within 10 business days of the taking effect of each standard contract.

REGULATIONS RELATING TO PRICING

In China, the prices of a few numbers of products and services are set by the government. According to Pricing Law of the PRC (《中華人民共和國價格法》) (the “**Pricing Law**”) promulgated on December 29, 1997, which became effective on May 1, 1998, operators must indicate the service items, pricing structures and other related standards clearly. Operators may not charge any fees that are not explicitly indicated. Operators must not commit unlawful pricing activities, such as colluding with others to manipulate the market price, using false or misleading prices to deceive consumers, or conducting price discrimination against other business operators. Failure to comply with the Pricing Law may subject business operators to administrative sanctions such as warning, ceasing unlawful activities, requiring compensation, confiscating illegal gains, and fines. The business operators may be ordered to suspend business for rectification or having their business licenses revoked if the violations are severe.

REGULATIONS RELATING TO LEASING

We lease properties for our offices, sorting centers, pickup and delivery outlets and other facilities. Pursuant to the Law on Administration of Urban Real Estate of the PRC (《中華人民共和國城市房地產管理法》) which took effect in January 1995 with the latest amendment on August 26, 2019, which became effective on January 1, 2020, lessors and lessees are required to enter into a written lease contract, containing such provisions as the term of the lease, the use of the premises, rental price, liability for repair, and other rights and obligations of both parties. Both lessor and lessee are also required to file for registration and record the lease contract with the real estate administration department. Pursuant to implementing rules stipulated by certain provinces or cities, if the lessor and lessee fail to go through the registration procedures, both lessor and lessee may be subject to fines.

According to the PRC Civil Code (《中華人民共和國民法典》) which took effect on January 1, 2021, the lessee may sublease the leased premises to a third party, subject to the consent of the lessor. Where the lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease contract if the lessee subleases the premises without the consent of the lessor. In addition, if the ownership of the leased premises changes during the lessee’s possession in accordance with the terms of the lease contract, the validity of the lease contract shall not be affected.

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Pursuant to the PRC Civil Code, if the mortgaged property has been leased and transferred for occupation prior to the establishment of the mortgage right, the original tenancy shall not be affected by such mortgage right. According to the Interpretation of the Supreme People’s Court on Several Issues concerning the Application of Law in the Trial of Cases about Disputes Over Lease Contracts on Urban Buildings (2020 version) (《最高人民法院關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋(2020修正)》), which took effect on January 1, 2021, if the ownership of the leased premises changes during lessee’s possession in accordance with the terms of the lease contract, and the lessee requests the assignee to continue to perform the original lease contract, the PRC court shall support it, except that the mortgage right has been established before the lease of the leased premises and the ownership changes due to the mortgagee’s realization of the mortgage right.

REGULATIONS RELATING TO FIRE SECURITY

Pursuant to the Fire Protection Law of the PRC (《中華人民共和國消防法》) which was latest revised on April 29, 2021, and the Measure for Supervision on and Inspection of Fire Protection (《消防監督檢查規定》) amended in 2012, enterprises shall implement a fire safety accountability system, install firefighting facilities and equipment, conduct a yearly comprehensive inspection of firefighting facilities and keep the inspection records for future reference, and perform other fire safety measures as well as other fire safety and protection responsibilities. Pursuant to Interim Provisions on the Administration of Fire Protection Design Review and Final Inspection of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) (“**Interim Provisions Regarding Fire Protection**”) effective on June 1, 2020, a special construction project as stipulated in the Interim Provisions Regarding Fire Protection shall be subject to fire protection design review before such project commenced construction and shall be subject to fire protection inspection before such project was put into use. Constructions projects other than a special construction project shall be subject to fire protection inspection recordation, and the competent department of housing and urban-rural development shall conduct a random fire protection inspection thereof. If the project fails to pass the random fire protection inspection, such project shall cease to be used.

REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

On March 16, 2007, the PRC NPC promulgated the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) which was latest amended on December 29, 2018, and the State Council enacted the Regulations for the Implementation of the Law on Enterprise Income Tax of the PRC (《中華人民共和國企業所得稅法實施條例》) which were latest amended on April 23, 2019 (collectively, the “**EIT Law**”). According to the EIT Law, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment

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institutions or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside the PRC.

Value-Added Tax

Pursuant to the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993 and latest amended on November 19, 2017, and the Implementation Rules for the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the MOFCOM on December 25, 1993 and latest as amended on October 28, 2011, and became effective on November 1, 2011, entities or individuals engaged in the services are required to pay a value-added tax ("VAT").

On March 20, 2019, the MOFCOM, the SAT and the General Administration of Customs jointly issued the Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) (the "Announcement 39"), to further slash value-added tax rates. According to the Announcement 39, (i) for general VAT payers' sales activities or imports that are subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively; (ii) for the agricultural products purchased by taxpayers to which an existing 10% deduction rate is applicable, the deduction rate is adjusted to 9%; (iii) for the agricultural products purchased by taxpayers for production or commissioned processing, which are subject to VAT at 13%, the input VAT will be calculated at a 10% deduction rate; (iv) for the exportation of goods or labor services that are subject to VAT at 16%, with the applicable export refund at the same rate, the export refund rate is adjusted to 13%; and (v) for the exportation of goods or cross-border taxable activities that are subject to VAT at 10%, with the export refund at the same rate, the export refund rate is adjusted to 9%. The Announcement 39 came into effect on April 1, 2019 and shall prevail in case of any conflict with existing provisions.

Dividend Withholding Tax

Pursuant to the Enterprise Income Tax Law of the PRC and its implementation rules, if a non-resident enterprise has not set up an organization or establishment in the PRC, or has set up an organization or establishment but the income derived has no actual connection with such organization or establishment, it will be subject to a withholding tax on its PRC-sourced income at a rate of 10%. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise is reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise.

Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Furthermore, the Administrative Measures for Non-Resident Taxpayer to Enjoy Treatments under Tax Treaties (《非居民納稅人享受稅收協定待遇管理辦法》) (the "SAT Circular 60"), which became effective in November 2015, requires that non-resident enterprises which satisfy the criteria for entitlement to tax treaty benefits may, at the time of tax declaration or

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withholding declaration through a withholding agent, enjoy the tax treaty benefits, and be subject to ongoing administration by the tax authorities. In the case where the non-resident enterprises do not apply to the withholding agent to claim the tax treaty benefits, or the materials and the information stated in the relevant reports and statements provided to the withholding agent do not satisfy the criteria for entitlement to tax treaty benefits, the withholding agent should withhold tax pursuant to the provisions of the PRC tax laws. The SAT issued the Announcement of State Taxation Administration on Promulgation of the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits (國家稅務總局關於發佈《非居民納稅人享受協定待遇管理辦法》的公告) (the “**SAT Circular 35**”) on October 14, 2019, which became effective on January 1, 2020. The SAT Circular 35 further simplified the procedures for enjoying treaty benefits and replaced the SAT Circular 60. According to the SAT Circular 35, no approvals from the tax authorities are required for a non-resident taxpayer to enjoy treaty benefits, where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding through the withholding agent, but it shall gather and retain the relevant materials as required for future inspection, and accept follow-up administration by the tax authorities. There are also other conditions for enjoying the reduced withholding tax rate according to other relevant tax rules and regulations. According to the Circular of the State Administration of Taxation on Several Issues regarding the “Beneficial Owner” in Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》), which was issued on February 3, 2018 by the SAT, effective as of April 1, 2018, when determining the applicant’s status of the “beneficial owner” regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of its income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. This circular further provides that applicants who intend to prove his or her status of the “beneficial owner” shall submit the relevant documents to the relevant tax bureau according to the Administrative Measures for Non-Resident Taxpayers to Enjoy Treatments under Tax Treaties.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHTS

The PRC has adopted comprehensive legislation governing intellectual property rights, including copyrights, patents, trademarks and domain names.

Copyright

Copyright in the PRC, including copyrighted computer software, is principally protected under the Copyright Law of the PRC (《中華人民共和國著作權法》), which was most recently amended on November 11, 2020 and became effective on June 1, 2021 (the “**Copyright Law**”), and its implementation rules. According to the Copyright Law, the term of protection for copyrighted computer software shall be 50 years. Reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, unless otherwise provided in the Copyright Law, shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, take remedial action, and offer an apology, pay damages, etc.

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Patent

The Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984, which was most recently amended on October 17, 2020 and became effective on June 1, 2021, provides for three types of patents, “invention”, “utility” and “design”. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. The National Intellectual Property Administration is responsible for examining and approving patent applications.

Trademark

The Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982 with the latest amendment being effective on November 1, 2019, and its implementation rules promulgated by the State Council on August 3, 2002 with the latest amendment being effective on May 1, 2014, protect registered trademarks. The Trademark Office of National Intellectual Property Administration is responsible for the registration and administration of trademarks throughout the PRC. The Trademark Law has adopted a “first-to-file” principle with respect to trademark registration. A registration application for a trademark that is identical or similar to another trademark which has already been registered or given preliminary examination may be rejected. Trademark registration is effective for a renewable ten-year period, unless otherwise revoked.

Domain Name

Domain names are protected under the Administrative Measures on the Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the MIIT on August 24, 2017 and became effective on November 1, 2017. The MIIT is the major regulatory body responsible for the administration of the PRC internet domain names, under supervision of which the China Internet Network Information Center (the “CINIC”) is responsible for the daily administration of .cn domain names and Chinese domain names. CNNIC adopts the “first to file” principle with respect to the registration of domain names. In November 2017, the MIIT promulgated the Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Providing Internet-based Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》), which became effective on January 1, 2018. Pursuant to the notice, the domain name used by an internet-based information service provider in providing internet-based information services must be registered and owned by such provider in accordance with the law. If the internet-based information service provider is an entity, the domain name registrant must be the entity (or any of the entity’s shareholders), or the entity’s principal or senior manager.

REGULATIONS RELATING TO FOREIGN EXCHANGE

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on January 29, 1996 and was latest amended on August 5, 2008. Pursuant to these regulations and other PRC rules and regulations on currency conversion, Renminbi is freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China unless prior approval of the SAFE or its local counterpart is obtained.

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On March 30, 2015, SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprise (《關於改革外商投資企業外匯資金結匯管理方式的通知》) (the “**Circular 19**”). According to Circular 19, the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretionary Foreign Exchange Settlement, which means that the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution have been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise, and if a foreign-invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and proceed with the review process with the banks. Furthermore, Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of a foreign-invested enterprise and capital in Renminbi obtained by the foreign-invested enterprise from foreign exchange settlement shall not be used for the following purposes: (i) directly or indirectly used for payments beyond the business scope of the enterprises or payments as prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities unless otherwise provided by the relevant laws and regulations; (iii) directly or indirectly used for granting entrust loans in Renminbi (unless permitted by the scope of business), repaying inter- enterprise borrowings (including advances by the third-party) or repaying the bank loans in Renminbi that have been sub-lent to third parties; or (iv) directly or indirectly used for expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

The Circular of Further Simplifying and Improving Foreign Exchange Administration Policies on Foreign Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**SAFE Circular 13**”) which became effective on June 1, 2015 and was amended on December 30, 2019, cancels the administrative approvals of foreign exchange registration of direct domestic investment and direct overseas investment and simplifies the procedure of foreign exchange-related registration. Pursuant to SAFE Circular 13, investors should register with banks for direct domestic investment and direct overseas investment.

The Circular on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《關於改革和規範資本項目結匯管理政策的通知》) (the “**Circular 16**”), was promulgated by SAFE on June 9, 2016. Pursuant to Circular 16, enterprises registered in the PRC may also convert their foreign debts from foreign currency to Renminbi on a self-discretionary basis. Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws, while such converted Renminbi shall not be provided as loans to its non-affiliated entities.

On January 26, 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》), which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including: (i) banks should check board resolutions regarding profit distribution, the original version of tax filing records, and audited financial statements pursuant to the principle of genuine transactions; and (ii) domestic entities should hold income to account for previous years’ losses before remitting the profits. Moreover, pursuant to this circular, domestic entities should make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts, and other proof when completing the registration procedures in connection with an outbound investment.

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On October 23, 2019, the SAFE promulgated the Notice for Further Advancing the Facilitation of Cross-border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which, among other things, allows all foreign-invested enterprises to use Renminbi converted from foreign currency-denominated capital for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment. However, since this circular is newly promulgated, it is unclear how the SAFE and competent banks will carry it out in practice.

According to the Circular of the SAFE on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (國家外匯管理局關於優化外匯管理支持涉外業務發展的通知) (the “**SAFE Circular 8**”) promulgated and effective on April 10, 2020 by the SAFE, the reform of facilitating the payments of incomes under the capital accounts shall be promoted nationwide. Under the prerequisite of ensuring true and compliant use of funds and compliance and complying with the prevailing administrative provisions on use of income from capital projects, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, etc., for domestic payment, without the need to provide proof materials for veracity to the bank beforehand for each transaction.

Foreign Exchange Registration of Overseas Investment by PRC Residents

In 2014, SAFE issued the SAFE Circular on Issues Concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**SAFE Circular 37**”). The SAFE Circular 37 regulates foreign exchange matters in relation to offshore investments and financing or round-trip investments of residents or entities by way of special purpose vehicles in China. Under the SAFE Circular 37, a “special purpose vehicle” refers to an offshore entity established or controlled, directly or indirectly, by PRC residents or entities for the purpose of seeking offshore financing or making offshore investments, using legitimate onshore or offshore assets or interests, while “round-trip investment” refers to direct investments in China by PRC residents or entities through special purpose vehicles, namely, establishing foreign investment enterprises to obtain ownership, control rights and management rights. The SAFE Circular 37 provides that, before making a contribution into a special purpose vehicle, PRC residents or entities are required to complete foreign exchange registration with SAFE or its local branch, and in the event of a change of basic information, such as the individual shareholder, name, operation term, etc., or if there is a capital increase, decrease, equity transfer or swap, merger, spin-off or other amendment of material items, the PRC residents or entities shall complete a change of foreign exchange registration formality for offshore investments.

In 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment. This notice amended the SAFE Circular 37 by requiring PRC residents or entities to register with qualified banks rather than SAFE or its local branches in relation to their establishment or control of offshore entities for the purpose of overseas investment or financing. PRC residents or entities who had contributed legitimate onshore or offshore interests or assets to special purpose vehicles but had not registered as required before the implementation of the SAFE Circular 37 must register their ownership interests or control in the special purpose vehicles with qualified banks. Amendments to the registration are required if there is any material change with respect to the registered special purpose vehicle, such as any change of basic information (including change of the PRC residents, name and operation term), increases or decreases in the investment amount, transfers or exchanges of shares, or mergers or divisions. Failure to comply with the

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registration procedures as set forth in the SAFE Circular 37 and the subsequent notice, or making misrepresentations or failure to disclose the control of a foreign investment enterprise which is established through round-trip investments, may result in restrictions being imposed on the foreign exchange activities of the relevant foreign investment enterprise, including payment of dividends and other distributions, such as proceeds from any reduction in capital, share transfer or liquidation, to its offshore parent or affiliate, and the capital inflow from the offshore parent, and may also subject relevant PRC residents or entities to penalties under PRC foreign exchange administration regulations.

Stock Incentive Plans

On February 15, 2012, SAFE promulgated the Notice on Foreign Exchange Administration of PRC Residents Participating in Share Incentive Plans of Offshore Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the “**Stock Option Rules**”), replacing the previous rules issued by SAFE in March 2007. Under the Stock Option Rules and other relevant rules and regulations, domestic individuals, which means PRC residents and non-PRC citizens residing in China for a continuous period of not less than one year, subject to a few exceptions, who participate in a stock incentive plan in an overseas publicly-listed company, are required to register with SAFE or its local branches and complete certain other procedures.

Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly-listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. The PRC agents must, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents’ exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents. In addition, the SAFE Circular 37 provides that PRC residents who participate in a share incentive plan of an overseas unlisted special purpose company may register with SAFE or its local branches before exercising rights.

REGULATIONS RELATING TO LABOR

According to the Labor Law of the PRC (《中華人民共和國勞動法》) (the “**Labor Law**”), which was promulgated by the SCNPC in July 1994, effective on January 1, 1995, and most recently amended in December 2018, an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. An employer shall develop and improve its labor safety and health system, stringently implement national protocols and standards on labor safety and health, conduct labor safety and health education for workers, guard against labor accidents and reduce occupational hazards.

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The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (the “**Labor Contract Law**”), which was promulgated by the SCNPC on June 29, 2007, effective on January 1, 2008, and most recently amended in December 2012, and the Implementation Regulations on Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), promulgated and became effective on September 18, 2008, regulate both parties to a labor contract, namely the employer and the employee, and contain specific provisions involving the terms of the labor contract. It is stipulated by the Labor Contract Law and the Implementation Regulations on Labor Contract Law that a labor contract must be made in writing. An employer and an employee may enter into a fixed-term labor contract, an unfixed term labor contract, or a labor contract that concludes upon the completion of certain work assignments, after reaching an agreement upon due negotiations. An employer may legally terminate a labor contract and dismiss its employees after reaching an agreement upon due negotiations with the employee or by fulfilling the statutory conditions. Labor contracts concluded prior to the enactment of the Labor Contract Law and subsisting within the validity period thereof shall continue to be honored. With respect to a circumstance where a labor relationship has already been established but no formal contract has been made, a written labor contract shall be entered into within one month from the effective date of the Labor Contract Law. In addition, the Labor Contract Law also imposes requirements on the use of employees of temp agencies, who are known in China as “dispatched workers”. Dispatched workers are entitled to equal pay with fulltime employees for equal work. Employers are only allowed to use dispatched workers for temporary, auxiliary or substitutive positions. The Interim Provisions on Labor Dispatching (《勞務派遣暫行規定》), issued by the Ministry of Human Resources and Social Security of the PRC on January 24, 2014 and came into effect on March 1, 2014, requires the number of dispatched workers to not exceed 10% of the total number of employees.

Enterprises in China are required by PRC laws and regulations to participate in certain employee benefit plans, including social insurance funds, namely a pension plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan, and a housing provident fund, and contribute to the plans or funds in amounts equal to certain percentages of salaries, including bonuses and allowances, of the employees as specified by the local government from time to time at locations where they operate their businesses or where they are located. According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), an employer that fails to make social insurance contributions may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline and be subject to a late fee of up to 0.05% or 0.2% per day, as the case may be. If the employer still fails to rectify the failure to make social insurance contributions within the stipulated deadline, it may be subject to a fine ranging from one to three times the amount overdue. According to the Regulations on Management of Housing Fund (《住房公積金管理條例》), an enterprise that fails to make housing fund contributions may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline, otherwise, an application may be made to a local court for compulsory enforcement.

On June 23, 2021, the State Post Bureau, the Ministry of Transport, the NDRC, the MOFCOM, the Ministry of Human Resources and Social Security, the SAMR, and the All-China Federation of Trade Unions jointly issued the Opinions on Protecting the Legal Rights and Benefits of the Couriers Group (《關於做好快遞員群體合法權益保障工作的意見》), which provides certain guidelines in respect of, among others, the Couriers’ base salary, social security and insurance policy. See also “Risk Factors – Risks Related to Doing Business in Jurisdictions in Which We Operate – Our failure to fully comply with labor-related laws may expose us to potential penalties.”

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REGULATIONS RELATING TO OVERSEAS LISTING AND M&A

On August 8, 2006, six PRC governmental and regulatory agencies, including the MOFCOM and the CSRC, jointly promulgated the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”), a new regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on September 8, 2006 and revised on June 22, 2009. Foreign investors shall comply with the M&A rules when they purchase equity interests of a domestic company or subscribe for the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in the PRC for the purpose of purchasing the assets of a domestic company and operating the asset; or when the foreign investors purchase the asset of a domestic company, establish a foreign-invested enterprise by injecting such assets, and operate the assets. The M&A rules, among other things, purports to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange.

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) (the “**Trial Measures**”) and five supporting guidelines, which came into effect on March 31, 2023. According to the Trial Measures, (i) domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC; if a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines; (ii) if the issuer meets both of the following conditions, the overseas offering and listing shall be determined as an indirect overseas offering and listing by a domestic company: (a) any of the total assets, net assets, revenues or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer’s audited consolidated financial statements for the same period; (b) its major operational activities are carried out in China or its main places of business are located in China, or the senior managers in charge of operation and management of the issuer are mostly Chinese citizens or are domiciled in China; and (iii) where a domestic company seeks to indirectly offer and list securities in an overseas market, the issuer shall designate a major domestic operating entity responsible for all filing procedures with the CSRC, and where an issuer makes an application for listing in an overseas market, the issuer shall submit filings with the CSRC within three business days after such application is submitted.

On the same day, the CSRC also held a press conference for the release of the Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (關於境內企業境外發行上市備案管理安排的通知), which, among others, clarifies that (i) the domestic companies that have already been listed overseas on or before the effective date of the Trial Measures (i.e. March 31, 2023) shall be deemed as existing applicants. Existing applicants are not required to complete the filling procedures immediately, and they shall be required to file with the CSRC when subsequent matters such as refinancing are involved; (ii) on or prior to the effective date of the Trial Measures, domestic companies that have already submitted valid applications for overseas offering and listing but fail to obtain an approval from overseas regulatory authorities or stock exchanges may

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reasonably arrange the timing for submitting their filing applications with the CSRC, and must complete the filing before the completion of their overseas offering and listing; (iii) a six-month transition period will be granted to domestic companies which, prior to the effective date of the Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges, but have not completed the indirect overseas listing; if such domestic companies complete their overseas offering and listing within such six-month period (i.e., on or prior to September 30, 2023), they will be deemed as existing applicants. Within such six-month transition period, however, if such domestic companies need to reapply for offering and listing procedures to the overseas regulatory authority or securities exchanges, or if they fail to complete their indirect overseas issuance and listing, such domestic companies shall complete the filing procedures with the CSRC before completion of the overseas offering and listing; and (iv) the CSRC will solicit opinions from relevant regulatory authorities and complete the filing of the overseas listing of companies with contractual arrangements which duly meet the compliance requirements.

Furthermore, on February 24, 2022, the CSRC released the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises (關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定), which became effective on March 31, 2023. It aims to expand the applicable scope of the regulation to indirect overseas offerings and listings by PRC domestic companies and emphasize the confidentiality and archive management duties of PRC domestic companies during the process of overseas offerings and listings.

REGULATIONS RELATING TO ANTI-MONOPOLY

The currently effective Anti-Monopoly Law of PRC (《中華人民共和國反壟斷法》) (the “**Anti-Monopoly Law**”) was promulgated by SCNPC in 2007, and its latest revision became effective on August 1, 2022. On February 7, 2021, the Anti-Monopoly Committee of the State Council promulgated the Anti-Monopoly Guidelines for the Internet Platform Economy Sector (《關於平台經濟領域的反壟斷指南》), which stipulates that any concentration of undertakings involving variable interest entities (VIE) shall fall within the scope of anti-monopoly review. Moreover, the Anti-Monopoly Law also provides that when a foreign investor participates in the concentration of undertakings by merging and acquiring a domestic enterprise or by any other means, the matter may also be subject to review on national security as is required by the relevant regulations.

REGULATIONS RELATING TO DIVIDEND DISTRIBUTION

The principal regulations governing distribution of dividends of wholly foreign-owned enterprise, or WFOE, include the PRC Company Law, the FIL and the Implementation Rules of the PRC Foreign Investment Law. Under these regulations, wholly foreign-owned enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with the PRC accounting standards and regulations. In addition, foreign invested enterprises in the PRC are required to allocate at least 10% of their accumulated profits each year, if any, to fund certain reserve funds unless these reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends.

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LAWS AND REGULATIONS IN RELATION TO OUR BUSINESS IN MALAYSIA

REGULATORY OVERVIEW

Our business operations in Malaysia are subject to various laws and regulations. Please find below an overview of the key laws and regulations relating our business.

REGULATIONS ON COURIER SERVICES OPERATORS

The primary legislation governing postal services in Malaysia is the Postal Services Act 2012 (“**PS Act**”), and is enforced by the Malaysian Communications and Multimedia Commission (“**MCMC**”). Under the PS Act, an operator of courier services is required to hold a non-universal service licence. There are three types of non-universal service licence under the licensing regime regulated by the PS Act: (i) licence A to provide for international inbound and outbound courier service and domestic courier service in Malaysia; (ii) licence B to provide for international inbound courier service and domestic courier service in Malaysia; and (iii) licence C to provide for intra-state domestic courier service in Malaysia. A person who provides postal services without a valid licence granted under the PS Act commits an offence and shall, on conviction, be liable to a fine not exceeding Malaysia Ringgit (“**RM**”) 500,000 or to imprisonment for a term not exceeding five years or to both.

A non-universal service licensee is required to comply with the prescribed standard conditions of the licence stipulated under the Postal Services (Licensing) Regulations 2015 and any additional conditions imposed by the Minister of Communications and Multimedia as he thinks fit. Among some of the prescribed standard conditions are: (i) the licensee shall be a company incorporated in Malaysia and maintain a registered office in Malaysia; (ii) the licensee shall have sufficient working capital to enable it to carry out its services under the PS Act and the non-universal service licence; (iii) the licensee shall provide courier service in accordance with the type of the non-universal service licence and may provide for any other additional services related to courier service; and (iv) the licensee shall pay to the MCMC an annual licence fee as specified in the Postal Services (Licensing) Regulations 2015. A licensee who fails to comply with any condition of a licence commits an offence and shall, on conviction, be liable to a fine not exceeding RM300,000 or to imprisonment for a term not exceeding three years or to both.

The board of directors and the chief executive officer of the licensee must also fulfil certain qualifications prescribed under the Postal Services (Licensing) Regulations 2015: (i) competent to carry out the role; (ii) is not an undischarged bankrupt; (iii) has never been issued an order of detention, supervision, restricted residence, banishment or deportation or imposed any form of restriction or supervision by bond or otherwise, under any written law relating to prevention of crime; and (iv) has not held the position of a director or been directly concerned in the management of any company which has been convicted of an offence in relation to dishonesty, incompetence or malpractice during the tenure of his office unless he proves to the MCMC that such offence was committed without his knowledge or consent and he was not in a position to prevent the offence.

REGULATIONS ON FRANCHISING BUSINESS

The primary legislation governing franchises in Malaysia is the Franchise Act 1998.

Under Section 6(1) of the Franchise Act 1998, a franchisor or a foreign person who has obtained an approval to sell a franchise in Malaysia or to any Malaysian citizen under Section 54 shall register his franchise with the Registrar before he can operate a franchise business or

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make an offer to sell the franchise to any person. Penalties applicable to body corporates that fail to comply with Section 6 of the Franchise Act 1998 include a fine not exceeding RM250,000, and for a second or subsequent offence, a fine not exceeding RM500,000.

For completeness, under the Franchise Act 1998, "franchise" means a contract or an agreement, either expressed or implied, whether oral or written, between two or more persons by which (a) the franchisor grants to the franchisee the right to operate a business according to the franchise system as determined by the franchisor during a term to be determined by the franchisor; (b) the franchisor grants to the franchisee the right to use a mark, or a trade secret, or any confidential information or intellectual property, owned by the franchisor or relating to the franchisor, and includes a situation where the franchisor, who is the registered user of, or is licensed by another person to use, any intellectual property, grants such right that he possesses to permit the franchisee to use the intellectual property; (c) the franchisor possesses the right to administer continuous control during the franchise term over the franchisee's business operations in accordance with the franchise system; (d) (Deleted by Act A1442:s.3); (e) in return for the grant of rights, the franchisee may be required to pay a fee or other form of consideration; and (f)(Deleted by Act A1442:s.3)."Franchise agreement" means a contract or an agreement made between a franchisor and a franchisee in respect of a franchise in return for any form of consideration but does not include any contract or agreement made for the purpose of direct selling as provided by the Direct Sales Act 1993 (Act 500).

REGULATIONS ON BUSINESS AND ADVERTISEMENT LICENCE

In general, there is a requirement to obtain business premises and advertisement licenses from the relevant local councils and authorities in accordance with the Local Government Act 1976 and the relevant by-laws and regulations for operating business premises in Malaysia. Most local or district councils have licensing of trades, businesses and industries by-laws which stipulate, among others, that no person shall carry on any trade, business or industry in any place or premises within the local or district council unless he is licensed and such licence shall be subject to such conditions and restrictions as the local authority may prescribe. Each set of by-laws applies within the boundaries of each local or district council.

Pursuant to the Local Government Act 1976, any person who fails to exhibit or produce his licence on a business premises shall be liable to a fine not exceeding RM500 or imprisonment for a term not exceeding six months or both. Further, as a general penalty, the Local Government Act 1976 provides that a local authority may, by by-law, rule or regulation prescribe for the breach of any by-law, rule or regulation, a fine not exceeding RM2,000 or a term of imprisonment not exceeding 1 year or to both and in the case of a continuing offence a sum not exceeding RM200 for each day during which such offence is continued after conviction. The Local Authorities (Advertisements) By-Laws 2012 provides for a fine of not more than RM5,000 and imprisonment of not more than 6 months for not having a signboard licence.

REGULATIONS ON PERSONAL DATA PROTECTION

The Personal Data Protection Act 2010 regulates the processing of personal data in the course of commercial transactions in Malaysia, and is enforced by the Personal Data Protection Commissioner ("PDP Commissioner"). A licensee under the PS Act is required to submit an application for registration to the PDP Commissioner. If such person processes personal data without a certificate of registration issued by the PDP Commissioner, it shall, on conviction, be liable to a fine not exceeding RM500,000 or to imprisonment for a term not exceeding three years or to both.

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The Personal Data Protection Act 2010 also sets out seven key data protection principles which must be adhered to by data users (i.e. a person who either alone or jointly or in common with other persons processes any personal data or has control over or authorises the processing of any personal data, but does not include a processor) in Malaysia. Broadly, these principles include: (i) the requirement to obtain consent prior to processing an individual's personal data, the requirement to provide written notice to individuals in both English and the Malay language stating, among others, the purposes for which the personal data will be processed, the classes of third parties to whom personal data will be disclosed, and the individual's rights under the Act; and (ii) the obligation to ensure that the personal data collected will be processed in a safe and secure manner. The Personal Data Protection Standard 2015 further prescribes the minimum requirement for data security in processing personal data.

REGULATIONS ON ANTI-COMPETITIVE PRACTICES

The PS Act stipulates that a licensee under the PS Act shall not engage in any conduct which has the purpose of substantially lessening competition in the postal market. It must not enter into any understanding, agreement or arrangement, whether legally enforceable or not, which provides for rate fixing, market sharing, or boycott of another competitor. Such licensee is also prohibited from making it a condition for the provision or supply of a product or service in the postal market that the person acquiring such product or service in the postal market is also required to acquire or not to acquire any other product or service either from himself or from another person.

If the MCMC determines that a licensee is in a dominant position in the postal market, the MCMC may direct to cease conduct in that postal market which has, or may have, the effect of substantially lessening competition in any postal market, and to implement appropriate remedies. A person who commits an offence in respect of competition practices under the PS Act shall, on conviction, be liable to a fine not exceeding RM500,000 or to imprisonment for a term not exceeding five years or to both.

Apart from the anti-competitive practices regulated under PS Act described above, the Competition Act 2010 applies to all commercial activities which have an effect on competition in any market in Malaysia, whether such activities are carried out within or outside Malaysia, save for commercial activities regulated under specific legislation (such as the Communications and Multimedia Act 1998, the Energy Commission Act 2001 and the Malaysian Aviation Commission Act 2015). The Competition Act 2010 is generally enforced by the Malaysia Competition Commission. Infringements of the Competition Act 2010 may result in, among other things, the imposition of a financial penalty of up to 10% of the worldwide turnover of the enterprise for the period during which the infringement occurred. The Malaysia Competition Commission may also take other actions, including issuing cease and desist orders.

LAWS AND REGULATIONS IN RELATION TO OUR BUSINESS IN THAILAND

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Our business operations in Thailand are subject to various laws and regulations. Please find below an overview of the key laws and regulations relating our business.

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The Foreign Business Act

The Foreign Business Act B.E. 2542 (1999) (the “FBA”) provides a legal framework that regulates the carrying on of business in Thailand by a foreign person or legal entity considered a “foreigner” under the FBA (a “**Foreigner**”). Under the FBA, a Thai company in which half or more of its shares are held by a foreign person or foreign legal entity is considered a Foreigner. The FBA contains three lists (Annex 1, Annex 2, and Annex 3) which specify certain types of business that a Foreigner is prohibited from carrying on unless the Foreigner obtains permission from the Minister of Commerce, requiring prior approval from the Council of Ministers (in respect of Annex 2) or permission from the Director General of the Department of Business Development, the Ministry of Commerce, with the approval of the Foreign Business Commission (in respect of Annex 3). It is not possible to obtain permission to carry on the types of business specified in Annex 1 as a Foreigner.

Domestic land transport is one of the restricted business types related to Thai national security under Annex 2. Therefore, a Foreigner engaging in domestic land transport is required to obtain permission from the Minister of Commerce, with prior approval from the Council of Ministers. In addition, a service business that is not exempt under the FBA falls within the scope of Annex 3 of the FBA, where permission from the Director General of the Department of Business Development, the Ministry of Commerce, and the approval of the Foreign Business Commission must be obtained.

Under the FBA, it is also unlawful for a Thai national or legal entity to hold shares in a Thai company as a nominee for or on behalf of a Foreigner in order to circumvent or violate the foreign ownership restrictions of the FBA. In the case that there is a violation, such Thai nominee will be liable for criminal penalties, including imprisonment and fines. The Foreigner would be subject to the same penalties. In addition, the court is obliged to order the termination of the business if there are any nominees in the shareholding structure which are in breach of the provisions stipulated in the FBA. There are no clear official guidelines or criteria issued or by the Ministry of Commerce for determining whether or not a Thai national or entity is holding shares for or on behalf of a Foreigner.

The Land Transport Act

The Land Transport Act requires that service providers of (1) land transportation services and (2) transportation management services obtain licenses under the Land Transport Act.

The Land Transport Act generally regulates and controls transportation operations, including the licensing requirements for certain types of land transportation. The Land Transport Act provides that operators of fixed-route transport, non-fixed-route transport, small vehicle transport, and private transport are required to apply for licenses. Essentially, the Land Transport Act imposes, among other things, key qualifications concerning the shareholding structure and composition of the board of directors of an applicant, being a private limited company or public limited company, for obtaining a license to operate fixed-route transport, non-fixed-route transport, or transport by small vehicle, as follows:

- (a) for a private limited company, not less than half of the directors of the operator must be Thai nationals, and not less than 51% of its registered capital must be held by natural persons of Thai nationality or by a registered ordinary partnership, limited partnership, private limited company, ministry, sub-ministry, department, local government, state enterprise under the law on budgetary procedure, or state organization under the law on establishment of government organizations, or other such laws; and

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- (b) for a public limited company, not less than half of the directors of the operator must be Thai nationals and not less than 50% of its total shares must be held by natural persons of Thai nationality.

In the case that a shareholder of the private company or public limited company is a registered ordinary partnership, limited partnership, private limited company, or a public limited company, such shareholder must also satisfy the requirements specified in (a) or (b) above, as applicable.

The license under the Land Transport Act is valid for five years from the date of license issuance for non-fixed-route transport, small vehicle transport, and private transport.

Under the Land Transport Act, the operator shall deposit securities with the registrar in the form of cash, Thai government bond, or both, or an insurance contract and policy from an insurance company approved by the registrar. In the case of an insurance contract and policy, the operator shall be the insured party, while the third party whose damage results from the transport operation of the licensee shall be the beneficiary for preliminary expenses in compensation for injury to the life or body of the third party which the operator is liable to pay on account of his transport operation, subject to the rules, procedures, and conditions prescribed in the Ministerial Regulations. Moreover, when a vehicle of an operator causes injury to the life or body of any person, the operator who is the owner of the vehicle causing such injury shall be liable for preliminary expenses to the injured person or an heir of the injured person in the case that the injured person is dead. The preliminary expenses to be paid to the injured person shall be determined commensurate with the seriousness of the case, subject to the rate prescribed in the Ministerial Regulations. Notwithstanding the foregoing, the compensation of preliminary expenses shall not prejudice the right of the injured person to claim compensation for damages resulting from tort under the Civil and Commercial Code.

The operator shall be required to comply with the conditions as described in the relevant licenses set out by the registrar in accordance with the rules prescribed by the Central Land Transport Control Board, e.g., the number of vehicles to be used in the transport operation, the nature, type and size of the vehicles, the sign of the transport operator – which is to be made apparent on every vehicle, the place for keeping, repairing, or maintaining the vehicles, etc. Furthermore, the operator shall comply with the Land Transport Act, such as the condition requiring the operator to have at least half of its directors be of Thai nationality as well as the requirements with regard to transportation safety as prescribed in the Ministerial Regulations. If the operator fails to do so, including failure to comply with the transportation liability requirements under the preceding paragraph, the registrar shall have the power to order the operator to rectify the matter within the period prescribed. If the operator still fails to do so, or it is apparent that the operator is unable to comply with such conditions or requirements, or if action by the operator would endanger the public or have a deleterious effect on the public welfare, the registrar, with the approval of the Central Land Transport Control Board, may revoke the license to operate non-fixed route transportation service.

Currently, a land transportation service using motorbikes is not regulated under the Land Transport Act.

In regard to the operation of transportation management services, Section 4(8) of the Land Transport Act defines “transportation management” as being engaged to gather persons, animals, or things, and organizing other persons with licenses to deliver such things from one place to another on behalf of the delivery organizer. Section 65 of the Land Transport Act specifies that no one is allowed to operate a transportation management service without a license. The requirements and procedures concerning the application for and the granting of a

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license are set out in the Ministerial Regulations. As of the date of this Offering Circular, no Ministerial Regulations have been issued under section 65 to implement the transportation management license requirements and application process.

However, if Ministerial Regulations under section 65 of the Land Transport Act are issued in the future that impose requirements and establish a process for requesting and approving licenses for transportation management services, we shall apply for such licenses as required, within the specified timeframes, and shall comply with the applicable requirements of the Department of Land Transport. We continue to regularly monitor the status of and changes in the Ministerial Regulations under section 65 of the Land Transport Act, as well as other relevant regulations.

The Vehicle Act

The Vehicle Act B.E. 2522 (1979), as amended, (the “**Vehicle Act**”) generally regulates and controls the use of vehicles not subject to the Land Transport Act as mentioned above, including motor-tricycles, motorcycles, public transport vehicles, and private vehicles that are not used in transport for remuneration. The Vehicle Act imposes requirements in relation to the use of vehicles, vehicle registration, annual tax payment, driving licenses, and other requirements concerning road safety. The Vehicle Act provides that no person shall use a vehicle for any purpose other than that which is specified under its registered category, subject to some exemptions for certain categories (i.e., personal use of vehicles that are registered for business services). Failure to comply with this requirement will result in the operator being subject to a fine of not more than Thai Baht (“**THB**”) 2,000 per violation.

The Land Traffic Act

The Land Traffic Act B.E. 2522 (1979), as amended (the “**Traffic Act**”), allows a traffic officer to issue notifications or regulations with respect to traffic safety and traffic flow, including restrictions on the movements of all or some types of vehicles, the parking or stopping of vehicles, one-way systems, and other restrictions. There are regulations issued by the nationwide traffic officer under the Traffic Act which prohibit 4-wheel trucks and 6-wheel trucks from being driven in all areas of Bangkok from 6 a.m. to 9 a.m. and from 4 p.m. to 8 p.m. of every day, except official holidays. However, there are some exceptions with regard to certain principal streets where the restrictions are more stringent. For example, on certain main roads (such as Ladprao, Ramkhamhaeng, etc.), six-wheeled trucks are prohibited from being driven during the periods of 5 a.m. to 10 a.m. and 3 p.m. to 9 p.m. Failure to comply with a traffic officer’s order will result in a fine of THB1,000 per violation.

The Personal Data Protection Act

The Personal Data Protection Act B.E. 2562 (the “**PDPA**”) is the key regulation on personal data protection in Thailand. The PDPA has become effective on June 1, 2022.

The PDPA governs the collection, use, and disclosure of personal data by a data controller (i.e., a person or legal entity with decision-making power concerning the collection, use, or disclosure of personal data) or a data processor (i.e., a person or legal entity who operates in relation to the collection, use, or disclosure of personal data per the instructions of or on behalf of a data controller) dealing with personal data owners residing in Thailand, whether the collection, use, or disclosure is done in Thailand or not.

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The data controller is generally prohibited from collecting, using, or disclosing personal data, unless consent from the owner of the personal data has been obtained or otherwise permitted by law. Amongst other requirements under the PDPA, the request for consent must clearly provide the purpose(s) of collection, use, or disclosure. Consent may be revoked at any time, but such revocation does not affect the collection, use, or disclosure of personal data carried out prior to the revocation. Consent obtained pursuant to a request that is not in compliance with the requirements under the PDPA is not binding on a personal data owner.

The PDPA also imposes certain obligations on data controllers and data processors, such as data security measures, maintenance of records of use and disclosure, data breach notification, appointment of data protection officer (as applicable), etc. Furthermore, transfer of personal data to a foreign country may be made, provided that that country or the international organization that receives the personal data has sufficient data protection standards in accordance with the personal data protection criteria promulgated under the PDPA or another legal exemption is obtained.

The PDPA provides owners of personal data with various rights, including the right to access personal data maintained by data controllers, the right to request the destruction of personal data, and the right to suspension of use of personal data under certain circumstances.

The PDPA provides for civil liability, criminal liability, and administrative penalties in connection with its violation. Civil liability under the PDPA includes compensation for damage and punitive damages in an amount not exceeding twice the amount of the actual damage. Criminal liability ranges from imprisonment of up to one year to a fine of up to THB1,000,000, or both, depending on the nature of the violation. Administrative penalties include an administrative fine of up to THB5,000,000, depending on the nature of the violation.

LAWS AND REGULATIONS IN RELATION TO OUR BUSINESS IN VIETNAM

REGULATORY OVERVIEW

Our business operations in Vietnam are subject to various laws and regulations. Please find below an overview of the key laws and regulations relating our business.

VIETNAM INVESTMENT LAW

The Law on Investment No. 61/2020/QH14 adopted by the National Assembly of Vietnam on June 17, 2020, as amended (collectively, the “**Law on Investment 2020**”) sets out a legal framework regulating, among others, the investment activities in Vietnam including foreign investment into Vietnam.

Foreign investment in Vietnam

Under the Law on Investment 2020 and Decree No. 31/2021/ND-CP dated March 26, 2021 of the Government guiding a number of articles of the Law on Investment 2020 (“**Decree 31**”), foreign investors are entitled to enjoy the market access conditions applicable to domestic investors unless the business activities which are intended by the foreign investors fall into the list of business activities that are conditional or not permitted for foreign investors’ market access as specified under Annex 1 of Decree 31. There are a number of market access conditions applied to foreign investors.

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In addition to foreign investors, an economic organization that falls within any of the following circumstances will be considered as a foreign investor equivalent entity (“**FIEE**”) and required to fulfil conditions and carry out the relevant investment procedures applicable to foreign investors (including the above-mentioned market access conditions) when establishing new entity, contributing capital, purchasing shares or equity capital, and investing under a business cooperation contract in Vietnam:

- (i) foreign investors hold more than 50% of the charter capital of the economic organization or majority of the partners of the economic organization in the form of partnerships are foreign individuals;
- (ii) economic organizations referred to in point (i) above hold more than 50% of the charter capital of another economic organization; and
- (iii) foreign investors and the economic organizations referred to in point (i) above jointly hold more than 50% of the charter capital of another economic organization.

Investment registration certificate

In order to invest in Vietnam in a form of establishment of an economic organization, a foreign investor or a FIEE is required at the Law on Investment 2020 to satisfy the applicable market access conditions, have the relevant investment project and obtain an investment registration certificate (“**IRC**”) for such investment project from the competent authority except in cases of establishing small and medium sized innovative startup enterprises and innovative startup investment funds. On the other hand, the IRC is optional for the domestic investors. Any change to the contents of the IRC will trigger the application for amendment to the IRC.

M&A Approval

When a foreign investor or a FIEE acquires shares, capital contribution portion or makes capital contribution in a Vietnamese company, the foreign investor or FIEE is not required to obtain the IRC. Instead, the Law on Investment 2020 requires the foreign investor or FIEE to obtain an approval on registration of its capital contribution, acquisition of shares or capital contribution portion (the “**M&A Approval**”) from the competent investment authority (normally the provincial Department of Planning and Investment or “**DPI**”) in any of following cases:

- (i) The transaction results in the increase in the foreign ownership in the Vietnamese target company, who has registered to implement any business lines for which the market access is conditional for foreign investors;
- (ii) The transaction results in (A) the foreign ownership in the Vietnamese target company increasing from 50% or below 50% to more than 50%; or (B) the increase in the foreign ownership where the existing foreign ownership in the Vietnamese target company has already exceeded 50%; or
- (iii) The Vietnamese company having land use right certificate in respect of land lots located in border areas, coastal areas, or areas affecting national defense or security.

VIETNAM ENTERPRISES LAW

The Law on Enterprises No. 59/2020/QH14 adopted by the National Assembly of Vietnam on June 17, 2020, as amended (collectively, the “**Law on Enterprises 2020**”) regulates the establishment and operation of a company in Vietnam and, together with the Law on Investment 2020, improves the quality and efficiency of Vietnam’s investment environment by providing conditions that are favorable for both domestic and foreign investors in implementation of their investment projects, establishment and operation of companies in Vietnam.

Enterprise Registration Certificate

Under the Law on Enterprises 2020, any company incorporated in Vietnam is required to obtain the enterprise registration certificate (the “**ERC**”) from the Business Registration Office of the provincial DPI where the head office is located. The company is required to register with, or serve notification to, the Business Registration Office of the provincial DPI about any change to the content of the ERC within ten (10) days from occurrence of such change.

Corporate Governance Structure of a Single-member Limited Liability Company

Under the Law on Enterprises 2020, a company may be incorporated in the form of, among others, a single-member limited liability company (the “**Single-member LLC**”). Unlike a joint stock company in which its charter capital is divided into shares, charter capital of the Single-member LLC consists of capital contribution portions contributed by the owner that can be either an individual or an organization. The organizational structure of a Single-member LLC with owner being an organization could be in one of the following:

- (i) The president and the (general) director; or
- (ii) Members’ council and the (general) director.

From January 1, 2021, the Single-member LLC is no longer required to have an inspector (or inspection committee) in its corporate governance as so required previously under old enterprise laws.

Under the Law on Enterprises 2020, a company must have at least one legal representative being an individual resides in Vietnam who (A) represents the company to exercise the company’s rights and obligations arising from its transactions, (B) represents the company in the capacity of a party requesting settlement of civil cases, plaintiff, respondent or person with related interests or obligation before arbitration or court, and (C) has other rights and obligations under the Vietnamese law. A Single-member LLC must have at least one legal representative who is the chairman of members’ council (applicable for the Single-member LLC having three (3) authorized representatives or more from its owner), the president (applicable for the Single-member LLC having only one (1) authorized representative from its owner) or the (general) director.

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PROFIT DISTRIBUTIONS AND OVERSEAS REMITTANCE

Under the Law on Enterprises 2020, the owner of a Single-member LLC is not allowed to be distributed profits by the Single-member LLC when the company has not yet paid in full its debts and other financial obligations which become due. Pursuant to Circular No. 05/2014/TT-NHNN dated March 12, 2014 of the State Bank of Vietnam guiding the opening and use of indirect investment capital accounts (“**IICA**”) for implementation of foreign indirect investment activities in Vietnam and Circular No. 06/2019/TT-NHNN dated June 26, 2019 of the State Bank of Vietnam guiding the foreign exchange management for the foreign direct investment in Vietnam (“**Circular 06/2019**”), remittance of profit from a company incorporated in Vietnam to foreign investors must be made through either (A) a direct investment capital account (“**DICA**”) of the company if such company is required by the Vietnamese law to open and maintain DICA at a licensed bank in Vietnam; or (B) an IICA of the foreign investor if the DICA is not required for the company.

At least seven (7) business days prior to the remittance of profit offshore, a foreign investor is required to directly or authorize the company to serve a notice on offshore remittance of profits to the competent tax authority. Circular 186/2010/TT-BTC dated November 18, 2010 of the Ministry of Finance guiding the overseas remittance of profits earned by foreign organizations and individuals from their direct investment in Vietnam under the investment law provides that the annual profit to be remitted offshore is equivalent to the amount of profit distributable to investors for that fiscal year determined based on the audited financial statement and declaration on tax finalization of the company plus (+) other profit amount (if any) such as undistributed profit accrued from previous year(s) minus (-) amounts used or undertaken to use by foreign investor to reinvest in Vietnam or used for payment of expenditures of the foreign investors in Vietnam.

POSTAL AND FREIGHT ROAD TRANSPORT SERVICES

Postal Services

Postal License

The Postal Law No. 49/2010/QH12 adopted by the National Assembly of Vietnam on June 17, 2010 (the “**Vietnamese Postal Law**”) provides regulations on, among others, investment in and provision of postal services. A company providing courier services of mails and documents having recipient address with unit weight of up to two (2) kilograms is required to obtain the postal license with a term of no more than ten (10) years from the provincial Department of Information and Communications (“**Provincial DIC**”) (if courier services are provided within a province only) or from the Ministry of Information and Communications (“**MIC**”) (if courier services are provided nationwide and/or internationally) upon satisfaction of certain conditions.

Written Certification of Notification of Postal Service Activities

In addition, under the Vietnamese Postal Law, a postal service provider is also required to notify the Provincial DIC or MIC (where applicable) about provision of any of the following postal services:

- (i) letter services with unattended recipient weighing up to two (2) kilograms;
- (ii) letter services with unit weight of up to two kilograms;

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- (iii) parcel services;
- (iv) acting as an agent for a foreign postal service provider;
- (v) receiving a commercial franchise in the postal sector from abroad into Vietnam;
- (vi) acting as a representative for a foreign postal service provider;
- (vii) acting as a branch or representative office of a postal service provider established under the Vietnamese law; and
- (viii) acting as a representative office of a foreign postal service provider.

Upon receipt of the notification application dossier of the company, either Provincial DIC or MIC (where applicable) will issue the Written Certification of Notification of Postal Service Activities.

Notice and reporting obligations of a postal service provider

Decree No. 47/2011/ND-CP dated June 17, 2011 of the Government guiding in details certain articles of the Vietnamese Postal Law, as amended, further provides that the postal service provider is required to service a written notice to the competent authorities issuing the postal license and the written certification of notification of postal service activities within seven (7) business days from occurrence of any of the following changes:

- (i) change in the legal representative, or contacting phone number of the legal representative, or charter capital of the postal service provider;
- (ii) change in price of postal service; or
- (iii) change in service quality criteria, or templates of contract on supplying or using postal service, or complaint handling and compensation rules in relation to postal services of the postal service provider.

Besides, the postal service provider is obliged to submit (A) bi-annual and annual reports on the business and provision of postal services in forms as prescribed under Circular No. 35/2016/TT-BTTTT dated December 26, 2016 of the MIC regulating postal reports to the Provincial DIC and the MIC; and (B) quarterly reports on, among others, revenue, volume of the postal services and contribution amount made to the State budget in forms as prescribed under Circular No. 04/2022/TTBTTTT dated June 22, 2022 of the MIC regulating statistics reporting scheme in information and communication sector.

Freight Road Transport Services

Under the Law on Road Traffic No. 23/2008/QH12 adopted by the National Assembly of Vietnam on November 13, 2008, as amended, the freight transportation by automobile services comprise of (A) ordinary freight transportation, (B) freight transportation by taxi truck, (C) transportation of oversized and overweight cargoes, and (D) transportation of dangerous cargoes. A freight transport service provider is required to obtain the Automobile Transportation License issued by the provincial Department of Transport.

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Furthermore, a freight transport company must comply with a number of requirements applicable to freight road transport business provided under Decree No. 10/2020/ND-CP of the Government dated January 17, 2020 guiding transport by automobiles business and conditions for transport by automobiles business, as amended (“**Decree 10/2020**”) and Circular No. 12/2020/TT-BGTVT dated May 29, 2020 of the Ministry of Transport guiding organization and management of auto transport operations and auxiliary services of road transport as amended (“**Circular 12/2020**”) including, among others, requirements on transporting automobiles, management of drivers and training, transport documents, road transport safety, information storage, information system and technical equipment. The freight transport company is also required to submit monthly reports in the form prescribed under Circular 12/2020 to the provincial Department of Transport.

FRANCHISING ACTIVITIES

Unlike inward franchising activities into Vietnam which is subject to the registration requirement with the Ministry of Industry and Trade under Decree 35/2006/ND-CP of the Government dated March 31, 2006 providing detailed guidance the Law on Commerce in franchising activities as amended (“**Decree 35/2006**”), parties carrying out domestic franchising activities are required to report to the provincial Department of Industry and Trade about their franchising activities (Article 17a.2 of Decree 35/2006).

LABOR, SOCIAL INSURANCE AND EMPLOYMENT-RELATED HYGIENE AND SAFETY REGULATIONS

Labor Code and Labor Contracts

The Labor Code No. 45/2019/QH14 adopted by the National Assembly of Vietnam on November 20, 2019 (the “**Labor Code 2019**”) sets out legal framework on labor-related matters. The Government and the Ministry of Labor, War Invalids and Social Affairs have also issued a number of decrees and circulars to implement the Labor Code 2019.

Under the Labor Code 2019, any labor contract must be made in writing or in permitted electronic form and signed by and between employee and the authorized representatives of the employer, except for those with a term of less than one month. A labor contract must include a number of mandatory provisions.

The term of a labor contract could be indefinite or a fixed term for a duration of up to thirty-six (36) months and the wages paid to the employee shall not be lower than the minimum amount provided by the Government based on categories of geographical regions in Vietnam.

Internal Labor Rules

Under the Labor Code 2019, a company incorporated in Vietnam with more than ten (10) employees must prepare and approve the internal labor rules (“**ILR**”) which contains a number of mandatory principle contents and, within ten (10) days from the issuance, register such ILR with the relevant Department of Labor, Invalids and Social Affairs (“**DOLISA**”) of the city or province where the company has registered for its business operations.

Foreign employees

A foreign employee working in Vietnam is required to obtain a work permit, except for certain exemption cases under the Labor Code 2019 including, among others, foreign employees being the owner or member/investor of a limited liability company having the charter capital of

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Vietnamese Dong (“VND”) three (3) billion or more, internal transfer in sectors permitted by the Government, foreign employees entering into Vietnam for less than three (3) months for introduction of services or handling of complicated technical and technological incidents. In such exemption cases, the employer must obtain confirmation on work permit exemption from the competent labor authorities. In addition, pursuant to Decree 152/2020/ND-CP dated December 30, 2020 of the Government providing details guidance on the implementation of the Labor Code 2019 on foreign employees working in Vietnam, as amended, the employer having foreign employees is required to submit bi-annual reports on employment status of its foreign employees to the provincial DOLISA.

Compulsory insurances

Under the Law on Social Insurance No. 58/2014/QH13 adopted by the National Assembly of Vietnam on November 20, 2014, the Law on Health Insurance No. 25/2008/QH12 adopted by the National Assembly of Vietnam on November 14, 2008 (as amended), the Law on Employment No. 38/2013/QH13 adopted by the National Assembly of Vietnam on November 16, 2013 and the Law on Labor Safety and Hygiene No. 84/2015/QH13 adopted by the National Assembly of Vietnam on June 25, 2015 (as amended), employees and employers are required to make contributions to the social insurance schemes which include social, health, occupational accidents and diseases and unemployment insurances in Vietnam in favor of Vietnamese employees (and certain categories of foreign employees). The contributions are calculated based on the employee’s wage or salary specified under the labor contract and made by both employee and employer in specific percentage set forth by laws.

Occupational training for drivers

Under Decree 10/2020 and Circular 12/2020, a freight transport company is required to organize transportation profession and safety trainings for its drivers every three (3) years. Upon completion of the trainings, the drivers will be issued with the training certificates by the relevant training service provider.

ENVIRONMENT AND FIREFIGHTING AND FIRE PREVENTION

Firefighting and fire prevention

The Law on Fire Fighting and Prevention No. 27/2001/QH10 adopted by the National Assembly of Vietnam on June 29, 2001, as amended (collectively, the “**Law on Fire Fighting and Prevention**”) imposes various rules on fire-fighting and prevention that a company must comply.

In particular, owners of construction works that are listed under Annex III of Decree No. 136/2020/ND-CP dated November 24, 2020 of the Government providing guidance on certain articles of the Law on Fire Fighting and Prevention (“**Decree 136/2020**”) are required to comply with a number of firefighting and prevention requirements.

Compulsory fire and explosive insurance

Pursuant to Decree No. 23/2018/ND-CP dated February 23, 2018 of the Government providing compulsory fire and explosion insurance and Decree 136/2020, any facility which falls within the list of facilities at fire and explosion risk under Annex II of Decree 130/2020 is required to purchase compulsory insurance including warehouses for storing flammable goods or non-flammable goods in flammable packaging with total volume of 5,000 cube meter and above.

DATA PRIVACY

In Vietnam, there is not a single comprehensive data protection law. Instead, regulations on data protection and privacy can be found in various legal instruments. The Civil Code No. 91/2015/QH13 adopted by the National Assembly of Vietnam on November 24, 2015 provides an individual with the fundamental right in privacy, personal and family secrecy and requires any collection, storage, use and disclosure of an individual’s personal information must be subject to his/her consent. Currently, the key regulations on data privacy in Vietnam are the Law on Cyber Security No. 24/2018/QH14 (the “**Law on Cyber Security**”) adopted by the National Assembly of Vietnam on June 12, 2018 and the Law on Cyber Information Security No. 86/2015/QH13 (the “**Law on Cyber Information Security**”) adopted by the National Assembly of Vietnam on November 19, 2015.

Under the Law on Cyber Information Security, any organization and individual who processes personal information (the “**Information Processing Entities**”) has the following responsibilities:

- (i) Collecting personal information only after obtaining the consents from the relevant individual regarding the scope and purpose of collection and use of such information;
- (ii) Using the collected information for purposes other than the initial one only after obtaining the consent from the relevant individual; and
- (iii) Refraining from providing, sharing or spreading collected personal information to a third party, unless otherwise agreed by the relevant individual or at request of the competent authorities.

Upon receiving the request of the individual for updating, altering or removing his/her personal information or stopping the information sharing with third parties, the Information Processing Entities are required to:

- (i) Perform requests of the individual and notifying him/her about the fulfillment of the requests or granting the individual with the access right to update, alter or remove information by his/her self; and
- (ii) Take appropriate measures to protect personal information and notify the individual owning such information in case of being unable to fulfil his/her request due to technical or other reasons.

In addition, under the Vietnamese Postal Law, the postal service provider also has obligations to not disclose information of the service users including personal information except for the security reason.

Vietnam’s data and privacy protection regime continues to evolve. The recent Decree No. 13/2023/ND-CP on Personal Data Protection dated April 17, 2023 (taking effect from July 1, 2023) (“**Decree 13/2023**”) is similar to other data privacy and protection laws enacted around the globe. It codifies and tightens personal data protection regulations in Vietnam. In particular, a data owner’s consent to disclose, process, use for advertising purposes and transfer personal data must be in printable/copyable or verifiable form, and such consent may be withdrawn at any time and at the discretion of the data owner. Silence or non-response is not deemed to be consent from the data owner. In addition, any processing of personal data or cross-border transfer of personal data out of Vietnam is subject to the assessment by the Department of Cybersecurity and High-tech Crime Prevention and Control, the supervisory

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authority of personal data protection in Vietnam. Failure to comply with personal data protection regulations will result in administrative fines, having licenses required to process personal data being revoked or suspended or in extreme cases, criminal liability.

Vietnam has also passed laws which stipulated that individuals and companies must implement measures to assure data security. For example, entities providing information technology services must comply with regulations on data localization and storage, and are required to apply blocking and handling measures upon receipt of a notice that sending such information is illegal and implement measures to allow recipients to refuse the receipt of information.

INTELLECTUAL PROPERTY

In order to provide the legal framework for the use of intellectual properties in Vietnam, the National Assembly of Vietnam adopted the Law on Intellectual Property No. 50/2005/QH11 on November 29, 2005 and subsequently amended in June 19, 2009 and June 14, 2019 and June 16, 2022 (collectively, the “**Law on Intellectual Property**”) under which the main subject matters of intellectual property rights are, among others, industrial property rights including, but not limited to, industrial designs, trade secrets, trademarks and trade names.

An organization or an individual has the right to register the intellectual property right for goods that such organization or individual produces and services that such organization or individual provides. The trademark registration certificate takes effect from the issuance date and expires after ten (10) years from the submission of the registration application and can be renewed for multiple consecutive 10-year terms.

The industrial property owner (including trademark owner) may transfer the ownership of or license the rights to use the industrial property to another organization or individual. Under the Law on Intellectual Property, the industrial property right transfer agreement must be made in writing and may only come into force upon completion of the registration of such transfer agreement with the competent industrial property authority while the industrial property right license agreement will be effective as agreed between the parties.

COMPETITION LAW

The Law on Competition No. 23/2018/QH14 adopted by the National Assembly of Vietnam on June 12, 2018 (the “**Law on Competition 2018**”), together with its implementing decrees issued by the Government, including Decree No. 75/2019/ND-CP of the Government dated September 26, 2019 on administrative sanctions in competition sector (“**Decree 75/2019**”) and Decree No. 35/2020/ND-CP of the Government dated March 24, 2020 guiding the implementation of a number of articles of the Law on Competition 2018 (“**Decree 35/2020**”), set out a legal framework for competition law of Vietnam.

Agreements on competition restraint

The Law on Competition 2018 provides the list of anti-competition agreements which are subject to prohibition or restriction, categorized in horizontal agreements and vertical agreements, along with regime for possible exemption for certain types of anti-competition agreements subject to discretion of the competition authority.

Economic concentration

In addition, the Viet Nam Competition Commission supervises merger control in Vietnam. Any transaction regarded as an economic concentration that reaches certain reportable thresholds based on the size of transaction (applicable to onshore transactions only), total assets in Vietnam, total sales (or total purchase volume) in Vietnam or market share in the relevant market, is subject to a notification of economic concentration and regulatory consent before the transaction is conducted. The Vietnam competition law provides a two-phase appraisal process of a merger filing: preliminary appraisal (taking up to 30 days) and official appraisal (taking between 90 and 150 days). The official appraisal will only be conducted if the conclusion of the preliminary appraisal is that it is required.

Any party committing violation of the Vietnam competition law will, depending on the nature and seriousness of relevant violations, be subject to discipline measures, administrative sanctions or criminal liabilities. In case of causing damages to the interests of the State, legitimate rights and interests of organizations and individuals, the violating party will be subject to compensation responsibility for such damages.

**APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND THE COMPANY LAWS OF THE CAYMAN ISLANDS**

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of the company laws of the Cayman Islands.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on October 24, 2019 under the Cayman Companies Act. The Company's constitutional documents consist of its Memorandum and Articles of Association.

1. MEMORANDUM OF ASSOCIATION

- 1.1 The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- 1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [date]. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) *Classes of shares*

The share capital of the Company consists of Class A Shares and Class B Shares. The authorised share capital of the Company is US\$50,000 divided into [979,333,410] Class A Shares of a par value of US\$[0.000002] each and [24,020,666,590] Class B Shares of a par value of US\$[0.000002] each.

(b) *Rights attaching to shares*

Subject to the Articles of Association, the holders of Class A Shares and Class B Shares shall at all times vote together as one class on all resolutions submitted to a vote by the members. Subject to this paragraph, on each resolution subject to a vote at general meetings on a poll, each Class A Share shall entitle its holder to ten votes and each Class B Share shall entitle its holder to one vote.

The Company shall not take any action (including the issue or repurchase of Shares of any class) that would result in (a) the aggregate number of votes entitled to be cast by all holders of Class B Shares (for the avoidance of doubt, excluding those who are also holders of Class A Shares) present at a general meeting to be less than 10% of the votes entitled to be cast by all members at a general meeting; or (b) an increase in the proportion of Class A Shares to the total number of shares in issue.

**APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND THE COMPANY LAWS OF THE CAYMAN ISLANDS**

No further Class A Shares shall be issued by the Company, except with the prior approval of the Stock Exchange and pursuant to (i) an offer to subscribe for shares made to all the members pro rata (apart from fractional entitlements) to their existing holdings; (ii) a pro rata issue of shares to all the members by way of scrip dividends; or (iii) a stock split or other capital reorganisation provided that the Stock Exchange is satisfied that the proposed allotment or issuance will not result in an increase in the proportion of Class A Shares in issue, so that:

- (i) if, under a pro rata offer, any holder of Class A Shares does not take up any part of the Class A Shares or the rights thereto offered to him, such untaken shares (or rights) shall only be transferred to another person on the basis that such transferred rights will only entitle the transferee to an equivalent number of Class B Shares; and
- (ii) to the extent that rights to Class B Shares in a pro rata offer are not taken up in their entirety, the number of Class A Shares that shall be allotted, issued or granted in such pro rata offer shall be reduced proportionately.

Class A Shares shall only be held by Mr. Jet Jie Li (李傑先生) (the “Founder”) or (1) a partnership of which the Founder is a partner and the terms of which must expressly specify that the voting rights attached to any and all of the Class A Shares held by such partnership are solely dictated by the Founder; (2) a trust of which the Founder is a beneficiary and that meets the following conditions: (A) the Founder must in substance retain an element of control of the trust and any immediate holding companies of, and retain a beneficial interest in any and all of the Class A Shares held by such trust; and (B) the purpose of the trust must be for estate planning and/or tax planning; or (3) a private company or other vehicle wholly-owned and wholly controlled by the Founder or by a trust referred to in paragraph (2) above purposes (a “**Founder Holding Vehicle**”). Subject to the Listing Rules or other applicable laws or regulations, each Class A Share shall be automatically converted into one Class B Share upon the occurrence of any of the following events:

- (i) the death of the holder of such Class A Share (or, where the holder is a Founder Holding Vehicle, the death of the Founder);
- (ii) the holder of such Class A Share ceasing to be the Founder or a Founder Holding Vehicle for any reason;
- (iii) the holder of such Class A Share (or, where the holder is a Founder Holding Vehicle, the Founder) being deemed by the Stock Exchange to be incapacitated for the purpose of performing his duties as a Director;
- (iv) the holder of such Class A Share (or, where the holder is a the Founder Holding Vehicle, the Founder) being deemed by the Stock Exchange to no longer meet the requirements of a director set out in the Listing Rules; or
- (v) the transfer to another person of the beneficial ownership of, or economic interest in, such Class A Share or the control over the voting rights attached to such Class A Share (through voting proxies or otherwise), including where a Founder Holding Vehicle holding such Class A Share no longer complies with

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Rule 8A.18(2) of the Listing Rules (in which event the Company and the Founder or the Founder Holding Vehicle shall notify the Stock Exchange of the details of the non-compliance as soon as practicable), other than (i) the grant of any encumbrance, lien or mortgage over such share which does not result in the transfer of the legal title or beneficial ownership of, or the voting rights attached to, such share, until the same is transferred upon the enforcement of such encumbrance, lien or mortgage; and (ii) a transfer of the legal title to such share by the Founder to a Founder Holding Vehicle, or by a Founder Holding Vehicle to the Founder or another Founder Holding Vehicle.

Notwithstanding the foregoing, (i) the weighted voting rights attached to the Founder's Class A Shares must cease upon transfer to another person of the beneficial ownership of, or economic interest in, such Class A Shares or the control over the voting rights attached to them (through voting proxies or otherwise); (ii) a Founder Holding Vehicle may hold Class A Shares carrying weighted voting rights on behalf of the Founder of weighted voting rights provided that such an arrangement does not result in a circumvention of sub-paragraph (i) above; and (iii) if a Founder Holding Vehicle holding Class A Shares carrying weighted voting rights in the Company on behalf of the Founder no longer complies with sub-paragraph (ii) above, the Founder's weighted voting rights in the Company must cease, and the Company and the Founder must notify the Stock Exchange as soon as practicable with details of the non-compliance.

Any conversion of Class A Shares into Class B Shares pursuant to the Articles shall be effected by the re-designation of each Class A Share into one Class B Share. Such conversion shall become effective forthwith upon entries being made in the register of shareholders of the Company to record the re-designation of the relevant Class A Shares as Class B Shares.

All of the Class A Shares in the authorised share capital shall be automatically re-designated into Class B Shares in the event all of the Class A Shares in issue are converted into Class B Shares in accordance with this paragraph, and no further Class A Shares shall be issued by the Company.

Notwithstanding any provisions in the Articles to the contrary, each Class A Share and each Class B Share shall entitle its holder to one vote on a poll at a general meeting in respect of a resolution on any of the following matters:

- (i) any amendment to the Memorandum or the Articles, however framed, including the variation of the rights attached to any class of shares;
- (ii) the appointment, election or removal of any independent non-executive Director;
- (iii) the appointment or removal of the auditors; or
- (iv) the voluntary liquidation or winding-up of the Company.

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Notwithstanding the foregoing, where a holder of Class A Shares is permitted by the Stock Exchange from time to time to exercise more than one vote per share when voting on a resolution to amend the Memorandum or the Articles, any holder of Class A Share may elect to exercise such number of votes per share as is permitted by the Stock Exchange, up to the maximum number of votes attached to each Class A Share.

Save and except for the rights, preferences, privileges and restrictions set out in this Appendix, the Class A Shares and the Class B Shares shall rank *pari passu* in all other respects and shall have the same rights, preferences, privileges and restrictions.

(c) *Variation of rights of existing shares or classes of shares*

The Company shall not vary the rights of the Class A Shares so as to increase the number of votes to which each Class A Share is entitled.

Subject to the Cayman Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated with the consent in writing of the holders of at least three-fourths of the issued Shares of that class, or with the approval of a resolution passed by at least three-fourths of the votes cast by the holders of the Shares of that class present and voting in person or by proxy at a separate meeting of such holders. The provisions of the Articles relating to general meetings shall apply *mutatis mutandis* to every such separate general meeting, provided that the necessary quorum shall be two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative), or representing by proxy at least one-third of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

For so long as any Class A Share is in issue and unless such change is otherwise required by law or the Listing Rules, (a) any change to the composition of the Board set out in paragraph 2.2(a) below; (b) any change in the proportion of votes required to pass a resolution of the shareholders, whether as an ordinary resolution or a special resolution or in respect of particular matters or generally; (c) any variation to the number of votes attached to a share of any class, except any such variation arising from an automatic conversion of a Class A Share into a Class B Share pursuant to paragraph 2.1(b) above; and (d) any change to this sub-paragraph, to the matters in respect of which each Class A Share and each Class B Share shall entitle its holder to one vote on a poll at a general meeting as summarised in paragraph 2.1 (b) above, or any change to the quorum requirements for meetings of the directors as summarised in paragraph 2.3 below, shall require the consent in writing of the holders of not less than three-fourths in nominal value of the issued Class A Shares.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

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(d) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares; (c) subdivide its existing shares or any of them into shares of smaller amount than is fixed by the Memorandum or into shares without par value; (d) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (e) make provision for the allotment and issue of shares which do not carry any voting rights; (f) change the currency of denomination of its share capital; and (g) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(e) Transfer of shares

Subject to the Cayman Companies Act and the requirements of the Stock Exchange, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House (as defined in the Articles) or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien, or if the proposed transfer does not comply with the Articles or any requirements of the Listing Rules. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the

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relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed in accordance with the terms equivalent to the relevant section of the Hong Kong Companies Ordinance at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(f) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

In the event the Company reduces the number of Class B Shares in issue through a purchase of its own shares, the holders of Class A Shares shall reduce their voting rights in the Company proportionately, whether through a conversion of a portion of their Class A Shares or otherwise, if the reduction in the number of Class B Shares in issue would otherwise result in an increase in the proportion of Class A Shares to the total number of shares in issue.

(g) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(h) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth,

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all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, as at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

2.2 Directors

(a) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting or the Articles. Any Director so appointed to fill a casual vacancy or as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors. Every Director (including those appointed for a specific term and the independent non-executive Directors) shall be subject to retirement by rotation at least once every three years. The Directors to retire in each year shall be

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those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The Company shall include the particulars of such proposed person for election as a Director in its announcement or supplementary circular, and shall give the shareholders at least seven days to consider the relevant information disclosed in such announcement or supplementary circular prior to the date of the meeting of the election.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the members of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place (including a managing director or other executive director). Any Director so appointed shall be subject to the retirement by rotation provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (i) resigns;
- (ii) dies;
- (iii) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (iv) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) he is prohibited from being or ceases to be a director by operation of law;
- (vi) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (vii) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (viii) is removed from office by no less than three-fourths in number of the Directors pursuant to the Articles.

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From time to time the Board may appoint one or more of the Directors to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

The appointment or re-appointment of Directors, including independent non-executive Directors, must be subject to the recommendation of the nomination committee.

(b) *Power to allot and issue shares and warrants*

Subject to the provisions of the Memorandum and the Articles, compliance with the Listing Rules and the Code on Takeovers and Mergers and Share Buy-back issued by the Securities and Futures Commission of Hong Kong and any direction that may be given by the Company in general meeting, and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine), provided that (1) no new class of Shares with voting rights superior to those of Class B Shares will be created; and (2) any variations in the relative rights as between the different classes will not result in the creation of a new class of Shares with voting rights superior to those of Class B Shares.

The Board may issue warrants to subscribe for Class B shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no shares shall be issued at a discount.

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Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, doing so is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) *Power to dispose of the assets of the Company or any of its subsidiaries*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(d) *Borrowing powers*

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, *pro rata*. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing

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director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(f) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(g) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(h) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by

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him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution. This prohibition shall not apply to any of the following matters:

- (i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the

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Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(i) *Independent non-executive Directors*

The role of an independent non-executive Director shall include, but is not limited to:

- (i) participating in Board meetings to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
- (ii) taking the lead where potential conflicts of interests arise;
- (iii) serving on the audit, remuneration, nomination and corporate governance committees, if invited; and
- (iv) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.

The independent non-executive Directors shall give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of the members.

The independent non-executive Directors shall make a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under the Cayman Islands laws and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

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2.5 Meetings of members

(a) *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the voting rights held by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Cayman Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An ordinary resolution, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(b) *Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company, provided that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (i) at least two members;

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- (ii) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iii) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, it may appoint proxies or authorise such person or persons as it thinks fit to act as its representative(s), who enjoy rights equivalent to the rights of other members, at any meeting of the Company (including but not limited to general meetings and creditors meetings) or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member, including the right to speak and vote individually on a show of hands or on a poll.

All Shareholders of the Company (including a Shareholder which is a Clearing House (or its nominee(s))) shall have the right to (a) speak at a general meeting and (b) vote at a general meeting except where a Shareholder is required by the Listing Rules to abstain from voting to approve the matter under consideration. Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, in which case any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) *Annual general meetings*

The Company must hold an annual general meeting in each financial year. Such meeting must be held within six months after the end of the Company's financial year.

(d) *Notices of meetings and business to be conducted*

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his

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registered address for this purpose. Subject to the Cayman Companies Act and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, if permitted by the Listing Rules, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95 per cent of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(e) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights, the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(f) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A corporation which is a member may execute a form of proxy under the hand of a duly authorised officer. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member present in person at any general meeting. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

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The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(g) *Members' requisition for meetings*

One or more members holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per share basis) in the share capital of the Company may also make a requisition to convene an extraordinary general meeting and/or add resolutions to the agenda of a meeting. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

2.6 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Act (which include all sales and purchases of goods by the Company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

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Subject to the rules of the stock exchange of the Relevant Territory, the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The members shall appoint auditor(s) to hold office by an ordinary resolution of the members until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the members in general meeting by an ordinary resolution of the members or by the Board if authority is so delegated by the members. The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in their place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (b) all dividends shall be apportioned and paid *pro rata* in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (c) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

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Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 per cent per annum, as the Board may decide. A payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

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The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

2.8 Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed in accordance with the terms equivalent to the relevant section of the Hong Kong Companies Ordinance) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

2.9 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under the Cayman Islands laws, as summarised in paragraph 3.6 of this Appendix.

2.10 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (a) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (b) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like

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sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, provided that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.11 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

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The Company was incorporated in the Cayman Islands as an exempted company on October 24, 2019 subject to the Cayman Companies Act. Certain provisions of the company laws of the Cayman Islands are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the company laws of the Cayman Islands, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

3.2 Share capital

Under the Cayman Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the share premium account. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) any manner provided in section 37 of the Cayman Companies Act;

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- (d) writing-off the preliminary expenses of the company; and
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of section 37A(1) of the Cayman Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Act.

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A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under the laws of the Cayman Islands that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss vs. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

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3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

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3.13 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands.

3.15 Register of directors and officers

Pursuant to the Cayman Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers. The Registrar of Companies shall make available the list of the names of the current directors of the Company (and, where applicable, the current alternate directors of the Company) for inspection by any person upon payment of a fee by such person. A copy of the register of directors and officers must be filed with the Registrar of Companies in the Cayman Islands, and any change must be notified to the Registrar of Companies within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

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In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by (i) 75% in value of the members or class of members or (ii) a majority in number representing 75% in value of the creditors or class of creditors, in each case depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, it can be expected that the court would approve the transaction if it is satisfied that (i) the company is not proposing to act illegally or beyond the scope of our corporate authority and the statutory provisions as to majority vote have been complied with, (ii) the members have been fairly represented at the meeting in question, (iii) the transaction is such as a businessman would reasonable approve and (iv) the transaction is not one that would more properly be sanctioned under some other provisions of the Companies Act or that would amount to a "fraud on the minority". If the transaction is approved, no dissenting member would have any rights comparable to the appraisal rights (namely the right to receive payment in cash for the judicially determined value of his shares), which may be available to dissenting members of corporations in other jurisdictions.

**APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND THE COMPANY LAWS OF THE CAYMAN ISLANDS**

3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.19 Indemnification

The laws of the Cayman Islands do not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

3.20 Economic Substance

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Act (2021 Revision) together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. The Company is required to comply with the economic substance requirements from July 1, 2019 and make an annual report in the Cayman Islands as to whether or not it is carrying on any relevant activities and if it is, it must satisfy an economic substance test.

4. GENERAL

Harney Westwood & Riegels, the Company's legal adviser on the laws of the Cayman Islands, have sent to the Company a letter of advice summarising certain aspects of the Cayman Companies Act. This letter, together with a copy of the Cayman Companies Act, is available for inspection as referred to in the paragraph headed "Documents delivered to the registrar of companies and on display" in Appendix VI to this document. Any person wishing to have a detailed summary of the Cayman Companies Act or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

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1. FURTHER INFORMATION ABOUT OUR GROUP

1.1 Incorporation of our Company

We were incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on October 24, 2019. We have established a principal place of business in Hong Kong at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong, and registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on March 31, 2022 under the same address. Ms. Yin Shan Hui has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong. The address for service of process is 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.

As we were incorporated in the Cayman Islands, our operations are subject to the Cayman Companies Act as well as the Memorandum of Association and Articles of Association. A summary of the relevant aspects of the Cayman Companies Act and certain provisions of the Memorandum of Association and Articles of Association is set out in “Summary of the Constitution of Our Company and the Company Laws of the Cayman Islands” in Appendix IV to this document.

1.2 Changes in the share capital of our Company

Our Company was incorporated with an authorized share capital of US\$50,000 divided into 5,000,000,000 Ordinary Shares with a par value of US\$0.00001 each.

The following sets out the changes in the share capital of our Company during the two years immediately preceding the date of this document:

- (a) On September 25, 2021, we issued 7,827,288 Class A Ordinary Shares, each with a par value of US\$0.00001, to Woncher Holding Limited.
- (b) In October 2021, the Company redesignated and reclassified 212,765,236 Class A Ordinary Shares into Series C1 Preferred Shares, and 72,250,382 Class A Ordinary Shares into Series C2 Preferred Shares. On October 29, 2021, we issued an aggregate of 123,058,094 Series C1 Preferred Shares, each with a par value of US\$0.00001, to Deep Red Holdings Limited, TB Racing Rabbits Investment Holdings L.P., Eternal Earn Holding Limited, D1 SPV Master Holdco I (Hong Kong) Limited, D1 SPV Jupiter (Hong Kong) Limited, GCM Grosvenor JT SPV, LLC, AMF-9 Holdings Limited, JNRY III HOLDINGS LIMITED, Jallion Global Limited, Ultra Height Fund L.P., Dahlia Investments Pte. Ltd., SC GGF III Holdco, Ltd., Portland Street Partners Limited and SAI Growth Fund I, LLLP.
- (c) On November 16, 2021, we issued 2,836,870 Series C1 Preferred Shares to LINK Delivery Investment Limited.
- (d) On December 8, 2021, we issued 3,546,087 Series C1 Preferred Shares to Hidden Hill SPV VIII.
- (e) On December 31, 2021, we repurchased an aggregate of 24,440,890 Shares from Topping Summit Limited, Strict Forward Limited, Square Lord Limited, LONG ORIGIN LIMITED, STARLIGHT HERO LIMITED, EASY INNOVATION LIMITED, LONG SHINING LIMITED, Super Explorer Investment Limited, Joyous Sound Limited,

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Ambitious River Limited, Team Spirit Group Limited, Grow Profit Enterprises Limited, Vast Admire Limited, Fast Rabbit Global Limited, Joyous Tempinis Limited, Fast Creative Zone Limited, Jaunty Global Limited, Rhododendron Investment Limited, JNRY III HOLDINGS LIMITED, SC GGF III Holdco, Ltd, Vast Elegance Limited, BLESSED TIGER LIMITED, ZWC JT Investment Limited and XN Origin International Limited.

We issued an aggregate of 29,050,803 Shares, each with a par value of US\$0.00001, to Ultra Height Fund L.P., Speedy Innovation L.P. and Yimeter Holding Limited on the same day.

- (f) On January 19, 2022, we issued 8,510,609 Series C1 Preferred Shares to Parallel Cluster Investment Limited.
- (g) On January 29, 2022, we repurchased an aggregate of 10,394,682 Shares from Topping Summit Limited, Strict Forward Limited, Square Lord Limited, LONG ORIGIN LIMITED, STARLIGHT HERO LIMITED, EASY INNOVATION LIMITED, LONG SHINING LIMITED, Super Explorer Investment Limited, Joyous Sound Limited, Ambitious River Limited, Fast Rabbit Global Limited, Team Spirit Group Limited, Grow Profit Enterprises Limited, Vast Admire Limited, Joyous Tempinis Limited, Fast Creative Zone Limited, Jaunty Global Limited, Rhododendron Investment Limited, JNRY III HOLDINGS LIMITED, SC GGF III Holdco, Ltd, Vast Elegance Limited, BLESSED TIGER LIMITED, ZWC JT Investment Limited and XN Origin International Limited.

We issued 10,394,682 Series C2 Preferred Shares, each with a par value of US\$0.00001, to Tickking Holding Limited on the same day.

- (h) On February 28, 2022, we issued an aggregate of 3,900,696 Series C1 Preferred Shares, each with a par value of US\$0.00001, to Hidden Hill Investment 123 and Tranquility Ventures Limited.
- (i) On March 2, 2022, we repurchased an aggregate of 13,772,356 Shares from Jumping Summit Limited, Strict Forward Limited, Square Lord Limited, LONG ORIGIN LIMITED, STARLIGHT HERO LIMITED, EASY INNOVATION LIMITED, LONG SHINING LIMITED, Super Explorer Investment Limited, Joyous Sound Limited, Ambitious River Limited, Team Spirit Group Limited, Grow Profit Enterprises Limited, Vast Admire Limited, Fast Rabbit Global Limited, Joyous Tempinis Limited, Fast Creative Zone Limited, Jaunty Global Limited, Rhododendron Investment Limited, JNRY III HOLDINGS LIMITED, SC GGF III Holdco, Ltd, Vast Elegance Limited, BLESSED TIGER LIMITED, ZWC JT Investment Limited and XN Origin International Limited. On the same day, 709,217 Series C1 Preferred Shares held by Jallion Global Limited were surrendered and cancelled.

We issued 13,772,356 Series C2 Preferred Shares, each with a par value of US\$0.00001, to Yimeter Holding Limited on the same day.

- (j) On March 3, 2022, we issued 1,060,915 Series C1 Preferred Shares, each with a par value of US\$0.00001, to Hidden Hill Investment 112.
- (k) On March 21, 2022, we issued 614,057 Series C1 Preferred Shares to Ultra Height Fund L.P and 22,287,975 Class A Ordinary Shares each with a par value of US\$0.00001 each to Jumping Summit Limited. The Class A Ordinary Shares issued to Jumping Summit Limited were converted to Class B Ordinary Shares on the same day.

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- (l) On April 8, 2022, we issued 1,474,280 Class A Ordinary Shares to Woncher Holding Limited.
- (m) On August 25, 2022, we repurchased an aggregate of 6,920,379 Shares from Uranus Holding Limited. We completed the issuance of 6,920,379 Series C2 Preferred Shares to Precision World Limited on the same day.
- (n) On September 28, 2022, we issued 38,000,000 Class A Ordinary Shares to NP Investment Platform Limited.
- (o) On September 30, 2022, we repurchased an aggregate of 1,449,568 Shares from Super Explorer Investment Limited, Top Valley Limited, Lead Sky Capital Limited and Constant Power Investment Limited.
- (p) On May 17, 2023, the Company's share capital was reclassified and re-designated as follows: (i) 3,719,302,324 Class A Ordinary Shares of par value of USD0.00001 each; (ii) 195,866,682 Class B Ordinary Shares of par value of USD0.00001 each; (iii) 74,666,665 Series Pre-A1 Preferred Shares of par value of USD0.00001 each; (iv) 54,266,667 Series Pre-A2 Preferred Shares of par value of USD0.00001 each; (v) 269,921,165 Series A Preferred Shares of par value of USD0.00001 each; (vi) 22,462,293 Series B Preferred Shares of par value of USD0.00001 each; (vii) 255,864,131 Series B+ Preferred Shares of par value of USD0.00001 each; (viii) 266,173,696 Series C1 Preferred Shares of par value of USD0.00001 each; (ix) 115,332,586 Series C2 Preferred Shares of par value of USD0.00001 each; and (x) 26,143,791 Series D Preferred Shares of par value of USD0.00001 each.
- (q) On May 17, 2023, we issued: (i) 24,557,934 Class B Ordinary Shares to Jumping Summit Limited; (ii) 261,438 Class A Ordinary Shares to Woncher Holding Limited; (iii) an aggregate of 118,745,672 Series C1 Preferred Shares to Deep Red Holdings Limited, TB RACING RABBITS INVESTMENTS HOLDINGS L.P., Eternal Earn Holding Limited, D1 SPV Master Holdco I (Hong Kong) Limited, D1 SPV Jupiter (Hong Kong) Limited, GCM Grosvenor JT SPV, LLC, AMF-9 Holdings Limited, JNRY III HOLDINGS LIMITED, Jallion Global Limited, Ultra Height Fund L.P., DAHLIA INVESTMENTS PTE. LTD., SC GGF III Holdco, Ltd., Portland Street Partners Limited, SAI Growth Fund I, LLLP, LINK Delivery Investment Limited, Hidden Hill SPV VIII, Speedy Innovation L.P., Parallel Cluster Investment Limited, Hidden Hill Investment 123, Tranquility Ventures Limited and Hidden Hill Investment 112; (iv) an aggregate of 43,082,204 Series C2 Preferred Shares to Yimeter Holding Limited, Tickking Holding Limited, LINK Delivery Investment Limited, China Logistic Investment Holding (11) Limited, China Logistic Investment Holding (12) Limited, Uranus Holding Limited (excluding the redesignation and reclassification of 16,722,075 Series C2 Shares) and Precision World Limited; and (v) 26,143,791 Series D Preferred Shares to CELESTIAL OCEAN INVESTMENTS LIMITED.

Save as disclosed above and in this document, there has been no alteration in the authorized or issued share capital of our Company during the two years immediately preceding the date of this document.

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1.3 Changes in the share capital of our major subsidiaries and operating entities

A summary of the corporate information and the particulars of our subsidiaries are set out in note 18b to the Accountant’s Report as set out in Appendix I to this document.

Our Company [was granted] a waiver from strict compliance with the requirements of paragraph 26 of Part A of Appendix 1 to the Listing Rules in respect of disclosing the particulars of any alterations in the capital of any member of our Group within two years immediately preceding the issue of this Document. For details, see “Waivers – Waiver in relation to the disclosure requirements with respect to changes in share capital”.

The following alterations in the registered capital of our selected subsidiaries have taken place within the two years preceding the date of this document:

- i) The registered share capital of Winner Star Holdings Limited was increased from HK\$1 to HK\$1,000,000 on January 31, 2022.

1.4 Substantial shareholders of other members of the Group

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the following persons are directly or indirectly interested in 10% or more of the issued voting shares of the following major subsidiaries of the Company:

Name of Subsidiary	Name of Shareholder	Approximate Percentage of Ownership
Infinity Jet Holding Limited	Suteemon Aggarwal	51%
J&T Express (Fujian) Supply Chain Management Co., Ltd.	Chongqing Jiesheng Supply Chain Technology Co., Ltd	15%
J&T Express (Hebei) Acme Supply Chain Management Co., Ltd.	Chongqing Jiehong Supply Chain Technology Co., Ltd	15%
J&T Express (Henan) Acme Supply Chain Management Co., Ltd.	Chongqing Jieben Supply Chain Technology Co., Ltd	15%
J&T Express (Shandong) Supply Chain Co., Ltd.	Chongqing Qiyue Supply Chain Technology Co., Ltd	15%
J&T Express (Jieyang) Supply Chain Management Co., Ltd.	Chongqing Zhujie Supply Chain Technology Co., Ltd	15%

To the best of their knowledge, our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company or any other member of our Group.

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1.5 Resolutions passed in the meeting of our Shareholders dated [●]

Pursuant to the written resolutions of our Shareholders passed on [●], resolutions were passed under which, among other things:

- (i) the Memorandum and the Articles of Association were conditionally approved and adopted with effect from the [REDACTED];
- (ii) conditional on: (a) the Listing Committee granting approval of the [REDACTED] of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document; (b) the [REDACTED] being duly determined among our Company and the [REDACTED] (for themselves and on behalf of the [REDACTED]); and (c) the obligations of the [REDACTED] under the [REDACTED] Agreements becoming unconditional and not being terminated in accordance with the terms of the [REDACTED] Agreements or otherwise, in each case on or before the dates as may be specified in the [REDACTED] Agreements:
 - (a) the Reclassification, Redesignation and Share Subdivision were approved;
 - (b) the [REDACTED] (including the [REDACTED]) was approved, and the proposed allotment and issue of the [REDACTED] Shares under the [REDACTED] were approved, and the Directors were authorized to determine the [REDACTED] for, and to allot and issue the [REDACTED];
 - (c) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with Class B Shares or securities convertible into Class B Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Class B Shares) which might require Class B Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Class B Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than by way of the [REDACTED], rights issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by the Company from time to time or, pursuant to the exercise of any options which may be granted under the allotment and issue of Class B Shares in lieu of the whole or part of a dividend on Class B Shares in accordance with the Articles of Association on a specific authority granted by our Shareholders in general meeting, shall not exceed 20% of the aggregate nominal value of the Shares in issue immediately following the completion of the [REDACTED], excluding any Class B Shares to be issued pursuant to the exercise of the [REDACTED] and Class B Shares to be issued upon conversion of Class A Shares into Class B Shares on a one to one basis;
 - (d) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following the completion of the [REDACTED], excluding any Class B Shares to be sold, or issued and allotted pursuant to the exercise of the [REDACTED] and Class B Shares to be issued upon conversion of Class A Shares into Class B Shares on a one to one basis; and

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- (e) the Repurchase Mandate was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (e) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the [REDACTED], excluding any Class B Shares to be sold, or issued and allotted pursuant to the exercise of the [REDACTED] and Class B Shares to be issued upon conversion of Class A Shares into Class B Shares on a one to one basis.

Each of the general mandates referred to in sub-paragraphs (d), (e), and (f) above will remain in effect until whichever is the earliest of:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; and
- the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

1.6 Explanatory statement on repurchase of our own securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this document concerning the repurchase of our own securities.

Provision of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on [●], the Repurchase Mandate was given to our Directors authorising them to exercise all the powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following the completion of the [REDACTED] (excluding any Class B Shares to be sold, or issued and allotted pursuant to the exercise of the [REDACTED] and Class B Shares to be issued upon conversion of Class A Shares into Class B Shares on a one to one basis), with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association, and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

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Source of funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable Laws of Hong Kong and the Cayman Islands. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of the laws of the Cayman Islands, any purchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles of Association and subject to the Cayman Companies Act. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles of Association and subject to the Cayman Companies Act.

Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

Status of repurchased Shares

The listing of all purchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase the directors of the Company resolve to hold the shares purchased by the Company as treasury shares, shares purchased by the Company shall be treated as cancelled and the amount of the Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorised share capital under the laws of the Cayman Islands.

Suspension of repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period

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(whether or not required under the Listing Rules) and the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

Core connected persons

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell their securities to the company.

Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

Funding of repurchases

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases with profits of the Company or out of a new issuance of shares made for the purpose of the repurchase or from sums standing to the credit of our share premium account or, if authorised by the Articles of Association and subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorised by the Articles of Association and subject to the Cayman Companies Act, out of capital.

However, our Directors do not propose to exercise the general mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for the Company.

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General

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately following the completion of the [REDACTED] (assuming that (i) the [REDACTED] is not exercised and (ii) the Reclassification, Redesignation and Share Subdivision are completed), could accordingly result in up to approximately [REDACTED] Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; and
- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue or such other minimum percentage prescribed by the Stock Exchange could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be granted other than in exceptional circumstances.

No core connected person of our Company has notified our Company that they have a present intention to sell Shares to our Company, or have undertaken not to do so, if the Repurchase Mandate is exercised.

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2. FURTHER INFORMATION ABOUT OUR BUSINESS

2.1 Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company, our subsidiaries or Consolidated Affiliated Entities within the two years preceding the date of this document and are or may be material as well as contracts required to be disclosed pursuant to the Stock Exchange’s Listing Decision HKEX-LD43-3:

- (1) an exclusive business cooperation agreement dated January 18, 2023 entered into among Chongqing Yunqing and Shanghai Yishangshiye, pursuant to which Chongqing Yunqing agreed to provide exclusive technical and business support and consultation services to Shanghai Yishangshiye in return for service fees;
- (2) an exclusive option agreement dated January 18, 2023 entered into among Chongqing Yunqing, Mr. Liu Wei (劉偉), Ms. Wu Rongmei (吳蓉眉) and Shanghai Yishangshiye, pursuant to which Mr. Liu Wei (劉偉) and Ms. Wu Rongmei (吳蓉眉) agreed to grant Chongqing Yunqing or its designated person(s) an exclusive and irrevocable option to purchase from Mr. Liu Wei (劉偉) and Ms. Wu Rongmei (吳蓉眉) all or part of their equity interests in Shanghai Yishangshiye and from Shanghai Yishangshiye all or any part of the assets of Shanghai Yishangshiye and its subsidiaries;
- (3) a loan agreement dated January 18, 2023 entered into among Chongqing Yunqing, Mr. Liu Wei (劉偉) and Ms. Wu Rongmei (吳蓉眉), pursuant to which Chongqing Yunqing enjoys the right of the creditor against Mr. Liu Wei (劉偉) and Ms. Wu Rongmei (吳蓉眉) in an aggregate amount of RMB10 million (the “Loans”), and such Loans have been used for contribution to paid-in capital of Shanghai Yishangshiye;
- (4) a shareholder rights proxy agreement dated January 18, 2023, entered into among Chongqing Yunqing, Mr. Liu Wei (劉偉), Ms. Wu Rongmei (吳蓉眉) and Shanghai Yishangshiye, pursuant to which Mr. Liu Wei (劉偉) and Ms. Wu Rongmei (吳蓉眉) appoints Chongqing Yunqing or its designated persons to exercise all of the rights as registered shareholders of Shanghai Yishangshiye;
- (5) an exclusive equity pledge agreement dated January 18, 2023 entered into among Chongqing Yunqing, Mr. Liu Wei (劉偉), Ms. Wu Rongmei (吳蓉眉) and Shanghai Yishangshiye, pursuant to which Mr. Liu Wei (劉偉) and Ms. Wu Rongmei (吳蓉眉) agreed to pledge all of their existing and future equity interests in Shanghai Yishangshiye to Chongqing Yunqing;
- (6) a spouse undertaking dated January 18, 2023 executed by Ms. Tong Ke (仝珂), pursuant to which Ms. Tong Ke (仝珂) undertook, among others, that she has no right to or control over Mr. Liu Wei (劉偉) consolidated affiliated entities which hold interests in Shanghai Yishangshiye and will not have any claim over such interests;
- (7) a spouse undertaking dated January 18, 2023 executed by Mr. Li Jiaying (李佳興), pursuant to which Mr. Li Jiaying (李佳興) undertook, among others, she has no right to or control over Ms. Wu Rongmei (吳蓉眉) consolidated affiliated entities which hold interests in Shanghai Yishangshiye and will not have any claim on such interests;

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- (8) a loan agreement dated March 29, 2022 entered into by and between PT Cahaya Global Berjaya and PT Global Jet Express, pursuant to which PT Cahaya Global Berjaya agreed to provide loans in an aggregate amount of Rp 3,000,000,000 to PT Global Jet Express to support its business operations.
- (9) a guarantee agreement dated March 29, 2022, entered into by and between Effendy, Robin Lo and PT Cahaya Global Berjaya, pursuant to which Effendy and Robin Lo, each as 50% shareholders of PT Cakrawala Lintas Benua, have agreed to guarantee to PT Cahaya Global Berjaya, the payment obligation of PT Global Jet Express under the loan agreement;
- (10) a guarantee agreement dated March 29, 2022, entered into by and between Effendy, Robin Lo and PT Cahaya Global Berjaya, pursuant to which Effendy and Robin Lo, each as 50% shareholders of PT Sukes Indo Investama, have agreed to guarantee to PT Cahaya Global Berjaya, the payment obligation of PT Global Jet Express under the loan agreement;
- (11) a guarantee agreement dated March 29, 2022, entered into by and between PT Cakrawala Lintas Benua, PT Sukes Indo Investama and PT Cahaya Global Berjaya, pursuant to which PT Cakrawala Lintas Benua and PT Sukses Indo Investama have agreed to guarantee to PT Cahaya Global Berjaya, the payment obligation of PT Global Jet Express under the loan agreement;
- (12) an exclusive option agreement dated March 29, 2022, entered into by and between Effendy, PT Cahaya Global Berjaya and PT Cakrawala Lintas Benua, pursuant to which both Effendy and PT Cakrawala Lintas Benua have agreed to grant the exclusive option to PT Cahaya Global Berjaya and undertakes to sell to PT Cahaya Global Berjaya or its designee all of Effendy's equity interests in PT Cakrawala Lintas Benua and all the assets of PT Cakrawala Lintas Benua to secure the payment obligation of PT Global Jet Express to PT Cahaya Global Berjaya;
- (13) an exclusive option agreement dated March 29, 2022, entered into by and between Effendy, PT Cahaya Global Berjaya and PT Sukses Indo Investama, pursuant to which both Effendy and PT Sukses Indo Investama have agreed to grant the exclusive option to PT Cahaya Global Berjaya and undertakes to sell to PT Cahaya Global Berjaya or its designee all of Effendy's equity interests in PT Sukses Indo Investama and all the assets of PT Sukses Indo Investama to secure the payment obligation of PT Global Jet Express to PT Cahaya Global Berjaya.
- (14) an exclusive option agreement dated March 29, 2022, entered into by and between Robin Lo, PT Cahaya Global Berjaya and PT Cakrawala Lintas Benua, pursuant to which both Robin Lo and PT Cakrawala Lintas Benua have agreed to grant the exclusive option to PT Cahaya Global Berjaya and undertakes to sell to PT Cahaya Global Berjaya or its designee all of Robin Lo's equity interests in PT Cakrawala Lintas Benua and all the assets of PT Cakrawala Lintas Benua to secure the payment obligation of PT Global Jet Express to PT Cahaya Global Berjaya.
- (15) an exclusive option agreement dated March 29, 2022, entered into by and between Robin Lo, PT Cahaya Global Berjaya and PT Sukses Indo Investama, pursuant to which both Robin Lo and PT Sukses Indo Investama have agreed to grant the exclusive option to PT Cahaya Global Berjaya and undertakes to sell to PT Cahaya Global Berjaya or its designee all of Robin Lo's equity interests in PT Sukses Indo Investama and all the assets of PT Sukses Indo Investama to secure the payment obligation of PT Global Jet Express to PT Cahaya Global Berjaya;

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- (16) an exclusive option agreement dated March 29, 2022, entered into by and between PT Cakrawala Lintas Benua, PT Cahaya Global Berjaya and PT Global Jet Express, pursuant to which both PT Cakrawala Lintas Benua and PT Global Jet Express have agreed to grant the exclusive option to PT Cahaya Global Berjaya and undertakes to sell to PT Cahaya Global Berjaya or its designee all of their rights to PT Cakrawala Lintas Benua's equity interest in PT Global Jet Express and all the assets of PT Global Jet Express to secure the payment obligation of PT Global Jet Express to PT Cahaya Global Berjaya;
- (17) an exclusive option agreement dated March 29, 2022, entered into by and between PT Sukses Indo Investama, PT Cahaya Global Berjaya and PT Global Jet Express, pursuant to which both PT Sukses Indo Investama and PT Global Jet Express have agreed to grant the exclusive option to PT Cahaya Global Berjaya and undertakes to sell to PT Cahaya Global Berjaya or its designee all of their rights to PT Sukses Indo Investama's equity interest in PT Global Jet Express and all the assets of PT Global Jet Express to secure the payment obligation of PT Global Jet Express to PT Cahaya Global Berjaya;
- (18) a share pledge agreement dated March 29, 2022, entered into by and between Effendy and PT Cahaya Global Berjaya, pursuant to which Effendy agrees to pledge his entire equity interest in PT Cakrawala Lintas Benua to PT Cahaya Global Berjaya to secure the payment obligation of PT Global Jet Express to PT Cahaya Global Berjaya;
- (19) a share pledge agreement dated March 29, 2022, entered into by and between Robin Lo and PT Cahaya Global Berjaya, pursuant to which Robin Lo agrees to pledge his entire equity interest in PT Cakrawala Lintas Benua to PT Cahaya Global Berjaya to secure the payment obligation of PT Global Jet Express to PT Cahaya Global Berjaya;
- (20) a share pledge agreement dated March 29, 2022, entered into by and between Effendy and PT Cahaya Global Berjaya, pursuant to which Effendy agrees to pledge his entire equity interest in PT Sukses Indo Investama to PT Cahaya Global Berjaya to secure the payment obligation of PT Global Jet Express to PT Cahaya Global Berjaya;
- (21) a share pledge agreement dated March 29, 2022, entered into by and between Robin Lo and PT Cahaya Global Berjaya, pursuant to which Robin Lo agrees to pledge his entire equity interest in PT Sukses Indo Investama to PT Cahaya Global Berjaya to secure the payment obligation of PT Global Jet Express to PT Cahaya Global Berjaya;
- (22) a share pledge agreement dated March 29, 2022, entered into by and between PT Cakrawala Lintas Benua and PT Cahaya Global Berjaya, pursuant to which PT Cakrawala Lintas Benua agrees to pledge its entire equity interest in PT Global Jet Express to PT Cahaya Global Berjaya to secure the payment obligation of PT Global Jet Express to PT Cahaya Global Berjaya;
- (23) a share pledge agreement dated March 29, 2022, entered into by and between PT Sukses Indo Investama and PT Cahaya Global Berjaya, pursuant to which PT Sukses Indo Investama agrees to pledge its entire equity interest in PT Global Jet Express to PT Cahaya Global Berjaya to secure the payment obligation of PT Global Jet Express to PT Cahaya Global Berjaya;
- (24) an exclusive technical service agreement dated March 29, 2022, entered into by and between PT Cahaya Global Berjaya and PT Global Jet Express, pursuant to which PT Global Jet Express agreed to retain PT Cahaya Global Berjaya to provide management consultancy services to PT Global Jet Express in return for service fees;

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- (25) an irrevocable power of attorney to sell dated March 29, 2022, entered into by and between Effendy and PT Cahaya Global Berjaya, pursuant to which Effendy agreed to grant power of attorney to PT Cahaya Global Berjaya to act as its proxy in respect of the sale, transfer or otherwise disposal of its equity interest in PT Cakrawala Lintas Benua;
- (26) an irrevocable power of attorney to sell dated March 29, 2022, entered into by and between Effendy and PT Cahaya Global Berjaya, pursuant to which Effendy agreed to grant power of attorney to PT Cahaya Global Berjaya to act as its proxy in respect of the sale, transfer or otherwise disposal of its equity interest in PT Sukses Indo Investama;
- (27) an irrevocable power of attorney to sell dated March 29, 2022, entered into by and between Robin Lo and PT Cahaya Global Berjaya, pursuant to which Robin Lo agreed to grant power of attorney to PT Cahaya Global Berjaya to act as its proxy in respect of the sale, transfer or otherwise disposal of its equity interest in PT Cakrawala Lintas Benua;
- (28) an irrevocable power of attorney to sell dated March 29, 2022, entered into by and between Robin Lo and PT Cahaya Global Berjaya, pursuant to which Robin Lo agreed to grant power of attorney to PT Cahaya Global Berjaya to act as its proxy in respect of the sale, transfer or otherwise disposal of its equity interest in PT Sukses Indo Investama;
- (29) an irrevocable power of attorney to sell dated March 29, 2022, entered into by and between PT Cakrawala Lintas Benua and PT Cahaya Global Berjaya, pursuant to which PT Cakrawala Lintas Benua agreed to grant power of attorney to PT Cahaya Global Berjaya to act as its proxy in respect of the sale, transfer or otherwise disposal of its equity interest in PT Global Jet Express;
- (30) an irrevocable power of attorney to sell dated March 29, 2022, entered into by and between PT Sukses Indo Investama and PT Cahaya Global Berjaya, pursuant to which PT Sukses Indo Investama agreed to grant power of attorney to PT Cahaya Global Berjaya to act as its proxy in respect of the sale, transfer or otherwise disposal of its equity interest in PT Global Jet Express;
- (31) an irrevocable power of attorney to exercise shareholder rights dated March 29, 2022, entered into by and between Effendy and PT Cahaya Global Berjaya, pursuant to which Effendy agreed to grant power of attorney to PT Cahaya Global Berjaya to act as its proxy in respect of the exercise of its shareholder rights in PT Cakrawala Lintas Benua;
- (32) an irrevocable power of attorney to exercise shareholder rights dated March 29, 2022, entered into by and between Effendy and PT Cahaya Global Berjaya, pursuant to which Effendy agreed to grant power of attorney to PT Cahaya Global Berjaya to act as its proxy in respect of the exercise of its shareholder rights in PT Sukses Indo Investama;
- (33) an irrevocable power of attorney to exercise shareholder rights dated March 29, 2022, entered into by and between Robin Lo and PT Cahaya Global Berjaya, pursuant to which Robin Lo agreed to grant power of attorney to PT Cahaya Global Berjaya to act as its proxy in respect of the exercise of its shareholder rights in PT Cakrawala Lintas Benua;
- (34) an irrevocable power of attorney to exercise shareholder rights dated March 29, 2022, entered into by and between Robin Lo and PT Cahaya Global Berjaya, pursuant to which Robin Lo agreed to grant power of attorney to PT Cahaya Global Berjaya to act as its proxy in respect of the exercise of its shareholder rights in PT Sukses Indo Investama;

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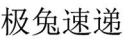
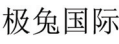
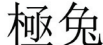
- (35) an irrevocable power of attorney to exercise shareholder rights dated March 29, 2022, entered into by and between PT Cakrawala Lintas Benua and PT Cahaya Global Berjaya, pursuant to which PT Cakrawala Lintas Benua agreed to grant power of attorney to PT Cahaya Global Berjaya to act as its proxy in respect of the exercise of its shareholder rights in PT Global Jet Express;
- (36) an irrevocable power of attorney to exercise shareholder rights dated March 29, 2022, entered into by and between PT Sukses Indo Investama and PT Cahaya Global Berjaya, pursuant to which PT Sukses Indo Investama agreed to grant power of attorney to PT Cahaya Global Berjaya to act as its proxy in respect of the exercise of its shareholder rights in PT Global Jet Express;
- (37) a spousal consent and undertaking dated March 29, 2022, executed by Verawaty, pursuant to which Verawaty undertook, among others, to refuse and not claim any of Robin Lo’s equity interests in PT Cakrawala Lintas Benua;
- (38) a spousal consent and undertaking dated March 29, 2022, executed by Verawaty, pursuant to which Verawaty undertook, among others, to refuse and not claim any of Robin Lo’s equity interests in PT Sukses Indo Investama; and
- (39) the [REDACTED].

2.2 Intellectual property rights of our Group

As of the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which are material in relation to our business.

2.2.1 Trademarks



As of the Latest Practicable Date, we have registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Registered owner	Class(es)	Place of registration	Registration/ Application number	Registration Date
1.		J&T Express China	39	PRC	38630690	2020-03-28
2.		J&T Express China	39	PRC	38630692	2020-05-14
3.		J&T Express China	39	PRC	40937194	2020-04-21
4.		J&T Express China	39	PRC	43795680	2021-06-07
5.		J&T Express China	39	PRC	53060502	2021-11-07
6.		J&T Express China	39	PRC	54076632	2021-12-28
7.		J&T Express China	39	PRC	56554230	2022-01-07
8.		Winner Star	9, 35, 39, 42	Hong Kong	305158800	2019-12-31

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No.	Trademark	Registered owner	Class(es)	Place of registration	Registration/ Application number	Registration Date
9.	极兔	Winner Star	9, 35, 39, 42	Singapore	40202000424R	2020-06-06
10.	极兔	Winner Star	35	Malaysia	TM2020114458	2020-03-04
11.	极兔	Winner Star	9, 35, 39, 42	Philippines	4/2020/00000644	2020-07-26
12.	J&T <i>EXPRESS</i>	Winner Star	39	Hong Kong	305215121	2020-03-11
13.	J&T <i>EXPRESS</i>	Winner Star	39	United Arab Emirates	331425	2020-09-29
14.	J&T <i>EXPRESS</i>	Winner Star	39	Mexico	2119528	2020-09-04
15.	J&T <i>EXPRESS</i>	Winner Star	39	Saudi Arabia	1441028960	2020-11-04
16.	J&T <i>EXPRESS</i>	Winner Star	9, 16, 17, 22, 35, 36, 37, 42	Singapore	40202008690T	2020-10-22
17.	J&T <i>EXPRESS</i>	Winner Star	39	Singapore	40202012469U	2021-03-02
18.	J&T	Winner Star	35, 36, 39	Singapore	40202027821W	2021-07-15
19.	J&T Cargo	Winner Star	39	Brazil, Indonesia, Cambodia, Mexico, Philippines	1618834	2021-07-29
20.	J&T Cargo	Winner Star	39	Egypt, Malaysia, Thailand and Vietnam	1618834	Registration in progress
21.	极兔	Winner Star	39	Mexico	2318297	2021-10-27
22.	J&T AIRLINES (紅色)	Winner Star	39	Indonesia	IDM000629369	2017-12-08
23.	J&T LOGISTIC (紅色)	Winner Star	39	Indonesia	IDM000629368	2017-12-08
24.	J&T EXPRESS (紅色)	Winner Star	39	Indonesia	IDM000586998	2017-11-28
25.	J&T Express	Winner Star	39	Singapore	40201513615S	2016-01-20
26.	J&T Logistic	Winner Star	39	Singapore	40201513618Y	2016-01-13
27.	J&T Airlines	Winner Star	39	Singapore	40201513617W	2016-01-13
28.	J&T Express	Winner Star	39	Singapore	40201513616V	2016-01-20
29.	J&T Express	Winner Star	39	Malaysia	2016059717	2016-05-27
30.	J&T Logistic	Winner Star	39	Malaysia	2016059715	2016-05-27
31.	J&T Airlines	Winner Star	39	Malaysia	2016059716	2016-05-27
32.	J&T Express	Winner Star	39	Malaysia	2016059718	2016-05-27
33.	J&T Express	Winner Star	39	Thailand	171122442	2017-07-19
34.	J&T Airlines	Winner Star	39	Thailand	171122489	2017-07-19
35.	J&T Logistic	Winner Star	39	Thailand	171122491	2017-07-19
36.	J&T Express	Winner Star	39	Cambodia	63554	2017-04-21
37.	J&T Logistic	Winner Star	39	Cambodia	63552	2017-04-21
38.	J&T Airlines	Winner Star	39	Cambodia	63551	2017-04-21
39.	J&T Express	Winner Star	39	Cambodia	63553	2017-04-21

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No.	Trademark	Registered owner	Class(es)	Place of registration	Registration/ Application number	Registration Date
40.	J&T Express	Winner Star	39	Philippines	504561	2016-06-23
41.	J&T Express	Winner Star	39	Vietnam	281490	2017-05-15
42.	J&T Logistic	Winner Star	39	Vietnam	281491	2017-05-15
43.	J&T Airlines	Winner Star	39	Vietnam	281492	2017-05-15
44.		Winner Star	39	Egypt	1561295	2020-10-14
45.		Winner Star	39	Brazil	923153942	Registration in progress
46.	极兔	Winner Star	9, 35, 39, 42	Thailand	221108236	2020-01-22
47.	J&T 极兔国际	J&T Express	39	PRC	65197229	2022-12-21
48.	J&T Cargo	J&T Express	39	PRC	62862145	2022-12-13
49.	J&T Cargo	Winner Star	39	Singapore	40202117123W	2021-07-16
50.	J&T Cargo	Winner Star	39	United Arab Emirates	360746	2021-09-29

2.2.2 Patents

As of the Latest Practicable Date, we have sixteen pending patent applications in mainland China.

2.2.3 Copyrights

As of the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business:

(i) *Software (軟件)*

No.	Copyright	Version	Place of Registration	Registration Number	Registration Date
1.	JMS Prepayments Management System	1.0	PRC	2021SR1113123	2021-07-28
2.	JMS Capacity Platform Route Management System	1.0	PRC	2021SR1106591	2021-07-27
3.	Customer Electronic Waybill Platform Maintenance System	1.0	PRC	2021SR1106600	2021-07-27
4.	Driver Signature and Task Query APP	1.0	PRC	2021SR1112729	2021-07-28
5.	WeChat Casual Client Order Delivery System	1.0	PRC	2021SR1112584	2021-07-28
6.	Project Work Order Management System	1.0	PRC	2021SR1112746	2021-07-28
7.	Recycling Transfer Package APP	1.0	PRC	2021SR1112747	2021-07-28
8.	Jiexiao Recycling Transfer Package Backstage Management System	1.0	PRC	2021SR1119739	2021-07-29

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No.	Copyright	Version	Place of Registration	Registration Number	Registration Date
9.	STO Global Official Website Tracking Display Docking System	1.0	PRC	2021SR1209297	2021-08-16
10.	Procurement Price Management System	1.0	PRC	2021SR1209791	2021-08-16
11.	JMS Information Cockpit Monitoring Platform	1.0	PRC	2021SR1209359	2021-08-16
12.	Recycling Transfer Auto Compilation of Packages APP	1.0	PRC	2021SR1209360	2021-08-16
13.	Platform Capacity Management System	1.0	PRC	2021SR1209356	2021-08-16
14.	Customer Claims Management System	1.0	PRC	2021SR1281939	2021-08-30
15.	Customer Complaint and Feedback System	1.0	PRC	2021SR1281940	2021-08-30
16.	Equipment Software Information Management System	1.0	PRC	2021SR1281941	2021-08-30
17.	Driver Check-In and Reporting System	1.0	PRC	2021SR1285863	2021-08-30
18.	Web Complaints System	1.0	PRC	2021SR1285816	2021-08-30
19.	Equipment Software Information Management System	2.0	PRC	2021SR1981607	2021-12-02
20.	JTS Express Express Station Management System	1.0	PRC	2021SR2019527	2021-12-08
21.	JTS Area Smart Planning System	1.0	PRC	2021SR2019526	2021-12-08
22.	J&T International API Platform	1.0	PRC	2021SR2019525	2021-12-08
23.	JTS Online Payments Platform	1.0	PRC	2021SR1892275	2021-11-25
24.	JTS Address Smart Analysis Platform	1.0	PRC	2021SR1892274	2021-11-25
25.	CRS Cross-Border Small Parcel Management Platform	1.0	PRC	2021SR1892273	2021-11-25
26.	Yunlu COD Invoice Management Platform	1.0	PRC	2021SR2011590	2021-12-07
27.	JTS Nine Digit Code Smart Sorting Platform	1.0	PRC	2021SR2012397	2021-12-07
28.	CRS Cross Border Small Parcel Fee Management System	1.0	PRC	2021SR2012359	2021-12-07
29.	JTS Electronic Contract Management System	1.0	PRC	2021SR2037655	2021-12-10
30.	JTS Airline Capacity Management System	1.0	PRC	2021SR2037654	2021-12-10

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No.	Copyright	Version	Place of Registration	Registration Number	Registration Date
31.	Yunlu Concentrated Transportation Warehouse Management System	1.0	PRC	2021SR2019528	2021-12-08
32.	BEST Huitong Express Management System Software	1.0	PRC	2012SR062628	2012-07-12
33.	Winner Star Express Delivery Management System (Southeast Asia Version)	1.0	PRC	2021SR1125898	2021-07-29
34.	Winner Star Order Management System	1.0	PRC	2021SR1125900	2021-07-29
35.	Winner Star Express Delivery Personnel Smart APP Operating System	1.0	PRC	2021SR1125901	2021-07-29
36.	Winner Star Scanning Management System	1.0	PRC	2021SR1125899	2021-07-29
37.	Winner Star Capacity Management System (International Version)	1.0	PRC	2021SR2108671	2021-12-22
38.	Winner Star Infield Transfer APP Software (International Version)	1.0	PRC	2021SR2109387	2021-12-23
39.	Winner Star Express Delivery Management Platform (International Version)	1.0	PRC	2021SR2108672	2021-12-22

2.2.4 Domain names

As of the Latest Practicable Date, we have registered the following domain names which we consider to be or may be material to our business:

No.	Domain	Registered owner	Expiry Date
1.	jtexpress.com	J&T Express China	2027-12-18
2.	jtexpress.group	J&T Express International Logistics China	2029-06-17
3.	jtexpress.com.cn	J&T Express International Logistics China	2029-05-21
4.	jtexpress.ae	Winner Star	2025-01-14
5.	jtexpress-sa.com	Winner Star	2025-05-13
6.	jtexpress.ph	PH GLOBAL JET EXPRESS INC., doing business under the name and style of J&T Express	2029-11-26
7.	jtexpress.my	J&T Express (Malaysia) Sdn. Bhd.	2024-04-11
8.	jtexpress.co.th	Global Jet Express (Thailand) Co., Ltd.	2028-09-05
9.	jtexpress.sg	J&T Express Singapore Pte Ltd.	2023-12-04
10.	jtexpress.vn	Thuan Phong Express Company Limited	2028-12-04
11.	jet.co.id	PT. Global Jet Express	2025-5-15
12.	jtexpress.mx	Winner Star	2025-01-14

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No.	Domain	Registered owner	Expiry Date
13.	jtexpress.com.br	Winner Star	2026-5-17
14.	jtcargo.id	PT. Global Jet Express	2024-06-29
15.	jtexpress.com.eg	Winner Star	2023-12-21
16.	jtexpress.com.kh	GLOBAL JET EXPRESS KHM CO., LTD.	2023-11-26
17.	yoyistation.co.th	Yoyi Station Co., Ltd.	2025-07-16

Save as disclosed above, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

3.1 Disclosure of interests

Save as disclosed below, immediately following the completion of the [REDACTED] (assuming that (i) the [REDACTED] is not exercised and (ii) the Reclassification, Redesignation and Share Subdivision are completed), so far as our Directors are aware, the interests or short positions of our Directors and the chief executives in any Shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which have been taken or deemed to have been taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, will be as follows:

Interest in Shares of the Company

Name of Director	Capacity/Nature of interest⁽¹⁾	Number and class of securities	Approximate % shareholding interest in each class of Shares immediate following the completion of the [REDACTED]⁽²⁾
Jet Jie Li ⁽³⁾	Interest in a controlled corporation	979,333,410 Class A Shares	[REDACTED]%
Alice Yu-fen Cheng ⁽⁴⁾	Interest in a controlled corporation	143,380,855 Class B Shares	[REDACTED]%
Yuan Zhang ⁽⁵⁾	Interest in a controlled corporation	327,712,070 Class B Shares	[REDACTED]%

Notes:

- (1) All interests stated are long position.
- (2) The calculations are made assuming that (i) the [REDACTED] is not exercised and (ii) the Reclassification, Redesignation and Share Subdivision are completed.

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- (3) This includes the 979,333,410 Class A Shares held by Jumping Summit Limited; Topping Summit Limited, an entity wholly-owned by Mr. Li, owns 5% equity interest of Jumping Summit Limited; Exceeding Summit Holding Limited, which is held by Vistra Trust (Singapore) Pte. Limited as a trustee for a trust established by Mr. Li for the benefit of Mr. Li and his family members, owns the remaining 95% equity interest in Jumping Summit Limited. Accordingly, Mr. Li is deemed to be interested in the 979,333,410 Class A Shares held by Jumping Summit Limited under the SFO.
- (4) This includes the 143,380,855 Class B Shares held by EASY INNOVATION LIMITED, which is wholly-owned by Ms. Alice Yu-fen Cheng. Accordingly, Ms. Alice Yu-fen Cheng is deemed to be interested in the 143,380,855 Class B Shares held by EASY INNOVATION LIMITED.
- (5) This includes the 327,712,070 Class B Shares held by LONG ORIGIN LIMITED, which is wholly-owned by Mr. Zhang Yuan. Accordingly, Mr. Zhang Yuan is deemed to be interested in the 327,712,070 Class B Shares held by LONG ORIGIN LIMITED.

3.2 Substantial Shareholders

For information on the persons who will, immediately following the completion of the [REDACTED] (assuming that (i) the [REDACTED] is not exercised and (ii) the Reclassification, Redesignation and Share Subdivision are completed), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, see “Substantial Shareholders”.

Save as set out above, as of the Latest Practicable Date, our Directors are not aware of any person who will, immediately following the completion of the [REDACTED] (assuming that (i) the [REDACTED] is not exercised and (ii) the Reclassification, Redesignation and Share Subdivision are completed), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or have an option in respect of such capital.

3.3 Directors’ service contracts and appointment letter

Executive Director

Our executive Director [has entered] into a service contract with our Company. Pursuant to this agreement, he agrees to act as executive Director for an initial term of three years with effect from the [REDACTED] until the third annual general meeting of our Company after the [REDACTED] (whichever is earlier). Either party has the right to give not less than one month’s written notice to terminate the agreement. Details of the Company’s remuneration policy is described in “Directors and Senior Management – Directors’ Remuneration.”

No annual director’s fees are payable to the executive Director under the current arrangement.

Non-executive Directors

Each of our non-executive Directors [has entered] into an appointment letter with our Company. The initial term of their appointment shall be three years from the [REDACTED] or until the third annual general meeting of the Company after the [REDACTED], whichever is earlier, (subject to retirement as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month’s prior notice in writing. Under these appointment letters, each of the non-executive Directors will receive an annual director’s fee of HK\$500,000 per annum.

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Independent Non-executive Directors

Each of our independent non-executive Directors [has entered] into an appointment letter with our Company. The initial term of their appointment shall be three years from the [REDACTED] or until the third annual general meeting of the Company after the [REDACTED], whichever is earlier, (subject to retirement as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month’s prior notice in writing. Under these appointment letters, each of the independent non-executive Directors will receive an annual director’s fee of HK\$500,000 per annum.

Save as disclosed above, none of our Directors has or will have a service contract with any member of our Group, other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

3.4 Directors’ remuneration

The remuneration of our Directors are paid in the form of salaries, allowances, employee benefits, discretionary bonuses, fees and retirement benefits.

For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023, the aggregate amounts of remuneration (including wages, salaries, bonuses, pension costs, other employee benefits, but excluding share-based compensation expenses) paid by our Company to the Directors were approximately US\$1.83 million, US\$12.85 million, US\$5.03 million and US\$2.15 million, respectively.

None of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

4. PRE-[REDACTED] SHARE INCENTIVE PLAN

Network Partner Equity Incentive Plan

The following is a summary of the principal terms of the Company’s Network Partner Equity Incentive Plan of the Company as approved by all shareholders of the Company on February 26, 2022, and amended by way of Directors’ resolutions dated May 31, 2023 (the “**Network Partners Plan**”). The terms of the Network Partners Plan are not subject to the provisions of Chapter 17 of the Listing Rules.

4.1 Purpose of the Network Partners Plan

The purpose of the Network Partners Plan is to promote the success and enhance the value of the Company by linking the personal interests of the Company’s network partners, regional sponsors or other eligible individuals, who are authorized to operate J&T-branded express delivery services, including but not limited to those who used to operate express delivery services under other brand names as acquired by the Company from time to time but joined the J&T network following the Company’s relevant acquisitions, to those of the Company’s shareholders and by providing such individuals with an incentive to perform outstanding and generate superior returns for the Company’s shareholders. This Network Partners Plan is further intended to provide flexibility to the Company in its ability to motivate, attract, and retain the services of, and cooperative relationships with, such individuals upon whose judgment, interests, and special efforts the success of the Company is largely dependent.

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4.2 Selected participants to the Network Partners Plan

Awards under the Network Partners Plan may be granted only to those persons that the Administrator (as defined below) determines to be Eligible Individuals. An “Eligible Individual” means any person who is the beneficial owner of an external network partner or a regional sponsor of the Company that enters into cooperation relationship with the Company or any Service Recipient (as defined below) and is authorized to operate J&T-branded express delivery services, including but not limited to those who used to operate express delivery services under other brand names as acquired by the Company from time to time but joined the J&T network following the Company’s relevant acquisition, or another applicable legal entity or individual, as determined by the Administrator; provided, however, that Awards shall not be granted to Consultants, Directors or other legal entities or individuals who are resident of any country which pursuant to Applicable Laws does not allow grants to non-employees.

“Service Recipient” means the Company, any parent or subsidiary of the Company and any related entity to which an Eligible Individual provides services or maintains cooperative relationships as an external network partner, a regional sponsor or as an otherwise applicable legal entity or individual.

Subject to the provisions of the Network Partners Plan, the Administrator may, from time to time, select from among all Eligible Individuals to whom Awards in the form of options (“**Options**”), restricted share awards (“**Restricted Shares**”) and restricted share units (“**RSU**”) (collectively “**Awards**”) shall be granted and shall determine the nature and amount of each option.

4.3 Maximum number of shares

The maximum aggregate number of shares which may be issued is 38,000,000 (or 190,000,000 Class B Shares, following completion of the Reclassification, Redesignation and Share Subdivision) subject to any adjustments for other dilutive issuances.

4.4 Administration

The Network Partners Plan is administered by and all Awards under the Network Partners Plan are authorized by the Administrator. The “**Administrator**” means the Chairman, namely the chairman of the board of directors of the Company, or any authorized person to whom the Chairman has delegated its authority, whom is entrusted to administer all or certain aspects of the Network Partners Plan.

The Administrator shall have the power to interpret this Plan and the Award Agreement, and to adopt such rules for the administration, interpretation and application of this Plan, to interpret, amend or revoke any such rules and to amend any Award Agreement provided that the rights or obligations of the Holder of the Award that is the subject of any such Award Agreement are not affected adversely by such amendment, unless the consent of the Holder is obtained or such amendment is otherwise permitted under the Network Partners Plan provisions. Subject to any specific designation of the Network Partners Plan, the Administrator has the exclusive power, authority and sole discretion to:

- (i) designate Eligible Individuals to receive Awards;
- (ii) determine the type or types of Awards to be granted to each Eligible Individual;

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- (iii) determine the Fair Market Value of the Shares, namely, as of any date, the closing sales price for such Shares (or the closing bid, if no sales were reported) as quoted on the principal exchange or system on which the Shares are listed (as determined by the Administrator) on the date of determination (or, if no closing sales price or closing bid was reported on that date, as applicable, on the last trading date such closing sales price or closing bid was reported), as reported in The Wall Street Journal or such other source as the Administrator deems reliable;
- (iv) determine the number of Awards to be granted and the number of Shares to which an Award will relate;
- (v) determine the terms and conditions of any Award granted pursuant to the Network Partners Plan, including, but not limited to, the exercise price, grant price, or purchase price, any reload provision, any restrictions or limitations on the Award, any schedule for vesting, lapse or forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, and any provisions related to non-competition, the recapture of gains on an Award and the repurchase of Shares, based in each case on such considerations as the Administrator in its sole discretion determines;
- (vi) determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in cash, Shares, or other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;
- (vii) prescribe the form of each Award Agreement, which need not be identical for each Holder;
- (viii) determine whether a given company, partnership or individual constitutes a Competitor;
- (ix) determine all matters and questions with respect to whether or not, with respect to a certain Holder, a Termination of Service with the Company or the Service Recipient has occurred, including without limitation whether such Termination of Service resulted from the Cause, the specific date and time of such Termination of Service, and whether a particular leave of absence constitutes a Termination of Service;
- (x) determine whether Shares held by a Holder may be sold during the Company's financing, together with the specific amount, price, terms, conditions and other limitations;
- (xi) determine lock-up periods of the Holder during the Company's initial public offering, together with the specific time, amount, terms and conditions with respect to the Holder's sale of the Shares following the Company's initial public offering;
- (xii) decide all other matters that must be determined in connection with an Award;
- (xiii) establish, adopt or revise any rules and regulations as it may deem necessary or advisable to administer the Network Partners Plan;
- (xiv) interpret the terms of, and any matter arising pursuant to, the Network Partners Plan or any Award Agreement; and
- (xv) make all other decisions and determinations that may be required pursuant to the Network Partners Plan or as the Administrator deems necessary or advisable to administer the Network Partners Plan.

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4.5 Grant of Awards

The Administrator may determine, at its sole discretion, whether to grant any Awards to any Eligible Individual and the specific type, amount, limitations, terms and conditions of such Awards, based on such Eligible Individual's level, performance and the Company's business development conditions, etc.

The Administrator may, from time to time, select from among all Eligible Individuals, those to whom an Award shall be granted and shall determine the nature and amount of each Award, which shall not be inconsistent with the requirements of this Network Partners Plan. No Eligible Individual shall be automatically granted any Award under this Network Partners Plan.

Each Award shall be evidenced by an Award Agreement.

Awards granted pursuant to this Network Partners Plan may, in the sole discretion of the Administrator, be granted either alone, in addition to, or in tandem with, any other Award granted pursuant to this Network Partners Plan. Awards granted in addition to or in tandem with other Awards may be granted either at the same time as or at a different time from the grant of such other Awards.

Unless be otherwise provided in the Award Agreement, the term of any Award granted under this Network Partners Plan shall not exceed ten (10) years from the date such Award is granted. Except as limited by any Applicable Laws, the Administrator (a) may extend the term of any outstanding Award, (b) may extend the time period during which vested Awards may be exercised, in connection with any Termination of Service of the Holder, and (c) may amend any other term or condition of such Award relating to such a Termination of Service.

4.6 Restricted Stock Units (RSUs)

(i) Grant and Vesting of Restricted Share Units

The Administrator is authorized to grant Restricted Stock Units to any Eligible Individual. The number and terms and conditions of Restricted Stock Units shall be determined by the Administrator. The Administrator shall specify the date or dates on which the Restricted Stock Units shall become fully vested, and may specify such conditions to vesting as it deems appropriate, including service to the Service Recipients and fulfillment of tax duties by the Holder under the Applicable Laws, in each case on a specified date or dates or over any period or periods, as the Administrator determines. The Administrator shall specify the conditions and dates upon which the Shares underlying the Restricted Stock Units that shall be issued, which dates shall not be earlier than the date as of which the Restricted Stock Units vest and become nonforfeitable and which conditions and dates shall be subject to compliance with any Applicable Laws. On the distribution dates, the Company shall issue to the Holder one unrestricted, fully transferable Share (or the Fair Market Value of one such Share in cash) for each vested and nonforfeitable Restricted Stock Unit.

(ii) Purchase Price

The Administrator may establish the purchase price of a Restricted Stock Unit; provided however that value of the consideration shall not be less than the par value of the Shares, unless otherwise permitted by Applicable Laws. Restricted Stock Units may be paid in cash or in any other consideration as determined by the Administrator.

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(iii) Exercise upon Termination of Service

A Restricted Stock Unit award is exercisable or distributable only after the Trading Date and prior to the Termination of Service of the Holder with the Company or the Service Recipient (as applicable). The Administrator, however, in its sole discretion may provide that the Restricted Stock Unit award may be exercised or distributed subsequent to a Termination of Service in certain events.

4.7 Restricted Shares

(i) Award of Restricted Share

The Administrator is authorized to grant Restricted Shares to Eligible Individuals, and shall determine the amount of, and the terms and conditions, including the restrictions applicable to each award of Restricted Shares, which terms and conditions shall not be inconsistent with the Network Partners Plan, and may impose such conditions on the issuance of such Restricted Shares as it deems appropriate.

The Administrator will determine the purchase price, if any, and form of payment for Restricted Shares; provided, however, that such purchase price shall be no less than the par value of the Shares to be purchased, unless otherwise permitted by Applicable Laws. In all cases, legal consideration (normally the par value of the Shares) shall be required for each issuance of Restricted Shares.

(ii) Rights as Shareholders

Subject to the provisions of the Network Partners Plan, upon issuance of Restricted Shares, the Holder shall have, unless otherwise provided by the Administrator, all the rights of a shareholder with respect to said Shares, subject to the restrictions in his or her Award Agreement, including the right to receive all dividends and other distributions paid or made with respect to the Shares; provided, however, that in the sole discretion of the Administrator, any extraordinary distributions with respect to the Shares shall be subject to such restrictions and vesting requirements as the Administrator shall provide.

(iii) Repurchase or Forfeiture of Restricted Shares

If no price was paid by the Holder for the Restricted Shares, upon a Termination of Service the Holder's rights in unvested Restricted Shares then subject to restrictions shall lapse, and such Restricted Shares shall be surrendered to the Company and cancelled without consideration. If a purchase price was paid by the Holder for the Restricted Shares, upon a Termination of Service the Company shall have the right to repurchase from the Holder the unvested Restricted Shares then subject to restrictions at a cash price per share equal to the price paid by the Holder for such Restricted Shares or such other amount as may be specified in the Award Agreement. The Administrator in its sole discretion may provide that in the event of certain events the Holder's rights in unvested Restricted Shares shall not lapse, such Restricted Shares shall vest and shall be non-forfeitable, and if applicable, the Company shall not have a right of repurchase.

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(iv) Share Certificate

Restricted Shares granted pursuant to the Network Partners Plan may be evidenced in such manner as the Administrator shall determine. Certificates or book entries evidencing Restricted Shares must include an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Share, and the Company may, in its sole discretion, retain physical possession of any share certificate until such time as all applicable restrictions lapse.

4.8 Limitation on Transfer

Unless otherwise expressly provided in the Network Partners Plan, no Award and no Share distributed from the Award may be sold, pledged, assigned or transferred in any manner other than by will or the laws of testacy and distribution subject to the consent of the Administrator, or as required under applicable domestic relations laws. In addition, the shares shall be subject to the restrictions set forth in the applicable Award Agreement.

4.9 Adjustments

In the event of any distribution, share split, combination or exchange of Shares, amalgamation, arrangement or consolidation, reorganization of the Company, including the Company becoming a subsidiary in a transaction not involving a Corporate Transaction, spin-off, recapitalization or other distribution (other than normal cash dividends) of Company assets to its shareholders, or any other change affecting the Shares or the share price of a Share, the Administrator shall make such proportionate and equitable adjustments, if any, to reflect such change with respect to (a) the aggregate number and type of shares that may be issued under this Plan (including, but not limited to, adjustments of the limitations and substitutions of shares in a parent or surviving company); (b) the terms and conditions of any outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and (c) the grant or exercise price per share for any outstanding Awards under this Plan. The form and manner of any such adjustments shall be determined by the Administrator in its sole discretion.

4.10 Amendment, modification and termination

Except as otherwise provided in the Network Partners Plan, at any time and from time to time, the Administrator may terminate, amend or modify the Network Partners Plan; provided, however, that to the extent necessary and desirable to comply with Applicable Laws the Company shall obtain Board approval of any Network Partners Plan amendment in such a manner and to such a degree as required.

Outstanding RSUs granted

We have applied for, and [have been] granted a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules in connection with the information of the RSUs granted under the Pre-[REDACTED] Share Incentive Plan; For further details, see "Waivers – Waiver in relation to the Pre-[REDACTED] Share Incentive Plan of the Company".

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RSUs

As of the Latest Practicable Date, none of the grantees of outstanding RSUs under the Pre-[REDACTED] Share Incentive Plan is a Director, senior management or connected person of the Company. Details of the outstanding RSUs granted to 670 other participants under the Pre-[REDACTED] Share Incentive Plan as of the Latest Practicable Date are set out below:

Grantee	Number of Shares subject to the RSUs granted ⁽¹⁾	Purchase price of the RSUs (HK\$)	Date of Grant	Vesting Period	Approximate percentage shareholding immediately following completion of the [REDACTED] ⁽²⁾
Connected Person					
nil	N/A	N/A	N/A	N/A	N/A
7 Grantees holding 50,000-199,999 Shares subject to the RSUs	490,000	0.0	September 28, 2022	1-3 years	[REDACTED]%
469 Grantees holding 10,000-49,999 Shares subject to the RSUs	5,322,000	0.0	September 28, 2022	1-3 years	[REDACTED]%
194 Grantees holding below 10,000 Shares subject to the RSUs	586,100	0.0	September 28, 2022	1-3 years	[REDACTED]%
Total	6,398,100	0.0			[REDACTED]%

⁽¹⁾ Prior to the Reclassification, Resignation and Share Subdivision being completed.

⁽²⁾ Approximate percentage of shareholding is calculated as the number of Shares subject to the RSUs granted to a grantee following the completion of the Reclassification, Resignation and Share Subdivision and divided by the total number of Shares in issue immediately upon completion of the [REDACTED].

Dilution Effect After [REDACTED] and Impact on Earnings per Share

The maximum number of shares which may be issued under the Pre-[REDACTED] Share Incentive Plan is 38,000,000 class A ordinary shares (190,000,000 Class B Shares, following completion of the Reclassification, Resignation and Share Subdivision). Prior to the [REDACTED], our Company issued 38,000,000 class A ordinary shares of our Company on September 28, 2022 to NP Investment Platform Limited at par value to facilitate the administration of the Pre-[REDACTED] Share Incentive Plan. All outstanding RSUs under the Pre-[REDACTED] Share Incentive Plan will be granted before [REDACTED]. No further Shares will be issued by our Company under the Pre-[REDACTED] Share Incentive Plan upon [REDACTED]. The Pre-[REDACTED] Share Incentive Plan will not have any dilutive effect on the shareholding of our Shareholders after the [REDACTED]. The impact on the earnings per ordinary share for the years ended December 31, 2020 and 2021 is nil. The impact on the earnings per ordinary share for the year ended December 31, 2022 and the six months ended June 30, 2023 are (3.4) cents and nil, respectively.

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5. OTHER INFORMATION

5.1 Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries or Consolidated Affiliated Entities.

5.2 Litigation

As of the Latest Practicable Date, save as disclosed in “Business”, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against our Group, that would have a material adverse effect on our business, finance condition or results of operations.

5.3 Joint Sponsors

The Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Each of the Joint Sponsors will receive a fee of US\$1,000,000 for acting as the sponsors for the [REDACTED].

The Joint Sponsors have made an application on our behalf to the Listing Committee for the [REDACTED] of, and permission to deal in, the Class B Shares in issue, the Class B Shares to be issued pursuant to the [REDACTED] (including any Class B Shares which may fall to be issued pursuant to the exercise of the [REDACTED]) and Class B Shares to be issued upon conversion of Class A Shares into Class B Shares on a one to one basis. Our Class A Shares will remain [REDACTED] upon the Company’s [REDACTED] as required under Rule 8A.08 of the Listing Rules.

5.4 Preliminary expenses

The Company did not incur any material preliminary expenses.

5.5 No material adverse change

Save as disclosed in this document, our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since June 30, 2023 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

5.6 Promoters

Our Company has no promoter for the purpose of the Listing Rules. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document within the two years immediately preceding the date of this document.

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5.7 Qualifications and consents of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this document:

Name	Qualifications
Morgan Stanley Asia Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
Merrill Lynch (Asia Pacific) Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
China International Capital Corporation Hong Kong Securities Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants under the Professional Accountants Ordinance (Cap. 50) Registered Public Interest Entity Auditor under the Accounting and Financial Reporting Council Ordinance (Cap. 588)
DaHui Lawyers	Legal advisers as to PRC law to our Company
Harney Westwood & Riegels	Cayman Islands attorney-at-law
SyCip Salazar Hernandez & Gatmaitan	Legal advisers as to Philippines law to our Company
Rahmat Lim & Partners	Legal advisers as to Malaysian law to our Company
Hutabarat Halim & Rekan	Legal advisers as to Indonesian law to our Company
Weerawong, Chinnavat & Partners Ltd.	Legal advisers as to the laws of Thailand to our Company

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Name	Qualifications
Vietnam International Law Firm (VILAF)	Legal advisers as to Vietnamese law to our Company
Frost & Sullivan Limited	Industry consultant

Each of the experts named above has given and has not withdrawn its consent to the issue of this document with the inclusion of its report, letter, summary of valuations, valuation certificates and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

5.8 Binding Effect

This document shall have the effect, if an application is made pursuant to this document, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

5.9 Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this document, the English language version shall prevail.

5.10 Miscellaneous

5.10.1 Save as disclosed in this document, within the two years immediately preceding the date of this document:

- (i) there are no commissions (but not including commission to [REDACTED]) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions for any shares in or debentures of our Company; and
- (ii) there are no commissions, discounts, brokerages or other special terms granted in connection with the issue or sale of any capital of any member of our Group, and no Directors, promoters or experts named in the paragraph headed “7. Other information – Qualifications and consents of experts” above received any such payment or benefit.

5.10.2 Save as disclosed in this document:

- (i) there are no founder, management or deferred shares in our Company or any member of our Group;
- (ii) we do not have any promoter and no cash, securities or other benefit has been paid, allotted or given within the two years immediately preceding the date of this document, or are proposed to be paid, allotted or given to any promoters;

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- (iii) none of the Directors or the experts named in the paragraph headed “7. Other information – Qualifications and consents of experts” above has any interest, direct or indirect, in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (iv) as of the Latest Practicable Date, (a) CICC Qirong (Xiamen) Equity Investment Fund Partnership (Limited Partnership) (中金啟融(廈門)股權投資基金合夥企業(有限合夥)) (“**CICC Qirong**”) was indirectly interested in approximately 0.0104% issued share capital of the Company and approximately 0.06% issued share capital of Jet Global Express Limited (a subsidiary of our Company). The general partner of CICC Qirong is CICC Capital Management Co., Ltd., one of the wholly owned subsidiaries of China International Capital Corporation Limited and (b) Ningbo Meishan Free Trade Port Area CICC Puyu Investment Center (Limited Partnership) (寧波梅山保稅港區中金浦鈺投資中心(有限合夥)) (“**CICC Puyu Fund**”) was indirectly interested in approximately 0.0179% of the issued share capital of the Company. CICC Puyu Fund is managed by a wholly-owned subsidiary of China International Capital Corporation Limited. China International Capital Corporation Hong Kong Securities Limited, one of the Joint Sponsors and an expert, is a wholly owned subsidiary of China International Capital Corporation Limited. Save for the foregoing, none of the experts named in the paragraph headed “7. Other information – Qualifications and consents of experts” above has any shareholding in our Company or any of our subsidiaries or has the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries;
- (v) there are no bank overdrafts or other similar indebtedness by our Company to any member of our Group;
- (vi) there are no hire purchase commitments, guarantees or other material contingent liabilities of our Company or any member of our Group;
- (vii) there are no outstanding debentures of our Company or any member of our Group;
- (viii) there is no other stock exchange on which any part of the equity or debt securities of our Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought;
- (ix) no capital of any member of our Group is under option, or is agreed conditionally or unconditionally to be put under option; and
- (x) there are no contracts or arrangements subsisting at the date of this document in which a Director is materially interested or which is significant in relation to the business of our Group.

APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND ON DISPLAY

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) a copy of the [REDACTED];
- (b) the written consents referred to in “Statutory and General Information – 5. Other information – 5.7 Qualifications and consents of experts” in Appendix V to this document; and
- (c) copies of the material contracts referred to in the section headed “Statutory and General Information – 2. Further information about our Business – 2.1 Summary of material contracts” in Appendix V to this document.

DOCUMENTS ON DISPLAY

Copies of the following documents will be on display on the website of the Stock Exchange at www.hkexnews.hk and our website at www.jtexpress.com during a period of 14 days from the date of this document:

- (a) the Memorandum and Articles of Association;
- (b) the Accountant’s Report on the historical financial information of the Group for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023 from PricewaterhouseCoopers, the text of which is set out in Appendix I to this document;
- (c) the report on the [REDACTED] from PricewaterhouseCoopers, the text of which is set out in Appendix II to this document;
- (d) the audited consolidated financial statements of our Group for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023;
- (e) the report issued by Frost & Sullivan Limited, the summary of which is set forth in “Industry Overview”;
- (f) the legal opinion issued by DaHui Lawyers, our PRC Legal Adviser, in respect of certain aspects of our Group in the PRC;
- (g) the Indonesian legal opinions issued by Hutabarat Halim & Rekan on Indonesian law, in respect of certain general corporate matters of our Group and certain aspects of Indonesian law referred to in “Contractual Arrangements – Indonesia Contractual Arrangements”;
- (h) the Thai legal opinion issued by Weerawong, Chinnavat & Partners Ltd. in respect of the laws of Thailand and certain general corporate matters of our Group;
- (i) the Malaysian legal opinion issued by Rahmat Lim & Partners in respect of Malaysian law and certain general corporate matters of our Group;

**APPENDIX VI DOCUMENTS DELIVERED TO THE REGISTRAR
OF COMPANIES AND ON DISPLAY**

- (j) the Philippines’ legal opinion issued by SyCip Salazar Hernandez & Gatmaitan in respect of Philippines law and certain general corporate matters of our Group;
- (k) the Vietnamese legal opinion issued by Vietnam International Law Firm (VILAF) in respect of Vietnamese law and certain general corporate matters of our Group;
- (l) the material contracts referred to in the section headed “Statutory and General Information – 2. Further Information about our Business – 2.1 Summary of material contracts” in Appendix V to this document;
- (m) the written consents referred to in the section headed “Statutory and General information – 5. Other Information – 5.7 Qualifications and consents of experts” in Appendix V to this document;
- (n) the service contracts and letters of appointment referred to in “Statutory and General Information – 3. Further Information about our Directors and Substantial Shareholders – 3.3 Directors’ service contracts and appointment letter” in Appendix V to this document;
- (o) the terms of the Pre-[REDACTED] Share Incentive Plan; and
- (p) the Cayman Companies Act.

DOCUMENT AVAILABLE FOR INSPECTION

A copy of a list of awardees under the Pre-[REDACTED] Share Incentive Plan, containing all details as required under the Listing Rules, will be available for inspection at the office of Latham & Watkins LLP, at 18/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this document.