

## FINANCIAL INFORMATION

*You should read the following discussion and analysis in conjunction with our consolidated financial statements included in the Accountants’ Report in Appendix I to this document, together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with HKFRS. The following discussion and analysis contains forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this document, including the sections headed “Risk Factors” and “Business.”*

### OVERVIEW

We are an established cross-border logistics service provider based in the PRC principally engaged in the provision of end-to-end cross-border logistics services. We are capable of the overall management of the entire value chain, including the determination of the delivery route, means of transportation, delivery costs control and fulfillment of customs requirements. Leveraging our ability in providing services for the entire logistics chain together with our suppliers, we also provide different types of logistics service to customers in the PRC and overseas. Our principal services can be categorised into: (i) end-to-end cross-border delivery; and (ii) freight forwarding; and (iii) other logistics service.

For FY2020, FY2021, FY2022, 6M2022 and 6M2023, our revenue was approximately RMB1,512.1 million, RMB1,353.7 million, RMB1,252.0 million, RMB609.7 million and 673.9 million, respectively, whilst our gross profit for the same periods amounted to approximately RMB123.2 million, RMB99.9 million, RMB104.7 million, RMB49.0 million and RMB54.5 million, respectively. The table below sets out our revenue breakdown by business line:

	FY2020		FY2021		FY2022		6M2022		6M2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
End-to-end cross-border delivery										
— Express delivery <sup>(1)</sup>	673,479	44.5	609,967	45.1	767,012	61.2	378,754	62.1	341,758	50.7
— Standard delivery <sup>(2)</sup>	379,153	25.1	415,516	30.7	177,468	14.2	99,336	16.3	233,367	34.6
— Economic delivery <sup>(3)</sup>	302,588	20.0	51,449	3.8	35,956	2.9	18,737	3.1	14,784	2.2
	<u>1,355,220</u>	<u>89.6</u>	<u>1,076,932</u>	<u>79.6</u>	<u>980,436</u>	<u>78.3</u>	<u>496,827</u>	<u>81.5</u>	<u>589,909</u>	<u>87.5</u>
Freight forwarding	98,858	6.5	225,705	16.7	203,028	16.2	88,185	14.5	40,476	6.0
Other logistics service	58,070	3.9	51,049	3.7	68,519	5.5	24,729	4.0	43,525	6.5
<b>Total</b>	<b><u>1,512,148</u></b>	<b><u>100.0</u></b>	<b><u>1,353,686</u></b>	<b><u>100.0</u></b>	<b><u>1,251,983</u></b>	<b><u>100.0</u></b>	<b><u>609,741</u></b>	<b><u>100.0</u></b>	<b><u>673,910</u></b>	<b><u>100.0</u></b>

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*Notes:*

- (1) Parcels delivered with express delivery service take approximately three to five business days to be delivered to the final destination.
- (2) Parcels delivered with standard delivery service take approximately six to nine business days to be delivered to the final destination.
- (3) Parcels delivered with economic delivery service take approximately 10 or more business days to be delivered to the final destination.
- (4) Other logistics service includes (i) customs clearance/pick-up/delivery, (ii) industry-tailored solutions and (iii) OGP/OSP services.

### **BASIS OF PRESENTATION AND PREPARATION**

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability in anticipation of the [REDACTED]. Pursuant to the Reorganisation as detailed in the section headed “History, development and reorganisation — Reorganisation” in this document, our Company became the holding company of our Group. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period as set out in the Accountants’ Report included in Appendix I to this document include the results, changes in equity and cash flows of the companies comprising our Group following the consummation of the Reorganisation, as if the current structure had been in existence throughout the Track Record Period, or since their respective dates of acquisition or incorporation/establishment, whichever is the shorter period.

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA.

### **KEY FACTORS AFFECTING THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION OF OUR GROUP**

Our results of operations and financial condition have been and will continue to be materially affected by a number of factors, many of which are outside of our control, including the following:

#### **International market demand for logistics services**

As our end-to-end cross-border delivery services, freight forwarding and other logistics service involves the cross-border delivery of parcels, our results of operations are affected by global trade volume and export volume. The global trade volume and export volume are affected

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by changes or developments in global economic, financial conditions. We are also affected by economic cycles and changes in our customers’ business cycles. Other extraneous factors, such as impositions of sanctions, boycotts and other measures, trade disputes, currency appreciation, policy shifts of the relevant government, could adversely affect trade volume and export volume and lead to a material decline in the demand of our services and our results of operations maybe adversely affected.

### **Our ability to continually develop and expand our solution and service offerings**

Our solutions and services enable our customers to focus on their core competencies while relying on us for their supply chain and logistics needs. Since our inception, we have continually sought to enhance our solutions and expand our service offerings through expanding our international suppliers network. For example, we are capable of satisfying customs declaration and clearance requirements for the delivery of different items to different destinations. We are also able to provide cold-chain logistics services. With a broad network of suppliers, we are capable of providing stable and efficient cross-border logistics services to suit different customers’ needs. Our ability to enhance and expand our solutions and service offerings to adapt to the changing market conditions and customers’ needs may impact our results of operations.

### **Fluctuation in costs of sales**

The majority of our costs of sales incurred during the Track Record Period was logistics costs, i.e. the costs incurred during the transportation process when providing services. Our logistics costs for FY2020, FY2021, FY2022, 6M2022 and 6M2023 were approximately RMB1,340.2 million, RMB1,190.4 million, RMB1,094.7 million, RMB537.1 million and RMB593.2 million, respectively, representing approximately 88.6%, 87.9%, 87.4%, 88.1% and 88.0% of our total revenue, respectively. Among which, the costs incurred during the international linehaul and last-mile delivery process for end-to-end cross border delivery services contributed approximately RMB1,212.1 million, RMB953.8 million, RMB848.1 million, RMB433.9 million and RMB530.1 million, respectively, representing approximately 90.44%, 80.13%, 77.5%, 80.8% and 89.4% of our costs of sales, respectively. We are exposed to the market risk of fluctuation of rates of our suppliers, and fluctuation in rates may cause fluctuation in our cost of sales. Any increase in our logistics costs would negatively impact our gross profit margin if we are unable to transfer the increased cost resulting from such increase through increasing our service fees.

For illustrative purpose only, the following sensitivity analysis illustrates the impact of hypothetical fluctuations of each of our Group’s logistics costs, sales volume and average selling price in each sub-segment under our end-to-end cross border delivery segment (while other factors being constant) on our profit before tax during the Track Record Period. Taking into account the

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fluctuation in our gross profit between during the Track Record Period of approximately 19.0% and 4.8%, we have assumed a fluctuation of our logistics costs of an increase/decrease of 10%, 20% and 30%.

### *Hypothetical fluctuations in cost of international linehaul and last-mile delivery process for end-to-end cross border delivery*

Percentage increase/(decrease) in the costs incurred during the international linehaul and last-mile delivery process for end-to-end cross border delivery service	FY2020		FY2021		FY2022		6M2022		6M2023	
	Percentage		Percentage		Percentage		Percentage		Percentage	
	Increase/ (decrease) in profit before tax	increase/ (decrease) in profit before tax	Increase/ (decrease) in profit before tax	increase/ (decrease) in profit before tax	Increase/ (decrease) in profit before tax	increase/ (decrease) in profit before tax	Increase/ (decrease) in profit before tax	increase/ (decrease) in profit before tax	Increase/ (decrease) in profit before tax	increase/ (decrease) in profit before tax
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
10% . . . . .	(120,131)	(169)	(94,466)	(197)	(84,127)	(227)	(42,983)	(239)	(52,474)	(353)
(10)% . . . . .	120,131	169	94,466	197	84,127	227	42,983	239	52,474	353
20% . . . . .	(240,261)	(338)	(188,933)	(393)	(168,254)	(455)	(85,968)	(478)	(104,949)	(706)
(20)% . . . . .	240,261	338	188,933	393	168,254	455	85,968	478	104,949	706
30% . . . . .	(360,392)	(508)	(283,400)	(590)	(252,381)	(682)	(128,952)	(717)	(157,426)	(1,059)
(30)% . . . . .	360,392	508	283,400	590	252,381	682	128,952	717	157,426	1,059

### *Hypothetical fluctuations in sales volume of express delivery service*

Percentage increase/(decrease) in the sales volume of express delivery service	FY2020		FY2021		FY2022		6M2022		6M2023	
	Percentage		Percentage		Percentage		Percentage		Percentage	
	Increase/ (decrease) in profit before tax	increase/ (decrease) in profit before tax	Increase/ (decrease) in profit before tax	increase/ (decrease) in profit before tax	Increase/ (decrease) in profit before tax	increase/ (decrease) in profit before tax	Increase/ (decrease) in profit before tax	increase/ (decrease) in profit before tax	Increase/ (decrease) in profit before tax	increase/ (decrease) in profit before tax
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
10% . . . . .	67,348	95	60,997	127	76,701	207	37,875	211	34,176	230
(10)% . . . . .	(67,348)	(95)	(60,997)	(127)	(76,701)	(207)	(37,875)	(211)	(34,176)	(230)
20% . . . . .	134,696	190	121,993	254	153,402	415	75,751	421	68,351	460
(20)% . . . . .	(134,696)	(190)	(121,993)	(254)	(153,402)	(415)	(75,751)	(421)	(68,351)	(460)
30% . . . . .	202,044	285	182,990	381	230,104	622	113,626	632	102,527	689
(30)% . . . . .	(202,044)	(285)	(182,990)	(381)	(230,104)	(622)	(113,626)	(632)	(102,527)	(689)

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### *Hypothetical fluctuations in sales volume of standard delivery service*

Percentage increase/(decrease) in the sales volume of standard delivery service	FY2020		FY2021		FY2022		6M2022		6M2023	
	Percentage		Percentage		Percentage		Percentage		Percentage	
	Increase/ (decrease)	increase/ (decrease)	Increase/ (decrease)	increase/ (decrease)	Increase/ (decrease)	increase/ (decrease)	Increase/ (decrease)	increase/ (decrease)	Increase/ (decrease)	increase/ (decrease)
	in profit before tax	in profit before tax	in profit before tax	in profit before tax	in profit before tax	in profit before tax	in profit before tax	in profit before tax	in profit before tax	in profit before tax
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)									
10% . . . . .	37,915	53	41,552	87	17,747	48	9,934	55	23,337	157
(10)% . . . . .	(37,915)	(53)	(41,552)	(87)	(17,747)	(48)	(9,934)	(55)	(23,337)	(157)
20% . . . . .	75,831	107	83,103	173	35,494	96	19,867	110	46,673	314
(20)% . . . . .	(75,831)	(107)	(83,103)	(173)	(35,494)	(96)	(19,867)	(110)	(46,673)	(314)
30% . . . . .	113,746	160	124,655	260	53,240	144	29,801	166	70,010	471
(30)% . . . . .	(113,746)	(160)	(124,655)	(260)	(53,240)	(144)	(29,801)	(166)	(70,010)	(471)

### *Hypothetical fluctuations in sales volume of economic delivery service*

Percentage increase/(decrease) in the sales volume of economic delivery service	FY2020		FY2021		FY2022		6M2022		6M2023	
	Percentage		Percentage		Percentage		Percentage		Percentage	
	Increase/ (decrease)	increase/ (decrease)	Increase/ (decrease)	increase/ (decrease)	Increase/ (decrease)	increase/ (decrease)	Increase/ (decrease)	increase/ (decrease)	Increase/ (decrease)	increase/ (decrease)
	in profit before tax	in profit before tax	in profit before tax	in profit before tax	in profit before tax	in profit before tax	in profit before tax	in profit before tax	in profit before tax	in profit before tax
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)									
10% . . . . .	30,259	43	5,145	11	3,596	10	1,873	10	1,480	10
(10)% . . . . .	(30,259)	(43)	(5,145)	(11)	(3,596)	(10)	(1,873)	(10)	(1,480)	(10)
20% . . . . .	60,518	85	10,290	21	7,191	19	3,747	21	2,958	20
(20)% . . . . .	(60,518)	(85)	(10,290)	(21)	(7,191)	(19)	(3,747)	(21)	(2,958)	(20)
30% . . . . .	90,776	128	15,435	32	10,787	29	5,621	31	4,436	30
(30)% . . . . .	(90,776)	(128)	(15,435)	(32)	(10,787)	(29)	(5,621)	(31)	(4,436)	(30)

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### *Hypothetical fluctuations in average selling price of express delivery service*

Percentage increase/(decrease) in average selling price of express delivery service	FY2020		FY2021		FY2022		6M2022		6M2023	
	Percentage		Percentage		Percentage		Percentage		Percentage	
	Increase/ (decrease)	increase/ (decrease)	Increase/ (decrease)	increase/ (decrease)	Increase/ (decrease)	increase/ (decrease)	Increase/ (decrease)	increase/ (decrease)	Increase/ (decrease)	increase/ (decrease)
	in profit before tax	in profit before tax	in profit before tax	in profit before tax	in profit before tax	in profit before tax	in profit before tax	in profit before tax	in profit before tax	in profit before tax
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
10% . . . . .	67,348	95	60,997	127	76,701	207	38,151	211	34,147	230
(10)% . . . . .	(67,348)	(95)	(60,997)	(127)	(76,701)	(207)	(38,151)	(211)	(34,147)	(230)
20% . . . . .	134,696	190	121,993	254	153,402	415	75,996	421	68,326	460
(20)% . . . . .	(134,696)	(190)	(121,993)	(254)	(153,402)	(415)	(75,996)	(421)	(68,326)	(460)
30% . . . . .	202,044	285	182,990	381	230,104	622	113,841	632	102,505	690
(30)% . . . . .	(202,044)	(285)	(182,990)	(381)	(230,104)	(622)	(113,841)	(632)	(102,505)	(690)

### *Hypothetical fluctuations in average selling price of standard delivery service*

Percentage increase/(decrease) in average selling price of standard delivery service	FY2020		FY2021		FY2022		6M2022		6M2023	
	Percentage		Percentage		Percentage		Percentage		Percentage	
	Increase/ (decrease)	increase/ (decrease)	Increase/ (decrease)	increase/ (decrease)	Increase/ (decrease)	increase/ (decrease)	Increase/ (decrease)	increase/ (decrease)	Increase/ (decrease)	increase/ (decrease)
	in profit before tax	in profit before tax	in profit before tax	in profit before tax	in profit before tax	in profit before tax	in profit before tax	in profit before tax	in profit before tax	in profit before tax
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
10% . . . . .	37,915	53	41,552	87	17,747	48	9,934	55	23,337	157
(10)% . . . . .	(37,915)	(53)	(41,552)	(87)	(17,747)	(48)	(9,934)	(55)	(23,337)	(157)
20% . . . . .	75,831	107	83,103	173	35,494	96	19,867	110	46,673	314
(20)% . . . . .	(75,831)	(107)	(83,103)	(173)	(35,494)	(96)	(19,867)	(110)	(46,673)	(314)
30% . . . . .	113,746	160	124,655	260	53,240	144	29,801	166	70,010	471
(30)% . . . . .	(113,746)	(160)	(124,655)	(260)	(53,240)	(144)	(29,801)	(166)	(70,010)	(471)

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### *Hypothetical fluctuations in average selling price of economic delivery service*

Percentage increase/(decrease) in average selling price of economic delivery service	FY2020		FY2021		FY2022		6M2022		6M2023	
	Percentage		Percentage		Percentage		Percentage		Percentage	
	Increase/ (decrease)	increase/ (decrease)	Increase/ (decrease)	increase/ (decrease)	Increase/ (decrease)	increase/ (decrease)	Increase/ (decrease)	increase/ (decrease)	Increase/ (decrease)	increase/ (decrease)
	in profit before tax	in profit before tax	in profit before tax	in profit before tax	in profit before tax	in profit before tax	in profit before tax	in profit before tax	in profit before tax	in profit before tax
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)									
10% . . . . .	30,259	43	5,145	11	3,596	10	1,873	10	1,480	10
(10)% . . . . .	(30,259)	(43)	(5,145)	(11)	(3,596)	(10)	(1,873)	(10)	(1,480)	(10)
20% . . . . .	60,518	85	10,290	21	7,191	19	3,747	21	2,958	20
(20)% . . . . .	(60,518)	(85)	(10,290)	(21)	(7,191)	(19)	(3,747)	(21)	(2,958)	(20)
30% . . . . .	90,776	128	15,435	32	10,787	29	5,621	31	4,436	30
(30)% . . . . .	(90,776)	(128)	(15,435)	(32)	(10,787)	(29)	(5,621)	(31)	(4,436)	(30)

### **Limited bargaining power with our suppliers**

During the Track Record Period, we experienced narrow gross profit margins and net profit margins, which was in line with other companies within the same industry in accordance with the F&S Report. Our ability to negotiate with our upstream suppliers regarding their adjustments in transportation costs, seasonal surcharges, and fuel surcharges is relatively limited, as they possess a broader international delivery network and fleets of ground transportation and aircraft. Additionally, operating in a highly competitive industry has placed significant pressure on our capacity to promptly and fully adjust prices for our customers. Our Group also factored in the importance of preserving customer relationships when considering price adjustments. These factors have resulted in squeezed gross profit margins, impacting our overall profitability. During the Track Record Period, over 90% of our cost of sales was attributable to logistics cost, which primarily consist of (i) cost for transshipment process; (ii) cost for international linehaul and last-mile delivery process; (iii) freight charges for airborne transportation; (iv) freight charges for seaborne transportation; (v) ground transportation fees; (vi) handling costs for customs clearance/pick-up/delivery; (vii) miscellaneous costs for industry-tailored solutions; and (viii) ground transportation costs involved in OGP/OSP services.

To enhance our gross profit and minimise the impact of fluctuations in our costs of sales, sales volume, or average selling price, our Group adopts the following strategies:

- expanding the customer base and diversifying the range of customers to increase our number of parcels and volume so as to strengthen our bargaining power with suppliers;

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- partnering with additional service providers, particularly for our express delivery service under the end-to-end cross-border delivery service segment so as to have greater control over the cost of maintaining the entire logistics value chain;
- continuously developing new service lines that yield higher profits; and
- improving our flexibility and resilience in delivering services to reduce costs.

### OUR KEY OPERATING DATA

We regularly review a number of key operating data to evaluate our core business operations, identify trends, formulate financial projections and make strategic decisions. The following table sets out certain of our key operating data for end-to-end cross border delivery service for the years/periods indicated:

	FY2020				
	<i>Number of parcels</i>	<i>Billed weight</i>	<i>Average price</i>	<i>Average revenue</i>	<i>Average billed weight</i>
	<i>Note (1) ('000)</i>	<i>Note (2) ('000 kg)</i>	<i>(RMB per kg)</i>	<i>(RMB per parcel)</i>	<i>(kg per parcel)</i>
<b>End-to-end cross border delivery</b>					
— Express delivery . . .	1,261	11,439	58.9	534.1	9.1
— Standard delivery . .	9,142	4,315	87.9	41.5	0.5
— Economic delivery . .	6,815	3,608	83.9	44.4	0.5
<b>Total . . . . .</b>	<b>17,218</b>	<b>19,362</b>	<b>70.0</b>	<b>78.1</b>	<b>1.1</b>

	FY2021				
	<i>Number of parcels</i>	<i>Billed weight</i>	<i>Average price</i>	<i>Average revenue</i>	<i>Average billed weight</i>
	<i>Note (1) ('000)</i>	<i>Note (2) ('000 kg)</i>	<i>(RMB per kg)</i>	<i>(RMB per parcel)</i>	<i>(kg per parcel)</i>
<b>End-to-end cross border delivery</b>					
— Express delivery . . .	825	9,722	62.7	739.4	11.8
— Standard delivery . .	5,568	5,293	78.5	74.6	1.0
— Economic delivery . .	918	1,080	47.6	56.0	1.2
<b>Total . . . . .</b>	<b>7,311</b>	<b>16,095</b>	<b>66.9</b>	<b>147.3</b>	<b>2.2</b>



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FY2022					
	<i>Number of parcels</i> <i>Note (1) ('000)</i>	<i>Billed weight</i> <i>Note (2)</i> <i>('000 kg)</i>	<i>Average price</i> <i>(RMB per kg)</i>	<i>Average revenue</i> <i>(RMB per parcel)</i>	<i>Average billed weight</i> <i>(kg per parcel)</i>
<b>End-to-end cross border delivery</b>					
— Express delivery . . .	876	13,798	55.6	875.6	15.8
— Standard delivery . .	1,655	2,308	76.9	107.2	1.4
— Economic delivery . .	278	1,055	34.1	129.3	3.8
<b>Total . . . . .</b>	<b>2,809</b>	<b>17,161</b>	<b>57.1</b>	<b>349.0</b>	<b>6.1</b>

6M2022					
	<i>Number of parcels</i> <i>('000)</i>	<i>Billed weight</i> <i>Note (2)</i> <i>('000 kg)</i>	<i>Average price</i> <i>(RMB per kg)</i>	<i>Average revenue</i> <i>(RMB per parcel)</i>	<i>Average billed weight</i> <i>(kg per parcel)</i>
<b>End-to-end cross border delivery</b>					
— Express delivery . . .	425	6,807	55.6	891.2	16.0
— Standard delivery . .	857	1,238	80.2	115.9	1.4
— Economic delivery . .	155	530	35.4	120.9	3.4
<b>Total . . . . .</b>	<b>1,437</b>	<b>8,575</b>	<b>57.9</b>	<b>345.7</b>	<b>6.0</b>

6M2023					
	<i>Number of parcels</i> <i>('000)</i>	<i>Billed weight</i> <i>Note (2)</i> <i>('000 kg)</i>	<i>Average price</i> <i>(RMB per kg)</i>	<i>Average revenue</i> <i>(RMB per parcel)</i>	<i>Average billed weight</i> <i>(kg per parcel)</i>
<b>End-to-end cross border delivery</b>					
— Express delivery . . .	430	6,795	50.3	794.8	15.8
— Standard delivery . .	3,011	2,314	100.8	77.5	0.8
— Economic delivery . .	103	679	21.8	142.9	6.6
<b>Total . . . . .</b>	<b>3,544</b>	<b>9,788</b>	<b>60.3</b>	<b>166.5</b>	<b>2.8</b>

Notes:

(1) Parcel refers to a single or multiple parcels delivered to the same location under the same shipment order.

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- (2) The billed weight is the higher of the actual weight and dimensional weight. The dimensional weight is calculated by dividing the dimension of the parcel in cubic centimetre by 5,000.

A parcel delivered by our end-to-end cross border delivery services is charged on a per-transaction basis based on the distance of the delivery, the weight and dimensions of the parcel being delivered, the type of the parcel being delivered, and the service time required for delivery. We set a minimum billed weight for parcels to be delivered. Parcels below the minimum billed weight will still be charged at the minimum billed weight. We then charge an additional amount for every fixed increment of billed weight. This pricing structure incentivises customers to consolidate their shipments into fewer and larger parcels, to reduce their shipping costs. Additionally, by charging higher rates for smaller parcels, we can better allocate our resources and incentivise customers to select more efficient delivery methods. In general, the average billed weight of a parcel for standard and economic delivery service is lighter than the average billed weight of a parcel for express delivery service. Given the minimum charge imposed and the regressive increment in delivery charge for larger and heavier parcels, the average price per kg for express delivery services, with the shortest targeted delivery time, may not be the highest among the three delivery models we offer.

For express delivery service, the number of parcels decreased from approximately 1.3 million for FY2020 to approximately 0.8 million for FY2021, and the billed weight decreased from approximately 11.4 million kg to approximately 9.7 million kg, respectively, which was mainly attributable to the drop in demand for export of anti-epidemic supplies and other necessities from the PRC to other countries. The number and the billed weight of parcels increased to approximately 0.9 million and approximately 13.8 million kg for FY2022, respectively, which was mainly attributable to our relatively low prices offered to our customers to maintain our market presence, reflected in a decrease in the average price per kg from approximately RMB62.7 for FY2021 to approximately RMB55.6 for FY2022. For 6M2023, both the number of parcels and billed weight remained relatively stable compared to the same period in the prior year. However, the average price per kg decreased by approximately 9.5%, reflecting the general downward trend in unit prices during that period.

For standard delivery service, the billed weight increased from approximately 4.3 million kg for FY2020 to approximately 5.3 million kg for FY2021, which was mainly attributable to the sales promotion conducted during FY2021 in order to establish our business presence on an e-commerce platform, Alibaba.com, through our business relationship with Yidatong, resulting in a decrease in the average price per kg from approximately RMB87.9 for FY2020 to approximately RMB78.5 for FY2021. During FY2022, the billed weight and number of parcels decreased to approximately 2.3 million kg and approximately 1.7 million, respectively, which was mainly attributable to the reduced intensity of our sales promotion and discounts offered. For further details of the sales promotion, please refer to the paragraph headed “Comparison of results of

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operations” in this section. For 6M2023, both the number of parcels and billed weight increased significantly compared to the same period in the prior year, which was mainly attributable to the increase in business volume from Customer Q, one of our largest customers during 6M2023. For further details, please refer to the paragraph headed “Comparison of results of operations — 6M2023 compared with 6M2022” in this section.

For economic delivery service, the number of parcels decreased from approximately 6.8 million for FY2020 to approximately 0.9 million for FY2021, and the billed weight of parcels decreased from approximately 3.6 million kg for FY2020 to approximately 1.1 million kg for FY2021, which was mainly attributable to a significant increase in postal fees from the PRC to the US, driven by the adoption of the “Option V” postal system. For details, please refer to the paragraph headed “Comparison of results of operations — FY2021 compared with FY2020” in this section. The number of parcels further decreased to approximately 0.3 million for FY2022, while the billed weight of parcels remained relatively stable at approximately 1.1 million kg for FY2022. During FY2022, we provided another service line for economic delivery service, which we engaged seaborne logistics service providers and last-mile delivery service providers to provide logistics services, along with our then existing economic delivery service through postal services. The change resulted in an increase in the average revenue per parcel from approximately RMB56.1 for FY2021 to approximately RMB129.2 for FY2022 and an increase in the average billed weight per parcel from approximately 1.2 kg for FY2021 to approximately 3.8 kg for FY2022. For 6M2023, the surge in billed weight by approximately 149,000 kg primarily resulted from the growth in our seaborne economic delivery compared to the same period in the prior year, despite the decrease in the number of parcels by approximately 52,000. For further details, please refer to the paragraph headed “Comparison of results of operations — 6M2023 compared with 6M2022” in this section.

The following table sets out certain of our key operating data for freight forwarding service for the years indicated:

*Air freight forwarding services*

	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>	<u>6M2022</u>	<u>6M2023</u>
	<i>'000 kg</i>	<i>'000 kg</i>	<i>'000 kg</i>	<i>'000 kg</i>	<i>'000 kg</i>
Volume under our air freight forwarding services. . . . .	<u>1,723</u>	<u>1,894</u>	<u>1,638</u>	<u>705</u>	<u>281</u>

*Note:* The volume of parcels is presented in terms of billed weight.

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### *Ocean freight forwarding services*

	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>	<u>6M2022</u>	<u>6M2023</u>
Number of TEU handled . . . . .	6,332	6,316	2,172	1,012	920

### *Ground transportation*

	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>	<u>6M2022</u>	<u>6M2023</u>
Number of TEU handled . . . . .	5,661	6,811	24,738	3,653	17,293

The volume of parcels under our air freight forwarding services increased from approximately 1.7 million kg for FY2020 to approximately 1.9 million kg for FY2021, which was mainly due to our air cargo capacity from our block space agreements with our suppliers during FY2021, when there was a concurrent shortage of capacity for air cargo spaces in the market subsequent to the outbreak of the COVID-19 pandemic. Our Group managed to secure cargo spaces in FY2021, leading to an increase in volume of services driven by high market demand at that time. However, the volume of this service decreased to approximately 1.6 million kg for FY2022, which was mainly attributable to the gradual resumption of overall airborne transportation capacity and a corresponding decline in demand for our air freight forwarding services. The volume of parcels decreased from approximately 0.7 million kg in 6M2022 to approximately 0.3 million kg in 6M2023. This reduction primarily resulted from our Group’s committed cargo capacity, following the expiration of our block space agreements at the end of 2022 and throughout the first half of 2023.

For our ocean freight forwarding services, the number of TEU handled by our Group remained stable at approximately 6,300 per year in FY2020 and FY2021, but it decreased to approximately 2,200 in FY2022, by approximately 65.6%, which was mainly attributable to the decrease in business volume with Customer F, which was one of our five largest customers of our Group during FY2021 and FY2022. For 6M2023, our Group managed approximately 900 TEU, representing a slight decrease compared to the same period in the previous year.

For our ground transportation, the number of TEU handled by our Group increased from approximately 5,700 in FY2020 to approximately 6,800 in FY2021 and further increased to approximately 25,000 in FY2022. The significant growth during FY2022 was mainly attributable to a higher number of orders from a few customers, as our Group recognised the potential in this service as competition in air and ocean freight forwarding intensified. For 6M2023, the increase in the number of TEU handled compared to the same period in the prior year was mainly attributable to our Group commenced business with the aforementioned customers in the second half of 2022.

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The following table sets out the number of our recurring customers, the revenue attributable to these recurring customers, and the percentage of those revenues to our total revenue for the years indicated:

	FY2020	FY2021	FY2022	6M2022	6M2023
				(unaudited)	
Number of recurring customers . . .	3,954	2,469	3,679	3,585	3,166
Revenue attributable to recurring customers (RMB'000) . . . . .	1,223,705	1,191,978	1,051,643	564,413	455,431
Percentage of the revenue from recurring customers to the Group's total revenue (%). . . . .	80.9	88.1	84.0	92.6	67.6

### SIGNIFICANT ACCOUNTING POLICIES, CRITICAL ESTIMATES AND JUDGEMENT

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements and important for understanding our financial position and results of operations.

The Accountants' Report in Appendix I to this document sets forth certain significant accounting policies in Note 4, which are important for understanding our financial condition and results of operations. In the application of our accounting policies, our management is required to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Our estimates and judgments are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from estimates. Our estimates and judgements, which are reviewed by our management on an ongoing basis, are set forth in detail in Note 5 to the Accountants' Report in Appendix I to this document.

Our Directors have identified the below accounting policies, estimates and judgments that they believe are critical to the preparation of our financial statements.

#### Revenue

Revenue is recognised to depict the transfer of promised goods and services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services to a customer.

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Our 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. A performance obligation represents a good or service that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised 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 Group’s performance as our Group performs;
- our Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- our Group’s performance does not create an asset with an alternative use to our Group and our Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties and sales related taxes.

### ***Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation***

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group’s performance in transferring control of goods or services.

### ***Provision of end-to-end cross-border delivery services***

Our Group provides end-to-end cross-border delivery services to both corporate and individual customers. End-to-end cross-border delivery services mainly include parcel pickup, parcel sorting, line-haul transportation and last-mile delivery. Each order for delivery of parcels from the point of receiving the parcels from senders all the way through to the point when the parcels are delivered to end recipients, is considered as a performance obligation. Our Group

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recognises revenue from end-to-end cross-border delivery services over time since customers simultaneously receive the benefits provided by the Group's performance of services as the parcels are delivered from one location to another.

### *Provision of freight forwarding and other logistics services*

Revenue from freight forwarding and other logistics services includes freight forwarding, customer clearance, parcel pick-up from air/sea ports, warehouse operation, transportation and last-mile delivery. Revenue is recognised upon completion of the services.

Please refer to Note 4 to the Accountants' Report as set out in Appendix I to this document for further details of our accounting policy in relation to revenue recognition.

### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before tax as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Our Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Please refer to Note 4 to the Accountants' Report as set out in Appendix I to this document for further details of our accounting policy in relation to taxation.

### **Plant and equipment**

Plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Please refer to Note 4 to the Accountants’ Report as set out in Appendix I to this document for further details of our accounting policy in relation to plant and equipment.

### **Lease**

Our Group assesses whether a contract is or contains a lease, at inception of the contract or acquisition date. Our Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, our Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Please refer to Note 4 to the Accountants’ Report as set out in Appendix I to this document for further details of our accounting policy in relation to lease.

### **Financial instruments**

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Please refer to Note 4 to the Accountants’ Report as set out in Appendix I to this document for further details of our accounting policy in relation to lease.



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### RESULTS OF OPERATIONS

The following table sets forth our consolidated statements of profit or loss and other comprehensive income for the years indicated, which is extracted from the Accountants’ Report in Appendix I to this document. Please read the following summary in conjunction with the Accountants’ Report and the notes thereto:

	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>	<u>6M2022</u>	<u>6M2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
<b>Revenue</b>	1,512,148	1,353,686	1,251,983	609,741	673,910
Cost of sales . . . . .	<u>(1,388,924)</u>	<u>(1,253,830)</u>	<u>(1,147,318)</u>	<u>(560,732)</u>	<u>(619,455)</u>
Gross profit. . . . .	123,224	99,856	104,665	49,009	54,455
Other income, gains and losses, net. . . . .	5,311	4,927	4,764	2,013	2,838
Selling expenses . . . . .	(2,894)	(5,750)	(7,218)	(3,384)	(4,149)
Administrative and other expenses . . . . .	(47,778)	(51,586)	(64,920)	(29,181)	(35,741)
(Impairment loss) reversal of impairment loss on trade and other receivables . . . . .	(3,617)	1,424	622	0	(1,245)
Finance costs . . . . .	<u>(3,266)</u>	<u>(843)</u>	<u>(913)</u>	<u>(464)</u>	<u>(1,286)</u>
<b>Profit before tax . . . . .</b>	70,980	48,028	37,000	17,993	14,872
Income tax expenses . . . . .	<u>(18,285)</u>	<u>(11,136)</u>	<u>(10,097)</u>	<u>(3,898)</u>	<u>(3,128)</u>
<b>Profit for the year/period . . . . .</b>	52,695	36,892	26,903	14,095	11,744
<b>Profit (loss) attributable to:</b>					
— Owners of our Company. . .	52,715	36,932	26,872	14,050	12,169
— Non-controlling interests. . .	<u>(20)</u>	<u>(40)</u>	<u>31</u>	<u>45</u>	<u>(425)</u>
	<u>52,695</u>	<u>36,892</u>	<u>26,903</u>	<u>14,095</u>	<u>11,744</u>
Total comprehensive income (expense) attributable to:					
— Owners of our Company. . .	52,469	36,650	30,058	15,063	17,468
— Non-controlling interests. . .	<u>(20)</u>	<u>(40)</u>	<u>31</u>	<u>45</u>	<u>(425)</u>
	<u>52,449</u>	<u>36,610</u>	<u>30,089</u>	<u>15,108</u>	<u>17,043</u>

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### DESCRIPTION OF SELECTED COMPONENTS OF OUR RESULTS OF OPERATIONS

#### Revenue

During the Track Record Period, our revenue was mainly attributable to the provision of end-to-end cross-border delivery services, freight forwarding and other logistics service.

For FY2020, FY2021, FY2022, 6M2022 and 6M2023 our total revenue was approximately RMB1,512.1 million, RMB1,353.7 million, RMB1,252.0 million, RMB609.7 million and RMB673.9 million, respectively.

#### Revenue by business line

The table below sets out our revenue breakdown by business line during the Track Record Period:

	FY2020		FY2021		FY2022		6M2022		6M2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
End-to-end cross-border delivery										
— Express delivery <sup>(1)</sup>	673,479	44.5	609,967	45.1	767,012	61.2	378,754	62.1	341,758	50.7
— Standard delivery <sup>(2)</sup>	379,153	25.1	415,516	30.7	177,468	14.2	99,336	16.3	233,367	34.6
— Economic delivery <sup>(3)</sup>	302,588	20.0	51,449	3.8	35,956	2.9	18,737	3.1	14,784	2.2
	<u>1,355,220</u>	<u>89.6</u>	<u>1,076,932</u>	<u>79.6</u>	<u>980,436</u>	<u>78.3</u>	<u>496,827</u>	<u>81.5</u>	<u>589,909</u>	<u>87.5</u>
Freight forwarding										
— Airborne	29,755	2.0	61,507	4.5	87,396	7.0	39,031	6.4	5,918	0.9
— Seaborne	56,719	3.8	146,989	10.9	75,710	6.0	41,272	6.8	9,598	1.4
— Ground transportation	12,384	0.7	17,209	1.3	39,922	3.2	7,882	1.3	24,960	3.7
	<u>98,858</u>	<u>6.5</u>	<u>225,705</u>	<u>16.7</u>	<u>203,028</u>	<u>16.2</u>	<u>88,185</u>	<u>14.5</u>	<u>40,476</u>	<u>6.0</u>
Other logistics service <sup>(4)</sup>	58,070	3.9	51,049	3.7	68,519	5.5	24,729	4.0	43,525	6.5
<b>Total</b>	<u><u>1,512,148</u></u>	<u><u>100.0</u></u>	<u><u>1,353,686</u></u>	<u><u>100.0</u></u>	<u><u>1,251,983</u></u>	<u><u>100.0</u></u>	<u><u>609,741</u></u>	<u><u>100.0</u></u>	<u><u>673,910</u></u>	<u><u>100.0</u></u>

Notes:

- (1) Parcels delivered with express delivery service take approximately three to five business days to be delivered to the final destination.
- (2) Parcels delivered with standard delivery service take approximately six to nine business days to be delivered to the final destination.

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- (3) Parcels delivered with economic delivery service take approximately 10 or more business days to be delivered to the final destination.
- (4) Other logistics service includes (i) customs clearance/pick-up/delivery, (ii) industry-tailored solutions and (iii) OGP/OSP services.

### *Revenue and gross profit and gross profit margin by geographical locations of customers*

The table below sets out a breakdown of our revenue, gross profit and gross profit margin by the geographical locations of our Group’s customers during the Track Record Period:

	FY2020			FY2021			FY2022			6M2022			6M2023		
	Gross			Gross			Gross			Gross			Gross		
	Gross	profit		Gross	profit		Gross	profit		Gross	profit		Gross	profit	
	Revenue	(loss)	margin	Revenue	profit	margin	Revenue	profit	margin	Revenue	profit	margin	Revenue	profit	margin
RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	
	(unaudited) (unaudited)														
The PRC . . . . .	1,255,710	114,263	9.1	1,186,993	87,849	7.4	1,091,668	95,916	8.8	535,777	46,905	8.8	586,726	50,963	8.7
Hong Kong . . . . .	141,712	4,010	2.8	74,202	5,479	7.4	112,541	6,580	5.8	52,225	1,554	3.0	81,771	2,346	2.9
The United States . . . . .	75,644	8,340	11.0	13,387	1,467	10.9	4,653	611	13.1	994	109	11.0	3,205	582	18.2
The United Kingdom . . . . .	33,974	(3,673)	(10.8)	67,697	4,540	6.7	41,253	1,287	3.1	19,328	237	1.2	36	8	22.2
Other countries and regions <sup>(Note)</sup> . . . . .	5,108	284	5.6	11,407	521	4.6	1,868	271	14.5	1,417	204	14.4	2,172	556	25.6
<b>Total . . . . .</b>	<b>1,512,148</b>	<b>123,224</b>	<b>8.2</b>	<b>1,353,686</b>	<b>99,856</b>	<b>7.4</b>	<b>1,251,983</b>	<b>104,665</b>	<b>8.4</b>	<b>609,741</b>	<b>49,009</b>	<b>8.0</b>	<b>673,910</b>	<b>54,455</b>	<b>8.1</b>

*Note:* Other countries and regions include, among others, Italy, the Netherlands and Canada.

During the Track Record Period, the majority of our revenue was derived from customers from the PRC. The revenue from our customers from the PRC decreased from approximately RMB1,255.7 million for FY2020 to approximately RMB1,187.0 million for FY2021 and further decreased to approximately RMB1,091.7 million for FY2022, which was in line with the decrease in our overall revenue. For 6M2023, the revenue from these customers amounted to approximately RMB586.7 million, which was primarily attributable to the revenue from Customer Q, one of our largest five customers for 6M2023.

During the Track Record Period, the revenue from our customers from the US decreased from approximately RMB75.6 million for FY2020 to approximately RMB13.4 million for FY2021 and further decreased to approximately RMB4.7 million for FY2022. The decrease in revenue from customers in the US was mainly attributable to the decrease in revenue with Customer/Supplier

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Group A which was one of the top five customers for FY2020. For further details of the overall change in revenue and gross profit during the Track Record Period, please refer to the paragraph headed “Comparison of results of operations” in this section.

For FY2020, FY2021, FY2022, 6M2022 and 6M2023 the revenue generated from our customers from Hong Kong amounted to approximately RMB141.7 million, RMB74.2 million, RMB112.5 million, RMB52.2 million and RMB81.8 million, respectively. The majority of revenue from this group of customers was derived from our end-to-end cross-border delivery service, which amounted to approximately 93.4%, 90.5%, 91.8%, 95.7% and 92.9% for FY2020, FY2021, FY2022, 6M2022 and 6M2023 respectively. For details of the fluctuations in revenue, gross profit and gross profit margin of this group of customers, please refer to the paragraph headed “Revenue, gross profit and gross profit margin for end-to-end cross-border delivery service by geographical locations of customers” in this section.

Our revenue generated from customers from the United Kingdom amounted to approximately RMB34.0 million, RMB67.7 million and RMB41.2 million for FY2020, FY2021 and FY2022, respectively. The increase in revenue of approximately RMB33.7 million from FY2020 to FY2021 was mainly attributable to the increased revenue generated from Customer F of approximately RMB29.6 million, while the decrease in revenue of approximately RMB26.5 million from FY2021 to FY2022 was mainly attributable to the decrease in revenue generated from Customer F of approximately RMB23.2 million. Customer F was one of the five largest customers of our Group during FY2021 and FY2022, respectively, which principally engaged in discount retailing of household products in the United Kingdom and purchased our freight forwarding services. However, the contract with Customer F expired at the end of 2022, resulting in a significant reduction in revenue from customers from the United Kingdom for 6M2023.

Our Group recorded a gross loss of approximately RMB3.7 million from the business with the customers from the United Kingdom in FY2020. The gross loss was mainly attributable to the time lag in adjusting the fees we charged our customers when there was an increase in freight costs charged by our suppliers under our freight forwarding business line, due to (i) the COVID-19 outbreak resulting in large fluctuations in prices quoted by the suppliers, and (ii) the then contractual obligations in which a fixed price was set for the delivery of parcels between our Group and the particular customers. However, for FY2021, we recorded a gross profit of approximately RMB4.5 million from customers from the United Kingdom, in which Customer F contributed approximately 93% of the revenue generated from customers from the United Kingdom. The gross profit margin from this group of customers was approximately 6.7% for the FY2021, which was in line with the overall gross profit margin of 7.4% in FY2021. For FY2022, the gross profit and gross profit margin decreased to approximately RMB1.3 million and to 3.2%, respectively, which was mainly attributable to an overall decrease in gross profit margin of seaborne freight forwarding services, which was also the major service purchased by Customer F.

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### *End-to-end cross-border delivery*

We provide integrated international logistics services to our customers throughout the entire end-to-end logistics process to deliver their parcels to the destination countries or regions. Our services cover all major aspects of cross-border value chain, including parcel acceptance, warehousing, security check, repackaging, labelling, sorting, export customs declaration, international linehaul, customs clearance and last-mile delivery. For FY2020, FY2021, FY2022, 6M2022 and 6M2023, our revenue derived from the provision of end-to-end cross-border delivery amounted to approximately RMB1,355.2 million, RMB1,076.9 million, RMB980.4 million, RMB496.8 million and RMB590.0 million, respectively, representing approximately 89.6%, 79.6%, 78.3%, 81.5% and 87.5% of our total revenue in the relevant years/periods, respectively.

### Revenue, gross profit and gross profit margin for end-to-end cross-border delivery service by geographical locations of customers

The table below sets out a breakdown of our revenue, gross profit and gross profit margin for end-to-end cross-border delivery service by the geographical locations of our Group’s customers:

	FY2020			FY2021			FY2022			6M2022			6M2023		
	Gross		margin	Gross		margin	Gross		margin	Gross		margin	Gross		margin
	Revenue	profit		Revenue	profit		Revenue	profit		Revenue	profit		Revenue	profit	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%
(unaudited) (unaudited) (unaudited)															
<b>End-to-end cross-border delivery</b>															
The PRC . . . . .	1,147,961	84,094	7.3	1,005,910	55,417	5.5	875,582	73,797	8.4	445,703	37,956	8.5	513,285	42,230	8.2
Hong Kong . . . . .	132,346	3,303	2.5	67,114	4,791	7.1	103,260	6,610	6.4	50,003	2,127	4.3	76,005	1,947	2.6
The United States . . . . .	73,874	7,619	10.3	3,878	63	1.6	1,439	146	10.1	994	109	11.0	200	46	23.1
Other countries and regions <sup>(Note)</sup> . . . . .	1,039	36	3.5	30	8	26.7	155	12	7.7	127	18	14.0	419	38	9.0
<b>Total . . . . .</b>	<b>1,355,220</b>	<b>95,052</b>	<b>7.0</b>	<b>1,076,932</b>	<b>60,279</b>	<b>5.6</b>	<b>980,436</b>	<b>80,565</b>	<b>8.2</b>	<b>498,827</b>	<b>40,210</b>	<b>8.1</b>	<b>589,909</b>	<b>44,261</b>	<b>7.5</b>

*Note:* Other countries and regions include, among others, Italy, the United Kingdom and Canada.

During the Track Record Period, we derived most of our revenue from end-to-end cross-border delivery service from customers from the PRC, which was generally in line with the geographical locations of overall revenue of our Group. Our revenue and gross profit from the PRC decreased from approximately RMB1,148.0 million and RMB84.1 million for FY2020 to approximately RMB1,005.9 million and RMB55.4 million for FY2021, respectively, primarily due to the overall decrease in billed weight and the sales promotion conducted on an e-commerce

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platform, Alibaba.com, through our business relationship with Yidatong to establish our business presence on such platform, respectively. For FY2022, our revenue from this business line from customers from the PRC further decreased to approximately RMB875.6 million, primarily attributable to the decrease in selling price resulting from the improved overall logistics capacity during FY2022; however, its respective gross profit increased to approximately RMB73.8 million, primarily due to the reduced intensity and discounts offered and an expansion of our services that yielded a greater profit for our Group.

Our revenue generated from customers from Hong Kong decreased from approximately RMB132.3 million for FY2020 to approximately RMB67.1 million for FY2021, while our respective gross profit margin increased from approximately 2.5% for FY2020 to approximately 7.1% for FY2021. The decrease in revenue was attributable to the decrease in revenue generated from two customers, one of which was Customer C, one of our largest five customers in FY2020. The revenue from Customer C decreased from approximately RMB52.0 million in FY2020 to approximately RMB18.3 million in FY2021. The increase in gross profit margin was mainly attributable to the improvement in logistics capacity in FY2021, during which we experienced less fluctuation in logistics costs and we were able to adjust our prices upwards accordingly. For FY2022, our revenue from customers from Hong Kong increased by approximately RMB36.1 million, which was mainly attributable to the increase in revenue of approximately RMB53.1 million generated from Customer H, which was one of our largest five customers during FY2022. For FY2022, our gross profit margin remained relatively stable at approximately 6.4%. For 6M2023, our gross profit margin decreased from approximately 4.3% to approximately 2.6% for the same period in the prior year, despite our revenue from Hong Kong customers increased by approximately RMB26.0 million. Such decrease was primarily attributable to our Group’s strategy of offering more competitive pricing in an intensified market, driven by the improvement in airborne logistics capacity.

The revenue generated from customers from the US decreased from approximately RMB73.9 million for FY2020 to approximately RMB3.9 million for FY2021, and its respective gross profit margin decreased from approximately 10.3% for FY2020 to approximately 1.6% for FY2021, which was mainly attributable to the decrease in revenue of approximately RMB69.8 million generated from Customer/Supplier Group A which was one of our top five customers for FY2020. The decrease in gross profit margin of approximately 8.7% during FY2021 was primarily due to a decline in business volume with Customer/Supplier Group A, whom our Group charged a higher price than other customers due to their sophisticated parcel requirements.

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### *Freight forwarding*

We offer freight forwarding services whereby we act as an integrator to organise and coordinate the delivery of parcels from the port of the origin to the port of the final destination, through different delivery methods such as airborne, seaborne and ground transportation. As such, we will have to liaise with different service providers within our supplier network, which include air/sea carriers, trucking companies, port operators and other logistics service providers. For FY2020, FY2021, FY2022, 6M2022 and 6M2023, our revenue derived from the provision of this business line amounted to approximately RMB98.9 million, RMB225.7 million, RMB203.0 million, RMB88.2 million and RMB40.5 million, respectively, representing approximately 6.5%, 16.7%, 16.2%, 14.5% and 6.0% of our total revenue in the relevant years/periods.

### *Other logistics service*

Building on our service outlets and suppliers network, we offer value-adding supply chain solutions that integrate our service offerings and fulfill the specific needs of our customers of different industry verticals. Our other logistics services can be mainly categorised as (i) customs clearance/pick-up/delivery, (ii) industry-tailored solutions and (iii) OGP/OSP services. For FY2020, FY2021, FY2022, 6M2022 and 6M2023, our revenue from this business line was approximately RMB58.1 million, RMB51.0 million, RMB68.5 million, RMB24.7 million and RMB43.5 million, respectively, representing approximately 3.9%, 3.7%, 5.5%, 4.0% and 6.5% of the total revenue in the relevant years/periods.

### **Cost of sales**

Our cost of sales primarily consists of logistics cost, staff cost, and rent and utilities cost. During the Track Record Period, breakdown of our costs of services was as follows:

	FY2020		FY2021		FY2022		6M2022		6M2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
<b>Cost of sales</b>										
Logistics cost . . . . .	1,340,235	96.5	1,190,416	94.9	1,094,732	95.4	537,136	95.8	593,158	95.8
Staff cost . . . . .	27,148	2.0	34,545	2.8	29,242	2.6	14,154	2.5	15,817	2.5
Rental and utility cost. . . . .	6,470	0.5	8,706	0.7	9,075	0.8	4,233	0.8	4,434	0.7
Others <sup>(Note)</sup> . . . . .	15,071	1.0	20,163	1.6	14,269	1.2	5,209	0.9	6,046	1.0
<b>Total . . . . .</b>	<b>1,388,924</b>	<b>100.0</b>	<b>1,253,830</b>	<b>100.0</b>	<b>1,147,318</b>	<b>100.0</b>	<b>560,732</b>	<b>100.0</b>	<b>619,455</b>	<b>100.0</b>

*Note:* Others primarily consist of purchase of packaging material and depreciation of equipment.

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During the Track Record Period, logistics cost was the largest component of our cost of sales, which accounted for approximately 96.5%, 94.9%, 95.4%, 95.8% and 95.8% of our total cost of sales for FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. Our logistics costs primarily consist of (i) cost for transshipment process; (ii) cost for international linehaul and last-mile delivery process; (iii) freight charges for airborne transportation; (iv) freight charges for seaborne transportation; (v) ground transportation fees; (vi) handling costs for customs clearance/pick-up/delivery; (vii) miscellaneous costs for industry-tailored solutions; and (viii) ground transportation costs involved in OGP/OSP services. The following table provides a further breakdown of our logistics cost by business line during the Track Record Period:

	FY2020		FY2021		FY2022		6M2022		6M2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
<b>Logistics cost</b>										
<b><i>End-to-end cross-border delivery</i></b>										
Express delivery . . . . .	551,903	41.2	470,118	39.5	656,838	60.0	330,541	61.5	314,730	53.1
— Transshipment process. . . . .	5,766	0.4	4,646	0.4	5,225	0.5	3,087	0.6	2,134	0.4
— International linehaul and last-mile delivery process . . . . .	546,137	40.8	465,472	39.1	651,613	59.5	327,454	60.9	312,596	52.7
Standard delivery . . . . .	378,209	28.2	434,344	36.5	159,946	14.5	86,125	16.0	204,947	34.6
— Transshipment process. . . . .	5,066	0.4	4,537	0.4	1,585	0.1	973	0.2	3,227	0.5
— International linehaul process . . . . .	164,059	12.2	249,094	20.9	69,177	6.3	39,785	7.4	72,112	12.2
— Last-mile delivery process. . . . .	209,084	15.6	180,713	15.2	89,184	8.1	45,367	8.4	129,608	21.9
Economic delivery . . . . .	282,025	21.0	49,384	4.1	31,288	2.9	17,242	3.2	10,443	1.8
— Postal services. . . . .										
— International linehaul and last-mile delivery process . . . . .	275,605	20.6	38,900	3.2	8,390	0.8	6,311	1.2	2,311	0.4
— Seaborne transportation . . . . .										
— International linehaul and last-mile delivery process . . . . .	6,420	0.5	10,484	0.9	22,898	2.1	10,931	2.0	8,132	1.4
Sub-total of End-to-end cross-border delivery . . . . .	1,212,137	90.4	953,846	80.1	848,072	77.4	433,908	80.7	530,120	89.4
<b><i>Freight forwarding</i></b>										
— Airborne fees . . . . .	27,660	2.0	58,711	4.9	90,769	8.3	42,519	7.9	6,754	1.1
— Seaborne fees . . . . .	54,538	4.1	130,040	11.0	71,941	6.6	39,249	7.3	7,882	1.3
— Ground transportation fees . . . . .	11,546	0.9	15,632	1.3	35,986	3.3	7,237	1.4	22,771	3.9
Sub-total of Freight forwarding . . . . .	93,744	7.0	204,383	17.2	198,696	18.2	89,005	16.6	37,407	6.3
Other logistics service. . . . .	34,354	2.6	32,187	2.7	47,964	4.4	14,223	2.7	25,631	4.3
<b>Total . . . . .</b>	<b>1,340,235</b>	<b>100.0</b>	<b>1,190,416</b>	<b>100.0</b>	<b>1,094,732</b>	<b>100.0</b>	<b>537,136</b>	<b>100.0</b>	<b>593,158</b>	<b>100.0</b>



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Our logistics costs for express delivery service mainly consist of service fees paid to our suppliers for the delivery process from domestic transshipment till the overseas final destination. We also incurred some costs for the transshipment process when delivering parcels to the transportation hubs of our suppliers in Hong Kong or the PRC.

Our logistics costs for standard delivery service consist of the costs incurred by services we directly carried out and service fees paid to different suppliers for different functions during the logistics value chain based on our design of delivery route, such as parcel acceptance, warehousing, domestic transshipment, customs declaration, international linehaul, customs clearance services and last-mile delivery services. Majority of our logistics costs for standard delivery was incurred during the international linehaul and last-mile delivery process. We also incurred some costs during the domestic transshipment process.

Our logistics costs for economic delivery service mainly consist of service fees paid to our suppliers for the international linehaul process till the final destination. It also includes service fees paid to different suppliers for different functions during the logistics value chain based on our design of delivery route, such as parcel acceptance, warehousing, domestic transshipment, customs declaration, international linehaul, customs clearance services and last-mile delivery services, depending on the mode of transportation.

Our logistics costs for freight forwarding services mainly consist of airborne transportation fees, seaborne transportation fees and ground transportation fees.

Our logistics costs for other logistics service mainly consist of transportation costs incurred when performing specific functions during the logistics value chain based on our customers' orders such as transportation costs by trucks in the PRC, warehousing and last-mile delivery.

During the Track Record Period, our Group entered into charter flight agreements and block space agreements with our suppliers to secure charter flights and ensure guaranteed allocations of designated air cargo space, streamlining our operations. This specifically supported our standard delivery service encompassed within the end-to-end cross-border delivery service and air freight forwarding service. For the airborne capacity, our Group saw the need for such committed services and therefore entered into these contracts. However, we did not enter into similar contracts for seaborne capacity or ground transportation with our suppliers. For our other services, our Group sourced logistics capacity from suppliers in accordance with the prevailing business volume at the time.

For FY2020, FY2021, FY2022 and 6M2023, the total of the aggregate cost of services for the above charter flights and the aggregate costs of services our Group paid under the mentioned block space agreements amounted to nil, approximately RMB116.2 million, RMB110.3 million and



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FY2020 to approximately 9.4% for FY2021 but decreased to approximately 2.1% for FY2022. For this segment, our Group recorded a gross loss margin of approximately 0.9% for 6M2022 but experienced a gross profit margin of approximately 6.6% for 6M2023. Our gross profit margin for our other logistics service decreased from approximately 39.7% for FY2020 to approximately 36.5% for FY2021, further decreased to approximately 28.9% for FY2022 and decreased from approximately 38.9% for 3M2022 to approximately 17.3% for 6M2023. For further details, please refer to the paragraph headed “Financial information — Comparison of results of operations” in this section.

During the Track Record Period, we experienced narrow overall gross profit margins. Any material increases in our cost of sales may further squeeze our gross profit margins. For details, please refer to the section headed “Risk factors — The competitive industry we operate in, may further squeeze our gross and net profit margins, leading to a material and adverse impact on our profitability.” in this document.

### Other income, gains and losses, net

The table below sets out the breakdown of our other income, gains and losses, net during the Track Record Period:

	FY2020	FY2021	FY2022	6M2022	6M2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Bank interest income . . . . .	1,409	1,918	1,702	1,148	2,216
Government grants . . . . .	3,011	278	811	120	383
Gain (loss) arising from change in fair value of financial asset at fair value through profit or loss . . . . .	859	2,839	2,635	1,360	(10)
Net gain (loss) on compensation of land resumption. . . . .	—	2,498	—	—	—
Net gain (loss) on disposal of property, plant and equipment .	155	125	(298)	(333)	(56)
Exchange difference . . . . .	(719)	(3,552)	(1,438)	(1,302)	(426)
Sundry income . . . . .	596	821	1,352	1,020	731
<b>Total. . . . .</b>	<b>5,311</b>	<b>4,927</b>	<b>4,764</b>	<b>2,013</b>	<b>2,838</b>

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Our other income, gains and losses, net mainly represents (i) bank interest income, (ii) government grants, (iii) gain arising from change in fair value of financial asset at fair value through profit or loss, (iv) net gain on compensation of land resumption, (v) net gain or loss on disposal of property, plant and equipment, (vi) exchange difference and (vii) sundry income.

### Selling expenses

Selling expenses mainly include staff costs for sales and marketing representatives and marketing expenses. The following table sets out a breakdown of our selling expenses for the years indicated:

	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>	<u>6M2022</u>	<u>6M2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Staff costs . . . . .	1,692	2,851	5,350	2,427	3,117
Depreciation of right-of-use assets . . . . .	—	529	—	—	—
Office expenses . . . . .	269	633	987	453	403
Marketing expenses . . . . .	433	617	290	75	182
Depreciation . . . . .	35	737	438	328	288
Travelling expenses . . . . .	87	128	40	17	61
Utilities . . . . .	69	116	35	35	22
Professional fees . . . . .	96	42	40	33	33
Other operating expenses . . . . .	213	97	38	16	43
<b>Total . . . . .</b>	<u>2,894</u>	<u>5,750</u>	<u>7,218</u>	<u>3,384</u>	<u>4,149</u>

For FY2020, FY2021, FY2022, 6M2022 and 6M2023, our selling expenses amounted to approximately RMB2.9 million, RMB5.8 million, RMB7.2 million, RMB3.4 million and RMB4.1 million, respectively.

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### Administrative and other expenses

Administrative and other expenses mainly include staff costs for management and administrative staff, research and development expenses, [REDACTED], business development expenses and professional fees. The following table sets out a breakdown of our administrative and other operating expenses for the years indicated:

	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>	<u>6M2022</u>	<u>6M2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Staff costs . . . . .	16,334	23,803	21,826	11,859	12,212
Depreciation of right-of-use assets . . . . .	343	1,717	1,765	719	1,054
Office expenses . . . . .	1,009	1,245	975	393	668
Business development expenses . . . . .	2,561	3,695	3,107	883	1,451
Depreciation . . . . .	1,301	1,480	2,013	873	955
Travelling expenses . . . . .	678	859	971	411	711
Utilities . . . . .	1,022	1,844	1,820	967	769
Professional fees . . . . .	6,350	2,782	1,984	1,391	1,330
[REDACTED] . . . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Research and development expenses . . . . .	15,099	11,920	14,548	6,582	5,887
Other operating expenses . . . . .	3,081	2,241	3,787	1,341	1,045
<b>Total</b> . . . . .	<u>47,778</u>	<u>51,586</u>	<u>64,920</u>	<u>29,181</u>	<u>35,741</u>

For FY2020, FY2021, FY2022, 6M2022 and 6M2023, our administrative and other operating expenses amount to approximately RMB47.8 million, RMB51.6 million, RMB64.9 million, RMB29.2 million and RMB35.7 million, respectively.

For FY2020, FY2021, FY2022, 6M2022 and 6M2023, the largest component of our administrative and other operating expenses was our staff costs for management and administrative staff, which amounted to approximately RMB16.3 million, RMB23.8 million, RMB21.8 million, RMB11.9 million and RMB12.2 million, respectively. Our staff costs under our administrative and other operating expenses represent remuneration paid to, contributions made to various benefit plans of and other staff benefits of our management and administrative staff.

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### (Impairment loss) reversal of trade and other receivables

Impairment losses on trade and other receivables are recognised due to estimated impairment losses on trade receivables and/or other receivables. When a receivable is considered uncollectible, it is written off against the allowance for receivables while subsequent recovery of amount previously written off are credited as reversal of impairment. For FY2020 we had impairment losses on trade and other receivables of approximately RMB3.6 million. For FY2021, we recorded a reversal of impairment loss on trade and other receivables of approximately RMB1.4 million. For FY2022, we recorded a reversal of impairment loss on trade and other receivables of approximately RMB0.6 million. For 6M2023, we had impairment losses on trade and other receivables of approximately RMB1.2 million.

### Finance costs

Finance costs mainly include interests on bank borrowings, lease liabilities and amounts due to a Director. The following table sets out a breakdown of our finance costs for the years indicated:

	FY2020	FY2021	FY2022	6M2022	6M2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Interests on:					
Bank borrowings . . . . .	753	41	79	13	1,011
Lease liabilities . . . . .	579	677	834	451	275
Amounts due to a Director . . . . .	1,934	125	—	—	—
	3,266	843	913	464	1,286

Our finance costs for FY2020 mainly consists of interests on amounts due to a Director. During 6M2023, the largest component of our finance costs was interests on bank borrowings, which was attributable to the increase in bank borrowings for working capital with banks. For further details of these loans, please refer to “Indebtedness — Borrowings” in this section. For further details of the amounts due to a Director, please refer to the paragraph headed “Discussion of selected items from the consolidated statements of financial position — Amounts due to a Director” in this section.

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### Income tax expenses

Our Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising our Group domicile or operate.

#### *(i) Cayman Islands and BVI income tax*

Our Group’s entities established in the Cayman Islands and the BVI are exempted from income tax in those jurisdiction.

#### *(ii) Hong Kong profits tax*

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (amendment) (No.7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. For FY2020, FY2021, FY2022, 6M2022 and 6M2023, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime continue to be taxed at the flat rate of 16.5%.

The tax concession for Hong Kong Profits Tax represents reduction of Hong Kong Profits Tax for the year of assessment of 2020/21, 2021/22 and 2022/23 by 100%, subject to a ceiling of HK\$10,000, HK\$10,000 and HK\$6,000 for each subsidiary under Hong Kong tax jurisdiction, respectively.

#### *(iii) PRC enterprise income tax*

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the Enterprise Income Tax rate is 25%. Subject to certain preferential tax treatment, the applicable tax rate of certain PRC subsidiaries is 15% and certain research and development costs of our Company’s PRC subsidiaries are qualified for (i) 75% additional deduction for tax purpose for FY2020; and (ii) 100% additional deduction for tax purpose for FY2021, FY2022, 6M2022 and 6M2023.

During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our tax obligations and did not have any unresolved tax disputes. Please also refer to Note 10 of the Accountants’ Report in Appendix I to this document for further details.

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### COMPARISON OF RESULTS OF OPERATIONS

#### 6M2023 compared with 6M2022

##### *Revenue*

Our revenue increased by approximately RMB64.1 million, or approximately 10.5%, from approximately RMB609.7 million for 6M2022 to approximately RMB673.9 million for 6M2023. Such increase was mainly attributable to (i) the increase in revenue from the provision of standard delivery service under end-to-end cross-border delivery services by approximately RMB134.0 million; and (ii) the increase in revenue from the provision of other logistics service by approximately RMB18.8 million, and was partially offset by (i) the decrease in revenue from the provision of express delivery service by approximately RMB37.0 million; (ii) the decrease in revenue from the provision of economic delivery service by approximately RMB4.0 million; and (iii) the decrease in revenue from the freight forwarding services by approximately RMB47.7 million.

The increase in our revenue from the provision of standard delivery services in 6M2023 was mainly due to the increase in revenue generated from export shipments to the United States. The number of parcels delivered to this country through our standard delivery service increased from approximately 0.8 million for 6M2022 to approximately 2.9 million for 6M2023, and the respective billed weight increased from approximately 1.0 million kg for 6M2022 to approximately 1.8 million kg for 6M2023, which was mainly attributable to the procurement of standard delivery service of approximately RMB150.7 million by Customer Q, one of our top five customers for 6M2023, resulting in an increase in revenue of approximately RMB134.0 million, which was partially offset by the decrease in revenue generated from Yidatong of approximately RMB2.8 million.

Our revenue from other logistics service increased from approximately RMB24.7 million for 6M2022 to approximately RMB43.5 million for 6M2023, which was mainly attributable to the increase in revenue from our service of customs clearance, pick-up and delivery of approximately RMB21.4 million for 6M2023, which was mainly due to a new project started in late 2022 where the Group is mainly engaged as a supplier for the provision of last-mile delivery services in the US, and was partially offset by (i) the decrease in revenue from industry-tailored solutions of approximately RMB0.8 million for 6M2023; and (ii) the decrease in revenue from OGP/OSP service of approximately RMB1.8 million for 6M2023.



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Our revenue from the provision of express delivery service decreased by approximately RMB37.0 million for 6M2023, which was mainly due to the decrease in our average selling price, stemming from heightened capacity in express delivery service in the market, which intensified competition during 6M2023, despite both the number of parcels and the billed weight for our Group remained relatively stable.

Our revenue from the provision of economic delivery service decreased by approximately RMB4.0 million for 6M2023, which was mainly due to the decrease in revenue from economic delivery by postal service of approximately RMB6.2 million, resulting from our Group’s strategic decision to shift away from this delivery method, given its narrow gross profit margin, and was partially offset by the increase in revenue from economic delivery by seaborne transportation of approximately RMB2.3 million, which was mainly attributable to our customers opting for a more cost-effective delivery alternative.

Our revenue from freight forwarding service decreased from approximately RMB88.2 million for 6M2022 to approximately RMB40.5 million for 6M2023, which was mainly attributable to (i) the decrease in revenue of approximately RMB31.7 million from seaborne freight forwarding services due to decrease in demand for the seaborne freight forwarding services during 6M2023, coupled with the decreasing ocean freight rates in the same period; and (ii) the decrease in revenue of approximately RMB33.1 million from airborne freight forwarding services as a result of our strategic decision not to renew our block space agreements with suppliers since the second half of FY2022. Such decision was made in anticipation of an expected downturn in the air freight forwarding market demand and an upcoming increase in capacity supply. The decrease in revenue from freight forwarding services was partially offset by the increase in revenue generated from ground transportation by approximately RMB17.1 million for 6M2023, during which the number of TEU handled by our Group increased from approximately 3,700 for 6M2022 to approximately 17,000 for 6M2023. Such increase was mainly attributable to the growth in ground transportation business volume was commenced in the second half of 2022 and continued during 6M2023.

### *Cost of sales*

Our cost of sales increased by approximately RMB58.8 million, or approximately 10.5%, from approximately RMB560.7 million for 6M2022 to approximately RMB619.5 million for 6M2023, which was mainly due to (i) the increase in logistics costs for standard delivery service by approximately RMB118.7 million; and (ii) the increase in logistics costs for other logistics service of approximately RMB20.9 million, and was partially offset by (i) the decrease in logistics cost for express delivery service by approximately RMB23.6 million; and (ii) the decrease in logistics cost for freight forwarding services by approximately RMB51.2 million. The said fluctuations were mainly due to the changes in revenue during 6M2023 as discussed above.

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### *Gross profit and gross profit margin*

Our gross profit increased by approximately RMB5.4 million, or approximately 11.1%, from approximately RMB49.0 million for 6M2022 to approximately RMB54.5 million for 6M2023, while the gross margin increased slightly from approximately 8.0% for 6M2022 to approximately 8.1% for 6M2023. Such increase in gross profit was mainly attributable to (i) the increase in gross profit from end-to-end cross-border delivery service of approximately RMB4.1 million; and (ii) the increase in gross profit from freight forwarding service of approximately RMB3.5 million, which was partially offset by the decrease in gross profit from other logistic service of approximately RMB2.1 million.

The increase in gross profit from end-to-end cross-border delivery service of approximately RMB4.1 million was mainly attributable to (i) the increase in gross profit from standard delivery service of approximately RMB15.4 million; and (ii) the increase in gross profit from economic delivery service of approximately RMB2.1 million, and was partially offset by the decrease in gross profit from express delivery service of approximately RMB13.4 million.

Our gross profit from economic delivery service increased from approximately RMB1.3 million for 6M2022 to approximately RMB3.4 million for 6M2023, and the gross profit margin increased from approximately 6.7% for 6M2022 to approximately 23.0% for 6M2023. Such increase was mainly attributable to the increased proportion of our revenue derived from economic delivery by seaborne transportation, which recorded a higher gross profit margin than economic delivery by postal service. For details of this service, please refer to the paragraph headed “Comparison of results of operations — FY2022 compared with FY2021 — Gross profit and gross profit margin” in this section.

The increase in gross profit from standard delivery service from approximately RMB8.4 million for 6M2022 to approximately RMB23.8 million for 6M2023 was mainly attributable to a more significant increase in revenue from Customer Q, one of our largest five customers for 6M2023. Our Group provided them with a more sophisticated level of service as outlined in our agreement, resulting also in a higher gross profit margin.

Our gross profit from express delivery service decreased from approximately RMB30.5 million for 6M2022 to approximately RMB17.1 million for 6M2023, and the gross profit margin decreased from approximately 8.1% for 6M2022 to approximately 5.0% for 6M2023. Such decrease was mainly attributable to intensified competition during 6M2023, leading to the decrease in average selling price as discussed above.

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Our gross profit from freight forwarding services amounted to approximately RMB2.7 million for 6M2023, with a gross profit margin of approximately 6.6%, reversing from a gross loss of approximately RMB0.8 million, with a gross loss margin of approximately 0.9%. The gross profit recorded was mainly attributable to (i) the decrease in gross loss derived from airborne freight forwarding service from approximately RMB3.5 million for 6M2022 to approximately RMB0.9 million for 6M2023, as a result of a decrease in committed airborne cargo capacity, under which our Group had to offload excess capacity at discounted rates, leading to the gross loss; (ii) the increase in gross profit derived from seaborne service due to the increased proportion of directly procuring services from first-tier agents and vessel companies, which usually offer more competitive pricing than other intermediaries; and (iii) the increase in gross profit derived from ground transportation, resulting from the increase in its revenue as discussed above.

Our gross profit from other logistics service decreased from approximately RMB9.6 million for 6M2022 to approximately RMB7.5 million for 6M2023, and the gross profit margin also decreased from approximately 38.9% for 6M2022 to approximately 17.3% for 6M2023. Such decrease was mainly attributable to the decrease in gross profit derived from OGP/OSP services of approximately RMB2.9 million, primarily due to lower unit service price set by Customer/Supplier Group G, resulting in a decrease in gross profit margin from approximately 40.4% for 6M2022 to approximately 24.2% for 6M2023. Despite our gross profit derived from customs clearance, pick-up and delivery service increased approximately RMB0.7 million and partially offset by the decrease in gross profit from other logistic service, its gross profit margin decreased to approximately 13.4% for 6M2023, due to a growing proportion of last-mile delivery service within this business line. Predominantly facilitated by external third parties in foreign countries, this service yields a relatively lower gross margin compared to other services within the same line.

### *Other income, gains and losses, net*

Our other income, gains and losses, net increased by approximately RMB0.8 million, or approximately 41.0%, from approximately RMB2.0 million for 6M2022 to approximately RMB2.8 million for 6M2023. Such increase was mainly due to (i) an increase in bank interest income of approximately RMB1.1 million; (ii) an increase in government grant of approximately RMB0.3 million; and (iii) a decrease in exchange loss of approximately RMB0.9 million, and was partially offset by a decrease in interest income from financial assets at fair value through profit or loss of approximately RMB1.4 million.

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### *Selling expenses*

Our selling expenses increased from approximately RMB3.4 million for 6M2022 to approximately RMB4.1 million for 6M2023, representing an increase of approximately RMB0.7 million or approximately 20.6%, which was mainly attributable to the increase in staff costs of approximately RMB0.7 million as a result of the recruitment of additional staff members to develop and plan new services designated for our standard delivery services during 6M2023

### *Administrative and other expenses*

Our administrative and other expenses increased from approximately RMB29.2 million for 6M2022 to approximately RMB35.7 million for 6M2023, representing an increase of approximately RMB6.5 million or approximately 22.2%. Such increase was mainly attributable to the increase of approximately RMB[REDACTED] million in the [REDACTED].

### *Finance costs*

Our finance costs increased from approximately RMB0.5 million for 6M2022 to approximately RMB1.3 million for 6M2023 due to the increase in our interests on bank borrowings of approximately RMB1.0 million. For the details of the bank borrowings, please refer to the paragraph headed “Indebtedness — Borrowings” below in this section.

### *Income tax expenses*

Our income tax expenses decreased from approximately RMB3.9 million for 6M2022 to approximately RMB3.1 million for 6M2023. Such decrease was mainly attributable to the decrease in profit before tax during the relevant period.

### *Profit for the period*

As a result of the foregoing, our profit for the period decreased by approximately RMB2.4 million or approximately 17.0% from approximately RMB14.1 million for 6M2022 to approximately RMB11.7 million for 6M2023; and our net profit margin decreased from approximately 2.3% for 6M2022 to approximately 1.7% for 6M2023.

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### FY2022 compared with FY2021

#### *Revenue*

Our revenue decreased by approximately RMB101.7 million, or approximately 7.5%, from approximately RMB1,353.7 million for FY2021 to approximately RMB1,252.0 million for FY2022. Such decrease was mainly attributable to the decrease in revenue from the provision of standard delivery service by approximately RMB238.0 million and the decrease in revenue from the provision of economic delivery services by approximately RMB15.5 million under end-to-end cross-border delivery service and the decrease in revenue from freight forwarding services by approximately RMB22.7 million, and was partially offset by (i) the increase in revenue from the provision of express delivery service by approximately RMB157.0 million under end-to-end cross-border delivery services and (ii) the increase in revenue from the provision of other logistics service by approximately RMB17.5 million.

Our revenue from the provision of standard delivery services decreased in FY2022 mainly due to (i) the decrease in revenue generated from export shipment to North America; and (ii) a shift in our marketing strategy, from conducting sales promotion during FY2021 to diversifying our services offered to our customers during FY2022. The number of parcels delivered to North America through standard delivery service decreased from approximately 5.5 million for FY2021 to approximately 1.6 million for FY2022, and the respective billed weight decreased from approximately 4.5 million kg for FY2021 to 1.9 million kg for FY2022, which was mainly attributable to the decrease in standard delivery service procured by Yidatong, resulting in a decrease in revenue of approximately RMB233.4 million.

During FY2021, our Group conducted sales promotion for standard delivery services offered to an e-commerce platform, Alibaba.com, through our business relationship with Yidatong to raise brand awareness and to establish our business presence on such platform. The sales promotion mainly consisted of: (i) a flat discount for orders placed through such e-commerce platform, which lasted for 31 days between February 2021 to March 2021; and (ii) a volume-based discount on freight charges, which was available in March and April 2021. Our Group conducted sales promotion on Alibaba.com during the time (“**Promotion Period**”), with an aim to acquire new customers, cultivate customer loyalty, stimulate revenue growth, and enhance customer retention in FY2021. As a result of such sales promotion, our revenue from the provision of standard delivery service in FY2021 was higher compared with that in FY2020 and FY2022.

Prior to the promotion, our average monthly number of parcels and the average monthly billed weight for the first two months of FY2021 (“**Pre-promotion Period**”) from Alibaba.com through Yidatong were approximately 25,000 parcels and 64,000 kg, respectively. During the Promotion Period, we were able to secure more logistics service orders from Alibaba.com, and our

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average monthly number of parcels and the average monthly billed weight increased to approximately 97,000 parcels and 310,000 kg in March and April 2021, showing a significant increase of approximately 281.0% and 383.7%, respectively. Upon the expiry of the promotion, the average monthly number of parcels and the average monthly billed weight between May and December 2021 were approximately 81,000 and 305,000 kg, respectively, showing a slight decrease of approximately 16.9% and 1.5% in terms of the number of parcels and billed weight as compared with that during the Promotion Period, respectively, but showed a significant increase as compared with that during the Pre-promotion Period of approximately 216.7% and 376.3% in terms of the number of parcels and billed weight, respectively. In view of our growth in revenue from our standard delivery services for FY2021, our Directors considered our Group has successfully established market presence on Alibaba.com and achieved our objectives on acquiring new customers on the platform, and therefore our Group reduced the intensity and discounts offered in our sales promotion and expanded our services that yielded a greater profit for our Group during FY2022.

Our revenue from economic delivery services decreased from approximately RMB51.5 million for FY2021 to approximately RMB36.0 million for FY2022, by approximately RMB15.5 million, which was mainly attributable to the lower revenue and billed weight from the delivery service by postal service, which decreased from approximately RMB51.5 million and approximately 918,000 parcels for FY2021 to approximately RMB19.0 million and approximately 175,000 parcels for FY2022. Our Directors believe that the decline was exacerbated by lower postal rates for alternative delivery methods during FY2022, which further reduced demand for economic delivery by postal service.

Our revenue from the provision of express delivery service increased by approximately RMB157.0 million for FY2022, which was mainly due to the decrease in fees charged to our customers when the capacity for express logistics services in the market was higher at the relevant time and gradually resumed to the level before the outbreak of the COVID-19 pandemic so as to maintain our market presence. This was reflected in a decrease in the average price per kg from approximately RMB62.7 for FY2021 to approximately RMB55.6 for FY2022, despite the increase in the number of parcels from approximately 825,000 to approximately 876,000 and the increase in billed weight from approximately 9.7 million kg to approximately 13.8 million kg between FY2021 and FY2022.

Our revenue from freight forwarding services decreased from approximately RMB225.7 million for FY2021 to approximately RMB203.0 million for FY2022, which was mainly attributable to the decrease in revenue from seaborne freight forwarding services due to (i) the decrease in the number of TEU our Group handled of approximately 6,300 in FY2021 to approximately 2,200 in FY2022, which was mainly attributable to the decrease in business volume with Customer F, one of our five largest customers of our Group during FY2021 and FY2022; and

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(ii) the decrease in ocean freight rates for seaborne export shipment as a result of the increase in transportation capacity in the market during FY2022, and was partially offset by (i) the increase in revenue from airborne freight forwarding services by approximately RMB25.9 million in FY2022; and (ii) the increase in revenue generated from ground transportation by approximately RMB22.7 million in FY2022, during which the number of TEU our Group handled increased by approximately 18,000.

Our revenue from other logistics service increased from approximately RMB51.0 million for FY2021 to approximately RMB68.5 million for FY2022, which was mainly attributable to the increase in revenue from our service of customs clearance, pick-up and delivery of approximately RMB23.5 million for FY2022, which was mainly due to the introduction of Type 86 Entry customs clearance service, which has increased our business volume, and was offset by (i) the decrease in revenue from industry-tailored solutions of approximately RMB3.1 million for FY2022; and (ii) the decrease in revenue from OGP/OSP service of approximately RMB3.1 million for FY2022.

### *Cost of sales*

Our cost of sales decreased by approximately RMB106.5 million, or approximately 8.5%, from approximately RMB1,253.8 million for FY2021 to approximately RMB1,147.3 million for FY2022 which was mainly due to the decrease in logistics costs for standard delivery service by approximately RMB274.8 million, and was partially offset by the increase in logistics cost for express delivery service by approximately RMB186.7 million. The said fluctuations were mainly due to the changes in revenue during FY2022 as discussed above.

During FY2021, we conducted sales promotion to establish our business presence for the provision of standard delivery service on an e-commerce platform, Alibaba.com, through our business relationship with Yidatong. To cope with the increase in demand for services, we had to increase our service capacity by sourcing additional air cargo spaces from our suppliers at a comparatively higher rate, being the prevailing market prices, due to the strong market demand at the relevant time during FY2021. However, the global air freight market capacity improved in 2022, while air cargo demand in 2022 was slightly below pre-COVID-19 pandemic levels, leading to a decrease in market rates, and hence our cost of sales. Therefore, the cost of sales for FY2021 was relatively higher as compared with that for FY2022.

The increase in logistics costs for express delivery service for FY2022 was mainly due to the increase in business volume of express delivery service and the increase in fuel surcharge charged by our suppliers.

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### *Gross profit and gross profit margin*

Our gross profit increased by approximately RMB4.8 million, or approximately 4.8%, from approximately RMB99.9 million for FY2021 to approximately RMB104.7 million for FY2022. Such increase was mainly attributable to (i) the gross profit of RMB10.8 million recognised in the standard delivery service segment in FY2022 as opposed to a gross loss of approximately RMB19.5 million in FY2021; (ii) the increase in gross profit from economic delivery service by approximately RMB3.4 million; and (iii) the increase in gross profit from other logistics service by approximately RMB1.1 million, partially offset by (i) the decrease in gross profit from express delivery service by approximately RMB13.5 million; and (ii) the decrease in gross profit from freight forwarding services by approximately RMB17.0 million.

For standard delivery service, a gross profit of approximately RMB10.8 million was recorded in FY2022, improving from a gross loss amounting to approximately RMB19.5 million in FY2021. During FY2021, we conducted sales promotion to establish our business presence on an e-commerce platform, Alibaba.com, through our business relationship with Yidatong. In view of our growth in revenue derived from such e-commerce platform in FY2021, during FY2022, not only did we reduce the intensity and discounts offered in our sales promotion during FY2022, but we also expanded our services to such e-commerce platform by providing more delivery options that yielded a greater profit for our Group. These services encompass deliveries to diverse European and a few Middle Eastern nations, with our Group managing the logistics chain coordination.

Our gross profit from economic delivery service increased from approximately RMB0.1 million for FY2021 to approximately RMB3.5 million for FY2022. Such increase was mainly due to the introduction of new delivery routes and methods in FY2022 under our economic delivery services, which include the separate engagement of seaborne logistics service providers and other logistics service providers to perform parcel delivery to the final destinations. This delivery method differs from our then existing delivery method of engaging postal service providers to handle majority of the logistics value chain once the parcels are delivered to them from our service outlets.

Our gross profit from other logistics service increased from approximately RMB18.3 million for FY2021 to approximately RMB19.8 million for FY2022, which was mainly attributable to the increase in gross profit of approximately RMB5.3 million for our customs clearance, pick-up and delivery service, with a relatively stable gross profit margin of approximately 22.7%, and was offset by the decrease in gross profit of approximately RMB1.6 million and RMB2.3 million for our industry-tailored solution and OGP/OSP services, respectively, which showed a decrease in gross profit margin to approximately 16.9% and 36.0% for FY2022, respectively. The increase in



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gross profit for our customs clearance, pick-up and delivery service for FY2022 was mainly attributable to the increase in business volume, while the decrease in gross profit and gross profit margin for OGP/OSP services was mainly attributable to the decrease in the number of parcels handled.

Our gross profit from express delivery service decreased from approximately RMB79.7 million for FY2021 to approximately RMB66.2 million for FY2022. Such decrease was mainly due to a higher increase in cost of sales than the increase in revenue for our express delivery services. Our suppliers for express delivery services were mainly multinational logistics service providers providing logistics services for majority of the logistics value chain from our service outlets to the overseas final destinations. Our Group has relatively less control over the service fees charged by such multinational logistics service providers. Furthermore, the market competition for express delivery service was more intense during FY2022, however we did not proportionately increase our fees charged to our customers in order to maintain our price competitiveness and market presence leading to a decrease in our gross profit margin and gross profit.

Our gross profit from freight forwarding services decreased from approximately RMB21.3 million for FY2021 to approximately RMB4.3 million for FY2022, which was mainly attributable to (i) a shift from a gross profit from our airborne freight forwarding services of approximately RMB2.8 million for FY2021 to a gross loss of approximately RMB3.4 million for FY2022; and (ii) the decrease in gross profit from our seaborne freight forwarding services of approximately RMB13.2 million for FY2022, and was offset by the increase in gross profit from our ground transportation services of RMB2.4 million for FY2022. The gross loss from our airborne freight forwarding services was mainly attributable to the higher costs to secure the cargo spaces at the end of FY2021 and the decrease in freight rate in FY2022, resulting from the gradual resumption of airborne transportation capacity and the relatively lower demand for such service from the PRC's traditional traders. Similar market phenomena were observed in the seaborne freight forwarding market, where the decrease in fees charged by our suppliers was less significant compared to the decrease in fees we charged our customers, resulting in a decrease in both gross profit and gross profit margin for our seaborne services. Our Directors are of the view that the reason behind this was that our suppliers, generally asset-heavy enterprises, had to maintain their income levels to cover their fixed costs and were less flexible in decreasing their rates.

Our overall gross profit margin increased from approximately 7.4% during FY2021 to approximately 8.4% during FY2022. Such increase was mainly attributable to the improvement in provision of standard delivery service, which shifted from a gross loss to a gross profit, and the increase in gross profit margin from the provision of economy delivery service as explained above. The increase in gross profit margin was partially offset by the decrease in gross profit margin for express delivery service as explained above.

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### *Other income, gains and losses, net*

Our other income, gains and losses, net decreased by approximately RMB0.1 million, or approximately 2.0%, from approximately RMB4.9 million for FY2021 to approximately RMB4.8 million for FY2022. Such decrease was mainly due to a net gain on compensation of land resumption of approximately RMB2.5 million for FY2021 while there was no such gain for FY2022, and was partially offset by (i) an increase in sundry income of approximately RMB0.1 million and (ii) and a decrease in exchange loss of approximately RMB2.1 million.

### *Selling expenses*

Our selling expenses increased by approximately RMB1.4 million, or approximately 24.1%, from approximately RMB5.8 million for FY2021 to approximately RMB7.2 million for FY2022. Such increase was mainly attributable to the increase in the number of staff for the development of new service to an e-commerce platform, Alibaba.com, through our business relationship with Yidatong as mentioned above. For details of the revenue, gross profit and gross profit margin in relation to Yidatong, please refer to the paragraph headed “Related party transactions” below in this section.

### *Administrative and other expenses*

Our administrative and other expenses increased by approximately RMB13.3 million, or approximately 25.8%, from approximately RMB51.6 million for FY2021 to approximately RMB64.9 million for FY2022. Such increase was mainly attributable to the [REDACTED] of approximately RMB[REDACTED] million incurred during FY2022.

### *Finance costs*

Our finance costs remained relatively stable at approximately RMB0.8 million and RMB0.9 million for FY2021 and FY2022, respectively.

### *Income tax expenses*

Our income tax expenses decreased by approximately RMB1.0 million, or approximately 9.0%, from approximately RMB11.1 million for FY2021 to approximately RMB10.1 million for FY2022. Such decrease was mainly attributable to the decrease in profit before tax during the relevant year.

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### *Profit for the year*

As a result of the foregoing, our profit for the year decreased by approximately RMB10.0 million or approximately 27.1% from approximately RMB36.9 million for FY2021 to approximately RMB26.9 million for FY2022; and our net profit margin decreased from approximately 2.7% for FY2021 to approximately 2.1% for FY2022 accordingly.

### **FY2021 compared with FY2020**

#### *Revenue*

Our revenue decreased by approximately RMB158.4 million, or approximately 10.5%, from approximately RMB1,512.1 million for FY2020 to approximately RMB1,353.7 million for FY2021. Such decrease was mainly attributable to the decrease in revenue from end-to-end cross-border delivery service of approximately RMB278.3 million, or approximately 20.5%, and was offset by the increase in revenue from freight forwarding service of approximately RMB126.8 million, or approximately 128.3%.

In particular, the revenue generated from economic delivery service decreased significantly from approximately RMB302.6 million for FY2020 to approximately RMB51.4 million for FY2021. During FY2020, our revenue from economic delivery service mainly involved delivery of small parcels to the United States. In September 2019, the Universal Postal Union adopted the “Option V” postal remuneration system allowing member countries with annual inbound mail volumes in excess of 75,000 tonnes to set their own inbound postal rates for letters and small packets. Following the adoption of “Option V” postal system, the United States significantly increased the rate it charged for incoming small parcels from the PRC in July 2020. Some of our customers therefore selected other of our services, resulting in a decline in the number of parcels delivered from the PRC to the US through economic delivery service from approximately 2.4 million in FY2020 to approximately 0.1 million in FY2021, while its respective revenue also decreased from approximately RMB139.4 million in FY2020 to approximately RMB9.9 million in FY2021. The decrease in revenue for economic delivery service was also due to the change of our Group’s focus on more efficient delivery options during FY2021.

Our revenue from express delivery service decreased from approximately RMB673.5 million for FY2020 to approximately RMB610.0 million for FY2021. Such decrease was mainly due to the drop in demand for export of anti-epidemic supplies and other necessities from the PRC to other countries when the pandemic became less severe in other parts of the world.

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The decrease in total revenue was partially offset by the increase in revenue from our freight forwarding services by approximately RMB126.8 million, or approximately 128.3%, from approximately RMB98.9 million for FY2020 to approximately RMB225.7 million for FY2021. Such increase was mainly attributable to the increase in fees of both of our air and ocean freight forwarding services we charged our customers during FY2021. The revenue from air freight forwarding services increased from approximately RMB29.8 million for FY2020 to approximately RMB61.5 million for FY2021, by approximately 106.3%, which was mainly attributable to our air cargo capacity from our block space agreements with our suppliers during FY2021, when there was a concurrent shortage of capacity for air cargo space in the market subsequent to the outbreak of the COVID-19 pandemic, enabling us to charge higher rates to our customers. The revenue from ocean freight forwarding services increased from approximately RMB56.7 million for FY2020 to approximately RMB147.0 million for FY2021, by approximately 159.2%, which was mainly attributable to the increase in fees we charged our customers during FY2021, which coincided with a shortage of cargo containers in the PRC. The shortage resulted from a significant number of containers being transported out of the PRC in the second half of 2020 which was mainly due to a surge in electronic commerce subsequent to the outbreak of the COVID-19 pandemic, allowing our Group to charge higher rates to our customers during FY2021.

During FY2020, our other logistics services experienced a growth in business volume. This increase was largely due to supportive policies from the People’s government of Chengdu during the COVID-19 pandemic. These policies provided subsidies to airlines and logistics companies to bolster the industry, aiming to mitigate the adverse impact of the COVID-19 pandemic outbreak on the operation of the aviation economy, to achieve stable, healthy and sustainable development of the aviation economy, to reduce customs clearance costs for airborne cargoes. However, our industry-tailored solutions, including providing cold chain logistics management and customs clearance for parcel import to the PRC for the delivery of fresh flowers to the PRC, saw a decrease in revenue of approximately RMB1.8 million from FY2020 to FY2021, which was mainly attributable to the adverse impact of the COVID-19 pandemic to the airborne logistics capacity.

### *Cost of sales*

Our cost of sales decreased by approximately RMB135.1 million, or approximately 9.7%, from approximately RMB1,388.9 million for FY2020 to approximately RMB1,253.8 million for FY2021 which was mainly attributable to (i) the decrease in logistics cost for economic delivery service by approximately RMB232.6 million; (ii) the decrease in logistics cost for express delivery service by approximately RMB81.7 million; and (iii) the decrease in logistics cost of other logistics service by approximately RMB2.3 million, which was partially offset by (i) the increase in logistics cost of standard delivery service by approximately RMB56.8 million and (ii) the increase in logistics cost of freight forwarding services by approximately RMB110.6 million. The said fluctuations were mainly due to the changes in revenue during FY2021 as discussed above.

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The decrease in logistics costs for economic delivery service was mainly due to the downsizing of our economic delivery business line as a result of the increase in rates for the delivery of small parcels to the US following the adoption of the “Option V” postal system and our Group’s shift of focus to more efficient delivery options as mentioned above. The decrease in logistics cost for express delivery service and other logistics service was generally in line with the change in revenue from them. During FY2021, our Group could shift the increase in logistics costs resulted from the COVID-19 outbreak to our customers in these two services, for which our Group engaged international logistics companies and postal service providers to handle the processes after the parcels are despatched from our service outlets, from domestic transshipment till the last-mile delivery process.

The increase in logistics costs for standard delivery services was mainly due to our sales promotion conducted during FY2021 in order to establish our business presence on an e-commerce platform, Alibaba.com, through our business relationship with Yidatong. Such sales promotion has led to a higher demand for standard delivery services. To cope with such increase in demand for services, we had to increase our service capacity by sourcing additional air cargo spaces from our suppliers at comparatively higher rates, being the prevailing market prices, due to the strong market demand at the relevant time during FY2021. Our logistics costs in relation to international linehaul process rose from approximately RMB164.1 million for FY2020 to approximately RMB249.1 million for FY2021, by approximately 51.8%, while the increase in billed weight from approximately 4.3 million kg for FY2020 to approximately 5.3 million kg for FY2021, by approximately 23.3%. Such increase in international linehaul process costs reflected the adverse impact of the COVID-19 outbreak during FY2021 towards our standard delivery services.

The increase in logistics cost for freight forwarding services was generally in line with the change in revenue from this business line.

### ***Gross profit and gross profit margin***

Our gross profit decreased by approximately RMB23.4 million, or approximately 19.0%, from approximately RMB123.2 million for FY2020 to approximately RMB99.9 million for FY2021. Such decrease was mainly attributable to (i) the decrease in gross profit from end-to-end cross-border delivery service of approximately RMB34.8 million; and (ii) the decrease in gross profit from other logistics service of approximately RMB4.8 million. In particular, the gross profit from standard delivery services decreased by approximately RMB20.5 million and the gross profit for economic delivery services decreased by approximately RMB16.8 million. Such decrease was partially offset by the increase in gross profit from freight forwarding services of approximately RMB16.2 million.

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The decrease in gross profit from standard delivery service was mainly attributable to the larger increase in cost of sales compared with the increase in revenue during FY2021 as a result of the sales promotion conducted to raise our brand awareness and to establish our business presence on an e-commerce platform, Alibaba.com, through our business relationship with Yidatong and the higher price paid for the procurement of additional air cargo spaces in 2021 as discussed above.

The decrease in gross profit from economic delivery services was mainly attributable to the increase in delivery cost of small parcels to the US since 2020 following the adoption of “Option V” postal system as mentioned above. Our Group has significantly reduced our business size in the economic delivery business line as a result of such change in policy which took effect from July 2020.

The increase in gross profit from the provisions of freight forwarding services was mainly attributable to the larger increase in revenue compared with the increase in cost of sales, which also resulted in an increase in gross profit margin from approximately 5.2% for FY2020 to approximately 9.4% for FY2021. During FY2021, we were able to secure container capacity to maintain our freight forwarding services due to our long-standing relationship with our suppliers and our framework agreements entered into with our suppliers, despite short supply of logistics capacity in general in the market. At the same time, due to higher demand for services than supply in the market, we managed to increase the price we charged our customers with a markup on top of our cost which has increased our gross profit during FY2021.

Our overall gross profit margin decreased from approximately 8.2% during FY2020 to approximately 7.4% during FY2021. Such decrease was mainly attributable to the decrease in gross profit margin from end-to-end cross-border delivery service. In particular, the gross profit margin from standard delivery and economic delivery services has decreased significantly due to the decrease in gross profit as explained above. The decrease in gross profit margin was partially offset by the increase in gross profit margin for freight forwarding services as explained above.

### ***Other income, gains and losses, net***

Our other income, gains and losses, net decreased by approximately RMB0.4 million or approximately 7.2%, from approximately RMB5.3 million for FY2020 to approximately RMB4.9 million for FY2021. Such decrease was mainly attributable to (i) the increase in exchange loss of approximately RMB2.8 million mainly caused by the conversion of US dollars to RMB; and (ii) the decrease in government grants of approximately RMB2.7 million, and was partially offset by (i) the increase in gain arising from change of fair value of financial asset at fair value through profit or loss of approximately RMB2.0 million; and (ii) a net gain on compensation of land resumption of approximately RMB2.5 million for FY2021.

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### *Selling expenses*

Our selling expenses increased by approximately RMB2.9 million, or approximately 98.7%, from approximately RMB2.9 million for FY2020 to approximately RMB5.8 million for FY2021. Such increase was mainly attributable to the increase in the salaries of our sales staff and the increase in marketing expense for the promotion of our services to customers of e-commerce platforms.

### *Administrative and other expenses*

Our administrative and other expenses increased by approximately RMB3.8 million, or approximately 8.0%, from approximately RMB47.8 million for FY2020 to approximately RMB51.6 million for FY2021. Such increase was mainly attributable to the increase in the number of management and finance staff for our business development.

### *(Impairment loss) reversal of trade and other receivables*

We had impairment loss on trade and other receivables of approximately RMB3.6 million for FY2020 and impairment loss reversal of trade and other receivables of approximately RMB1.4 million for FY2021 as part of the impairment loss on receivables recognised during FY2020 was later collected during FY2021.

### *Finance costs*

Our finance costs decreased by approximately RMB2.4 million, or approximately 74.2%, from approximately RMB3.3 million for FY2020 to approximately RMB0.8 million for FY2021. Such decrease was mainly attributable to the decrease in interests on amounts due to a Director of approximately RMB1.8 million. For further details of the amounts due to a Director, please refer to the paragraph headed “Discussion of selected items from the consolidated statements of financial position — Amounts due to a Director” in this section. The principal amount of the amounts due to Mr. Wang was fully repaid during FY2021 leading to a decrease in interests on amounts due to a Director.

The decrease in finance costs was also attributable to the decrease in interests on bank borrowings by approximately RMB0.7 million which was due to a larger amount of bank borrowings during FY2020 which was repaid during FY2020 and FY2021.

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### *Income tax expenses*

Our income tax expenses decreased by approximately RMB7.1 million, or approximately 39.1%, from approximately RMB18.3 million for FY2020 to approximately RMB11.1 million for FY2021. Such decrease was mainly attributable to the decrease in profit before tax during the relevant year.

### *Profit for the year*

As a result of the foregoing, our profit for the year decreased by approximately RMB15.8 million or approximately 30.0% from approximately RMB52.7 million for FY2020 to approximately RMB36.9 million for FY2021; and our net profit margin decreased from approximately 3.5% for FY2020 to approximately 2.7% for FY2021 accordingly.

## LIQUIDITY AND CAPITAL RESOURCES

Our principal cash requirement is for our working capital needs as well as capital expenditure. During the Track Record Period, we principally financed our working capital and other liquidity requirements through a combination of cash generated from operations and bank borrowings. As of 31 July 2023, being the latest practicable date for determining our indebtedness, we had capital resources of RMB247.0 million, consisting of cash and cash equivalents of RMB228.4 million, and unutilised bank facilities of RMB18.6 million. In the future, we expect to continue relying on cash flows from operations, the net [REDACTED] from the [REDACTED] and other debt to fund our working capital needs and finance part of our business expansion. Our capital structure represents equity attributable to Shareholders, comprising issued share capital and reserves including retained profits. Our Directors shall review our capital structure regularly in order to balance our overall capital structure through new share issues and fund raising through new loan borrowings with reference to the capital costs and the associated risks.



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### Consolidated Statements of Cash Flows

The following table sets forth a summary of our cash flows during the year/period indicated:

	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>	<u>6M2022</u>	<u>6M2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Operating cash flows before working capital changes . . . . .	87,026	52,559	47,263	23,488	21,686
Changes in working capital . . . . .	28,577	(18,671)	(13,924)	(23,659)	(71,586)
Cash generated from operations . . . . .	115,603	33,888	33,339	(171)	(49,900)
Income taxes paid. . . . .	(12,903)	(25,201)	(9,902)	(9,864)	(8,174)
Net cash from operating activities . . . . .	<u>102,700</u>	<u>8,687</u>	<u>23,437</u>	<u>(10,035)</u>	<u>(58,074)</u>
Net cash (used in)/from investment activities . . . . .	<u>(15,529)</u>	<u>(46,409)</u>	<u>77,756</u>	<u>43,529</u>	<u>(3,573)</u>
Net cash (used in)/from financing activities . . . . .	<u>(57,537)</u>	<u>103,073</u>	<u>(79,072)</u>	<u>(6,024)</u>	<u>53,183</u>
Net increase in cash and cash equivalents . . . . .	<u>29,634</u>	<u>65,351</u>	<u>22,121</u>	<u>27,470</u>	<u>(8,464)</u>
Cash and cash equivalents at beginning of the year/period . . . . .	<u>122,361</u>	<u>151,433</u>	<u>216,514</u>	<u>216,514</u>	<u>239,499</u>
Effect of changes in exchange rate . . . . .	<u>(562)</u>	<u>(270)</u>	<u>864</u>	<u>348</u>	<u>413</u>
Cash and cash equivalents at the end of the year/period . . . . .	<u><u>151,433</u></u>	<u><u>216,514</u></u>	<u><u>239,499</u></u>	<u><u>244,332</u></u>	<u><u>231,448</u></u>

#### *Operating cash flows before working capital changes*

Our operating cash flows before working capital changes decreased from approximately RMB23.5 million for 6M2022 to approximately RMB21.7 million for 6M2023, which was mainly attributable to the decrease in profit before tax during the same period for reasons set out in “Comparison of results of operations 6M2023 compared with 6M2022” above in this section.

Our operating cash flows before working capital changes decreased from approximately RMB52.6 million for FY2021 to approximately RMB47.3 million FY2022, which was mainly attributable to the decrease in profit before tax during the same year for reasons set out in “Comparison of results of operations — FY2022 compared with FY2021” above in this section.

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Our operating cash flows before working capital changes decreased from approximately RMB87.0 million for FY2020 to approximately RMB52.6 million for FY2021, which was mainly attributable to the decrease in profit before tax during the same year for reasons set out in the paragraph headed “Comparison of results of operations — FY2021 compared with FY2020” in this section.

### *Net cash from operating activities*

Our net cash from operating activities reflects the profit or loss for the year/period adjusted for non-cash items such as depreciation, finance costs, (impairment loss) reversal of financial assets, investment income received and adjusted for changes in working capital. During the Track Record Period, we derived our cash from operating activities principally from the receipt of payments for our services provided to our customers. Our cash used in operating activities was principally for payment of service fees to our suppliers.

For 6M2023, the net cash used in operating activities amounted to approximately RMB58.1 million, which was the combined result of operating cash flows before working capital changes of approximately RMB21.7 million and negative movement in working capital of approximately RMB71.6 million, income tax paid of approximately RMB8.2 million. The negative movement in working capital primarily reflected (i) the increase in trade receivables of approximately RMB98.2 million; (ii) the increase in other receivables of approximately RMB1.0 million; (iii) the decrease in contract liabilities of approximately RMB1.3 million; and (iv) the decrease in accruals and other payables of approximately RMB4.7 million, offset by the increase in trade payables of approximately RMB33.6 million.

For FY2022, the net cash from operating activities amounted to approximately RMB23.4 million, which was the combined result of operating cash flows before working capital changes of approximately RMB47.3 million, negative movement in working capital of approximately RMB13.9 million and income taxes paid of approximately RMB9.9 million. The negative movement in working capital reflected (i) the decrease in trade receivables of approximately RMB19.5 million; (ii) the increase in deposits, prepayments and other receivables of approximately RMB13.5 million; (iii) the decrease in contract liabilities of approximately RMB4.9 million; (iv) the decrease in trade payables of approximately RMB22.3 million; and (v) the increase in accruals and other payables of approximately RMB7.4 million.

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For FY2021, the net cash from operating activities amounted to approximately RMB8.7 million, which was the combined result of operating cash flows before working capital changes of approximately RMB52.6 million, negative movement in working capital of approximately RMB18.7 million and income taxes paid of approximately RMB25.2 million. The negative movement in working capital reflected (i) the decrease in trade receivables of approximately RMB2.6 million; (ii) the increase in deposits, prepayments and other receivables of approximately RMB19.8 million; (iii) the increase in contract liabilities of approximately RMB2.6 million; (iv) the decrease in trade payables of approximately RMB9.4 million; and (v) the increase in accruals and other payables of approximately RMB5.3 million.

For FY2020, the net cash from operating activities amounted to approximately RMB102.7 million, which was the combined result of operating cash flows before working capital changes of approximately RMB87.0 million, positive movement in working capital of approximately RMB28.6 million and income taxes paid of approximately RMB12.9 million. The positive movement in working capital reflected (i) the decrease in trade receivables of approximately RMB74.7 million; (ii) the decrease in deposits, prepayments and other receivables of approximately RMB8.6 million; (iii) the increase in contract liabilities of approximately RMB74,000; (iv) the decrease in trade payables of approximately RMB55.5 million; and (v) the increase in accruals and other payables of approximately RMB0.8 million.

### *Net cash (used in)/from investment activities*

Our cash outflow from investment activities primarily consisted of payments for purchase of property, plant and equipment and purchase of financial assets at fair value through profit or loss, whereas our cash inflow from investment activities mainly included proceeds from disposal of property, plant and equipment and financial assets at fair value through profit or loss, bank interest income received and proceed from land resumption.

For 6M2023, we had net cash used in investment activities of approximately RMB3.6 million, which was primarily the combined result of (i) the placement of unpledged time deposit of approximately RMB4.7 million; and (ii) the payments for purchase of property, plant and equipment of approximately RMB1.2 million; offset by the bank interest income received of approximately RMB2.2 million.

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For FY2022, we had net cash from investment activities of approximately RMB77.8 million, which was the combined result of (i) the proceeds from disposal of financial assets at fair value through profit or loss of approximately RMB694.7 million; (ii) the bank interest income received of approximately RMB1.7; and (iii) the proceeds from disposal of property, plant and equipment of approximately RMB1.6 million; offset by (i) the purchase of financial assets at fair value through profit or loss of approximately RMB605.2 million; and (ii) the payments for purchase of property, plant and equipment of approximately RMB15.1 million.

For FY2021, we had net cash used in investment activities of approximately RMB46.4 million, which was the combined result of (i) the purchase of financial assets at fair value through profit or loss of approximately RMB1,013.9 million; and (ii) the payments for purchase of property, plant and equipment of approximately RMB6.3 million; offset by (i) the proceeds from disposal of financial assets at fair value through profit or loss of approximately RMB954.5 million; (ii) the proceed from land resumption of approximately RMB15.6 million; and (iii) the bank interest income received of approximately RMB1.9 million.

For FY2020, we had net cash used in investment activities of approximately RMB15.5 million, which was the combined result of (i) the purchase of financial assets at fair value through profit or loss of approximately RMB361.9 million; and (ii) the payments for purchase of property, plant and equipment of approximately RMB5.0 million; offset by (i) the proceeds from disposal of financial assets at fair value through profit or loss of approximately RMB349.6 million; (ii) the bank interest income received of approximately RMB1.4 million; and (iii) the proceeds from disposal of property, plant and equipment of approximately RMB0.3 million.

### *Net cash (used in)/from financing activities*

Our cash outflow from financing activities primarily consisted of repayment of bank loans, repayment of lease liabilities and repayment to a director, whereas our cash inflow from financing activities mainly included proceeds from issue of share and new bank borrowings raised.

For 6M2023, we had net cash from financing activities of approximately RMB53.2 million, which was mainly attributable to (i) the new bank borrowings raised of approximately RMB209.4million; and (ii) the capital injection from the [REDACTED] of approximately RMB13.3 million, offset by (i) the repayment of bank loans of approximately RMB159.4 million; (ii) expenses paid for the issuance of share of approximately RMB4.7 million; (iii) the repayment of lease liabilities of approximately RMB5.5 million; and (iv) the interest paid of approximately RMB1.3 million.

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For FY2022, we had net cash used in financing activities of approximately RMB79.1 million, which was mainly attributable to (i) the repayment of lease liabilities of approximately RMB9.1 million; (ii) the repayment of bank loans of approximately RMB0.3 million; (iii) the interest paid of approximately RMB0.9 million; (iv) payments on repurchase of shares of approximately RMB70.6 million and; (v) the issue cost paid of approximately RMB2.5 million, partially offset by the new bank borrowings raised of approximately RMB4.4 million.

For FY2021, we had net cash from financing activities of approximately RMB103.0 million, which was mainly attributable to (i) the proceeds from issue of share of approximately RMB138.9 million; and (ii) the new bank borrowings raised of approximately RMB7.3 million, partially offset by (i) the repayment to a director of approximately RMB25.0 million; (ii) the repayment of lease liabilities of approximately RMB6.9 million; (iii) the repayment of bank loans of approximately RMB7.4 million; (iv) expenses paid for the issuance of share of approximately RMB1.6 million; (v) the issue cost paid of approximately RMB1.4 million; and (vi) the interest paid of approximately RMB0.8 million.

For FY2020, we had net cash used in financing activities of approximately RMB57.5 million, which was mainly attributable to (i) the repayment of bank loans of approximately RMB86.9 million; (ii) the repayment to a director of approximately RMB30.1 million; (iii) the repayment of lease liabilities of approximately RMB7.4 million; and (iv) the interest paid of approximately RMB3.3 million, partially offset by the new bank borrowing raised of approximately RMB70.2 million.

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### NET CURRENT ASSETS

The following table sets forth our current assets and current liabilities of the consolidated statements of financial position as at the respective dates indicated:

	As at 31 December			As at	As at
	2020	2021	2022	30 June	31 July
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2023</i>	<i>2023</i>
				<i>RMB'000</i>	<i>RMB'000</i>
					<i>(unaudited)</i>
<b>Current Assets</b>					
Trade receivables . . . . .	124,094	122,835	103,956	200,818	262,636
Deposits, prepayments and other receivables . . . . .	44,909	66,155	84,519	93,896	97,960
Financial assets at fair value through profit or loss . . . . .	24,781	86,957	35	—	—
Time Deposit . . . . .	—	—	—	4,702	4,702
Bank balances and cash . . . . .	151,433	216,514	239,499	231,448	228,386
	<u>345,217</u>	<u>492,461</u>	<u>428,009</u>	<u>530,864</u>	<u>593,684</u>
<b>Current Liabilities</b>					
Trade payables . . . . .	62,178	52,773	30,456	64,048	88,435
Accruals and other payables . .	21,110	26,404	33,754	29,196	30,576
Contract liabilities . . . . .	15,595	18,213	13,271	11,951	10,164
Amounts due to a Director . . .	25,016	42	42	42	42
Income tax payables . . . . .	17,451	7,762	7,886	2,558	2,408
Lease liabilities . . . . .	4,215	7,159	8,084	7,411	8,304
Borrowings . . . . .	400	300	4,429	54,400	92,400
	<u>145,965</u>	<u>112,653</u>	<u>97,922</u>	<u>169,606</u>	<u>232,329</u>
<b>Net current assets . . . . .</b>	<u>199,252</u>	<u>379,808</u>	<u>330,087</u>	<u>361,258</u>	<u>361,355</u>

Our current assets consisted of trade receivables, deposits, prepayments and other receivables, financial assets at fair value through profit or loss, time deposit and bank balances and cash. Our current liabilities consisted of trade payables, accruals and other payables, contract liabilities, amounts due to a Director, income tax payables, lease liabilities and borrowings.

As at 31 December 2020 and 31 December 2021, we had net current assets of approximately RMB199.3 million and RMB379.8 million, respectively. The increase was primarily attributable to (i) the increase in bank balances and cash of approximately RMB65.1 million; (ii) the increase in financial assets at fair value through profit or loss of approximately RMB62.2 million; and (iii) the

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increase in deposits, prepayments and other receivables of approximately RMB21.2 million which was partially offset by (i) the increase in accruals and other payables of approximately RMB5.3 million; (ii) the increase in contract liabilities of approximately RMB2.6 million; and (iii) the increase in the current portion of lease liabilities of approximately RMB2.9 million.

As at 31 December 2022, we had net current assets of approximately RMB330.1 million, which was decreased from approximately RMB379.8 million as at 31 December 2021. The decrease was primarily attributable to (i) the decrease in trade receivables of approximately RMB18.9 million; (ii) the decrease in financial assets at fair value through profit or loss of approximately RMB86.9 million; (iii) the decrease in trade payables of approximately RMB22.3 million; and (iv) the decrease in contract liabilities of approximately RMB4.9 million, which was partially offset by (i) the increase in deposits, prepayments and other receivables of approximately RMB18.4 million; (ii) the increase in bank balance and cash of approximately RMB23.0 million; and (iii) the increase in accruals and other payables of approximately RMB7.4 million; and (iv) the increase in borrowings of approximately RMB4.1 million.

As at 30 June 2023, we had net current assets of approximately RMB361.3 million, which was increased from approximately RMB330.1 million as at 31 December 2022. The increase was primarily attributable to (i) the increase in trade receivables of approximately RMB96.9 million; (ii) the increase in deposits, prepayments and other receivables of approximately RMB9.4 million; (iii) the increase in time deposit of approximately RMB4.7 million; (iv) the decrease in accruals and other payables of approximately RMB4.7 million; (v) the decrease in contract liabilities of approximately RMB1.3 million; (vi) the decrease in income tax payables of approximately RMB5.3 million; and (vii) the decrease in the current portion of lease liabilities of approximately RMB0.7 million, which was partially offset by (i) the decrease in bank balance and cash of approximately RMB8.1 million and (ii) the increase in trade payables of approximately RMB33.6 million; and (iii) the increase in borrowings of approximately RMB50.0 million.

As at 31 July 2023, we had net current assets of approximately RMB361.4 million, slightly increased from approximately RMB361.3 million as at 30 June 2023.

### WORKING CAPITAL

Our Directors confirm that, taking into consideration the financial resources presently available to us, including cash generated from operating activities, the existing bank loans and the estimated net [REDACTED] from the [REDACTED], we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this document.

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### DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

#### Property, plant and equipment

Our property, plant and equipment mainly consisted of ownership interests in land and building, computer and office equipment, furniture and fittings, motor vehicles and leasehold improvement. Our property, plant and equipment amounted to approximately RMB17.1 million, RMB15.3 million, RMB23.9 million and RMB22.9 million as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively, representing 3.2%, 2.3%, 3.9% and 3.2% of our total assets as at the respective dates.

The property, plant and equipment remained relatively stable throughout the Track Record Period. Please also refer to Note 16 of the Accountants’ Report in Appendix I to this document for details.

#### Right-of-use assets

Our right-of-use assets represented the leases that we entered into in order to be used as our service outlets. The carrying amount of these right-of-use assets was approximately RMB19.6 million, RMB17.7 million, RMB14.5 million and RMB10.9 million as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively. Please refer to Note 17 of the Accountants’ Report in Appendix I to this document for details.

#### Goodwill

We recorded a goodwill of approximately RMB144.7 million, RMB144.7 million, RMB144.7 million, RMB144.7 million and RMB144.7 million as at 31 December 2020, 2021 and 2022, 30 June 2022 and 30 June 2023, respectively.

During the year ended 31 December 2017, our Group acquired Shenzhen Global Link which is engaged in supply chain management in Shenzhen, the PRC. Goodwill resulting from the business combinations has been allocated to Shenzhen Global Link as a single cash-generating unit. The management of our Group assessed the impairment on goodwill at the CGU of Shenzhen Global Link, which represents the lowest level within our Group at which the goodwill is monitored for impairment assessment. For the impairment testing of goodwill for the Track Record Period, the recoverable amounts of the CGU Shenzhen Global Link have been determined based on value-in-use calculations. The impairment assessment is performed by the management of our Group with reference to the valuation prepared by an independent professional valuer and the value-in-use calculations have been determined using a discounted cash flows model, which is



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based on financial budgets approved by the management of our Group covering a 5-year period. Expected cash inflows/outflows have been taken into account of past performance and management’s expectations for the market development including forecast revenue, gross margins and raw materials price inflation. The future cash flows are also highly dependent on the unobservable inputs of forecast sales volumes and forecast selling prices. The management of our Group believes that any reasonably possible changes in these assumptions and inputs would not result in the carrying amounts of the CGU Shenzhen Global Link exceeding its recoverable amounts. During FY2020, FY2021, FY2022, 6M2022 and 6M2023, our Directors determined that there are no impairment of goodwill.

Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 2% throughout the Track Record Period. Other key parameters for the value-in-use calculations as at 31 December 2020, 2021 and 2022, which are based on either the past experience or our management’s expectation for the market development are as follows:

	At 31 December 2020	At 31 December 2021	At 31 December 2022	As at 30 June 2023
Pre-tax Discount rate . . . . .	19.7%	20.9%	22.3%	22.2%
Revenue growth rate within 5-year period . . . . .	5% to 8%	5% to 8%	5% to 8%	5% to 8%
Terminal Growth rate . . . . .	2%	2%	2%	2%

The recoverable amounts of the CGU Shenzhen Global Link are estimated to exceed its carrying amounts by approximately RMB70,618,000, RMB48,592,000, RMB61,955,000, and RMB76,408,000 at 31 December 2020, 2021, 2022 and 30 June 2023, respectively.

As a result of the impairment testing on goodwill, the management of our Group is of the view that there was no impairment on the goodwill for the Track Record Period.

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In addition, the management of our Group performed the sensitivity analysis based on the changes of abovementioned key parameters and inputs. Had the estimated key assumptions during the forecast period been changed as below while other parameters remained constant, the excess of recoverable amounts of the CGU Shenzhen Global Link over its carrying amounts would decrease to the amounts set out below as at the dates indicated:

	At 31 December 2020	At 31 December 2021	At 31 December 2022	As at 30 June 2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Pre-tax Discount rate increased by 5% . .	58,032	36,093	49,872	64,069
Revenue growth rate within 5-year period decreased by 5% . . . . .	67,873	44,946	57,680	60,562
Terminal Growth rate decreased by 5% .	69,462	47,508	61,064	75,369

### Trade receivables

Trade receivables as at the respective reporting dates principally represented the outstanding amounts received by us from our customers. The table below sets out a breakdown of our trade receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables . . . . .	143,227	140,495	120,994	219,147
Less: Allowance for impairment loss of trade receivables . . . . .	(19,133)	(17,660)	(17,038)	(18,329)
	<u>124,094</u>	<u>122,835</u>	<u>103,956</u>	<u>200,818</u>

Our trade receivables remained relatively stable at approximately RMB124.1 million as at 31 December 2020 and approximately RMB122.8 million as at 31 December 2021.

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Our trade receivables decreased from approximately RMB122.8 million as at 31 December 2021 to approximately RMB104.0 million as at 31 December 2022, which was partially attributable to the full payment of the outstanding balance due from a customer, the balance of which amounted to approximately RMB15.5 million as of 31 December 2021, mainly due for a period ranging from four to twelve months. The customer was incorporated in the PRC in 2018, and principally involves in supply chain management with a registered capital of RMB5.0 million. Our Group commenced business relations with the customer since 2018 through the provision of end-to-end cross-border delivery services.

Our trade receivables increased to approximately RMB200.8 million as at 30 June 2023, which was mainly attributable to the increase in revenue from Customer Q during 6M2023, of which over 75% of the transactions with Customer Q during 6M2023 was occurred in April, May and June 2023, while there was generally a settlement period of approximately three months between the Group and Customer Q due the lengthy settlement process.

As at 30 June 2023, trade receivables with approximately RMB98.6 million was pledged to secure the bank borrowings granted to our Group. For the details of this pledge, please refer to the paragraph headed “Indebtedness — Borrowings” in this section.

The following table sets forth the aging analysis of trade receivables, net of allowance for impairment loss of trade receivables, presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting year.

	As at 31 December			As at
	2020	2021	2022	30 June 2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months . . . . .	88,695	96,409	96,013	179,433
4 – 12 months . . . . .	33,761	25,279	6,431	19,183
1 – 2 years . . . . .	1,638	1,147	1,512	2,202
	<u>124,094</u>	<u>122,835</u>	<u>103,956</u>	<u>200,818</u>

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We generally allow a credit period of 0 to 90 days to our customers, while our Group requests advance payments for some customers and no credit period is granted by our Group. Before accepting any new customers, our Group uses internal credit approval procedures to assess the potential customer’s credit quality and defines credit limits for each customer. Our Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss (ECL). The ECL on trade receivables are estimated collectively by using a provision matrix by reference to historical credit loss experience of the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The estimated loss rates are estimated based on historical default experience and adjusted for forward-looking information which reflect the general economic conditions of the industry in which the debtors operate that is available without undue cost or effort. Such forward-looking information is used by the management of our Group to assess both the current as well as the forecast direction of conditions at the reporting date. Our Group recognised lifetime ECL for trade receivables with gross carrying amount of approximately RMB143.2 million, RMB140.5 million, RMB121.0 million and RMB219.1 million as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively, collectively by applying expected credit loss rates ranging from 8.4% to 14.1%. Impairment losses of approximately RMB3.6 million and RMB1.3 million were recognised during FY2020 and 6M2023, respectively. Reversal of impairment losses of approximately RMB1.4 million and RMB0.6 million were recognised during FY2021 and FY2022, respectively.

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The movement in the impairment loss of trade receivables is as follows:

	<b>Impairment loss of trade receivables</b>
	<i>RMB'000</i>
Balance at 1 January 2020 .....	18,222
Impairment losses recognised .....	3,617
Written off .....	(2,706)
Balance at 31 December 2020 and 1 January 2021 .....	19,133
Reversal of impairment losses .....	(1,427)
Written off .....	(46)
Balance at 31 December 2021 and 1 January 2022 .....	17,660
Written off .....	(622)
Balance at 31 December 2022 .....	17,038
Balance at 31 December 2021 and 1 January 2022 .....	17,660
Reversal of impairment losses .....	(622)
Balance at 31 December 2022 and 1 January 2023 .....	17,038
Impairment losses recognised .....	1,291
Balance as at 30 June 2023 .....	18,329

The table below sets forth our trade receivables turnover days for FY2020, FY2021, FY2022 and 6M2023:

	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>	<b>6M2023</b>
Trade receivables turnover days <sup>(Note)</sup> .	39.3 days	33.3 days	33.1 days	40.9 days

*Note:* Trade receivables turnover days for FY2020, FY2021, FY2022 and 6M2023 are calculated by the average balance of trade receivables, divided by the revenue for the respective year/period, and multiplied by 365/181 days. The average of trade receivables is the arithmetic mean of the opening and closing balances of trade receivables for the respective year/period.

Our trade receivables turnover days decreased from approximately 39.3 days for FY2020 to approximately 33.3 days for FY2021 partially attributable to a number of new customers for end-to-end cross-border delivery services who were required to pay our fees upon acceptance of services during FY2021. Our trade receivables turnover days slightly decreased to approximately

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33.1 days during FY2022. Such turnover days increased to approximately 40.9 days for 6M2023, which was mainly attributable to increase in revenue from customer Q during 6M2023 as explained before.

As at the Latest Practicable Date, approximately RMB141.6 million, or approximately 70.5%, of our trade receivables as at 30 June 2023 had been subsequently settled.

### Financial assets at fair value through profit or loss

The following table sets out a breakdown of our financial assets at fair value through profit or loss as at the dates indicated:

	As at 31 December			As at
	2020	2021	2022	30 June 2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Structured deposits . . . . .	—	20,000	—	—
Wealth management products . . . . .	24,781	66,957	35	—
	24,781	86,957	35	—

The financial assets at fair value through profit or loss as at 31 December 2020, 2021 and 2022 represented contracts of principal guaranteed structured deposits and wealth management products with banks in the PRC which are presented as current assets since their maturities are within 12 months from the end of the reporting period based on the contract terms.

We have adopted investment policies to govern our Group’s investment activities, reduce investment risks and improve our Group’s financial position. Our Group’s investment decisions are subject to different levels of approval from Shareholders at general meeting, the Board or the Chairman depending on the size of the investment to be made.

Pursuant to our investment policy, prior to (i) making any potential material investments in structured deposits and wealth management products, (ii) modifying our existing investment portfolio, or (iii) conducting a certain transaction, our finance department is responsible for conducting a size test based on the percentage ratios in accordance to chapter 14 of the Listing Rules. The calculation must be submitted to the Chief Financial Officer of the Group for approval, and the relevant results will be recorded in writing, which will be approved by our Directors for review. Our Directors will take into consideration the aforementioned to assess the impact and size of investment before execution of the relevant investment decisions.

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Our office to the Board is responsible for managing and coordinating the analyses and decisions on our Group’s investment, such as obtaining feasibility reports or valuation reports on the investments to be made. Depending on the size of investment proposed to be made, the investment plan shall be put forward to the responsible body for consideration and approval, i.e. the Chairman, the Board or Shareholders at general meeting and will be subject to the compliance with Chapter 14 of the Listing Rules after the [REDACTED]. Our office to the Board is also responsible for ongoing monitoring of our Group’s investments.

Our Directors confirm that all future investments will be conducted pursuant to our investment policy. Upon [REDACTED], if an investment in structured deposits and wealth management products investment products is a notifiable transaction under Chapter 14 of the Listing Rules, the Company will comply with the relevant requirements, if applicable, including the announcement, reporting and/or shareholders’ approval requirements.

### **Deposits, prepayments and other receivables**

As at 31 December 2020, 2021 and 2022 and 30 June 2023 we recorded deposits, prepayments and other receivables of approximately RMB44.9 million, RMB66.2 million, RMB84.5 million and RMB93.9 million, respectively. The increase of our deposits, prepayments and other receivables from approximately RMB44.9 million as at 31 December 2020 to approximately RMB66.2 million as at 31 December 2021 was primarily due to the increase in prepayments, prepaid [REDACTED] and other receivables. The increase in prepayments was attributable to the increase in prepayment to two suppliers for the provision of air cargo space and last-mile delivery service. The increase in other receivables was due to the increase in deposits made to two suppliers for the provision of air cargo space and international delivery services. Our deposits, prepayments and other receivables further increased to approximately RMB84.5 million as at 31 December 2022 mainly due to the increase in prepayments from a supplier for US customs clearance services and the increase in other receivables due to the deposits paid to suppliers for last-mile delivery.

Our deposits, prepayments and other receivables amounted to approximately RMB93.9 million, increased by approximately RMB9.4 million from 31 December 2022, which was mainly attributable to the increase in prepayment by our Group to Supplier/Customer P for 6M2023 who mainly provided last mile delivery service in the US for our standard delivery services.

### **Bank balances and cash**

As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, we recorded bank balances and cash of approximately RMB151.4 million, RMB216.5 million, RMB239.5 million and RMB231.4 million, respectively. As at 30 June 2023, our Group had a

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time deposit denominated in HK\$ of approximately RMB4.7 million. Please refer to the paragraph headed “Liquidity and capital resources — Consolidated statements of cash flows” in this section for further details.

### Amounts due to a Director

As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, we recorded amounts due to a Director of approximately RMB25.0 million, RMB42,000, RMB42,000 and RMB42,000, respectively. Such amounts were due to Mr. Wang, one of our executive Directors.

As at 31 December 2020, the amounts due to Mr. Wang of approximately RMB17.9 million and RMB7.1 million carried flowing interest and was non-interest bearing, respectively. Such amounts were unsecured, repayable on demand and non-trade in nature.

As at 31 December 2021, 31 December 2022 and 30 June 2023, the amounts due to Mr. Wang were non-interest bearing, unsecured, repayable on demand and non-trade in nature. Such amounts will be settled upon the [REDACTED].

Our Group acquired Shenzhen Global Link and its subsidiaries in August 2017. Please refer to the section headed “History, Development and Reorganisation — Our major operating subsidiaries — Shenzhen Global Link” for further details of the acquisition. The consideration for such acquisition was partially funded by Mr. Wang, one of our executive Directors in the amount of RMB50 million and was recognised as amounts due to a Director. In March 2021, the principal amount was repaid to Mr. Wang and was fully settled.

### Trade payables

We recorded trade payables of approximately RMB62.2 million, RMB52.8 million and RMB30.5 million and RMB64.0 million as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively. The following table sets forth our trade payables as at the reporting dates indicated:

	As at 31 December			As at
	2020	2021	2022	30 June 2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables . . . . .	62,178	52,773	30,456	64,048
	62,178	52,773	30,456	64,048



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Our trade payables remained relatively stable at approximately RMB62.2 million as at 31 December 2020 and approximately RMB52.8 million as at 31 December 2021 mainly attributable to the decrease in trade payables to Customer/Supplier Group A, one of our major suppliers during FY2020 and FY2021. The decrease in trade payables was mainly attributable to the decrease in business volume with this supplier in 2021, as we have diversified our business with other suppliers offering similar or faster delivery services.

Our trade payables further decreased to approximately RMB30.5 million as at 31 December 2022 which was mainly attributable to a decrease in our logistics costs incurred in December 2021 compared with that in December 2022 of approximately RMB52.7 million. The decrease in trade payables was also attributable to the payment terms of some suppliers that require prepayment of service fees.

Our trade payables increased to approximately RMB64.0 million as at 30 June 2023, which was mainly attributable to the increase in our procurement in line with the growth of our business, especially with the rapid growth in business with Customer Q.

The following is an aged analysis of trade payables presented based on invoice date at the end of the reporting year:

	As at 31 December			As at
	2020	2021	2022	30 June 2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months . . . . .	54,466	48,188	27,810	59,681
4–12 months . . . . .	7,471	4,189	2,418	4,213
1–2 years . . . . .	230	192	200	142
2–3 years . . . . .	11	204	28	12
	<u>62,178</u>	<u>52,773</u>	<u>30,456</u>	<u>64,048</u>

Our suppliers generally grant us a credit period of 5 to 90 days, while certain suppliers request upfront payment before delivery of services and no credit period has been granted to our Group.

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The table below sets forth our trade payables turnover days for FY2020, FY2021, FY2022 and 6M2023:

	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>	<u>6M2023</u>
Trade payable turnover days <sup>(Note)</sup> . . .	<u>23.6 days</u>	<u>16.7 days</u>	<u>13.2 days</u>	<u>13.8 days</u>

*Note:* Trade payables turnover days for FY2020, FY2021, FY2022 and 6M2023 are calculated by the average balance of trade payables, divided by the cost of sales for the respective year/period, and multiplied by 365/181 days. The average of trade payables is the arithmetic mean of the opening and closing balances of trade payables for the respective year/period.

Our trade payables turnover days decreased from approximately 23.6 days for FY2020 to approximately 16.7 days for FY2021 and further decreased to 13.2 days for FY2022 as more airborne delivery suppliers required prepayment of fees, and remained relatively stable at approximately 13.8 days for 6M2023.

As at the Latest Practicable Date, approximately RMB47.6 million, or 74.5% of our outstanding trade payables as at 30 June 2023 had been subsequently settled.

### **Accruals and other payables**

We recorded accruals and other payables of approximately RMB21.1 million, RMB26.4 million, RMB33.8 million and RMB29.2 million as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, respectively. Accruals and other payables comprised salaries payable, accrued expenses, other payables and other tax payables. Our accruals and other payables increased from approximately RMB21.1 million as at 31 December 2020 to approximately RMB26.4 million as at 31 December 2021 mainly due to the increase in salaries payable caused by the increase in number of staff employed by our Group. Our accruals and other payables increased from approximately RMB26.4 million as at 31 December 2021 to approximately RMB33.8 million as at 31 December 2022 mainly due to the increase in other payables due to the increase in deposits from our customers. These accruals and other payables decreased to approximately RMB29.2 million, which was primarily attributable to the decrease in salaries payable of approximately RMB2.6 million and other payables of approximately RMB1.9 million.

### **Contract liabilities**

Contract liabilities represent advances received from our customers related to our end-to-end cross-border delivery services. As at 31 December 2020, 2021 and 2022 and 30 June 2023, we recognised contract liabilities of approximately RMB15.6 million, RMB18.2 million, RMB13.3 million and RMB12.0 million, respectively.

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Our contract liabilities increased from approximately RMB15.6 million as at 31 December 2020 to approximately RMB18.2 million as at 31 December 2021 mainly attributable to the increase in the prepayment amount of a few customers of our Group. Our contract liabilities decreased from approximately RMB18.2 million as at 31 December 2021 to approximately RMB13.3 million as at 31 December 2022 as there was no prepayment made by those customers as at 31 December 2022. It further decreased to approximately RMB12.0 million as at 30 June 2023 due to fewer number of customers of our Group had made such prepayments.

### INDEBTEDNESS

The following table sets forth the details of our indebtedness as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 July
	2020	2021	2022	2023	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
<b>Non-current</b>					
Lease liabilities . . . . .	3,901	11,417	7,518	3,485	5,553
<b>Current</b>					
Borrowings . . . . .	400	300	4,429	54,400	92,400
Lease liabilities . . . . .	4,215	7,159	8,084	7,411	8,304
Amounts due to a					
Director . . . . .	25,016	42	42	42	42
	33,532	18,918	20,073	65,338	106,299

### Borrowings

As at 31 December 2020, 31 December 2021, 31 December 2022, our Group had unsecured bank borrowings of approximately RMB0.4 million, RMB0.3 million, RMB4.4 million, respectively, carrying interests of 4.15% per annum, 4.55% per annum and 4.25% to 5.00% per annum, respectively.

As at 30 June 2023, our Group had secured and unsecured bank borrowings of approximately RMB30.0 million and RMB24.4 million, respectively, carrying interests from 3.70% to 4.50% per annum. The secured bank borrowing was pledged by trade receivables with carrying amount of approximately RMB98.6 million.

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The increase in the amount of borrowings in 6M2023 was mainly due to four loan agreements with an aggregate principal amount of RMB54.0 million entered into between our Group and a bank in the PRC. Three of these agreements had a tenor of one year, while the remaining one spanned six months. These loans were procured to address our working capital needs, which arose primarily from the accumulating account receivables due from Customer Q, who was one of our five largest customers for 6M2023 with a settlement period of approximately three months.

As at 31 July 2023, being the latest practicable date for determining our indebtedness, our Group had secured and unsecured bank borrowings of approximately RMB65.0 million and RMB27.4 million, respectively. The increase in bank borrowings as at 31 July 2023 was primarily attributable to the increase in secured bank borrowings, for which our trade receivables from Customer Q were pledged as collateral.

### Lease liabilities

As at 31 December 2020, 31 December 2021, 31 December 2022, 30 June 2023 and 31 July 2023, we recognised lease liabilities of approximately RMB8.1 million, RMB18.6 million, RMB15.6 million, RMB10.9 million and RMB13.9 million, respectively.

The following table sets out the amount of lease liabilities as at the dates indicated:

	As at 31 December			As at 30 June	As at
	2020	2021	2022	2023	31 July
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(unaudited)</i>
Current . . . . .	4,215	7,159	8,084	7,411	8,304
Non-current . . . . .	3,901	11,417	7,518	3,485	5,553
	8,116	18,576	15,602	10,896	13,857

### Amounts due to a Director

As at 31 December 2020, 31 December 2021, 31 December 2022, 30 June 2023 and 31 July 2023, we recognised amounts due to a Director of approximately RMB25.0 million, RMB42,000, RMB42,000, RMB42,000 and RMB42,000, respectively.

As at 31 December 2020, the amounts due to a Director of approximately RMB17.9 million and approximately RMB7.1 million carried floating interest rate of People’s Bank of China’s Benchmark Lending Rate per annum and was non-interest bearing, respectively. Such amounts were unsecured, repayable on demand and non-trade in nature.

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As at 31 December 2021, 31 December 2022, 30 June 2023 and 31 July 2023, the amounts due to a Director was non-interest bearing, unsecured, repayable on demand and non-trade in nature. Such amounts will be settled upon the [REDACTED].

### Contingent liabilities

As at 31 December 2020, 31 December 2021, 31 December 2022, 30 June 2023 and 31 July 2023, our Group did not have any material contingent liabilities and off-balance sheet commitments and arrangements.

As at 31 July 2023, being the latest practicable date for determining our indebtedness, except as discussed above, we did not have any borrowings, bank overdrafts, outstanding loan capital and liabilities under acceptances or other similar indebtedness, debt securities, term loans, debentures, mortgages, charges or loans, or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities.

### Material indebtedness change

Save for the above, our Directors confirmed that, up to the date of this document, there was no material change in our Group’s indebtedness since 31 July 2023, being the latest practicable date for the preparation of the indebtedness statement in this document.

### CAPITAL EXPENDITURE

Our Group’s capital expenditure for FY2020, FY2021, FY2022 and 6M2023 were approximately RMB5.0 million, RMB6.3 million, RMB15.1 million and RMB1.2 million, respectively which comprised expenditure on ownership interests in land and building, computer and office equipment, furniture and fittings, motor vehicles and leasehold improvement. Save as disclosed in the section headed “Future plans and [REDACTED]” in this document, we did not have any other material planned capital expenditure as at the Latest Practicable Date.

### CAPITAL COMMITMENTS

As at 31 December 2020, 2021 and 2022 and 30 June 2023, our Group did not have any significant capital commitment.

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### RELATED PARTY TRANSACTIONS

With respect to the related party transactions set forth in Note 35 to the Accountants’ Report set out in Appendix I to this document, our Directors confirmed that the transaction were conducted on arm’s length basis and based on normal commercial terms and the transaction was fair and reasonable and in the interest of our Company and our Shareholders as a whole. As such, our Directors are of the view that these related party transactions did not distort our financial results during the Track Record Period or cause our Track Record Period results to be unreflective of our future performance.

#### Relationship with Yidatong

Yidatong is a subsidiary of Alibaba Holding that owns an e-commerce platform, Alibaba.com, It is the representative of Alibaba Group that manages the logistics service providers for Alibaba.com. During the Track Record Period, we conducted sales promotion on Alibaba.com. The revenue generated from our provision of services to Alibaba.com amounted to approximately RMB37.1 million, RMB218.6 million, RMB153.3 million, RMB86.9 million and RMB85.5 million, which represented approximately 2.5%, 16.1%, 12.3%, 14.3% and 12.7% of our total revenue for FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively.

The service fees paid by Yidatong were determined through arm’s length negotiations with reference to prevailing market rates. We implemented a pricing policy in respect of our services to Yidatong which is generally applicable to our other independent third party customers. Under such pricing policy, we determined our service fees with reference to the then prevailing logistics cost plus certain percentage of profit margin, which was determined by our management from time to time with reference to, among others, the costs associated with the number and volume of parcels, the prevailing market demand and the prevailing logistics capacity and any other factors in which our management from time to time considered material.

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During the Track Record Period, we charged fees for the provision of end-to-end cross-border delivery and freight forwarding to Yidatong which were determined based on the abovementioned pricing policy. The table below sets out the breakdown of our revenue, gross profit and gross profit margin in relation to Yidatong during the Track Record Period by business line:

	FY2020			FY2021			FY2022			6M2022			6M2023		
	Revenue	Gross profit/ (loss) margin		Revenue	Gross profit/ (loss) margin		Revenue	Gross profit margin		Revenue	Gross profit margin		Revenue	Gross profit/ (loss) margin	
	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%
End-to-end cross-border delivery . . . . .															
— Express delivery . . . . .	16,093	1,671	10.4	13,099	1,121	8.6	6,204	561	9.0	4,185	711	17.0	3,366	351	10.4
— Standard delivery . . . . .	20,958	(105)	(0.5)	205,481	(21,491)	(10.5)	132,431	6,598	5.0	76,013	5,123	6.7	73,196	4,784	6.5
— Economic delivery . . . . .	—	—	—	—	—	—	14,612	3,021	20.7	6,743	1,052	15.6	8,928	3,126	35.0
	37,051	1,566	4.2	218,580	(20,370)	(9.3)	153,247	10,180	6.6	86,941	6,886	7.9	85,490	8,261	9.7
Freight forwarding . . . . .	37	19	50.5	—	—	—	100	9	8.9	—	—	—	58	11	19.0
<b>Total . . . . .</b>	<b>37,088</b>	<b>1,585</b>	<b>4.3</b>	<b>218,580</b>	<b>(20,370)</b>	<b>(9.3)</b>	<b>153,347</b>	<b>10,189</b>	<b>6.6</b>	<b>86,941</b>	<b>6,886</b>	<b>7.9</b>	<b>85,548</b>	<b>8,272</b>	<b>9.7</b>

(unaudited) (unaudited)

During the Track Record Period, Yidatong engaged us as its business partner for the provision of (i) end-to-end cross-border delivery in respect of parcel delivery to destinations, such as the US, Japan and Australia; and (ii) freight forwarding services upon occasional requests. Save for standard delivery service and freight forwarding service, our gross profit margin for services provided to Yidatong was generally comparable to our gross margin profit in the same sub-segments with other customers during the Track Record Period. For FY2020, we recorded a gross loss margin of approximately 0.5% for standard delivery service, which was mainly attributable to a significant increase in freight costs resulted from the outbreak of COVID-19 in the first half of the year. Although we experienced improved business in the second half of the year, our Group was not able to fully recover the losses incurred earlier, due to the limited size of our business with Yidatong in FY2020.

For FY2021, we conducted sales promotion on an e-commerce platform, Alibaba.com, through our business relationship with Yidatong, resulting in a gross loss of approximately RMB21.5 million in this sub-segment. For details, please refer to the paragraph headed “Comparison of results of operations — FY2022 compared with FY2021 — Revenue” in this section.

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For 6M2023, the revenue and gross profit margin of economic delivery service increased to approximately RMB8.9 million and approximately 35.0%, respectively, most of which resulted from our seaborne logistics delivery service, enhancing the overall gross profit margin to approximately 9.1%. For details for this service, please refer to the paragraph headed “Comparison of results of operations — FY2022 compared with FY2021 — Revenue” in this section.

The freight forwarding service with Yidatong was relatively small during the Track Record Period. As such, our Directors are of the view that any comparison between Yidatong and other customers in this service would be immaterial.

### ANALYSIS OF KEY FINANCIAL RATIOS

The following table sets out a summary of the key financial ratios of our Group during the Track Record Period:

	<i>Notes</i>	As at/For the year ended/period ended			
		31 December			30 June
		2020	2021	2022	2023
Current ratio . . . . .	1	2.4 times	4.4 times	4.4 times	3.1 times
Quick ratio . . . . .	2	2.4 times	4.4 times	4.4 times	3.1 times
Gearing ratio . . . . .	3	8.9%	3.4%	3.9%	12.1%
Net debt-to-equity ratio . . .	4	N/A	N/A	N/A	N/A
Interest coverage ratio . . . .	5	22.7 times	58.0 times	41.0 times	12.6 times
Return on total assets . . . . .	6	10.0%	5.5%	4.3%	N/A <sup>(Note 9)</sup>
Return on equity . . . . .	7	14.0%	6.7%	5.2%	N/A <sup>(Note 9)</sup>
Net profit margin . . . . .	8	3.5%	2.7%	2.1%	1.7%

*Notes:*

1. Current ratio is calculated based on total current assets divided by total current liabilities as at the end of the respective year/period.
2. Quick ratio is calculated based on total current assets less inventories (if any) in current assets, divided by total current liabilities as at the end of the respective year/period.
3. Gearing ratio is calculated based on the total debt (including amounts due to a Director, borrowings and lease liabilities) divided by the total equity as at the respective year/period end and multiplied by 100%.
4. Net debt-to-equity ratio is calculated by the net debt (including amounts due to a Director, borrowings and lease liabilities less cash and cash equivalents) divided by the total equity as at the respective year/period end and multiplied by 100%.



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5. Interest coverage ratio is calculated by the profit before interest and income tax divided by the interest for the respective year/period.
6. For FY2020, FY2021, FY2022 and 6M2023, return on total assets is calculated by the profit for the year/period divided by the total assets as at the respective year/period end and multiplied by 100%.
7. For FY2020, FY2021, FY2022 and 6M2023 return on equity is calculated by the profit for the year/period divided by the total equity as at the respective year/period end and multiplied by 100%.
8. Net profit margin is calculated by the profit for the year/period divided by the revenue for the respective year/period and multiplied by 100%.
9. The figure for 6M2023 is not meaningful as it is not comparable to the annual figures.

### **Current ratio and quick ratio**

Our current ratio increased from approximately 2.4 times as at 31 December 2020 to approximately 4.4 times as at 31 December 2021. Such increase was mainly attributable to the increase in bank balances and cash of approximately RMB65.1 million and coupled with the decrease in amounts due to a Director of approximately RMB25.0 million. Our current ratio remained relatively stable at approximately 4.4 times as at 31 December 2022. It decreased to approximately 3.1 times as at 30 June 2023, which was mainly attributable to the increase in trade payables and borrowings. Our Group had no inventories during the Track Record Period, hence, the quick ratio was the same as that of the current ratio as at the respective year/period end date.

### **Gearing ratio**

Our gearing ratio was approximately 8.9% and 3.4% as at 31 December 2020 and 2021, respectively. The decrease was mainly attributable to the decrease in the amounts due to a Director of approximately RMB25.0 million and coupled with the increase in our total equity of approximately RMB173.9 million. Our gearing ratio remained relatively stable at approximately 3.9% as at 31 December 2022, and it increased to approximately 12.1% as at 30 June 2023, which was main attributable to the increase in borrowings.

### **Net debt-to-equity ratio**

As at 31 December 2020, 2021 and 2022 and 30 June 2023, our Group had net cash position, and therefore net debt-to-equity ratio was not applicable to our Group.

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### **Interest coverage ratio**

Our interest coverage ratio increased from approximately 22.7 times for FY2020 to approximately 58.0 times for FY2021. Such increase was mainly attributable to the decrease in our finance cost as the result of the repayment of bank borrowings during FY2021. Our interest coverage ratio decreased to approximately 41.0 times for FY2022, which was mainly attributable to the decrease in our finance costs as the result of the repayment of amounts due to a Director for FY2022. This ratio decreased to approximately 12.6 times, which was main attributable to the increase in finance costs of bank borrowings.

### **Return on total assets**

Our return on total assets decreased from approximately 10.0% for FY2020 to approximately 5.5% for FY2021, which was mainly due to the increase in our bank balances and cash of approximately RMB65.1 million, and coupled with the decrease in our profit for FY2021. Our return on total assets further decreased to approximately 4.3% for FY2022, which was primarily attributable to the decrease in our profit of approximately RMB10.0 million for FY2022.

### **Return on equity**

Our return on equity decreased from approximately 14.0% for FY2020 to approximately 6.7% for FY2021, which was mainly due to the increase in our bank balances and cash of approximately RMB65.1 million, and coupled with the decrease in the amounts due to a Director of approximately RMB25.0 million and the decrease in our profit for FY2021. Our return on equity further decreased to approximately 5.2% for FY2022 , which was primarily attributable to the decrease in our profit of approximately RMB10.0 million for FY2022.

### **Net profit margin**

Our net profit margin decreased from approximately 3.5% for FY2020 to approximately 2.7% for FY2021, and further decreased to approximately 2.1% for FY2022. Our net profit margin decreased to approximately 1.7% for 6M2023. For further details, please refer to the paragraph headed “Comparison of results of operations” in this section.

During the Track Record Period, we experienced narrow net profit margins. Any material increases in our cost of sales may further squeeze our net profit margins. For details, please refer to the section headed “Risk factors — The competitive industry in which we operate and our limited bargaining power with suppliers may further squeeze our gross and net profit margins, leading to a material and adverse impact on our profitability.” in this document.

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We conducted a sensitivity analysis on our profit before tax for the Track Record Period by adjusting specific variables while holding all other variables constant. For details, please refer to the paragraph headed “Key factors affecting the results of operations and financial condition of our group — Fluctuation in costs of sales” in this section.

### DISTRIBUTABLE RESERVES

Our Company was not incorporated in the Cayman Islands until 24 November 2022. As at the Latest Practicable Date, our Company had no distributable reserves available for distribution to our Shareholders.

### DIVIDEND

No dividend has been paid or declared by the Company and its subsidiaries during the Track Record Period, nor after the Track Record Period.

Our Board has absolute discretion as to whether to declare any dividend for any year end and if any, the amount of dividend and the means of payment. Such discretion is subject to any applicable laws and regulations including the Companies Act and our Articles. Subject to the Companies Act and our Articles, our Company may in general meeting declare dividends, but no dividends shall exceed the amount recommended by our Board. Our Board may, subject to our Articles, from time to time pay to our Shareholders such dividends as appear to our Board to be justified by the financial conditions and the profits of our Company. Our Board may in addition from time to time declare and pay special dividends of such amounts and on such dates and out of such distributable funds of our Company as it thinks fit. The amount of any dividends to be declared and paid in the future may depend on, among other things, our dividend policy, results of operations, earnings, cash flows, financial conditions, capital requirements, etc. and there is no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. As confirmed by our Directors, we do not have any predetermined dividend distribution ratio.

### [REDACTED]

Our Directors are of the view that the financial results of our Group for FY2023 are expected to be adversely affected by the [REDACTED] in relation to the [REDACTED], the nature of which is non-recurring. The total [REDACTED] fees in relation to the [REDACTED], primarily consisting of fees paid or payable to professional parties and [REDACTED] and [REDACTED], are estimated to be approximately RMB[REDACTED] million (based on the [REDACTED] of the indicative [REDACTED] range of HK\$[REDACTED] per [REDACTED] and [REDACTED]) which amounted to [REDACTED]% of the gross [REDACTED] from the [REDACTED], of which (i) [REDACTED] expenses, including

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[REDACTED] and other expenses are approximately RMB[REDACTED] million and (ii) [REDACTED]-related expenses are approximately RMB[REDACTED] million, comprising (a) fees and expenses of legal advisers and accountants of approximately RMB[REDACTED] million and (b) other fees and expenses, including [REDACTED], of approximately RMB[REDACTED] million. Among the estimated total [REDACTED] fees, (i) approximately RMB[REDACTED] million is expected to be accounted for as a deduction from equity upon [REDACTED]; and (ii) approximately RMB[REDACTED] million will be recognised as expenses in our consolidated income statements, of which approximately RMB[REDACTED] million had been recognised up to 30 June 2023 and the balance of approximately RMB[REDACTED] million is expected to be recognised during six months ending 31 December 2023.

### UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF OUR GROUP

The following statement of unaudited [REDACTED] adjusted consolidated net tangible assets of our Group attributable to the owners of the Company prepared in accordance with Rule 4.29 of the Listing Rules and on the basis set out below is for illustrative purposes only, and is set out below to illustrate the effect of the [REDACTED] on the consolidated net tangible assets of our Group attributable to the owners of the Company as at 30 June 2023, as if the [REDACTED] had taken place on 30 June 2023.

As it is prepared for illustrative purposes only, based on the judgements and assumptions of our Directors, and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group attributable to the owners of the Company as at 30 June 2023 or at any future dates following the completion of the [REDACTED]. It is prepared based on the audited combined net tangible assets of our Group attributable to the owners of the Company as at 30 June 2023 as shown in the Accountants’ Report of the Group, the text of which is set out in Appendix I to this document, and adjusted as described below. The unaudited [REDACTED] adjusted consolidated net tangible assets does not form part of the Accountants’ Report.

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Audited consolidated net tangible assets of our Group attributable to the owners of the Company as at consolidated 30 June 2023	Estimated net [REDACTED] from the [REDACTED]	Unaudited [REDACTED] adjusted consolidated net tangible assets of our Group attributable to the owners of the Company as at consolidated 30 June 2023	Unaudited [REDACTED] adjusted consolidated net tangible assets of our Group attributable to the owners of the Company per share as at consolidated 30 June 2023		
<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(Note 3)</i>	<i>HK\$</i> <i>(Note 4)</i>	
Based on the [REDACTED] of HK\$[REDACTED] per share . . . . .	<u>[395,914]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Based on the [REDACTED] of HK\$[REDACTED] per share . . . . .	<u>[395,914]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

*Notes:*

- (1) The audited consolidated net tangible assets of our Group attributable to the owners of the Company as at 30 June 2023 amounting to RMB[395,914,000] is based on the audited consolidated net assets of our Group attributable to the owners of the Company of approximately RMB[540,594,000] as at 30 June 2023, as extracted from the Accountants’ Report of our Group set out in the Appendix I to this document and adjusted for goodwill of RMB144,680,000.
- (2) The estimated net [REDACTED] from the [REDACTED] are based on [REDACTED] at the indicative [REDACTED] of HK\$[REDACTED] per Share (being the low-end of the indicative [REDACTED] range) or HK\$[REDACTED] per Share (being the high-end of the indicative [REDACTED] range), after deduction of the [REDACTED] and other related fees and expenses to be incurred by the Group in relation to the [REDACTED] (excluding those [REDACTED] which have been charged to profit or loss up to 30 June 2023). The estimated net [REDACTED] do not take into account any shares which may be allotted and [REDACTED] upon the exercise of any options granted.  
  
The estimated net [REDACTED] from the [REDACTED] is converted from HK\$ into RMB at the exchange rate of HK\$1.00 to RMB[0.90], which was the exchange rate published by the People’s Bank of China (“**PBOC rate**”) prevailing on [Date]. No representation is made that HK\$ amounts have been, could have been or may be converted to RMB, or vice versa at that rate.
- (3) The unaudited [REDACTED] adjusted consolidated net tangible assets of our Group attributable to the owners of the Company per share is calculated based on [REDACTED] shares in issue.
- (4) The unaudited [REDACTED] adjusted consolidated net tangible assets of our Group attributable to the owners of the Company per share is translated to HK\$ at an exchange rate of HK\$1.00 to RMB[0.90]. No representation is made that the RMB amounts have been, could have been or may be converted to HK\$, or vice versa, at that rate.

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- (5) No adjustments have been made to the unaudited [REDACTED] consolidated net tangible assets of our Group attributable to the owners of the Company to reflect any trading results or other transactions of our Group entered into subsequent to 30 June 2023.

### RECENT DEVELOPMENTS

Please refer to the sections headed “Summary — Recent developments” in this document.

### NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, we continued to focus on e-commerce cross-border logistics services, and our business model remains unchanged.

Our Directors confirmed that save for the estimated non-recurring [REDACTED] as disclosed in the paragraph headed “[REDACTED]” in this section and the estimated decrease in average selling price of our Group’s services as disclosed in the paragraph headed “Summary — Recent development — Impact of COVID-19” in this document, since 1 [July] 2023 and up to the date of this document, (i) there was no material adverse change in the market conditions and the industry and the regulatory environment in which our Group operates that affects our financial or operating position materially and adversely; (ii) there was no material adverse change in the business, revenue structure, trading, profitability, cost structure, financial position and prospects of our Group; and (iii) no event had occurred that would affect the information shown in our Accountants’ Report in Appendix I to this document materially and adversely.

### DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

### FINANCIAL RISK MANAGEMENT

The major financial risks arising from our Group’s normal course of business include foreign exchange risk, interest rate risk, credit risk and liquidity risk. For details, please refer to Note 34 to the Accountants’ Report in Appendix I to this document.