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Application Proof of

FAR INTERNATIONAL HOLDINGS GROUP COMPANY LIMITED

泛遠國際控股集團有限公司

(the “Company”)

(Incorporated in the Cayman Islands with limited liability)

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FAR International Holdings Group Company Limited 泛遠國際控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] : [REDACTED] Shares (subject to the [REDACTED])
Number of [REDACTED] : [REDACTED] Shares (subject to [REDACTED])
Number of [REDACTED] : [REDACTED] Shares (subject to [REDACTED] and the [REDACTED])
[REDACTED] : Not more than HK\$[REDACTED] per [REDACTED] and expected to be not less than HK\$[REDACTED] per [REDACTED] plus [REDACTED] of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on [REDACTED] in Hong Kong dollars and subject to refund)
Nominal Value : HK\$0.01 per Share
[REDACTED]

Sole Sponsor and [REDACTED]



中銀資本有限公司
Grand Moore Capital Limited

[REDACTED]

[•]

[REDACTED]

[•]

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The [REDACTED] is expected to be determined by the [REDACTED] Agreement to be entered into between our Company and the [REDACTED], [REDACTED] and [REDACTED] (for themselves and on behalf of the [REDACTED]) on the [REDACTED] or such later date as may be agreed by our Company, the [REDACTED], [REDACTED] and [REDACTED] (for themselves and on behalf of the [REDACTED]). The [REDACTED] will not be more than HK\$[REDACTED] per [REDACTED] and is currently expected to be not less than HK\$[REDACTED] per [REDACTED] unless otherwise announced. If, for any reason, our Company and the [REDACTED], [REDACTED] and [REDACTED] (for themselves and on behalf of the [REDACTED]) are unable to reach an agreement on the [REDACTED] by the [REDACTED], the [REDACTED] will not become unconditional and will lapse immediately.

Applicants for [REDACTED] are required to pay, on [REDACTED], the maximum [REDACTED] of HK\$[REDACTED] per [REDACTED] for each [REDACTED] together with [REDACTED] of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%, subject to refund if the [REDACTED] as finally determined is less than HK\$[REDACTED] per [REDACTED].

The [REDACTED] and [REDACTED] (for themselves and on behalf of the [REDACTED]) may, with the consent of our Company, reduce the indicative [REDACTED] range below that as stated in this document and/or the number of [REDACTED] being [REDACTED] at any time on or prior to the morning of the last day for lodging the [REDACTED] under the [REDACTED]. In such case, a notice will be available on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.far800.com. Further details are set out in the sections headed “Structure and conditions of the [REDACTED]” and “How to [REDACTED] for the [REDACTED]” in this document.

The [REDACTED] have not been and will not be registered under the US Securities Act or any state securities law in the United States and may not be [REDACTED], sold, pledged or transferred, within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirement of the US Securities Act and in accordance with any applicable US securities law. The [REDACTED] are being [REDACTED] and sold only outside the United States in offshore transactions in reliance on Regulation S.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including the risk factors set out in the section headed “Risk factors” in this document.

Prospective investors of the [REDACTED] should note that the obligations of the [REDACTED] under the [REDACTED] are subject to termination by the [REDACTED] (for themselves and on behalf of the [REDACTED]) if certain events shall occur at any time prior to 8:00 a.m. (Hong Kong time) on the [REDACTED]. Further details of the terms of such provision are set out in the section headed [REDACTED] — [REDACTED] arrangements and expenses — The [REDACTED] — Grounds for termination” in this document.

No information on any website forms part of this document.

ATTENTION

We have adopted a fully [REDACTED] process for the [REDACTED]. We will not provide printed copies of this document or printed copies of any [REDACTED] to the public in relation to the [REDACTED].

This document is available at the website of the Stock Exchange (www.hkexnews.hk) and our Company www.far800.com. If you require a printed copy of this document, you may download and print from the website addresses above.

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

CONTENTS

This document is issued by our Company solely in connection with the [REDACTED] and does not constitute an [REDACTED] to sell or a solicitation of an [REDACTED] to buy any security other than the [REDACTED] offered by this document pursuant to the [REDACTED]. This document may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances. No action has been taken to permit a [REDACTED] of the [REDACTED] or the distribution of this document in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this document to make your investment decision. Our Company, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED] and the [REDACTED] have not authorised anyone to provide you with information that is different from what is contained in this document. Any information or representation not made in this document must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of their respective directors, affiliates, officers, representatives or advisors or any other person or party involved in the [REDACTED].

EXPECTED TIMETABLE	i
CONTENTS	v
SUMMARY	1
DEFINITIONS	29
GLOSSARY OF TECHNICAL TERMS	50
FORWARD-LOOKING STATEMENTS	52
WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES	54
RISK FACTORS	56
INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]	94
DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]	100
CORPORATE INFORMATION	103
INDUSTRY OVERVIEW	105

CONTENTS

REGULATORY OVERVIEW	123
HISTORY, DEVELOPMENT AND REORGANISATION	140
BUSINESS	194
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS	297
DIRECTORS AND SENIOR MANAGEMENT	302
SUBSTANTIAL SHAREHOLDERS	318
SHARE CAPITAL	320
FINANCIAL INFORMATION	324
FUTURE PLANS AND [REDACTED]	402
[REDACTED]	410
STRUCTURE AND CONDITIONS OF THE [REDACTED]	426
HOW TO APPLY FOR THE [REDACTED]	441
APPENDIX I — ACCOUNTANTS’ REPORT	I-1
APPENDIX II — UNAUDITED [REDACTED] FINANCIAL INFORMATION . . .	II-1
APPENDIX III — SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW	III-1
APPENDIX IV — STATUTORY AND GENERAL INFORMATION	IV-1
APPENDIX V — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE ON DISPLAY	V-1

SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in the [REDACTED]. There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed “Risk factors” in this document. You should read that section carefully before you decide to invest in the [REDACTED]. Various expressions used in this summary are defined or explained in the sections headed “Definitions” and “Glossary of Technical Terms” in this document.

OVERVIEW

We are an established cross-border e-commerce logistics service provider based in the PRC principally engaged in the provision of end-to-end cross-border logistics services. Given our asset-light nature, we are capable of providing various flexible and reliable delivery options to our customers based on their selection of express, standard or economic delivery options through coordinating our network of suppliers. At present, we provide overall management of the entire logistics value chain (from receiving the parcel from our customer and delivering the parcel to the final destination), 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 services to customers in the PRC and overseas. We offer our customers the flexibility to pick and choose the services they require us to perform within the logistics value chain, such as freight forwarding, customs clearance, recovery, warehouse operation, transportation and last-mile delivery. We offer customised solutions based on our customers’ specific requirements and formulate logistics solutions that suit their needs.

We operate our service outlets network directly providing parcel acceptance, warehousing, security check, repackaging, labelling and sorting services within the end-to-end logistics value chain, whereas our suppliers (including air/sea port operators, air and ocean carriers, customs brokers and third-party logistics service providers) operate air/sea port operation, customs clearance, international linehaul and last-mile delivery services. Our asset-light logistics business model enables us to scale our network rapidly with limited capital outlay and provide express, standard or economic delivery service options to our customers based on their budget and preferences.

SUMMARY

The following table sets forth a breakdown of our Group’s revenue, gross profit and gross profit margin by business line during the Track Record Period:

	FY2020			FY2021			FY2022			6M2023									
	Gross profit margin		Revenue	Gross profit/ (loss) margin		Revenue	Gross profit margin		Revenue	Gross profit margin		Revenue							
	%	RMB’000		%	RMB’000		%	RMB’000		%	RMB’000		%	RMB’000					
End-to-end cross-border delivery																			
— Express delivery ⁽¹⁾	44.5	77,159	11.5	609,967	45.1	79,676	13.1	767,012	61.2	66,208	8.6	378,754	62.1	30,526	8.1	341,758	50.7	17,081	5.0
— Standard delivery ⁽²⁾	25.1	944	0.2	415,516	30.7	(19,527)	(4.7)	177,468	14.2	10,821	6.1	99,336	16.3	8,432	8.5	233,367	34.6	23,785	10.2
— Economic delivery ⁽³⁾	20.0	16,949	5.6	51,449	3.8	130	0.3	35,956	2.9	3,536	9.8	18,737	3.1	1,252	6.7	14,784	2.2	3,395	22.7
		1,355,220	7.0	1,076,932	79.6	60,279	5.6	980,436	78.3	80,565	8.2	496,827	81.5	40,210	8.1	589,909	87.5	44,261	7.5
Freight forwarding	6.5	5,114	5.2	225,705	16.7	21,322	9.4	203,028	16.2	4,332	2.1	88,185	14.5	(820)	(0.9)	40,476	6.0	2,677	6.6
Other logistics service ⁽⁴⁾	3.9	23,058	39.7	51,049	3.7	18,255	35.8	68,519	5.5	19,768	28.9	24,729	4.0	9,619	38.9	43,525	6.5	7,517	17.3
Total	100.0	1,512,148	8.2	1,353,686	100.0	99,856	7.4	1,251,983	100.0	104,665	8.4	609,741	100.0	49,009	8.0	673,910	100.0	54,455	8.1

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.

SUMMARY

We worked closely with international and national-level suppliers for the provision of various logistics services to build our international logistics network. We maintained business relationships with Customer/Supplier Group G, a Fortune Global 500 multinational logistics company group founded in the US, since 2005. We also became a business partner of Supplier Group K, a US founded Fortune Global 500 German logistics company group listed on the Frankfurt Stock Exchange since our acquisition of the Global Link group in 2017, which had had over seven years of business relationships with Global Link group prior to our acquisition of Global Link group. During the Track Record Period, we had business relationship with over 1,100 suppliers. With the support of such comprehensive suppliers’ network, we are capable of providing end-to-end cross-border delivery services to different countries around the world. During the Track Record Period, we have delivered parcels to more than 220 countries/regions.

During the Track Record Period, we experienced narrow gross profit margins and net profit margins, which was in line with other companies in the same industry in accordance with the F&S Report. Our ability to negotiate with our upstream suppliers regarding their upward 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. For details, please refer to the sections headed “Business — Pricing Policy — Maintenance of our profitability” and “Financial Information — Cost of sales” in this document.

OUR COMPETITIVE STRENGTHS

Our Directors believe that the following competitive strengths will continue our presence and increase our market share in the logistics industry.

- (a) We have a broad service outlets and suppliers network providing a wide coverage in terms of geographical reach and service variety;
- (b) Our established track record of over 19 years in serving the logistics industry allows us to understand and adapt to our customers’ needs so as to strengthen our relationship with customers;

SUMMARY

- (c) We have an experienced management team with a proven track record; and
- (d) We have proprietary IT systems contributing to increased operation efficiency.

For details, please refer to the section headed “Business — Our competitive strengths” in this document.

OUR BUSINESS STRATEGIES

Our business objectives are to achieve sustainable growth, further strengthen our market position in the cross-border e-commerce logistics service industry in the PRC, and create long-term value for our Shareholders. We intend to achieve our business objectives with the following business strategies:

- achieve greater scale and capacity and further our reach including (i) setting up new service outlets in the PRC; and (ii) expanding and/or upgrading our existing service outlets in the PRC.
- invest in and upgrade our information technology systems.

For details, please refer to the section headed “Business — Our business strategies” in this document.

OUR BUSINESS MODEL

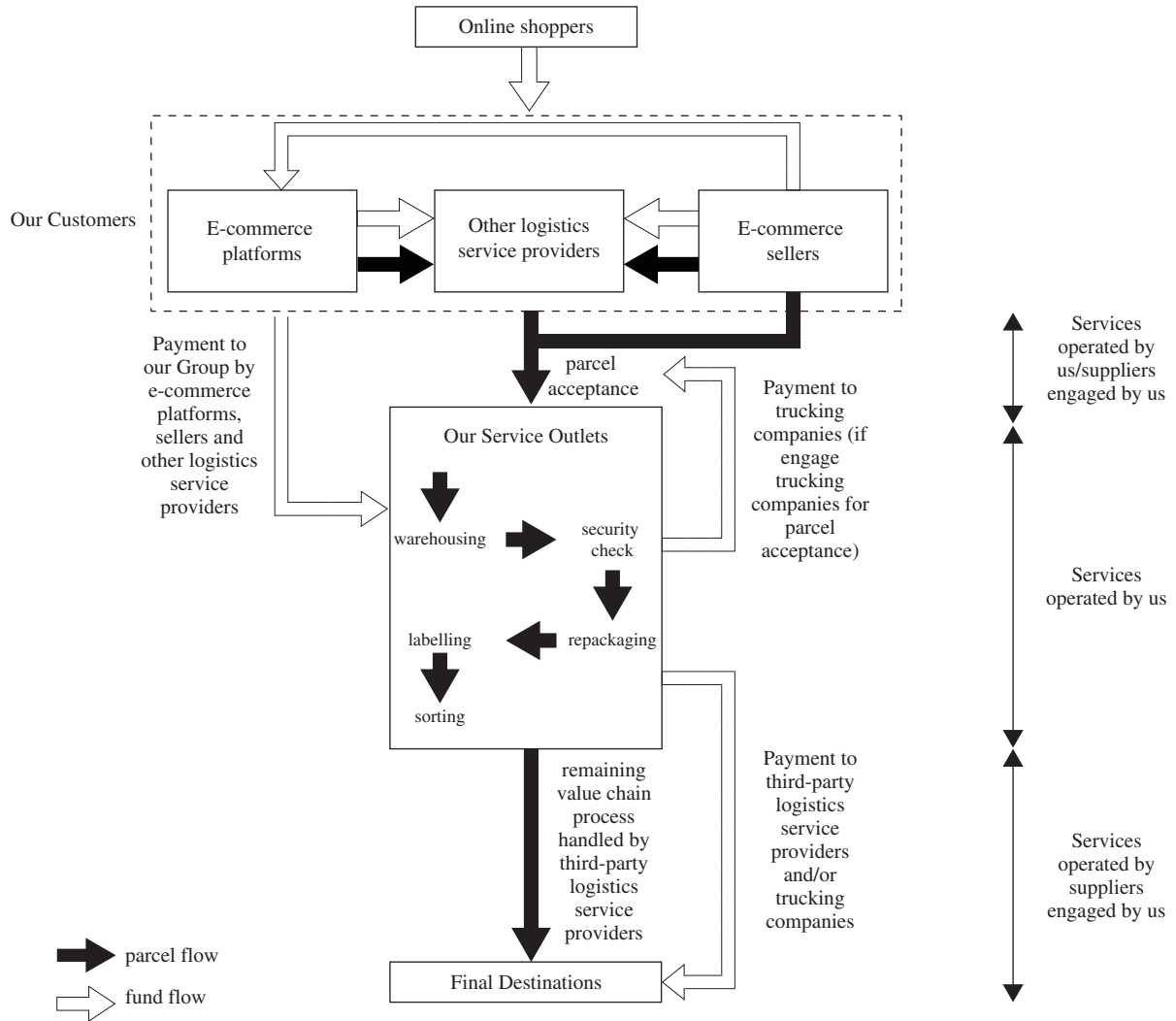
Our business model principally involves providing the following:

(i) End-to-end cross-border delivery service

We provide integrated one-stop international logistics services to our customers throughout the entire end-to-end logistics value chain to deliver their parcels to the destination countries or regions. Our services cover all major aspects of cross-border logistics value chain, including parcel acceptance, warehousing, security check, repackaging, labelling, sorting, export customs declaration, international linehaul, customs clearance and last-mile delivery. For illustrative purposes only, the following diagrams illustrate the process for the completion of a typical end-to-end cross-border delivery order:

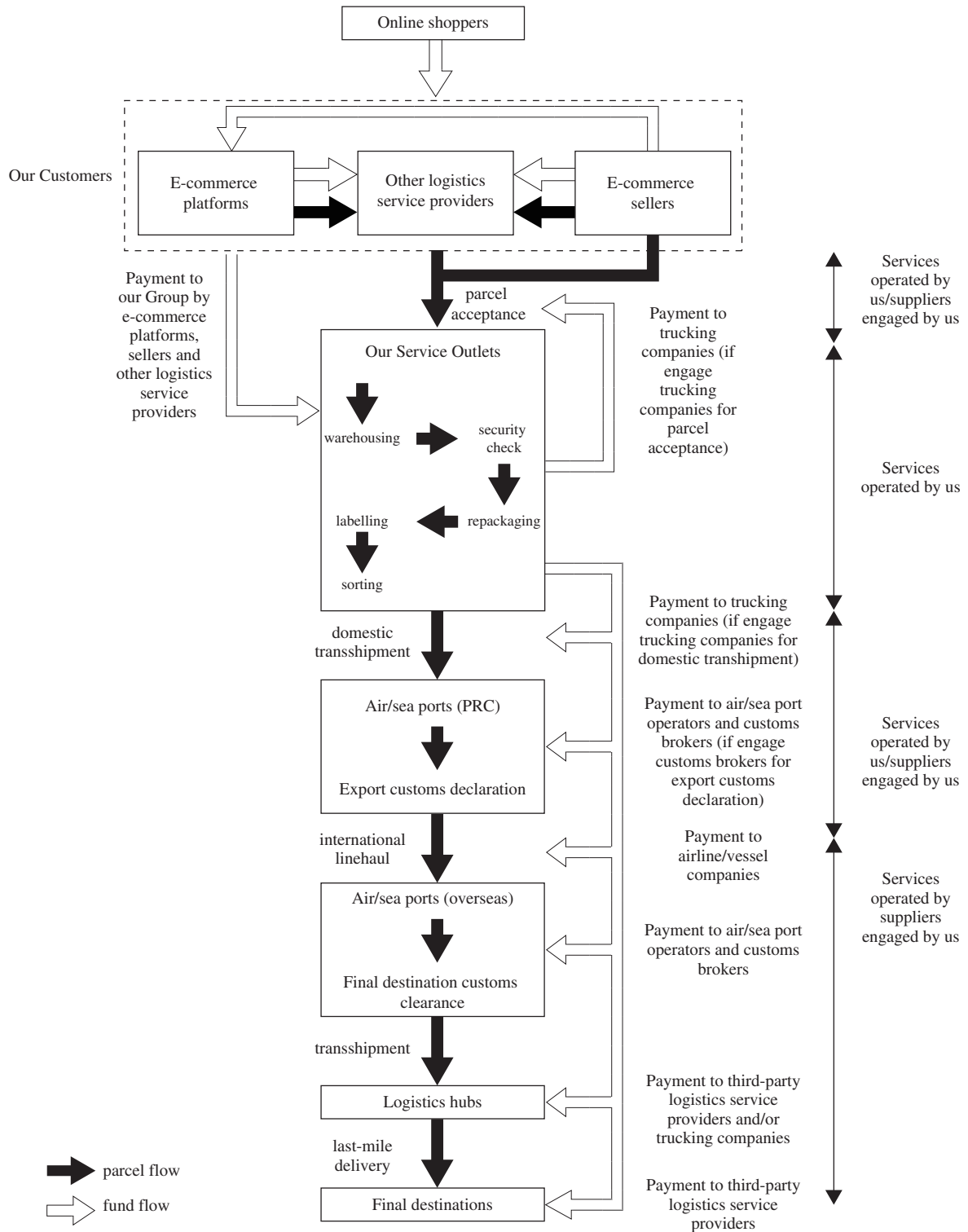
SUMMARY

Express delivery service/Economic delivery service (by postal service)



SUMMARY

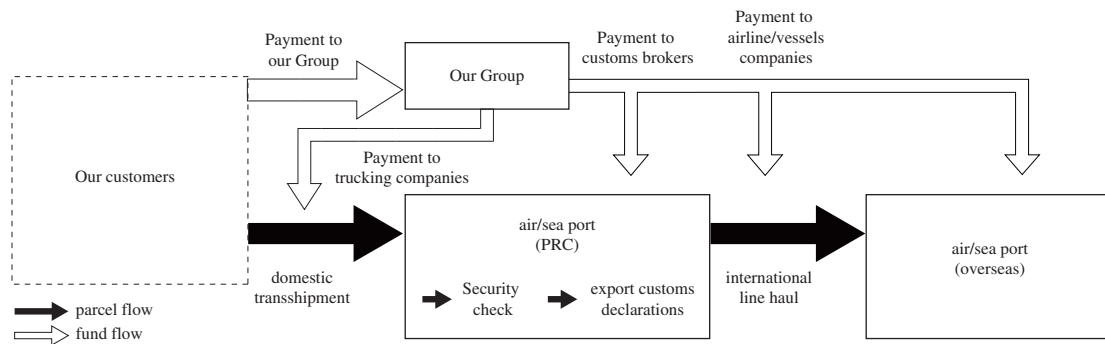
Standard delivery service/Economic delivery service (by seaborne transportation)



SUMMARY

(ii) 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. For illustrative purposes only, the following diagram sets out where our freight forwarding services shall be conducted within the logistics value chain:



(iii) Other logistics service

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 details, please refer to the section headed “Business — Our business model” in this document.

OUR CUSTOMERS AND SUPPLIERS

Our Customers

Our customers generally include e-commerce platforms, e-commerce sellers, other logistics service providers and traditional traders. During the Track Record Period, majority of our revenue was derived from e-commerce related customers. For each FY2020, FY2021, FY2022 and 6M2023, sales to our five largest customers in each year/period amounted to approximately RMB346.8 million, RMB432.2 million, RMB357.3 million and RMB304.4 million, representing approximately 22.8%, 31.9%, 28.5% and 45.2% of our total revenue, respectively, and sales to our largest customer in each year/period amounted to approximately RMB106.4 million, RMB218.6 million, RMB153.3 million and RMB150.7 million representing approximately 7.0%, 16.1%, 12.2% and 22.4% of our total revenue, respectively. We had established business relationships with our five largest customers in each year/period during the Track Record Period for two to 18 years.

SUMMARY

For further details of our customers, please refer to the section headed “Business — Our customers”.

Our Suppliers

Our suppliers generally include air/sea port operators, air and ocean carriers, custom brokers as well as international and national-level logistics service providers. For FY2020, FY2021, FY2022 and 6M2023, purchases from our five largest suppliers in each year/period amounted to approximately RMB823.3 million, RMB602.4 million, RMB669.6 million and RMB368.4 million representing approximately 61.4%, 50.6%, 61.2% and 62.3% of our total purchases, respectively, and purchases from our largest supplier, Supplier Group K, amounted to RMB379.4 million, RMB301.6 million, RMB474.8 million and RMB235.0 million, representing approximately 28.3%, 25.3%, 43.4% and 39.8% of our total purchases, respectively. We had established business relationships with our five largest suppliers in each year/period during the Track Record Period for two to 18 years.

For further details on our reliance on Supplier Group K, please refer to the section headed “Business — Our Suppliers — Reliance on Supplier Group K” in this document.

SUMMARY OF KEY OPERATIONAL AND FINANCIAL INFORMATION

The following tables present a summary of our financial information during the Track Record Period extracted from “Financial Information” section in this document and should be read in conjunction with our financial information included in the Accountants’ Report set out in Appendix I to this document, including the notes thereto.

SUMMARY

Highlight of our consolidated statements of profit or loss and other comprehensive income

The following table sets out a summary of our consolidated statements of profit or loss for the periods 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>
				<i>(unaudited)</i>	
Revenue	1,512,148	1,353,686	1,251,983	609,741	673,910
Cost of Sales	(1,388,924)	(1,253,830)	(1,147,318)	(560,732)	(619,455)
Gross profit	123,224	99,856	104,665	49,009	54,455
Profit for the year/period	52,695	36,892	26,903	14,095	11,744
Profit attributable to:					
— Owners of our Company	52,715	36,932	26,872	14,050	12,169
— Non-controlling interests	(20)	(40)	31	45	(425)
	<u>52,695</u>	<u>36,892</u>	<u>26,903</u>	<u>14,095</u>	<u>11,744</u>

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 economy delivery service by approximately RMB4.0 million; and (iii) the decrease in revenue from the freight forwarding services by approximately RMB47.7 million.

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 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.

SUMMARY

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%.

Our gross profit increased by approximately RMB5.5 million, or approximately 11.1%, from approximately RMB49.0 million for 6M2022 to approximately RMB54.5 million for 6M2023, while the gross margin ratio 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 logistics service of approximately RMB2.1 million.

Our gross profit increased by approximately RMB4.8 million, or approximately 4.8%, recognised in the approximately RMB99.9 million for FY2021 to approximately RMB104.7 million for FY2022, and our overall gross profit margin increased from approximately 7.4% during FY2021 to approximately 8.4% during FY2022. Such increase was mainly attributable to (i) the gross profit of approximately 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 and (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 services by approximately RMB1.1 million, and was 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. The increase in our overall gross profit margin was mainly attributable to the improvement in the performance of our standard delivery segment, which shifted from a gross loss to a gross profit, and the increase in gross profit margin from the provision of economy delivery service.

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, and 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, for FY2021, we recorded a gross loss of approximately RMB19.5 million from standard delivery due to the gross loss recorded during the sales promotion conducted on an e-commerce platform, Alibaba.com, through our business relationship with Yidatong to establish our business presence.

During the Track Record Period, we recorded narrow overall gross profit margin.

SUMMARY

Our profit for 6M2023 decreased by approximately RMB2.4 million, or approximately 17.0% from approximately RMB14.1 million for 6M2022 to approximately RMB11.7 million for 6M2023. Such decreased was mainly attributable to (i) the increase in administrative and other expenses of approximately RMB6.6 million; and (ii) the increase in finance costs of approximately RMB0.8 million, partially offset by the increase in gross profit of approximately RMB5.5 million.

Our profit for FY2022 decreased by approximately RMB10.0 million, or approximately 27.1% from approximately RMB36.9 million for FY2021 to approximately RMB26.9 million for FY2022. Such decrease was mainly attributable to the [REDACTED] incurred during FY2022.

Our profit for FY2021 decreased by approximately RMB15.8 million, or approximately 29.9% from approximately RMB52.7 million for FY2020 to approximately RMB36.9 million for FY2021. Such decrease was mainly attributable to the decrease in revenue from end-to-end cross-border delivery service for economic delivery service and express delivery service.

For further details, please refer to the section headed “Financial information — Comparison of results of operations” in this document.

Highlight of certain items of our consolidated statements of financial position

The following table sets out a summary of our consolidated statements of financial position as at the date 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>
Current assets	345,217	492,461	428,009	530,864
Current liabilities	145,965	112,653	97,922	169,606
Non-current assets	184,119	182,131	187,380	182,479
Non-current liabilities	6,753	11,464	7,556	3,523
Net current assets	199,252	379,808	330,087	361,258
Net assets	376,618	550,475	509,911	540,214
Non-controlling interests	54	14	45	(380)

SUMMARY

As at 31 December 2020 and 31 December 2021, we had net current assets of approximately RMB199.2 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 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. 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 of the current portion of 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; (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 RMB330.0 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 decrease in accruals and other payables of approximately RMB4.6 million; (iv) the decrease of the current portion of contract liabilities of approximately RMB1.3 million; (v) the decrease in income tax payables of approximately RMB5.3 million; and (vi) the decrease in 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; (ii) the increase in trade payables of approximately RMB33.6 million; and (iii) the increase in borrowings of approximately RMB50.0 million.

We recorded net assets of approximately RMB376.6 million, RMB550.4 million, RMB509.9 million, and RMB540.2 million as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively. The increase in net assets as at 31 December 2021 was primarily attributable to an issue of shares of approximately RMB137.2 million, which was partially offset by an increase in profit in FY2021 of approximately RMB36.9 million. The decrease in net assets as at 31 December 2022 was primarily attributable to the shares repurchased and cancelled of approximately RMB70.7million, which was partially offset by (i) a gain in foreign exchange of approximately RMB3.2 million; and (ii) the increase in profit in FY2022 of approximately RMB30.1 million. The increase in net assets as at 30 June 2023 was primarily attributable to (i) the increase in trade

SUMMARY

receivables of approximately RMB96.9 million; and (ii) the increase in deposits, prepayments and other receivables of approximately RMB9.4 million, which was partially offset by (i) the decrease in bank balances and cash of approximately RMB8.1 million; (ii) the increase in trade payables of approximately RMB33.6 million; and (iii) the increase in borrowings of approximately RMB50.0 million.

For further details, please refer to the section headed “Financial information — Net current assets” in this document.

Highlight of our consolidated statements of cash flows

The following table sets out a summary of our consolidated cash flow statements for the years indicated:

	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>	<u>6M2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash from/(used in) operating activities	102,700	8,687	23,437	(58,074)
Net cash (used in)/from investment activities	(15,529)	(46,409)	77,756	(3,573)
Net cash (used in)/from financing activities	(57,537)	103,073	(79,072)	53,183
Net increase (decrease) in cash and cash equivalents.	29,634	65,351	22,121	(8,464)

For further details of the movement of our cash flow, please refer to the section headed “Financial information — consolidated statements of cash flows” in this document.

Key financial ratios

The following table sets out key financial ratios of our Group during the years/period indicated:

	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>	<u>6M2023</u>
Current ratio	2.4 times	4.4 times	4.4 times	3.1 times
Gearing ratio ^(Note)	8.9%	3.4%	3.9%	12.1%
Return on total assets	10.0%	5.5%	4.4%	1.6%
Return on equity	14.0%	6.7%	5.3%	2.2%
Net profit margin	3.5%	2.7%	2.1%	1.7%

Note: 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 end and multiplied by 100%.

SUMMARY

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 detailed calculation method of those financial ratios, please refer to the section headed “Financial information — Analysis of key financial ratios” in this document.

Summary of 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 the years indicated:

FY2020					
	<i>Number of parcels^(Note 1)</i> (‘000)	<i>Billed weight^(Note 2)</i> (‘000 kg)	<i>Average price</i> (RMB per kg)	<i>Average revenue</i> (RMB per parcel)	<i>Average billed weight</i> (kg per parcel)
End-to-end cross border delivery					
— 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
Total	17,218	19,362	70.0	78.7	1.1

FY2021					
	<i>Number of parcels^(Note 1)</i> (‘000)	<i>Billed weight^(Note 2)</i> (‘000 kg)	<i>Average price</i> (RMB per kg)	<i>Average revenue</i> (RMB per parcel)	<i>Average billed weight</i> (kg per parcel)
End-to-end cross border delivery					
— 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
Total	7,311	16,095	66.9	147.3	2.2

SUMMARY

FY2022					
	<i>Number of parcels^(Note 1)</i> ('000)	<i>Billed weight^(Note 2)</i> ('000 kg)	<i>Average price</i> (RMB per kg)	<i>Average revenue</i> (RMB per parcel)	<i>Average billed weight</i> (kg per parcel)
End-to-end cross border delivery					
— 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
Total	2,809	17,161	57.1	349.0	6.1
6M2022					
	<i>Number of parcels</i> ('000)	<i>Billed weight</i> <i>Note (2)</i> ('000 kg)	<i>Average price</i> (RMB per kg)	<i>Average revenue</i> (RMB per parcel)	<i>Average billed weight</i> (kg per parcel)
End-to-end cross border delivery					
— 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
Total	1,437	8,575	57.9	345.7	6.0
6M2023					
	<i>Number of parcels</i> ('000)	<i>Billed weight</i> <i>Note (2)</i> ('000 kg)	<i>Average price</i> (RMB per kg)	<i>Average revenue</i> (RMB per parcel)	<i>Average billed weight</i> (kg per parcel)
End-to-end cross border delivery					
— Express delivery . . .	430	6,795	50.3	794.8	15.8
— Standard delivery . .	3,011	2,314	100.8	100.9	0.8
— Economic delivery . .	103	679	21.8	142.9	6.6
Total	3,544	9,788	60.3	166.5	2.8

Notes:

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

SUMMARY

- (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.

For details, please refer to the section headed “Financial information — Our key operating data” in this document.

PRICING POLICY

We generally adopt a cost-plus approach when determining the fees we charge our customers and take into account our factors including: (i) the volume of the parcels; (ii) prevailing market rates offered by our competitors; (iii) cost of services; (iv) seasonality; (v) reasonable profit margin; and (vi) length of business relationship and future business opportunity.

For further details of our pricing policy, please refer to the section headed “Business — Our customers — Pricing policy” in this document.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the [REDACTED] and the [REDACTED], Zi Yue and Gensis FAR Holdings Limited (天遠控股有限公司) will be interested in approximately [REDACTED]% and [REDACTED]% of our total issued share capital respectively (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED]), Zi Yue is an investment holding company and is wholly-owned by Mr. Wang. Gensis FAR Holdings Limited is a company wholly-owned by Hangzhou Aiyuan L.P., a limited partnership in which Mr. Wang is interested in approximately 37.88% of its equity interest.

Accordingly, immediately following completion of the [REDACTED] and the [REDACTED], Mr. Wang will be interested in approximately [REDACTED]% of our total issued share capital through Zi Yue and Gensis FAR Holdings Limited (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED]), Mr. Wang, Zi Yue, Gensis FAR Holdings Limited and Hangzhou Aiyuan L.P. are a group of Controlling Shareholders. For details of our shareholdings and information about our Controlling Shareholders, please refer to the sections headed “History, development and Reorganisation” and “Relationship with Controlling Shareholders”, respectively, in this document.

RISK FACTORS

There are certain risks involved in our business operations and in connection with the [REDACTED], many of which are beyond our control. The risks can be broadly categorised as (i) risks relating to our business and our industry; (ii) risks relating to our corporate structure; (iii) risks relating to the [REDACTED]; and (iv) risks relating to the statements made in this document. The occurrence of any of the events set out in the

SUMMARY

section headed “Risk factors” in this document could materially and adversely affect our, business, prospects, financial condition and results of operations. The following is a non-exhaustive list of some of our risk factors:

- Our cross-border e-commerce logistics service provider business is significantly affected by changes in global economic and social conditions.
- Some of our customers that ship goods to the US benefit from certain tax exemption regime, which may be changed in the future. In such event, these customers’ operations may be negatively affected, and in turn affect our revenue generated from these customers.
- Our business and financial performance are cyclical. The business and financial performance achieved during the Track Record Period may not be consistently sustainable in the future as the outbreak and spread of COVID-19 eases.
- We face risks related to severe weather conditions and other natural disasters, health epidemics and other outbreaks.
- We operate in a competitive industry, and have limited bargaining power with our upstream suppliers. if we fail to compete effectively, our business and profitability could suffer.
- Failure in adjusting selling prices to adequately reflect the upward trend of costs could result in a significant and negative impact on our gross profit margin.
- Our business relies on our suppliers. Increases in their operating costs or failure to maintain partnerships with them may adversely affect our business.
- Fluctuations in the price or availability of fuel may adversely affect our results of operations.
- Goodwill impairment could negatively affect our financial condition and results of operation.

As different investors may have different interpretations and criteria for determining the materiality of a risk, careful consideration should be paid to the entire section headed “Risk factors” in this document before you decide to invest in the [REDACTED]. Additionally, prospective investors are strongly advised to read the whole of this document and give careful consideration as to how much weight or importance they should place upon any information which is not contained in this document when making their investment decisions regarding our Shares.

SUMMARY

[REDACTED]

We estimate that we will receive net [REDACTED] from the [REDACTED] of approximately RMB[REDACTED] million (equivalent to approximately HK\$[REDACTED] million) after deducting [REDACTED] and other estimated expense paid and payable by us in relation to the [REDACTED] without deducting any additional discretionary [REDACTED] assuming an [REDACTED] of HK\$[REDACTED] per Share, being the [REDACTED] of the indicative [REDACTED] range between HK\$[REDACTED] and HK\$[REDACTED] per Share. We intend to use the net [REDACTED] from the [REDACTED] as follows: (a) approximately RMB[REDACTED] million (equivalent to approximately HK\$[REDACTED] million), representing approximately [REDACTED]% of the net [REDACTED] from the [REDACTED], is expected to be used for setting up new service outlets and expanding and upgrading our existing service outlets in the PRC; (b) approximately RMB[REDACTED] million (equivalent to approximately HK\$[REDACTED] million), representing approximately [REDACTED]% of the net [REDACTED] from the [REDACTED], is expected to be used for investing in and upgrading our information technology systems; and (c) approximately RMB[REDACTED] million (equivalent to approximately HK\$[REDACTED] million), representing approximately [REDACTED]% of the net [REDACTED] from the [REDACTED], is expected to be used as working capital and general corporate purposes. For details please refer to the section headed “Future plans and [REDACTED]” in this document.

[REDACTED]

Our Directors are of the view that the financial results of our Group for the year ending 31 December 2023 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[54.3] million (based on the [REDACTED] of the indicative [REDACTED] range of HK\$[REDACTED] per [REDACTED] and [REDACTED]), which amounted to [40.3]% of the gross [REDACTED] from the [REDACTED], of which (i) [REDACTED]-related expenses, including [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 sponsor fee, 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, approximately RMB[REDACTED] million is expected to be recognised during six months ending 31 December 2023.

SUMMARY

RECENT DEVELOPMENTS

Impact of COVID-19

Since 2020, the outbreak of COVID-19 has affected the global economy. In response to the COVID-19 pandemic, the PRC government has imposed measures to contain the spread of the virus from time to time between 2020 and 2022. Due to the impacts of COVID-19 pandemic, the business operations of our service outlets were temporarily suspended during the Track Record Period. During FY2020, FY2021, FY2022 and 6M2023, 14, 1, 17, nil of our service outlets closed temporarily for an average of approximately 10.7 days, 12.0 days, 14.7 days and nil days, respectively. During the affected periods, our Group closely communicated with our customers and sought alternative routes for parcel acceptance and delivery. We also diverted some logistics flows to other unaffected service outlets to mitigate the impacts on our customers and our business. However, a shrink in labour supply and transportation capacity was observed in the logistics industry during the Track Record Period due to impacts of COVID-19 pandemic. This had a negative impact on the delivery time of parcels. Specifically, in FY2020, the average delivery time for our economic delivery service under our end-to-end cross-border delivery service business line to certain countries more than doubled compared to pre-COVID-19 levels, while the delivery time for our other services experienced less delay. However, in general, the situation gradually improved in FY2021 and FY2022.

Despite such temporary disruptions caused by COVID-19, we have benefitted from a high export demand in the second half of 2020 for anti-epidemic supplies and other necessities from the PRC to other countries due to the global COVID-19 impact. Since there was high export demand in the second half of 2020, many cargo containers were transported out of the PRC, leading to a shortage of supply of cargo containers in the PRC during FY2021. The shortage of cargo spaces and containers allowed us to increase the price mark-up while we were able to secure cargo spaces and containers from our suppliers in accordance with our framework agreements, to maintain our freight forwarding services, and resulted in an increase in revenue and gross profit during FY2021. For further details, please refer to the section headed “Financial information — Comparison of results of operations — FY2022 compared with FY2021” of this document. Our Directors expect that there will be a decrease in the average selling price per kg in express delivery, standard delivery and economic delivery under the business line of end-to-end cross-border delivery for FY2023 compared with that of FY2022, as our Directors estimate that the market price level shall return to pre-COVID levels, and our Group shall adjust our selling prices with reference to the market conditions to maintain our market competitiveness. Meanwhile, the impact of the lower estimated selling price in FY2023 is expected to be eased by the increase in estimated volume for FY2023.

SUMMARY

In December 2022, impacts of COVID-19 brought to the world reduced. In May 2023, the World Health Organisation ended the global emergency status for COVID-19, declaring that it is now an established and ongoing health issue which no longer constitutes a public health emergency of international concern.

Given the impacts of COVID-19 brought to the world reduced, we believe that while COVID-19 outbreaks have affected and may continue to affect our short-term growth, we do not expect such outbreaks to have a material adverse effect on our long-term overall business and financial performance. Meanwhile, our Directors believe that our Group will continue to benefit from the business growth underpinned by the global consumption’s shift from offline to online mode, due to the outbreak of COVID-19. According to the F&S Report, the e-commerce retail trade penetration rate of the US, which is our largest revenue generating destination during the Track Record Period, has increased from approximately 8.5% in 2018 to approximately 12.9% in 2022, and it is estimated that the penetration rate will further reach approximately 14.8% by the end of 2027. With the growth in e-commerce retail trade, the demand for e-commerce logistics services will also increase.

The actual impact caused by the COVID-19 pandemic will depend on its subsequent development. We cannot be entirely certain as to when the COVID-19 pandemic will be fully contained, and its impact will be completely alleviated. We are closely monitoring the development of the COVID-19 pandemic and continuously evaluating any potential impact on our business operations.

Regulations relating to overseas securities offering and listing by domestic companies

On 17 February 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and the relevant supporting guidelines (collectively, the “**Listing Trial Measures**”) which came into effect on 31 March 2023. The Listing Trial Measures is formulated to regulate overseas securities offering and listing activities by domestic companies, either in direct or indirect form (hereinafter referred to as “**overseas offering and listing**”). The Listing Trial Measures not only list out the circumstances where overseas offering and listing is forbidden, but also set out the conditions for determining the overseas offering and listing in indirect form. Any domestic company that is deemed to conduct overseas offering and listing activities shall file with the CSRC in accordance with the Listing Trial Measures.

Pursuant to the Announcement relating to the Arrangement of Filing Management of Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》) issued on 17 February 2023 by the CSRC, domestic companies that have submitted valid applications for overseas listing and have not obtained the consent of the overseas regulatory

SUMMARY

authorities or the overseas stock exchange as at the date of implementation of the Listing Trial Measures, can reasonably arrange the timing of filing procedure as stipulated in the Listing Trial Measures, and should complete such filing procedure before the date of overseas issuance and listing.

[REDACTED]

[REDACTED]

Business activities involving the use of De Minimis Exemption in the US

In accordance with our US Tariff Legal Adviser, Section 321 of the Tariff Act of 1930, codified at 19 U.S.C. § 1321(a)(2)(C) (the “**De Minimis Exemption**”) authorises U.S. Customs and Border Protection (“**CBP**”) to admit certain articles free of duty, taxes, and fees where the “aggregate fair retail value in the country of shipment of articles imported by one person on one day...” is under US\$800. Goods meeting these criteria may be entered using informal entry procedures under entry type 86.

The De Minimis Exemption allows an importer to avoid payment of ordinary duties (and formal entry procedures) that may otherwise apply. The De Minimis Exemption also may allow an importer to avoid payment of other additional duties applicable to imports. Critically for parties exporting goods of Chinese origin to the US, goods otherwise subject to the duties imposed on articles of China pursuant to Section 301 of the Trade Act of 1974 (“**Section 301 Duties**”) ranging from 7.5% to 25%, may be entered duty free using the De Minimis Exemption.

Purpose of the De Minimis Exemption

In accordance with our US Tariff Legal Adviser, the purpose of the De Minimis Exemption is to avoid administrative burden, including the “expense and inconvenience” to CBP of formal entry procedures that would be “disproportionate to the amount of revenue that would otherwise be collected.” Prior to 2016, the threshold for the De Minimis Exemption was limited to entries of an

SUMMARY

aggregate fair retail value of no more than US\$200. The dollar threshold was increased to US\$800 via amendment to the Tariff Act of 1930 as part of the Trade Facilitation and Trade Enforcement Act of 2015.

According to F&S, it is common for e-commerce platforms and sellers to deliver goods valued at US\$800 or less to the US and enjoy the de minimis tariff exemption in order to lower the logistics costs, given that most cross-border e-commerce sellers focused on the B2C (Business-to-Consumer) business model, accounting for over 60% of all cross-border e-commerce sellers in the PRC, and under the B2C business model, about 80% to 90% of the sellers focuses on delivering small parcels, of which about 80% to 90% are priced below US\$800.

During the Track Record Period, substantially all of our parcels delivered to the US entered the US under the De Minimis Exemption. The number of parcels valued at US\$800 or below delivered to the US by us during the Track Record Period amounted to over 90% of the total number of parcels delivered to the US by our Group, in which parcels refer to a single or multiple parcels delivered to the same location under the same shipment order. As a result, substantially all revenue generated from parcels delivered to the US during the Track Record Period was generated from parcels under the De Minimis Exemption. In particular, within revenue generated from our end-to-end cross-border delivery service, approximately RMB798.6 million, RMB691.8 million, RMB595.2 million, RMB275.4 million and RMB456.8 million in FY2020, FY2021, FY2022, 6M2022 and 6M2023 were generated from parcels shipped to the US, respectively, representing approximately 58.9%, 64.2%, 60.7%, 55.4% and 77.5% of total revenue generated from end-to-end cross-border delivery in corresponding periods.

Potential changes in De Minimis Exemption

In 2023, two legislative proposals to limit the De Minimis Exemption are pending before the US Congress, the Import Security and Fairness Act (ISFA) and the De Minimis Reciprocity Act of 2023 (DMRA). The two proposals, although varying in substance, both propose to exclude goods of Chinese origin imported to the US from benefiting from the De Minimis Exemption.

As advised by our US Tariff Legal Adviser, if either of the proposals is enacted and implemented in its current form, parcels that would currently be eligible for the De Minimis Exemption would become ineligible for such exemption, and would have to enter the US through a formal entry process. However, the proposals may eventually be revised to provide a less restrictive standard related to the use of the De Minimis Exemption for China-origin goods to enter the US. As advised by our US Tariff Legal Adviser, US Congress is unlikely to pass either the ISFA or the DMRA as a standalone bill. Instead, if there is sufficient Congressional support to move legislation limiting use of the De Minimis Exemption, US Congress will likely include text from either bill (or some combination thereof) in a comprehensive legislative "package" containing many different sections relating to a single subject. At this point in time, it is unclear if a

SUMMARY

legislative proposal limiting use of the De Minimis Exemption for imports of China-origin goods will move through US Congress and become law. Moreover, the final form and potential effective date of any limitation is also unclear. It is possible that legislation as passed could retain the De Minimis Exemption but only impose a lower dollar value threshold, including on imports of China-origin goods.

In terms of timeline, as advised by our US Tariff Legal Adviser, US Congress is unlikely to pass a China competitiveness package this year, and will instead consider it in early 2024. Only once US Treasury publishes a Final Rule (or an Interim Final Rule) would any final change to the De Minimis Exemption go into effect. The rulemaking process generally takes anywhere from several months to over a year, depending on how fast the agency moves to issue regulations, whether the agency uses the notice and comment rulemaking process, or whether the agency determines to issue an Interim Final Rule.

Under any of the above scenarios, and assuming the earliest that De Minimis Exemption legislation would be signed into law is 2024, the earliest effective date for any change to the De Minimis Exemption likely would be mid to late 2024. However, it is inherently impossible to predict the timing or outcome of the legislative process in the US, and progress on current legislative proposals may be suddenly accelerated, delayed or may not happen at all due to a number of factors. In addition, it is possible that new legislative proposals or regulatory proposals related the De Minimis Exemption could be introduced.

Potential impacts

In our operations, we generally do not act as the importer of record for the parcels that we deliver to the US. That is, we are not responsible for dealing with and paying upfront the duties involved, if any, in the delivery of parcels; nor do we intend to do so in the foreseeable future. As a result, as advised by our US Tariff Adviser, if we can continue our practice of not being the importer of record, we would not become the party directly responsible for the increased costs and duties that the United States would impose in the event that the de minimis exemption is severely restricted. Accordingly, the most likely potential impact on us would be related to any decrease in the frequency of such shipments into the United States by our customers, which could indirectly impact demand for our services.

The proposed changes to the De Minimis Exemption would impose additional fees and costs on to our customers. By extension, these increases could impact demand for our services. Our customers would be responsible under U.S. import laws for payment of the ordinary duties applicable to goods. Imports would also be subject to additional special duties, such as Section 301 Duties which range from 7.5% to 25%. In accordance with our US Tariff Legal Adviser, the specific rate of Section 301 Duties that apply to a product depends on its Harmonized Tariff Schedule (“HTS”) classification. The rates will often differ even across products within the same

SUMMARY

category, but the vast majority of HTS classifications fall under the first three “tranches” of Section 301 Duties (colloquially known as Lists 1, 2, and 3) at the rate of 25%. However, clothing and footwear products were more heavily targeted by the fourth tranche (List 4) and are more likely to be subject to the 7.5% Section 301 Duty rate. According to F&S, the primary categories for exports from China to the United States in the cross-border e-commerce sector include electronics, home furnishings, clothing, and footwear. Accordingly, there may be a significant portion of our customers’ exports of China-origin goods to the United States that would fall within the 7.5% duty range.

The formal entry process is likely to have certain additional information and documentation requirements. As a result, our customers may see increased administrative costs as a result of any documentary requirements associated with the formal entry process and compliance costs to ensure the accuracy of such documentation. We may also see cost increases due to the time and resources needed to assist our customers or coordinate shipments under the new CBP requirements. However, we ourselves will not be directly responsible for compliance or cost increases given that it will not be serving as the importer of record into the United States. In addition, these increased costs would likely be similar across logistics providers importing China-origin goods.

Potential impacts on the industry

According to F&S, if the De Minimis Exemption are to be changed as advised by our US Tariff Advisor, Chinese e-commerce platforms may choose to pass on the costs to consumers, absorb the extra fees themselves, or combine the two options. Nevertheless, according to F&S, US consumers would still likely continue to purchase China-origin products that they purchase before such changes, as these products would still be of relatively low price even after the changes in the De Minimis Exemption as mentioned above.

According to F&S, increases in prices induces by the potential changes in the De Minimis Exemption are not likely to materially change US consumer’s purchasing decisions. The vast majority of goods exported from China to the US are items that US consumers are relatively less price-sensitive to, meaning changes in prices of these items are not as likely to affect already-existed consumer behavior and decisions as the same in some other items. In addition, according to F&S, past increases in tariff indicated that increases in tariff had not historically materially affected the volume and value of exports China-origin goods to the US. In 2018, the U.S. government announced two plans to impose a 25% tariff on approximately US\$50 billion worth of Chinese goods and a 10% tariff on US\$200 billion worth of Chinese goods. Subsequently, the total value of goods exported from China to the US decreased from RMB3.2 trillion in 2018 to RMB2.9 trillion in 2019, and then rose from RMB3.1 trillion in 2020 to RMB3.7 trillion in 2021 and reached RMB3.9 trillion in 2022. Based on historical data, changes in tariff for goods exported from China to the US, albeit with limited impact on shipping volume, are not likely to have significant impact on shipping volume in the long run.

SUMMARY

According to F&S, Chinese e-commerce companies and platforms continue to show significant growth in the US. A recent report by eCommerceDB indicates that the share of Chinese sellers in terms of gross Merchandise Volume (GMV) on Amazon grew from US\$48 billion in 2017, representing 18% of Amazon's total GMV, to US\$201 billion, representing 26% of the total Amazon's GMV in 2022. Similarly, China's cross-border e-commerce platforms, Temu and SHEIN, are the two of the most popular cross-border e-commerce platforms in the US. According to Sensor Tower, Temu's had 10 million transacting customers in January 2023, 90% of which came from the US; according to YipitData, Temu achieved a GMV of US\$190 million in January 2023, accumulating a total GMV of approximately \$500 million within its first five months since launch. On the other hand, according to Adjust's annual Mobile App Trends report, SHEIN's revenue reached \$22.7 billion, with a growth rate of 52.8% from 2021. Its GMV reached around \$30 billion in 2022, with a growth rate of 50% from 2021.

Our mitigating measures

As advised by our US Tariff Legal Adviser, if the current De Minimis Exemption rules change, our customers/buyers will be legally responsible under US import laws for payment of the ordinary duties applicable to the goods that we ship, as well as additional special duties, if applicable, to some of the items that we ship. In addition, the formal entry process will likely result in additional information and documentation requirements by the US customs, which would likely incur information and cost on our Group and/or our customers/buyers.

Currently, our arrangements with our customers who have goods shipped to the US generally provide that we are not responsible for the duties incurred during our services provided. However, in light of the above potential changes in the De Minimis Exemption, we plan to review our current pricing policies and arrangements with our customers engaging in the delivery of parcels to the US to determine how they currently handle duties and fees owed on shipments exceeding the De Minimis Exemption threshold. We intend to ensure that our arrangements with customers do not make us ultimately responsible for duties, fees, and taxes associated with the potential formal entries into the US and that our customers would ultimately be responsible for additional payment of the costs associated with a formal entry, such as including contractual language in our arrangements to request our customers to provide the customers' information for the formal entry itself. We also plan to communicate with our customers to ensure that they are contractually responsible for ensuring their products are in compliance compliant with US customs laws. As a result, our Directors believe that the potential changes in De Minimis Exemption would not affect our cost structure for shipments to the US materially.

SUMMARY

New business line with Customer Q

For the month ended 31 July 2023, in addition to the existing business line with Customer Q, one of the five largest customers for 6M2023, our Group commenced a new arrangement with Customer Q in relation to the launching of a new product line (the “**New Business Line**”), under which Customer Q agreed to procure a certain level of logistics services from our Group. During the same month, there was a total billed weight derived from Customer Q which amounted to approximately 721,000 kg, being the aggregate of (i) orders from the existing business line, being approximately 360,000 kg; and (ii) orders from the New Business Line, being approximately 361,000 kg, representing a significant increase as compared with the total billed weight of approximately 1.08 million kg from Customer Q for 6M2023.

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 section headed “Financial Information — [REDACTED]” in this document and the paragraph headed “Recent development — New business line with Customer Q” in this section, since 30 June 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.

[REDACTED]

SUMMARY

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 combined 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 our 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.

	Based on the minimum indicative [REDACTED] of HK\$[REDACTED] per Share	Based on the maximum indicative [REDACTED] of HK\$[REDACTED] per share
Unaudited [REDACTED] adjusted consolidated net tangible assets of our Group attributable to the owners of the Company as at 30 June 2023	RMB[REDACTED]	RMB[REDACTED]
Unaudited [REDACTED] adjusted consolidated net tangible assets of our Group attributable to the owners of our Company per Share as at 30 June 2023 (<i>Note</i>) .	HK\$[REDACTED]	HK\$[REDACTED]

Note:

[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 (including shares in issue as at the date of this document and those shares expected to be issued pursuant to the [REDACTED] and the [REDACTED] but not taking into account (i) any shares which may be issued upon exercise of any options granted. 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], which was the exchange rate published by the People’s Bank of China (“PBOC rate”) prevailing on [Date]. 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.] Please see “Unaudited [REDACTED] Financial Information” in Appendix II to this document for details.

SUMMARY

LITIGATION AND REGULATORY COMPLIANCE

As advised by our PRC Legal Adviser, we do not have any pending or threatened litigation, arbitration or administrative proceeding against our Group or our Directors during the Track Record Period, which could have a material adverse effect on our financial conditional or result of operations.

As advised by our PRC Legal Adviser and confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we complied with all applicable laws and regulations in Hong Kong and the PRC in all material respects.

For further details, please refer to the sections headed “Business — Litigation” and “Business — Regulatory Compliance” in this document.

DIVIDENDS

During the Track Record Period, no dividends have been declared and paid by the companies now comprising our Group to their then respective shareholders.

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.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms and expressions have the meaning set forth below. Certain other terms are explained in the section headed “Glossary of technical terms”.

“Accountants’ Report”	the accountants’ report of our Group for the Track Record Period as set out in Appendix I in this document
“Actual Controllers”	in the context of the Shareholders Agreement, Mr. Wang; and in the context of the New Shareholders Agreement, Mr. Wang and Zi Yue
“affiliate(s)”	in relation to a body corporate, any subsidiary undertaking or parent undertaking of such body corporate, and any subsidiary undertaking of any such parent undertaking for the time being
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“Alibaba Acquisition Agreement”	the Acquisition Agreement dated 11 May 2023 relating to the acquisition of approximately 10.4753% equity interest in Hangzhou FAR entered into between Alibaba China and Huguang Tongchen
“Alibaba China”	Alibaba (China) Network Technology Co., Ltd.* (阿里巴巴(中國)網絡技術有限公司), a company established under the laws of the PRC with limited liability
“Alibaba Holding”	Alibaba Group Holding Limited (阿里巴巴集團控股有限公司), a company incorporated in the Cayman Islands, with its American depositary shares, each representing eight ordinary shares, listed on the New York Stock Exchange (Stock Symbol: BABA), and its ordinary shares listed on the Main Board of the Stock Exchange (Stock Code: 9988)
“Alibaba Group”	refers to Alibaba Holding and its subsidiaries (including Alibaba China)

DEFINITIONS

“Articles of Association” or “Articles”	the amended and restated articles of association of our Company conditionally adopted on [•], as amended or supplemented from time to time, which shall become effective upon the [REDACTED], a summary of which is contained in the section headed “Appendix III — Summary of the constitution of our Company and Cayman Islands Company Law — 2. Articles of Association” set out in this document, and as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of our Board
“Board” or “Board of Directors”	the board of Directors of our Company
“Business Day(s)” or “business day(s)”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands

[REDACTED]

“Cayman Companies Act” or “Companies Act”	the Companies Act (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
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[REDACTED]

“Cayman Legal Adviser” or “Appleby”	Appleby, our Company’s legal adviser as to Cayman Islands law
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“[REDACTED] Clearing Participant”	a person admitted to participate in [REDACTED] as a direct clearing participant or general clearing participant
“[REDACTED] Custodian Participant”	a person admitted to participate in [REDACTED] as a custodian participant
“[REDACTED] Investor Participant”	a person admitted to participate in [REDACTED] as an investor participant, who may be an individual, joint individuals or a corporation
[REDACTED]	the operational procedures of the HKSCC in relation to CCASS, containing the practices, procedures and administrative requirement relating to the operations and functions of CCASS, as from time to time in force
“[REDACTED] Participant”	a [REDACTED] Clearing Participant, a [REDACTED] Custodian Participant or [REDACTED] Investor Participant
“Chairman”	chairman of the Board
“Chief Executive Officer”	chief executive officer of our Company
“China” or “PRC”	the People’s Republic of China, which for the purpose of this document only and except where the context requires otherwise, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan region
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Company” or “our Company”	FAR International Holdings Group Company Limited, an exempted company incorporated in the Cayman Islands with limited liability on 24 November, 2022, and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 3 February 2023
“Concorde Overseas”	Concorde Overseas Logistics and Trade Limited, a company incorporated in England and Wales with limited liability on 30 June 2017 and an indirect wholly-owned subsidiary of our Company
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, and in the case of our Company, means Mr. Wang, Zi Yue, Gensis FAR Holdings Limited, and Hangzhou Aiyuan L.P.
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
“COVID-19” or “COVID”	a novel coronavirus pandemic, the outbreak of which was first identified in December 2019
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Deed of Indemnity”	the deed of indemnity dated [•] and executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries), particulars of which are set out in the section headed “Statutory and general information — E. Other Information — 1. Tax and other indemnities” in Appendix IV to this document

DEFINITIONS

“Deed of Non-Competition”	the deed of non-competition dated [•] executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries), particulars of which are set out in the section headed “Relationship with controlling shareholders — Non-competition undertakings” in this document
“Director(s)”	the director(s) of our Company
“Easygo”	Easygo Warehouse Services Corporation, a company incorporated under the laws of the Commonwealth of Massachusetts, US, one of our [REDACTED]
“Easygo HK”	Easygo Holdings Limited, a limited liability company incorporated in Hong Kong on 16 May 2022, a wholly owned subsidiary of Easygo before the Reorganisation, and a wholly owned subsidiary of our Group immediately upon completion of the Reorganisation
“Easygo HK Agreement”	the agreement relating to the injection of capital into Hangzhou FAR by Easygo HK, particulars of which are summarised in the section headed “History, development and reorganisation” in this document
“Easygo Share Swap Agreement”	the share swap agreement relating to the transfer of entire issued shares of Easygo HK to Sure Link and the allotment of Shares to Easygo entered into among Easygo, Mr. Zeng Yong and Sure Link
“EIT”	the PRC enterprise income tax
“EIT Law”	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) promulgated by the National People’s Congress of the PRC on 16 March 2007, and became effective on 1 January 2008 and amended on 24 February 2017 and 29 December 2018 by the Standing Committee of the National People’s Congress and effective on the same date
“EUR”	Euro, the lawful currency of the Eurozone

DEFINITIONS

“Extreme Conditions”	any extreme conditions or events, the occurrence of which causes interruption to ordinary course of business operations in Hong Kong where an announcement may be made by the government of Hong Kong according to the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Labour Department of Hong Kong in June 2019
“FAR Express”	FAR Express Solution Ltd., a company incorporated in the State of Illinois, U.S. on 12 August 2021 and dissolved on 26 August 2022, which was an indirect non wholly-owned subsidiary of Hangzhou FAR before its dissolution
“financial year”	financial year of our Company ended or ending 31 December
“Foreign Investment Law” or “FIL”	the PRC Foreign Investment Law (《中華人民共和國外商投資法》), promulgated by the National People’s Congress of the PRC on 15 March 2019, which became effective on 1 January 2020
“Founding Shareholders”	Mr. Wang, Zhang Yinkan, Yang Zhilong, Zhu Jiong, Pan Jutian, Fujian Province Defeng Corporate Management Centre (L.P.)* (福建省德豐企業管理中心(有限合夥)) (now known as Hangzhou Shirui Industrial Management Partnership (L.P.)* (杭州世瑞企業管理合夥企業(有限合夥)) and Rizhao Ruitan e-commerce Center* (日照銳曇電子商務中心) as in the context of the Shareholders Agreement; Mr. Wang, Zi Yue, Win Kane Holdings Limited (寅侃控股有限公司), Ren He International Holdings Limited (仁和國際控股有限公司), Seven Big Dipper Holdings Limited (北斗七星控股有限公司), Win Tim Holdings Limited (贏添控股有限公司), Winner Wealth Investment Holdings Limited (捷裕投資控股有限公司), World Crystal Holdings Limited (世福控股有限公司) and Good Chains International Holdings Limited (錦聯國際控股有限公司) as in the context of the New Shareholders Agreement

DEFINITIONS

“Frost & Sullivan” or “F&S”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a market research and consulting company commissioned by us to prepare an independent research report for the purposes of the [REDACTED], which is an Independent Third Party
“FY2020”	the financial year ended 31 December 2020
“FY2021”	the financial year ended 31 December 2021
“FY2022”	the financial year ended 31 December 2022
“FY2023”	the financial year ending 31 December 2023
“F&S Report”	an independent industry report commissioned by us and prepared by Frost & Sullivan for the purpose of this document
“GBP”	Great Britain pound, the lawful currency of the United Kingdom
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended, supplemented and/or otherwise modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Global Link”	Global Link Logistics Services Limited, (航港物流有限公司), a company incorporated in Hong Kong with limited liability on 20 November 2006 and an indirect wholly-owned subsidiary of our Company
“Gongshu Technology”	Hangzhou Gongshu State-owned Investment Technology Development Co. Ltd.* (杭州拱墅國投科技發展有限公司), a limited company established in the PRC
“Government”	the Government of Hong Kong

DEFINITIONS

“Grand Moore” or “Grand Moore Capital” or “[REDACTED]” or “[REDACTED]” or “Sponsor” or “Sole Sponsor”	Grand Moore Capital Limited, a licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and sole sponsor for the [REDACTED], and an Independent Third Party
“Group”, “our”, “we” or “us”	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries
“Guangzhou Global Link”	Guangzhou Global Link Supply Chain Company Limited* (廣州匯通天下供應鏈管理有限公司), a company established in the PRC with limited liability on 21 November 2017 and an indirectly wholly owned subsidiary of our Company
“Hangzhou Aiyuan”	Hangzhou Aiyuan Supply Chain Management Co., Ltd.* (杭州愛遠供應鏈管理有限公司), a company established in the PRC with limited liability on 7 August 2015 and an indirectly wholly-owned subsidiary of our Company
“Hangzhou Aiyuan L.P.”	Hangzhou Aiyuan Investment Management Partnership (Limited Partnership)* (杭州愛遠投資管理合夥企業(有限合夥)), a limited partnership established in the PRC
“Hangzhou FAR”	Hangzhou FAR International Logistics Co., Ltd.* (杭州泛遠國際物流有限公司), formerly known as Hangzhou FAR International Logistics Shareholding Co. Ltd.* (杭州泛遠國際物流股份有限公司), a company established in the PRC with limited liability on 26 August 2004 and an indirectly wholly-owned subsidiary of our Company
“Hangzhou Feiyue”	Hangzhou Feiyue Supply Chain Management Co., Ltd.* (杭州飛約供應鏈管理有限公司), a company established in the PRC with limited liability on 27 June 2016 and an indirectly wholly-owned subsidiary of our Company
“Hangzhou Import & Export”	Hangzhou FAR Import & Export Company Limited* (杭州泛遠進出口有限公司), a company established in the PRC with limited liability on 13 October 2008 and an indirectly wholly-owned subsidiary of our Company

DEFINITIONS

“Hangzhou Qintian”	Hangzhou Qintian Science And Technology Development Co., Ltd.* (杭州勤添科技發展有限公司), a company established in the PRC with limited liability on 13 August 2009 and an indirectly wholly-owned subsidiary of our Company
“Hangzhou Shengdelan L.P.”	Hangzhou Shengdelan Technology Partnership (Limited Partnership)* (杭州聖得蘭科技合夥企業(有限合夥)), a limited partnership established in the PRC
“Hangzhou Supply Chain”	Hangzhou AIYUAN Supply Chain Management Co., Ltd.* (杭州艾遠供應鏈管理有限公司), a company established in the PRC with limited liability on 15 March 2016 and an indirectly wholly-owned subsidiary of our Company
“Heguang Tongchen”	Hangzhou Heguang Tongchen Logistics Co. Ltd.* (杭州和光同塵物流有限公司*), which is a wholly foreign owned enterprise established in the PRC and an indirectly wholly-owned subsidiary of our Company
“HK\$” or “Hong Kong dollars” or “HK dollars” or “HKD”	Hong Kong dollar(s) and cent(s) respectively, the lawful currency of Hong Kong
“HKFRS(s)”	Hong Kong Financial Reporting Standards, which include standards, amendments and interpretations issued by the Hong Kong Accounting Standards Board and the Hong Kong Accounting Standards, and interpretation issued by the HKICPA Financial Reporting Committee Standards Committee
“HK FAR”	HK FAR Logistics Investment Limited (香港泛遠物流投資有限公司), a company incorporated in Hong Kong with limited liability on 21 April 2017 and an indirectly wholly-owned subsidiary of our Company
“HKICPA”	The Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

DEFINITIONS

[REDACTED]

“HKSCC Nominees” HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC

“Hong Kong” or “HK” or “HKSAR” the Hong Kong Special Administrative Region of the PRC

[REDACTED]

“Hong Kong Stock Exchange” or “Stock Exchange” The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

“Hong Kong Takeovers Code” or “Takeovers Code” the Codes on Takeovers and Mergers and Share Buybacks issued by the SFC, as amended, supplemented or otherwise modified from time to time

“Independent Third Party(ies)” an individual(s) or a company(ies), which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is not a connected person of our Company within the meaning of the (Listing Rules) Rules

[REDACTED]

“kg” kilogram

“Latest Practicable Date” [31 August] 2023, being the latest practicable date for the purposes of ascertaining certain information contained in this document prior to its publication

[REDACTED]

[REDACTED]

DEFINITIONS

[REDACTED]

“Listing Rules” or “Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“m”	metre
“m ² ” or “sq. m.”	square metre(s)
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange. For the avoidance of doubt, the Main Board excludes GEM of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company adopted on [•] which shall become effective upon [REDACTED], a summary of which is contained in the section headed “Summary of the constitution of our Company and Cayman Islands Company Law — 1. Memorandum of Association” set out in Appendix III to this document, and as amended from time to time
“MIIT”	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Wang”	Mr. Wang Quan (王泉), an executive Director, the Chairman and a Controlling Shareholder

DEFINITIONS

“M&A Rules”	the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investor* (《關於外國投資者併購境內企業的規定》) promulgated by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the State Administration of Taxation, SAMR, CSRC and SAFE on 8 August 2006 and amended by MOFCOM on 22 June 2009
“NEEQ”	the National Equities Exchange and Quotations (全國中小企業股份轉讓系統), an equity trading platform for the sale of existing shares or private placing of new shares by small and medium sized enterprises in the PRC
“New Shareholders Agreement”	the agreement dated 16 May 2023 entered into among our Company the the Shareholders of our Company
“Nomination Committee”	the nomination committee of our Board
“Novel Harbour”	Novel Harbour Holdings Limited (穎港控股有限公司), which is a limited company incorporated in Hong Kong on 22 December 2022 and an indirect wholly owned subsidiary of our Company

[REDACTED]

“Ordinary Share(s)”	ordinary share(s) with a par value of HK\$0.01 each, in the share capital of our Company
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DEFINITIONS

“Original Owners Acquisition Agreement”	the acquisition agreement dated 9 May 2023 relating to the acquisition of an aggregate of approximately 88.5247% equity interest in Hangzhou FAR entered into among Heguang Tongchen and then owners (other than Alibaba China and Easygo HK) of equity interest in Hangzhou FAR
“Original Owners Subscription Agreement”	the subscription agreement dated 9 May 2023 relating to the subscription of Ordinary Shares entered into among our Company and the offshore entities formed by then owners (other than Alibaba China and Easygo HK) of equity interest in Hangzhou FAR before the Reorganisation, particulars of which are summarised in the section headed “History, development and reorganisation” in this document

[REDACTED]

“P/E ratio” Price-to-Earnings ratio

[REDACTED]

DEFINITIONS

[REDACTED]

“PRC Company Law”	the Company Law of the PRC (《中華人民共和國公司法》), as amended and adopted by the Standing Committee of National People’s Congress on 26 October 2018 and effective on the same date
“PRC government”	the government of the PRC including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities thereof or, where the context requires, any of them
“PRC Legal Adviser”	Allbright Law Offices, a qualified PRC law firm as the PRC legal adviser of our Company as to the laws of the PRC for the [REDACTED]
“[REDACTED]”	the investments made by Alibaba China, Gongshu Technology and Easygo, the details of which are set out in the paragraph headed “History, Development and Reorganisation — [REDACTED]” in this document

DEFINITIONS

“Preferred Share(s)”

preferred share(s), with a par value of HK\$0.01 each, in the share capital of our Company, issued to Taobao China pursuant to the Taobao Subscription Agreement, which will automatically convert to Ordinary Shares upon [REDACTED]”

[REDACTED]

“Regulation S”

the Regulation S under the US Securities Act

DEFINITIONS

[REDACTED]

“Remuneration Committee”	the remuneration committee of our Board
“Renminbi” or “RMB”	the lawful currency of the PRC
“Reorganisation”	the corporate reorganisation of our Group in preparation for the [REDACTED] as set out in the paragraph headed “History, Development and Reorganisation — Reorganisation” in this document
“Repurchase Mandate”	the general unconditional mandate granted to our Directors by the Shareholders in relation to the repurchase of the Shares, further information is set forth in the paragraph headed “Statutory and General Information — A. Further information about our Company — 6. Repurchase of the Shares by our Company” in Appendix IV to this document
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
“SAFE Circular 13”	the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Director Investment* (《關於進一步簡化和改進直接投資外匯管理政策的通知》) promulgated by SAFE and which became effective on 1 June 2015
“SAFE Circular 37”	the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles* (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) promulgated by SAFE with effect from 4 July 2014

DEFINITIONS

“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局) or its local branch
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“SFC”	the Securities and Futures Commission of Hong Kong
“Shanghai Aiyuan”	Shanghai Aiyuan Supply Chain Management Co., Ltd.* (上海愛遠供應鏈管理有限公司), a company established in the PRC with limited liability on 23 February 2016 and a wholly-owned subsidiary of our Company
“Shanghai Supply Chain”	Shanghai Aiyuanhui Supply Chain Management Co., Ltd.* (上海艾遠匯供應鏈管理有限公司), a company established in the PRC with limited liability on 14 March 2018 and a wholly-owned subsidiary of our Company
“Share(s)”	Ordinary Share(s) and Preferred Share(s)
“Shareholder(s)”	holder(s) of our Share(s)
“Shareholders Agreement”	the agreement dated 4 January 2021 entered into among Hangzhou FAR and the shareholders of Hangzhou FAR
	[REDACTED]
“Shenzhen Full Speed”	Shenzhen Full Speed Parcel Logistics Co., Ltd.* (深圳市全速包裹物流有限公司), a company established in the PRC with limited liability on 5 August 2019 and a non-wholly owned subsidiary of our Company
“Shenzhen Global Link”	Shenzhen Global Link Logistics Services Limited* (深圳市匯通天下物流有限公司), a company established in the PRC with limited liability on 23 November 2006 and a wholly-owned subsidiary of our Company

DEFINITIONS

“Shenzhen Suizi”	Shenzhen Suizi Wealth Management Co. Ltd.* (深圳市縊子財富管理有限公司), a limited company established in the PRC, being the general partner of Hangzhou Shengdelan L.P. and Ningbo Jiale L.P.
“Sichuan Global Link”	Sichuan Global Link Logistics Co., Ltd.* (四川匯通天下物流有限公司), a company established in the PRC with limited liability on 30 October 2017 and a wholly-owned subsidiary of our Company
“Sparkling Pennant”	Sparkling Pennant Limited (燦旗有限公司), a company incorporated in Hong Kong with limited liability on 5 July 2018 and deregistered on 23 December 2022 and was an indirectly wholly-owned subsidiary of Hangzhou FAR before its deregistration
[REDACTED]	[Grand Moore Capital Limited]
“State Council”	the PRC State Council (中華人民共和國國務院)
	[REDACTED]
“subsidiary(ies)”	has the meaning ascribed thereto under the Companies Ordinance
“Substantial Shareholder(s)” or “substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Sure Link”	Sure Link Holdings Limited (燃連控股有限公司), a company incorporated in the BVI with limited liability on 15 December 2022 and a direct wholly-owned subsidiary of our Company
“Taobao China”	Taobao China Holding Limited (淘寶中國控股有限公司), a company incorporated under the laws of Hong Kong, being an affiliate of Alibaba China

DEFINITIONS

“Taobao Subscription Agreement”	the subscription agreement dated 11 May 2023 relating to the subscription of Preferred Shares entered into between our Company and Taobao China, particulars of which are summarised in the section headed “History, development and reorganisation” in this document
“Track Record Period”	the years ended 31 December 2020, 2021, 2022 and the six months ended 30 June 2023
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland

[REDACTED]

“US Customs”	U.S. Customs and Border Protection
“US”, “U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”, “US dollars” or “USD”	United States dollars, the lawful currency of the United States
“US Tariff Legal Adviser”	K&L Gates
“US Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“VAT”	value-added tax

[REDACTED]

DEFINITIONS

“Yidatong”	Shenzhen Yidatong Supply Chain Service Co., Ltd* (深圳市一達通供應鏈服務有限公司), a subsidiary of Alibaba Holding
“Yiwu Aiyuan”	Yiwu Aiyuan E-Commerce Co., Ltd.* (義烏愛遠電子商務有限公司), a company established in the PRC with limited liability on 5 September 2017 and an indirectly wholly-owned subsidiary of our Company
“Yiwu FAR”	FAR International Logistics (Yiwu) Co., Ltd. (泛遠國際物流(義烏)有限公司), formerly known as Yiwu Yiyun Supply Chain Management Company Limited (義烏易雲供應鏈管理有限公司), a company established in the PRC with limited liability on 26 May 2011 and an indirectly wholly-owned subsidiary of the Company
“Zhejiang Jingyuan”	Zhejiang Jingyuan Supply Chain Management Co., Ltd.* (浙江競遠供應鏈管理有限公司), a company established in the PRC with limited liability on 22 February 2017 and an indirectly wholly-owned subsidiary of our Company
“Zhejiang Mancao”	Zhejiang Mancao Electronic Commerce Co., Ltd.* (浙江蔓草電子商務有限公司), a company established in the PRC with limited liability on 28 March 2019 and an indirectly wholly-owned subsidiary of our Company
“Zi Yue”	Zi Yue Holdings Limited (子越控股有限公司), a limited liability company established under the laws of BVI on 8 June 2022 and wholly-owned by Mr. Wang
“ZY Logistics”	ZY Logistics Company Limited (香港卓洋物流有限公司), a company incorporated in Hong Kong with limited liability on 10 November 2017 and an indirectly wholly-owned subsidiary of our Company
“%”	per cent.
“6M2022”	the six months ended 30 June 2022
“6M2023”	the six months ended 30 June 2023

DEFINITIONS

In this document, unless otherwise specified:

- All dates and times refer to Hong Kong dates and time, unless otherwise stated or the context otherwise requires.
- Certain amounts and percentage figures included in this document have been subject to rounding adjustments, or have been rounded to one or two decimal places.
- Any discrepancy in any table between totals and sums of amounts listed therein are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

* *for identification purpose only*

For ease of reference, the English names of the PRC established companies or entities, laws or regulations are translation and/or transliteration of their Chinese names and have been included in this document for identification purposes only. In the event of any inconsistency between the Chinese names and their English translations and/or transliterations, the Chinese version shall prevail.

GLOSSARY OF TECHNICAL TERMS

The glossary of technical terms contains explanations and definitions of certain terms used in this document in connection with our Group and our business. The terms and their meanings may not correspond to meanings or usage of these terms as used by others or standard industry definitions.

“asset-light logistics service provider”	logistics service provider operating with limited self-owned air, sea and/or road transport capacity
“CAGR”	compound annual growth rate
“container”	a large standardised container designed and built for freight transport which can be used across different modes of transport, from ship to rail to truck
“customs clearance”	the process of obtaining approval for goods to be imported from the relevant authorities at the importing countries
“customs declaration”	the process of declaring the list and details of goods to be exported to the relevant authorities at the exporting countries
“e-commerce platform”	a system which enables e-commerce sellers to trade merchandise over the internet
“e-commerce retail trade penetration rate”	calculated by dividing the number of retail trade online shopping users by the total number of internet users
“e-commerce sellers”	corporate or individual sellers who conducted the trading of merchandise through e-commerce platforms
“end-to-end”	the entire transportation process from the parcel acceptance point to the final destination
“IATA”	International Air Transport Association
“IT”	information technology
“last-mile delivery”	the very last step of the delivery process when a parcel is transported to its final destination
“NVOCC”	Non-Vessel Operating Common Carriers (無船承運人)

GLOSSARY OF TECHNICAL TERMS

“OGP”	outside growth provider. It is a business cooperation arrangement between the service provider and Customer/Supplier Group G, a Fortune Global 500 multinational logistics company founded in the US. The service provider provides logistics services on behalf of the engaging party at specified regions including parcel acceptance, delivery, transshipment. The service provider uses the trademarks of the engaging party when providing services, for example imprinting their logos on, staff’s uniforms and transportation trucks
“OSP”	outside service provider. It is a business cooperation arrangement between the service provider and Customer/Supplier Group G, a Fortune Global 500 multinational logistics company founded in the US. The service provider provides logistics services to the engaging party including parcel acceptance, delivery, transshipment as its subcontractor without using the engaging party’s trademarks during the course of providing logistics services
“recovery”	parcel pick-up from air/sea ports
“SaaS”	software as a service
“TEU”	“Twenty-foot Equivalent Unit”, a standard unit of measurement used to quantify the capacity of container ships and terminals, which is a widely accepted unit in the shipping industry for calculating vessel capacity and measuring containerised cargo volumes
“trucking”	transportation of goods by trucks
“Type 86 Entry”	a customs entry type for goods imported into the US. This type of entry allows for the import of goods without the payment of duties and taxes if the value of shipment is less than US\$800 in value

FORWARD-LOOKING STATEMENTS

Certain statements in this document are forward-looking statements and information relating to our Company and our subsidiaries that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "will," "expect," "anticipate," "estimate," "believe," "going forward," "ought to," "may," "seek," "should," "intend," "plan," "projection," "could," "vision," "goals," "aim," "aspire," "objective," "target," "schedule", "potential", "predict", "would", and "outlook" and the negative forms of these terms, as well as similar expressions) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this document), uncertainties and other factors some of which are beyond our Company's control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our business strategies and our ability to implement such strategies successfully;
- future developments, trends and conditions in the industry and markets in which we operate;
- our capital expenditure and operational plans;
- our prospective financial conditions;
- our ability to hire and retain talented employees;
- our dividend policy;
- our ability to adapt to market competitions;
- capital market developments;
- any changes in the laws, regulations and rules in relation to construction industry in Hong Kong and other jurisdictions in which we operate;
- general economic and business conditions;

FORWARD-LOOKING STATEMENTS

- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- other factors beyond our control including but not limited to any outbreak of highly contagious disease, such as COVID-19;
- all other risks and uncertainties described in the section headed “Risk factors” in this document.

In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set forth in the section headed “Risk factors” in this document. Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way our Company expects, if at all. Accordingly, you should not place undue reliance on any forward-looking information when making your investment decisions in relation to the [REDACTED].

Any forward-looking statement speaks only as at the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation and we do not intend to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. All forward-looking statements contained in this document are qualified by reference to this cautionary statement.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the [REDACTED], we have sought the following waiver from strict compliance with the relevant provisions of the Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Our principal business operations are primarily located, managed and conducted in the PRC. All our executive Directors and senior management members are based in the PRC as we believe it is more effective and efficient for our executive Directors and senior management to be based in a location where we have significant operations. We therefore do not, and in the foreseeable future will not, have a management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

[Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules.] In order to maintain effective communication with the Stock Exchange, we will put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and us:

- (a) we [have appointed] two authorised representatives pursuant to Rule 3.05 of the Listing Rules, namely Mr. Zhu Jiong (朱炯), an executive Director and Ms. Wong Hoi Ting (黃凱婷), our company secretary. The authorised representatives will act as our principal channel of communication with the Stock Exchange. The authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by the Stock Exchange by telephone, facsimile and/or email to deal promptly with any enquiries which may be made by the Stock Exchange. Each of the authorised representative is authorised to communicate on behalf of our Company with the Stock Exchange;
- (b) each of the authorised representatives will have all necessary means to contact all the Directors promptly at all times, as and when the Stock Exchange wishes to contact the Directors on any matters. We will implement a policy whereby:
 - (i) each Director [has] provided his or her mobile phone number, office phone number, facsimile number and email address to these authorised representatives; and

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (ii) in the event that a Director expects to travel and or otherwise be out of office, he or she will provide the phone number of the place of his or her accommodation to these authorised representatives;
- (c) we shall promptly inform the Stock Exchange of any changes on the authorised representatives;
- (d) each Director must provide his or her mobile phone number, office phone number, facsimile number and email address (if applicable) to the Stock Exchange;
- (e) we have appointed Honestum International Limited as the compliance adviser pursuant to Rule 3A.19 of the Listing Rules to act as our additional channel of communication with the Stock Exchange and the representative(s) of the compliance adviser will be fully available to answer enquiries from the Stock Exchange. The compliance adviser will have access at all times to the authorised representatives, the Directors and the other senior management of our Company to ensure that it is in a position to provide prompt responses to any queries or requests from the Stock Exchange in respect of our Company; and
- (f) all Directors (including the independent non-executive Directors) who are not ordinarily resident in Hong Kong have confirmed that they possess valid travel documents to visit Hong Kong prior to the [REDACTED] and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time, when required.

RISK FACTORS

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

This document contains certain forward-looking statements regarding our Group’s plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group’s actual results could differ materially from those discussed in this document. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this document. The trading price of the [REDACTED] could decline due to any of these risks, and you may lose all or part of your investment.

The risks involved in our business and operations can be classified into: (i) risks relating to our business and industry; (ii) risks relating to our corporate structure; (iii) risks relating to the [REDACTED]; and (iv) risks relating to the statements made in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our cross-border e-commerce logistics service provider business is significantly affected by changes in global economic and social conditions.

We are an established cross-border e-commerce logistics service provider based in the PRC principally engaged in the provision of end-to-end cross-border logistics services. Our current focus is in response to the increasing prevalence of cross border e-commerce across the globe, particularly transactions with customers in the PRC. Accordingly, any adverse economic or social developments in Asia, in particular the PRC, as a result of a global economic slowdown or otherwise, could lead to a general decline in consumption and a slowdown in international trade, which could have a significant impact on our businesses. In addition, an economic slowdown around the world and the shifting of outsourced manufacturing activities away from the PRC could have a significant impact on our cross-border e-commerce logistics service business. These factors could have a negative impact on the manufacturing activities in the PRC; and consequently, the results of our cross-border e-commerce business might be adversely and materially affected.

RISK FACTORS

During the Track Record Period, we recorded a total revenue of approximately RMB1,512.1 million, RMB1,353.7 million and RMB1,252.0 million and RMB673.9 million for FY2020, FY2021, FY2022 and 6M2023 respectively, which was largely attributable to our end-to-end cross-border logistics services. If the PRC experiences slower growth or a decline in exports, our business, financial condition and results of operations could be materially and adversely affected.

Some of our customers that ship goods to the US benefit from certain tax exemption regime, which may be changed in the future. In such event, these customers’ operations may be negatively affected, and in turn affect our revenue generated from these customers.

In accordance with our US Tariff Legal Adviser, Section 321 of the Tariff Act of 1930, codified at 19 U.S.C. § 1321(a)(2)(C) (the “**De Minimis Exemption**”) authorises U.S. Customs and Border Protection (“**CBP**”) to admit certain articles free of duty, taxes, and fees where the “aggregate fair retail value in the country of shipment of articles imported by one person on one day...” is under US\$800. Goods meeting these criteria may be entered using informal entry procedures under entry type 86. During the Track Record Period, substantially all of our parcels delivered to the US entered the US under the De Minimis Exemption. As a result, substantially all revenue generated from parcels delivered to the US during the Track Record Period was generated from parcels under the De Minimis Exemption. Within revenue generated from our end-to-end cross-border delivery service, approximately RMB798.6 million, RMB691.8 million, RMB595.2 million, RMB275.4 million and RMB456.8 million in FY2020, FY2021, FY2022, 6M2022 and 6M2023 were generated from parcels shipped to the US, respectively, representing approximately 58.9%, 64.2%, 60.7%, 55.4% and 77.5% of total revenue generated from end-to-end cross-border delivery in corresponding periods.

In 2023, two legislative proposals to limit the De Minimis Exemption are pending before US Congress. The two proposals, although varying in substance, both propose to exclude goods of China-origin (and, in some cases, Russia-origin) imported to the US from using the De Minimis Exemption. As advised by our US Tariff Legal Adviser, if either of the proposals is enacted and implemented in its current form, parcels that would otherwise currently be eligible for the De Minimis Exemption would become ineligible for such exemption, and would have to enter the US through a formal entry process. However, the proposals may eventually be revised to provide a less restrictive standard related to the use of the De Minimis Exemption for Chinese origin goods entering the United States. For example, the final legislative proposal may, instead of prohibiting China-origin goods from benefiting from the De Minimis Exemption, lower the value threshold of goods eligible for the De Minimis Exemption (currently set at US\$800).

RISK FACTORS

We cannot assure you that our business would not be negatively affected by such changes in the De Minimis Exemption, if any. Our customers may increase their product prices in the US to counter the impact of the additional duties, and their end-customers in the US may decrease their purchasing volume and/or frequency due to such increases, decreasing demand for logistics service to the US. Our customers who ship to the US may also choose to focus on other markets, in which we may not be as competitive as other logistics service providers do. Although according to Frost and Sullivan, the impact of normal duties would not have a material negative effect on e-commerce platforms’ business operations, it is inherently difficult to predict consumer behaviors. As a result, our revenue may decrease. In addition, our costs may increase due to more onerous entry processes and the expenses so associated. Furthermore, we cannot ensure you that we will be successful in negotiating with all of our customers to have them be responsible for all costs associated with the additional formal entry process and be liable for any noncompliance with US custom laws caused by the documentations or goods themselves. Even if we are able to do so, we may still become parties to any investigations, allegations and litigations arising out of any of such noncompliance, which would be costly to defend against and damage our brand reputation. As advised by our US Tariff Adviser, under the normal legislative process, the implementation of changes to the De Minimis Exemption, if any, is expected to take place, at the earliest, in mid-to-late 2024. However, it is inherently impossible to predict the timing or outcome progress of the legislative process in the US, and if such changes are implemented faster and/or in a harsher way than we expect, we may not be able to respond and mitigate the risks associated effectively and timely. Any of the above could materially and negatively affect our performance, financial results and business operations. For more information on the De Minimis Exemption, please refer to the section headed “Summary — Recent Developments — Business activities involving the use of De Minimis Exemption in the US.”

Our business and financial performance are cyclical. The business and financial performance achieved during the Track Record Period may not be sustainable in the future as the outbreak and spread of COVID-19 eases.

The outbreak and spread of COVID-19 persisted for a significant portion of the Track Record Period. We cannot assure you that our historical operating results, such as our revenue, gross profit, net profit, gross profit margin, and net profit margin, will be indicative of future performance for various reasons, as our business and financial performance is cyclical. Our historical operation results may not be replicable or sustainable. Should the factors contributing to our historical operation results fail to be effective, our business, financial condition and results of operations may be materially and adversely affected. Investors should not rely on our historical results as an indication of our future financial or operating performance.

RISK FACTORS

We face risks related to severe weather conditions and other natural disasters, health epidemics and other outbreaks.

Areas or regions where we operate may be exposed to the outbreak of epidemics including swine influenza, avian influenza, Middle East respiratory syndrome (MERS-CoV) and severe acute respiratory syndrome (SARS-CoV) from other regions. The outbreak of such epidemics may affect us in various ways. For example, people’s demand for our services may be affected. Also, the availability of resources may be limited. In addition, government authorities may adopt certain hygiene measures. Any of these circumstances may materially slow regional or global economic development in areas where we operate and may have a material and adverse effect on our business operations.

We operate in a competitive industry, and if we fail to compete effectively, our business and profitability could suffer.

The PRC’s cross-border e-commerce logistics industry is competitive and fragmented. We compete with existing market players and potential new entrants emerging in the market, including other cross-border e-commerce logistics service providers, among others. According to the F&S Report, the top five domestic players within the cross-border e-commerce logistics industry accounted for an aggregate market share of 1.6% in terms of revenue generated from cross-border e-commerce logistics services in 2022. Our competitors may have a broader service or network coverage, more advanced technology infrastructure, broader customer base, stronger relationships with business and strategic partners, better brand recognition and greater capital, technical and marketing resources than we do. As competition intensifies, we may need to increase our marketing resources and incur higher marketing expenses. We may also have to offer more incentives to our customers, which could materially and adversely affect our profitability. Our competitors may also establish cooperative relationships or competing networks to increase their ability to address the needs of e-commerce sellers and end customers of e-commerce platforms, which could also negatively impact us. In addition, our competitors may compete with us by reducing their prices, especially during economic downturns. Such reductions may limit our ability to maintain or increase our prices or operating margins or achieve growth in our business. We may not be able to successfully compete against current or future competitors, and competitive pressures may have a material and adverse effect on our business, financial condition and results of operation. All of these make it difficult to evaluate our business and prospects due to a level of uncertainty.

RISK FACTORS

Our business relies on our suppliers. Increases in their operating costs or failure to maintain partnerships with them may adversely affect our business.

Our suppliers mainly included international and national-level logistics service providers, sea carriers and air carriers. Many of our suppliers are subject to increasingly stringent laws, which could, directly or indirectly, have a material adverse effect on our business. Future regulatory developments of the cross-border e-commerce logistics service industry in the PRC, the US and other countries could adversely affect their operations and increase operating costs of the upstream suppliers, such as customs clearance and compliance costs, storage and warehousing costs, as well as IT and technology costs, which in turn could increase our cost of sales. If we are unable to pass such costs on to our customers, our business, financial condition and results of operations could be materially and adversely affected.

Changes in the financial stability, operating capabilities and capacity of our suppliers and capacity allotment available to us may affect us in unpredictable ways. For example, any combination of reduced carrier capacity or availability, pricing volatility or more limited carrier shipping schedules, shipwreck or other accidents, or congestion of trade lanes or air/sea ports, could further negatively affect our ability to execute services and maintain profitability. In addition, relief measures extended by certain governments may also affect our suppliers' financial stability and ability to provide services, which we cannot predict.

We have limited control over the quality of services provided by these suppliers. In the event that they fail to meet the expectation of our customers in terms of delivery time, transportation process and parcel handling procedures, which may cause delay in delivery or damages in parcel during the transportation process, our business and reputation may be harmed. In addition, any illegal actions, material misconduct or non-compliant conduct by these suppliers may also adversely affect our business and reputation.

Fluctuations in the price or availability of fuel, may adversely affect our results of operations.

Fluctuating fuel prices and interruptions of fuel supplies may reduce our profitability. Fuel represents a sizable cost to the logistics service providers engaged by us during the transportation processes. Hence, an increase in fuel prices may increase our costs as these logistics service providers may increase their fees to cover the increased fuel costs. According to F&S Report, the cost of cross-border e-commerce logistics is mainly affected by the price of international oil and transportation cost. For example, the average futures settlement price of Brent crude oil increased with fluctuations, from US dollar 71.7 per barrel in 2018 to US dollar 99.0 per barrel in 2022. In the event that we fail to transfer such costs to our customers, our profitability may be adversely affected. The cost of fuel can fluctuate significantly and is subject to many factors that are beyond our control, primarily including the political instability in oil-producing regions and geopolitical

RISK FACTORS

landscape. In the event of a significant rise in fuel prices, our related costs may increase and our gross profit may decrease if we are unable to adopt any effective cost control measures or pass on the rising costs to our customers in the form of service surcharges.

We had negative operating cash flow for the six months ended 30 June 2023.

We had negative cash flow from operating activities of approximately RMB58.1 million for the six months ended 30 June 2023. Although we seek to manage our working capital, we cannot assure you that we will be able to match the timing and amounts of our cash inflows with the timing and amounts of our payment obligations and other cash outflows. As a result, there could be a period during which we experience a net cash outflow.

During the Track Record Period, we mainly relied on cash generated from our operation to finance our business. Please refer to the section headed “Financial information — Liquidity and capital resources” in this document. Negative operating cash flow requires our Group to obtain sufficient external financing to meet our financing needs and obligations. If we are unable to do so, we will be in default on our payment obligations and may not be able to expand our business. Thus, our business, financial position and results of operations may be materially and adversely affected.

Goodwill impairment could negatively affect our financial condition and results of operation.

Our goodwill amounted to approximately RMB144.7 million, RMB144.7 million, RMB144.7 million and RMB144.7 million as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively, accounted for approximately 27.3%, 21.5%, 23.5% and 20.3% of total assets and approximately 38.4%, 26.3%, 28.4% and 26.8% of our net assets as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively.

Our goodwill as at 31 December 2020, 2021 and 2022 and 30 June 2023 consisted of goodwill relating to the major acquisition of Global Link group in 2017. Goodwill resulting from the business combinations has been allocated to Shenzhen Global Link as a single cash-generating unit (“CGU”) (“CGU Shenzhen Global Link”). For the impairment testing of goodwill during 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 based on financial budgets approved by the management of our Group covering a 5-year period. Expected cash inflows/outflows have taken into account of past performance and management’s expectations for the market development including forecast revenue, gross margins

RISK FACTORS

and raw materials price inflation. The future cash flows are also highly dependent on the following unobservable inputs of forecast sales volumes and forecast selling prices. Please refer to Note 4 of the Accountants’ Report in Appendix I to this document for details.

Estimating the value in use requires us to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. There are inherent uncertainties related to these factors and to our judgment in applying these factors to the assessment of goodwill recoverability. We could be required to evaluate the recoverability of goodwill prior to the annual assessment if there are any impairment indicators which could potentially be caused by our failure to successfully integrate the operations of Shenzhen Global Link with other operations. Impairment charges could substantially affect our reported results of operations in the periods of such charges. In addition, impairment charges would negatively impact our financial ratios and could limit our ability to obtain financing in the future.

We are dependent on our customers’ business performance and their continuing demand for our services.

Our Group principally engages in the provision of cross-border e-commerce logistics services. We provide various flexible and reliable delivery options to our customers based on customers’ selection of express, standard or economic logistics options. We are indirectly and largely dependent on our customers’ business performance and developments in their markets and industries.

For FY2020, FY2021, FY2022 and 6M2023, our revenue attributable to our five largest customers in each year/period in aggregate amounted to approximately RMB346.8 million, RMB432.2 million, RMB357.3 million and RMB304.4 million, respectively, representing approximately 22.8%, 31.9%, 28.5% and 45.2% of our total revenue for the same period. We expect to cooperate with our major customers in the foreseeable future. Our relationships with customers are crucial to our business and we are dependent on our customers’ business performance, reputation and development in their respective markets, all of which are beyond our control. Any reduction in the number of orders placed by any of these major customers, and any loss or deterioration in our relationships with any of these customers could materially and adversely affect our revenue and cash flows from operating activities.

Our business is subject to customer satisfaction of our ability to meet the unpredictable customer demand and requirements. Furthermore, adverse developments in our customers’ business performance could reduce their demand for the services we are providing and hence materially and adversely affect our business, financial condition and results of operations, which are beyond our control. Their business performance could also be affected by factors such as global or regional

RISK FACTORS

economic conditions, trade restrictions, changes in trade policies, tariff regulations or embargoes. In particular, for our end-to-end cross border delivery service, the number of parcels valued at US\$800 or below delivered to the US by us during the Track Record Period amounted to over 90% of the total number of parcels delivered by our Group, in which parcels refer to a single or multiple parcels delivered to the same location under the same shipment order. If the US government were to address the considerations raised by a report issued by the U.S.-China Economic and Security Review Commission to reduce the threshold of de minimis import exemptions, whereby firms were previously able to make shipments to the US valued below USD 800 without incurring import duties as at the Latest Practicable Date, such a decision could materially and adversely affect our customers, which could potentially result in a decrease in demand for our logistics services. For more details, please refer to the section headed “Summary — Recent Developments — Business activities involving the use of De Minimis Exemption in the US” in this document.

If our customers’ business performance is affected by the aforementioned factors, their demand for our services may decrease. Therefore, volatile market conditions can create situations where we are given little or no prior notice.

We are exposed to disintermediation risk.

Maintaining strong customer relationships and expanding our customer base is essential for our business growth. However, there is a risk of disintermediation as customers may choose to engage our suppliers directly for cross-border logistics services, which involves the planning, processes and execution required to facilitate the movement of goods and information. This risk exists because there are no contractual restrictions that prohibit customers from approaching our suppliers directly. We cannot assure that we will receive competitive quotations from our suppliers or procure logistics services at a favourable price. If we fail to provide satisfactory services or reasonable pricing, we risk losing customers to our suppliers. As a result, our business, results of operations and financial position may also be materially and adversely affected.

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.

During the Track Record Period, we experienced narrow gross profit margins and net profit margins. Our gross profit margin for FY2020, FY2021, FY2022 and 6M2023 were approximately 8.2%, 7.4%, 8.4% and 8.1%, respectively, while our net profit margin for FY2020, FY2021, FY2022 and 6M2023 were approximately 3.5%, 2.7%, 2.1% and 1.7%, respectively. As our Group primarily operates in a highly competitive and fragmented cross-border e-commerce logistics industry, our narrow gross and net profit margins are in line with the industry, according

RISK FACTORS

to F&S. However, our competitors may adopt more aggressive pricing strategies to expand their customer base, putting downward pressure on our pricing and squeezing our profit margins. Additionally, we have limited bargaining power with our upstream suppliers, who have a wider international delivery network and fleets of ground transportation and aircraft, in negotiating increases in transportation costs, as well as seasonal surcharges and fuel surcharges. During the Track Record Period, more than 90% of our cost of sales was attributed to logistics costs; therefore, any slight increase in logistics costs could further squeeze our profitability.

With intensified competition, we cannot guarantee that our pricing strategy and policy will keep our customers satisfied with our services. Furthermore, due to our position in the industry, we may not be able to fully shift the increased logistics costs to our customers. As a result, there is no assurance that we can maintain our historical gross and net profit margins. If we fail to adopt a sustainable pricing strategy to maintain our revenues and negotiate reasonable terms with our suppliers, our business, financial condition and results of operations may be materially and adversely affected.

We may encounter difficulties in adjusting selling prices to adequately reflect the upward trend of costs, which could result in a significant and negative impact on our gross profit margin.

We cannot guarantee that our Group will be able to fully and promptly adjust selling prices to our customers to reflect our rising costs. In order to secure orders and maintain customer relations, our ability to maintain a reasonable gross profit margin may be limited. For example, during the Track Record Period, our Group recorded a gross loss of approximately RMB3.7 million from our business with Customer F in the United Kingdom in FY2020. This loss was primarily attributed to a time lag in adjusting the fees we charged our customers when there was an increase in freight costs imposed 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 the Group and the particular customers. We cannot assure you that similar incidents will not recur in our operations. If such incidents recur, our business, results of operations and financial position may also be materially and adversely affected.

We are subject to credit risk in respect of our trade receivables.

Trade receivables represent balance due from customers which amounted to approximately RMB124.1 million, RMB122.8 million, RMB104.0 million and RMB200.8 million as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively. We generally allow a credit period of 30 to 90 days to our customers, while our Group requests advance payments for some customers and no credit period is granted by our Group. Our trade receivable turnover days were

RISK FACTORS

approximately 39.3 days, 33.3 days, 33.1 days and 40.9 days in FY2020, FY2021, FY2022 and 6M2023, respectively. For more details on our trade receivables, please refer to the section headed “Financial information — Discussion of selected items from the consolidated statements of financial position — Trade receivables” in this document.

Should (i) our customers fail to settle relevant receivables in full; or (ii) there be a change in their payment policies resulting in a longer settlement period for the amount due, our business, financial condition and results of operations could be materially and adversely affected.

There can be no assurance that our credit control policies and measures implemented will be adequate to protect us against material credit risks and enable us to avoid losses. We may make allowances for doubtful debts based on certain assumptions, estimates and assessments about the recoverability of our trade receivables, including the creditworthiness and past collection history of our customers. However, such collectability estimates may prove to be inaccurate or there may be a change in the underlying basis of such assumptions, estimates and assessments. In the event that we are required to make future adjustments or our actual losses exceed our allowances, this could result in a material and adverse effect on our business, financial condition and results of operations.

Our customers may reduce their expenditure on third-party cross-border e-commerce logistics service providers or increase utilisation of their internal solutions.

Our growth strategy is partially based on the assumption that the trend toward engaging of cross-border e-commerce logistics service providers in the e-commerce industry will continue. Third-party cross-border e-commerce service providers like us are generally able to provide such services more efficiently than otherwise could be provided “in-house,” primarily as a result of our expertise, technology and flexible delivery options. However, many factors could cause a reversal in the trend. For example, our customers, in particular other logistics service providers, may see risks in relying on third-party cross-border e-commerce logistics service providers, or they may begin to define these activities as within their own core competencies and decide to perform cross-border delivery operations themselves. If our customers are able to improve the cost structure of their in-house cross-border e-commerce logistics activities, including in particular their labour-related costs, we may not be able to provide our customers with an attractive alternative for their supply chain needs. If our customers, in particular other logistics service providers, in-source significant parts of their cross-border e-commerce logistics operations, or if potential new customers decide to carry out their own cross-border delivery operations, our business, financial condition and results of operations may be materially adversely affected.

RISK FACTORS

Failure to successfully implement our business strategy, effectively respond to changes in market dynamics and satisfactorily meet customer demand will cause our future financial results to suffer.

We are making significant investments and other decisions in connection with our long-term business strategy including our ability to expand the breadth and depth of our cross-border e-commerce logistics services and further invest in logistics-related technologies. Such initiatives and enhancements may require us to make significant capital expenditures. Additionally, in developing our business strategy, we make certain assumptions including, but not limited to, those related to customer demand and preferences, competition landscape and the economy in the PRC and globally; and actual market, economic and other conditions may be different from our assumptions. As technology, customer behaviour and market conditions continue to evolve, it is important that we keep our brand and service offerings relevant to our customers. If we are not able to successfully implement our business strategy and effectively respond to changes in market dynamics, our future financial results will suffer. We have also incurred, and may continue to incur, increased operating expenses in connection with certain changes to our business strategy.

In addition, we make planning and spending decisions, including capacity expansion, procurement commitments, personnel needs and other resource requirements based on our estimate of customer demand. In particular, we may potentially experience capacity and resource shortages in fulfilling customer orders during peak season of e-commerce consumption or following special promotional campaigns on any e-commerce platforms. Failure to meet customer demand in a timely manner or at all will adversely affect our business, financial condition and results of operations.

Fair value changes for our financial assets at fair value through profit or loss (FVTPL) may materially and adversely affect our financial condition and results of operations.

As at 31 December 2020, 2021 and 2022 and 30 June 2023, we recorded financial assets at fair value through profit or loss of approximately RMB24.8 million, RMB87.0 million, RMB35,000 and nil, respectively. Our financial assets at FVTPL represent financial products we purchased from commercial banks in the PRC, which mainly included structured deposits and wealth management products during the Track Record Period. According to applicable accounting policies, financial assets at FVTPL are recorded in the consolidated statements of financial position at fair value with net changes in fair value recognised in the consolidated statements of profit or loss and other comprehensive income. Such treatment of gain or loss may cause significant volatility in, or materially and adversely affect, our business, prospects, financial condition and results of operations. For further details, please refer to the Note 20 to the Accountants’ Report set out in Appendix I to this document.

RISK FACTORS

We are subject to various risks relating to third-party payments.

During the Track Record Period, certain of our customers (the “**Relevant Customer(s)**”) settled their payments with us through third-party payors (the “**Third-party Payment Arrangement(s)**”). During FY2020, FY2021, FY2022 and 6M2023, the amount of third-party payments accounted for approximately 1.6%, 0.7%, 0.9% and 0.0% of our total revenue, respectively. We have implemented various internal control measures to reduce the proportion of payments received from third party payors and to mitigate the relevant risks as detailed in the section headed “Business — Our third-party payment arrangements”. Since February 2023, we have been strictly enforcing “no Third-party Payments” policies and enhancing internal procedures requiring employees to carefully verify payment information against the information recorded in our system to ensure that payments are made through customers’ bank accounts. As at the Latest Practicable Date, all Third-party Payment Arrangement(s) have been ceased.

We were subject to various risks relating to such Third-party Payment Arrangements during the Track Record Period, including but not limited to (i) being exposed to money laundering risks due to our limited background knowledge of the parties involved in the Third-party Payment Arrangements and the source of funds for the Third-Party Payments; (ii) possible claims from third-party payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of third-party payors. In the event that any funds received by the Group from the Relevant Customers were in fact illegally gained proceeds, our Group may be subject to governmental inquiries, enforcement actions, prosecuted, or otherwise held secondarily liable for aiding or facilitating the illegal activities which generated those illegally gained proceeds. In the event of any claims from third-party payors or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us in respect of third-party payments, we will have to spend significant financial and managerial resources to defend against such claims and legal proceedings, or we will be forced to comply with any court rulings to return the payment which was paid for the services that we provided. In addition, we cannot assure you that we will not be subject to any fines or penalties resulting from the use of Third-party Payment Arrangements. Even we receive court rulings favourable to us, our reputation, our business relationship with our existing customers and our ability to attract new customers may be adversely affected, which may cause a decrease in our operating profit. Our business, financial condition and results of operations may as a result be adversely affected. For further details, please refer to the section headed “Business — Our Third-Party Payment Arrangements” in this document.

Our operations may be subject to transfer pricing adjustment.

During the Track Record Period, related party transactions were conducted between Global Link and Global Link Shenzhen. For further details, please refer to the section headed “Business — Transfer pricing arrangement” in this document. According to regulations concerning transfer

RISK FACTORS

pricing between associated enterprises, related party transactions should comply with the arm’s length principle. If the related party transactions fail to comply with the arm’s length principle, the relevant tax authority has the power to make an adjustment following certain procedures. For further details, please refer to “Regulatory overview — Laws and regulations relating to transfer pricing” in this document.

There is no assurance that the competent tax authorities would not subsequently challenge the appropriation of our transfer pricing arrangement or that the relevant regulations or standards governing such arrangement will not be subject to future changes. If a competent tax authority later determines that the transfer prices and terms that we have applied are not in compliance with the applicable transfer pricing rules and regulations, such authority may require us to re-assess the transfer prices, re-allocate the income, and/or adjust the taxable income. Any such reallocation or adjustment may result in a higher overall tax liability for us and may adversely affect our business, operation and financial results.

We rely on our largest supplier, Supplier Group K, in the provision of cross-border logistics services.

During FY2020, FY2021, FY2022 and 6M2023, the total purchase amount in respect of service fees payable to our largest supplier, Supplier Group K, amounted to approximately RMB379.4 million, RMB301.6 million, RMB474.8 million and RMB235.0 million, respectively, which accounted for approximately 28.3%, 25.3%, 43.4% and 39.8% of our total purchase amount for the corresponding period, respectively.

There is no guarantee that we will be able to renew the contracts with Supplier Group K. In the event that the contracts with Supplier Group K were terminated, our business and operation may be interrupted and adversely affected as we have to look for new logistics service providers to carry out cross-border logistics services on behalf of us and our business, financial condition and results of operations could be materially and adversely affected.

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

We handle parcels across our service outlets in the PRC, and face challenges with respect to the protection and examination of these parcels. Parcels in our network may be delayed, stolen, damaged or lost during delivery for various reasons, and we may be perceived or found liable for such incidents. In addition, we may fail to screen parcels and detect unsafe or prohibited/restricted items. Unsafe items, such as flammables and explosives, toxic or corrosive items and radioactive materials, may damage other parcels in our network, harm our personnel and assets, or even injure recipients.

RISK FACTORS

To comply with relevant laws and regulations regarding logistics services, our Group has implemented standard procedures for parcels inspection and detection of unsafe or prohibited/restricted items. However, we cannot assure you that the procedures will be strictly followed. If we fail to prevent prohibited or restricted items from entering into our network and if we participate in the transportation and delivery of such items unknowingly, we may be subject to administrative or even criminal penalties. If any personal injury or property damage occurs, we may also be held liable for civil compensation.

The delivery of parcels also involves inherent risks. Our logistics value chain in the PRC involve the use of our self-owned vehicles for parcel acceptance. It is therefore subject to risks associated with transportation safety, and the insurance maintained by us may not fully cover the liabilities caused by transportation related injuries or loss. In the course of our operations, our vehicles and personnel may be involved in transportation and vehicle accidents, and the parcels carried by them may be lost or damaged. In addition, frictions or disputes may occasionally arise from the direct interactions between our personnel and parcel senders and recipients. Personal injuries or property damages may arise if such incidents occur.

Any of the foregoing could disrupt our services, cause us to incur substantial expenses and divert the time and attention of our management. We may face claims and incur significant liabilities if found liable or partially liable for any of injuries, damages or losses. Claims against us may exceed the amount of our insurance coverage, or may not be covered by insurance at all. In the course of seaborne transportation, losses caused by fire are covered under the ocean cargo transportation insurance policy we maintain, subject to its terms and conditions, including but not limited to exclusions and limitations on coverage, but losses resulting from piracy are not covered by this insurance. However, we do not have insurance coverage to protect against losses caused by fire at our service outlets.

Any uninsured or underinsured loss could harm our business and financial condition. These proceedings or actions may subject us to significant penalties and negative publicity, increasing our costs and severely disrupting our business. Governmental authorities may also impose significant fines on us or require us to adopt costly preventive measures. Furthermore, if our services are perceived to be insecure or unsafe by our customers, e-commerce platforms and their end customers, our business volume may be significantly reduced, and our business, financial condition and results of operations may be materially and adversely affected.

RISK FACTORS

The occurrence of criminal activities, particularly piracy, has the potential to cause detrimental impacts on our business operations and financial results.

The operation of cross-border logistics business poses a potential risk of crime, such as piracy. Although we have not encountered any crime incidents during the Track Record Period and up to the Latest Practicable Date, the crime incidents against commercial shipping vessels have been reported in recent years. With the expansion of our seaborne transportation network, there is a possibility that our vessels may travel to regions with higher frequencies of crime incidents, including piracy. Such incidents could lead to parcels or cargos being transported, and our insurance coverage may not be sufficient to cover such losses. As a result, our business, financial condition and results of operations could be significantly and adversely impacted.

Any failure in efficient order fulfilment could damage our reputation and business.

High-quality order fulfilment is crucial to our firm commitment to efficiently serving multi-scenario customer needs. However, our on-time delivery rate is subject to factors beyond our control and prediction, including regional traffic conditions, weather conditions, road blockage for events, lockdown measures and other unanticipated incidents. Industrial actions or other labour unrest with respect to such external labour could prevent or hinder our normal operation activities, and, if not resolved in a timely manner, could lead to declines in our revenue. We may experience carrier equipment shortages in peak hours or in remote areas, where the number of carriers or cargo containers may not be sufficient to meet the order demand. If we are unable to provide our services in a timely, reliable and safe manner, our reputation and customer loyalty could be materially and adversely affected. During the Track Record Period, our Group compensated our customers approximately RMB0.9 million, RMB0.6 million, RMB0.4 million and RMB0.2 million for order fulfillment failure for FY2020, FY2021, FY2022 and 6M2023, respectively.

We may require additional financing to support our further developments or adapt to changes in business conditions, but we may not be able to obtain additional financing on favourable terms or at all.

We may require additional financing if we incur operating losses or for future growth and development of our business, including any investments or acquisitions we may decide to pursue. If our financing is insufficient to satisfy our cash requirements, we may seek to issue additional equity or debt securities or obtain new or expanded credit facilities. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including our future financial condition, results of operations, cash flows, share price performance, liquidity of international capital and lending markets and PRC regulations over foreign investment and the PRC logistics industry. In addition, incurring indebtedness would subject us to increased debt service obligations and could result in operating and financing covenants that would restrict our operations. There can

RISK FACTORS

be no assurance that financing would be available in a timely manner or in amounts or on terms favourable to us, or at all. Any failure to raise needed funds on terms favourable to us, or at all, could severely restrict our liquidity as well as have a material adverse effect on our business, financial condition and results of operations. Moreover, any issuance of equity or equity-linked securities could result in significant dilution to our existing shareholders.

Operating new outlets could result in over-expansion which may adversely affect our financial condition.

We anticipate opening new outlets in provinces where we already have a presence, as well as in Jiangsu Province and Chongqing Municipality where our Group does not currently have service outlets. The market conditions and growth in the expansion regions may differ from our expectations. Furthermore, the expansion plan involves initial investment, such as setting up service outlets, purchasing equipment and office utilities, as well as ongoing operating costs of these new service outlets, including but not limited to staff costs, rental expenses and depreciations of equipment, which may exceed our projections. These factors could extend our payback period of the investment. Moreover, we may find it challenging to hire and retain qualified staff in these new locations, and we may be required to engage new third-party suppliers providing trucking services, resulting in a longer time to achieve optimal operational efficiency and expected profitability.

There is also no assurance that market demand in these new locations will meet our expectations, which could lead to over-expansion of our service network. As at the Latest Practicable Date, we had 39 service outlets in the PRC and Hong Kong (five being subcontracting service outlets from third-party suppliers). We may over-estimate the overall demand in these new locations in which we plan to set up new service outlets, resulting in overlapping coverage and unforeseen competition between our existing and new service outlets. Our ability to recover the initial investments and maintain profitability in these new locations may be inhibited. We cannot assure you that we are able to achieve the expected results of our expansion plan, and our business, financial condition and results of operations could be materially and adversely affected. For more details, please refer to the section headed “Future plans and [REDACTED]” in this document.

We may face challenges associated with expanding or diversifying our service offerings and exploring new business.

The ongoing success of our business depends on our ability to continue to introduce innovative and reliable cross-border e-commerce logistics services to meet evolving market trends and satisfy changing customer demands. We intend to further diversify our service offerings and expand our customer base to increase our revenue sources in the future.

RISK FACTORS

We have been exploring business boundaries and diversifying our services. We successfully expanded our customer base during the Track Record Period. However, our evolving business makes it difficult to evaluate the risks and challenges we may encounter. The risks and uncertainties we may face include challenges to our ability to expand our service offerings to enhance the experience of our varied customer base, to attract new customers in a cost-effective manner, to anticipate and respond to macroeconomic changes and changes in local markets where we operate, to successfully expand our geographic reach, to forecast our revenue and cost of sales and manage capital expenditures for our current and future operations. If we fail to address the risks and challenges that we face, our business, financial condition and results of operations may be materially and adversely affected. In addition, we may not be able to ensure adequate service quality, and therefore may receive complaints or incur costly liability claims, which would harm our overall reputation and financial performance. We may also selectively invest in emerging business opportunities in adjacent logistics market, or leverage our existing network and infrastructure to directly engage in these businesses. We may not be able to achieve profitability or recoup our investments with respect to any new services or new types of customers in time or at all.

We may revise pricing methodologies from time to time. If we fail to control our costs or price favourably, our long-term growth and competitiveness would be materially and adversely affected.

We may revise our pricing methodologies from time to time. While we have been and will continue to set prices based on our past operating experience, our assessments may not be accurate or there may be errors in our pricing algorithms, resulting in the underpricing or overpricing of our services. Any such changes to our pricing methodologies could materially and adversely affect our ability to attract or retain customers and suppliers.

To maintain competitive pricing, narrow our loss margin and achieve profit margin, we must continuously and effectively control our costs. We have implemented cost control measures. For example, delivery costs can be reduced through the optimisation of delivery routes. However, the measures we have adopted or will adopt in the future may not be as effective as expected. There can be no assurance that we will not be forced, through competition, regulation or otherwise, to reduce delivery fees we pay to our suppliers, reduce the fees we charge our customers, or increase our marketing and other expenses to attract and retain customers and suppliers in response to competitive pressures. If we are not able to effectively control our costs based on market conditions, our profitability and cash flow may be materially and adversely affected.

RISK FACTORS

As some of our leased properties have title defects and did not complete registration procedures at relevant authorities, we may be required to cease occupation and the use of such leased properties.

We lease the premises primarily for offices, logistics operations and/or storage purposes. We cannot assure you that we would be able to renew the relevant lease agreements without substantial additional cost or increase in the rental cost payable by us. If a lease agreement is renewed at a rent substantially higher than the current rate, or currently existing favourable terms granted by the lessor are not extended, our business and results of operations may be adversely affected. As at the Latest Practicable Date, landlords of 10 out of 42 of our leased properties in the PRC had not provided us with valid title certificates or building permit, and the leases may not be valid as a result. Our PRC Legal Advisor has advised us that the lack of registration for the lease contracts will not affect the validity of such lease contracts under PRC law, and has also advised us that a maximum penalty of RMB10,000 may be imposed for each incident of non-compliance of lease registration requirements. As a result, if we fail to complete or timely complete such lease registration upon the housing authorities’ request, we may face a total maximum fine up to RMB330,000 assuming a maximum fine of RMB10,000 is imposed on each incident of non-compliance of lease registration requirements. For further details, please refer to the section headed “Business — Properties” in this document.

Any failure to obtain requisite approvals, licenses or permits applicable to our business operation may have a material and adverse impact on our business, financial condition and results of operations.

Our business is subject to rigorous regulation, and we are required to hold a number of licenses, permits and filings in connection with our business operation, including, but not limited to, express delivery licence (domestic delivery)* (快遞服務經營許可證(國內快遞)), Express delivery licence (international agency delivery)* (快遞業務經營許可證(代理國際快遞)), filing of NVOCC* (無船承運業務備案), registration certificate for customs* (報關企業備案), filing of international freight forwarding enterprise* (國際貨運代理企業備案) and IATA Certificate of Accreditation. For more details, please refer to section headed “Business — Licenses and permits” in this document. We cannot assure you that we can successfully obtain, maintain, update or renew all the required licenses, permits and approvals in the future in a timely manner or at reasonable operating costs. Failures to obtain, maintain, update or renew such licenses, permits and approvals may have a material and adverse impact on our business, financial condition and results of operations.

During the Track Record Period, we have not been subject to material penalties or other material disciplinary action from the relevant governmental authorities regarding the conducting of our business without the above-mentioned approvals, licenses, permits and filing. As advised by

RISK FACTORS

our PRC Legal Adviser, our Group operates within the scope of its approved business license and has obtained all necessary approvals, licenses, and permits to conduct its business operations. However, we cannot assure you that the relevant governmental authorities would not require us to obtain the approvals, certificates or permits, complete filings or take any other actions retrospectively in the future. If the relevant governmental authorities require us to obtain the approvals, licenses or permits, or to complete filings, we cannot assure you that we will be able to do so in a timely manner or at all.

New laws and regulations may be enforced from time to time to require additional licenses and permits other than those we currently have or provide additional requirements on the operation of our business. If the relevant governmental authorities promulgate new laws and regulations that require additional approvals or licenses or provide additional requirements on the operation of any part of our business and we are not able to obtain such approvals, licenses, permits or filings or adjust our business model to comply with such new laws in a timely manner, we could be subject to penalties and operational disruption and our business, financial condition and results of operations could be adversely affected.

We are subject to changing laws and regulations regarding corporate governance and public disclosure that have increased both our costs and the risk of non-compliance.

We are or will be subject to rules and regulations by various governing bodies, including, for example, the Stock Exchange, which together with the SFC is charged with the protection of investors and the oversight of companies whose securities are publicly traded, the various regulatory authorities in the PRC, Hong Kong and the Cayman Islands, and to new and evolving regulatory measures under applicable law. Our efforts to comply with new and changing laws and regulations have resulted in and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Moreover, because these laws, regulations and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and any subsequent changes, we may be subject to penalty and our business may be harmed.

RISK FACTORS

If our risk management system is not adequate or effective, and if it fails to detect potential risks in our business as intended, our business, financial condition and results of operations could be materially and adversely affected.

We have adopted and implemented comprehensive risk management policies in various aspects of our business operations, such as financial reporting, IT system, human resources and internal control management. However, due to the inherent limitations in the design and implementation of our risk management system, it may not be sufficiently effective in identifying, managing and preventing all risks if external circumstances change substantially or extraordinary events take place. Furthermore, our new business initiatives may give rise to additional risks that are currently unknown to us, despite our efforts to anticipate such issues. If our risk management system fails to detect potential risks in our business as intended or is otherwise exposed to weaknesses and deficiencies, our business, financial condition and results of operations could be materially and adversely affected.

Our risk management also depends on effective implementation by our employees. There can be no assurance that such implementation by our employees will always function as intended or such implementation will not involve any human errors, mistakes or intentional misconduct. If we fail to implement our policies and procedures in a timely manner, or fail to identify risks that affect our business with sufficient time to plan for contingencies for such events, our business, financial condition and results of operations could be materially and adversely affected, particularly with respect to the maintenance of our relevant approvals and licenses granted by governments.

Our insurance coverage may not be adequate, which could expose us to significant costs and business disruptions.

We have obtained or caused relevant counterparties to obtain insurance to cover certain potential risks and liabilities. We are required to make contributions to mandatory social insurance funds for our employees to provide pension, unemployment, work-related injury and medical insurance, as well as housing provident funds, under the applicable PRC laws and regulations. For further details, please refer to the section headed “Business — Insurance” in this document. Further, we have purchased compulsory motor vehicle liability insurance and commercial insurance such as automobile third-party liability insurance, vehicle loss insurance and driver/passenger liability insurance. However, we do not purchase insurance for items delivered by us except for ocean cargo transportation insurance. We do not maintain business interruption insurance; nor do we maintain product liability insurance or key-man insurance.

RISK FACTORS

There can be no assurance that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policies on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected. Even if our insurance coverage is adequate to cover our direct losses, we may not be able to take remedial actions or other appropriate measures. Furthermore, our claim records may affect the premiums which insurance companies may charge us in the future.

Any failure to maintain the satisfactory performance of our technology systems and resulting interruptions in the availability of our websites, applications, or services could adversely affect our business, financial condition and results of operations.

The satisfactory performance, reliability and availability of our technology platform are critical to our success. We have developed a SaaS platform that enables us to deliver one-stop international logistics services with simplicity, convenience, speed and reliability. These integrated systems support the smooth performance of certain key functions of our business. However, our technology platform or infrastructure may not function properly at all times. We may be unable to monitor and ensure high-quality maintenance and upgrade of our technology platform and infrastructure, and our customers may experience service outages and delays in accessing and using our platforms as we seek to source additional capacity. In addition, we may experience surges in online traffic and orders associated with promotional activities as we scale, which can put additional demand on our platform at specific times. Any disruption to our technology platform and causing interruptions to our website, applications, platform or services could materially and adversely affect our business, financial condition and results of operations.

Our technology systems may also experience telecommunications failures, computer viruses, failures during the process of upgrading or replacing software, databases or components, power outages, hardware failures, user errors, or other attempts to harm our technology systems, which may result in the unavailability or slowdown of our technology platform or certain functions, delays or errors in transaction processing, loss of data, inability to accept and fulfil orders, reduced gross merchandise volume and the attractiveness of our technology platform. Further, hackers, acting individually or in coordinated groups, may also launch distributed denial of service attacks or other coordinated attacks that may cause service outages or other interruptions in our business. Any of such occurrences could cause severe disruption to our daily operations. If we cannot successfully execute system maintenance and repair, our business, financial condition and results of operations could be adversely affected and we could be subject to liability claims.

RISK FACTORS

We rely on assumptions and estimates to calculate certain key operating metrics, and inaccuracies in such metrics may harm our reputation and may materially and adversely affect our business, financial condition and results of operations.

We rely on certain key operating metrics, such as order volume and on-time delivery rate, to evaluate the performance of our business. We cannot assure you of the indicative value of our key operating metrics which are derived from and calculated using various assumptions and estimates that may be different from those used by competitors due to differences in data availability, sources and methodology. Any material inaccurate data analytics may lead to inappropriate operational and strategic decisions, and our business, financial condition and results of operations may be materially and adversely affected.

We may from time to time become parties to litigation or regulatory proceedings.

We are from time to time involved in litigation or regulatory proceedings and are exposed to the possibility of being in other major litigations. We may be subject to claims and lawsuits in the ordinary course of our business. We may also be liable for personal injuries or property damages of our pickup and delivery personnel or third parties, resulting from transport accidents happened in the course of their work. We may also be subject to inquiries, inspections, investigations and proceedings by relevant regulatory and other governmental agencies. During the logistics process, we or third-party suppliers engaged by us may be subject to routine inspection by the local authorities in the ordinary course of our business, and we may be subject to administrative penalty if we could not fully comply with the applicable laws and regulations regarding cross border e-commerce logistics service, such as security inspections on articles. A significant judgment or regulatory action against us or a material disruption in our business arising from adverse adjudications in proceedings against our directors, officers or employees would have a material adverse effect on our business, financial condition and results of operations.

If we are unsuccessful in defending any legal proceedings, or are unsuccessful in settling any legal proceedings on commercially reasonable terms, and the damages which we may be liable to pay in respect of such legal proceedings are not covered by our insurance policies, our business, financial condition and results of operations could be materially and adversely affected. In addition, our management's attention could be diverted from the operation of our business in order to defend the legal proceedings in which we are involved, which could also negatively affect our business.

RISK FACTORS

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

We regard our proprietary technologies, licensed trademarks, copyrights, patents, domain names, know-how and similar intellectual property to be critical to our business operations. We rely on a combination of intellectual property laws and measures, including confidentiality, invention assignment and non-compete agreements with our employees and others, to protect our proprietary rights. However, the functionality of our system might be reproduced and our source code might be copied. In addition, any of our intellectual property rights may be challenged, invalidated, circumvented or misappropriated.

Monitoring the unauthorised use of intellectual property is difficult and costly, and the steps we have taken may not fully prevent the infringement or misappropriation of our intellectual property rights. From time to time we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources, and may materially and adversely affect our business.

Our business and growth prospects depend on our ability to retain and attract qualified personnel, including our senior management.

Our business operations depend upon the continuing efforts of our employees, particularly the members of our Directors and senior management named in this document. For further details of their expertise and experience, please refer to the section headed “Directors and senior management” in this document. If one or more members of our Directors and senior management are unable or unwilling to continue their employment with us, we may not be able to replace them in a timely manner, or at all. We may incur additional expenses to recruit and retain qualified replacements. In addition, our management may join a competitor or form a competing company. We can provide no assurance that we will be able to successfully enforce our contractual rights included in employment agreements with our management. As a result, our business may suffer the loss of services of one or more members of our management, and our financial condition and results of operations may be materially and adversely affected.

We may experience damage to the reputation and recognition of our brand names, including negative publicity against us.

We believe our brand image and corporate reputation will play an increasingly important role in enhancing our competitiveness and maintaining business growth. Any actual or perceived deterioration of our service quality, which is based on an array of factors including customer satisfaction, rate of complaint or rate of accident, could subject us to damages such as loss of important customers. Further, any failure to conduct marketing and promotional activities, manage

RISK FACTORS

relationship with and among our customers and business partners, and manage complaints and events of negative publicity, maintain positive perception of our Company, our peers and cross-border e-commerce logistics service industry in general may negatively impact our brand image and corporate reputation. Any negative publicity against us, our services, operations, directors, senior management, employees, business partners or our peers could adversely affect customer perception of our brand, cause damages to our corporate reputation and result in decreased demand for our solutions and services. If we are unable to promote our brand image and protect our corporate reputation, we may not be able to maintain and grow our customer base, and our business, financial condition and results of operations may be adversely affected.

We are exposed to foreign exchange risks.

Our functional currency is RMB while some of our business transactions with our customers and suppliers are denominated in other currencies, including but not limited to US dollars and Hong Kong dollars. We are exposed, to some extent, to foreign currency risks as a result of sales or purchases that are denominated in a currency other than RMB. We recorded net foreign exchange loss of approximately RMB246,000 and RMB282,000 for FY2020 and FY2021, respectively, and we recorded net foreign exchange gain of approximately RMB3.2 million and RMB5.3 million for FY2022 and 6M2023, respectively. As we currently do not hedge foreign currency exposure in general, any significant changes in the exchange rate between RMB and other currencies may result in substantial loss for us and our financial condition and results of operations may be materially and adversely affected.

Changes in global economic or social conditions or government policies in the PRC could have an effect on our business and operations.

Substantially all of our operations are located in the PRC. Accordingly, our business, financial condition, results of operations and prospects may be influenced by economic and social conditions in the PRC generally.

Any changes in economic conditions in the PRC, in the policies of the PRC government or in the laws and regulations of the PRC could have an effect on our businesses and operations, lead to a reduction in demand for our services and affect our competitive position.

RISK FACTORS

Changes in international trade between the PRC and other countries or regions or investment policies and barriers to trade or investment, and the global economic turmoil may affect our business operations.

We are subject to international trade or investment in the future. Our business may therefore be subject to constantly changing international economic, regulatory, social conditions, including changes in international laws and regulations, changes in tariffs, trade agreements and taxation, and difficulties in managing or overseeing operations outside the PRC.

The US government has taken steps toward restricting trade in certain goods imported into the US, particularly from the PRC and proposed, among other actions, imposing new or higher tariffs on specified products in the future. The threats to impose new tariffs or sanctions on the PRC have resulted in increased tensions in the PRC's international relations. We may be affected by the proposed tariffs as we provide cross-border e-commerce logistics services to the United States. As such, we may have access to fewer business opportunities and our operation may be negatively impacted. In addition, global economic turmoil may have a negative impact on our business.

Our business operations are extensively impacted by the policies and regulations of the PRC government. Any policy or regulatory change may increase the compliance costs.

We are subject to extensive national, provincial and local governmental regulations, policies and controls. Central governmental authorities and provincial and local authorities and agencies regulate many aspects of Chinese industries, including, among others, the following aspects: (i) cybersecurity and privacy laws; (ii) traffic and transport-related services; (iii) provision of transport services, financial services, retail services and operation of high technology businesses; (iv) environmental laws and regulations; (v) security laws and regulations; (vi) establishment of or changes in shareholder of foreign investment enterprises; (vii) foreign exchange; (viii) taxes, duties and fees; (ix) customs; (x) land planning and land use rights, including establishment of urban transformation initiatives; (xi) labour and employment; (xii) intellectual property; (xiii) consumer protection; (xiv) competition; (xv) mobile application accessibility; (xvi) money transmission; (xvii) service liability; and (xviii) personal injury.

The liabilities, costs, obligations and requirements associated with these laws and regulations may cause interruptions to our operations or impact our financial position and results of operations. Failure to comply with the relevant laws and regulations in our operations may result in various penalties, including, among others the suspension of our operations and thus adversely and materially affect our business, prospects, financial condition and results of operations.

RISK FACTORS

Additionally, there can be no assurance that the relevant government agencies will not change such laws or regulations. Compliance with such laws or regulations may require us to incur additional capital expenditures or other obligations or liabilities.

Inflation in the PRC, if occurs, could negatively affect our profitability and growth.

Economic growth in the PRC has, during certain periods, been accompanied by periods of high inflation, and the PRC government has implemented various policies from time to time to control inflation. For example, the PRC government introduced measures in certain sectors to avoid overheating of the PRC economy, including increasing interest rates and capital reserve thresholds at PRC commercial banks. Since the global economic crisis that commenced in 2008, the PRC government has been experiencing inflationary pressures from the world. If these inflationary pressures continue and are not mitigated by PRC government measures, our cost of services will likely increase and our profitability could be materially reduced, as we may not be able to pass any cost increases onto our customers.

Our business may be materially and adversely affected by adverse news, scandals or other incidents associated with the PRC logistics industry.

Incidents that reflect doubt as to the safety of shipment and inventories or the safety of delivery personnel in the logistics industry, particularly the cross-border e-commerce logistics industry, including our competitors, have been, and may continue to be, subject to widespread media attention. Such incidents may damage the reputation of not only the parties involved, but also the logistics industry in general, even if such parties or incidents have no relation to us, our management, our employees, our suppliers or our other business partners. Such negative publicity may indirectly and adversely affect our reputation and business operations. In addition, incidents not related to the safety of shipment and inventories or the safety of delivery personnel or other negative publicity or scandals implicating us, our employees, or our other business partners, regardless of merit, may also have an adverse impact on us and our reputation and corporate image.

Failure to comply with PRC laws and regulations by us or our strategic partners may materially and adversely impact our business, reputation, financial condition and results of operations.

Our business is subject to governmental supervision and regulation by the relevant PRC governmental authorities, including but not limited to the State Post Bureau, the Ministry of Transport, MIIT and the General Administration of Customs. Together, these governmental authorities promulgate and enforce regulations that cover many aspects of our day-to-day operations, and we and our strategic cooperation partners may fail to fully comply with certain of

RISK FACTORS

these regulations. Please refer to “Regulatory Overview” in this document. Non-compliance with applicable laws, regulations and policies by our Group, our customers or suppliers may materially and adversely impact our business, reputation, financial condition and results of operations.

Our use of some leased properties could be challenged by third parties or government authorities, which may cause interruptions to our business operations. Failure to renew our current leases or locate desirable alternatives for our facilities could materially and adversely affect our business.

Some of the lessors of our leased properties have not provided us with their property ownership certificates or other documentation proving their right to lease those properties to us. If our lessors are not the owners of the properties and they have not obtained consents from the owners or their lessors, our leases could be invalidated. If this occurs, we may have to renegotiate the leases with the owners or the parties who have the right to lease the properties, and the terms of the new leases may be less favourable to us. Some of our leased properties were also subject to mortgage at the time the leases were entered into. Such lease may not be binding on the transferee of the property in the event that the mortgage holder forecloses on the mortgage and transfers the property to another party. In addition, 33 of our leasehold interests in leased properties have not been registered with the relevant PRC government authorities as required by PRC law, which may expose us to a maximum potential fines of RMB330,000 if we fail to ratify within the prescribed time limit after being ordered to do so by the relevant PRC government authorities. Also, in the event that the actual use of our leased properties is inconsistent with the use registered on the land use right certificate or our leased properties are on allocated land (劃撥土地), the competent authorities may require the lessors to return the land and impose fines on the lessors, or confiscate the proceeds from the leasing of the properties and imposed fines on the lessor if such properties are leased without their consent or handing in such income, as applicable. Therefore, the relevant lease agreements may be deemed to be in breach of the law and therefore be void. During the Track Record Period and up to the Latest Practicable Date, (i) none of the title defects of the leased properties were material to our Company and there were no material safety issues in relation to such properties; (ii) we have not received any notice from the relevant PRC government authorities to order us to ratify the failure to register and file the lease contracts, and have not been punished by the relevant PRC government authorities for failing to register and file the lease contracts. In addition, in accordance with our PRC Legal Adviser, we have complied with the relevant requirements of the PRC laws, regulations and standards in relation to fire protection. However, regulatory and administrative measures on fire safety in the PRC may vary among different regions, and some internal regulatory guidance may not be published timely. As a result, our use of the leased property may be affected. In the event that our use of properties is successfully challenged by the regulators or due to fire incidents, we may be forced to relocate from the affected operations.

RISK FACTORS

We are not aware of any material claims or actions being contemplated or initiated by government authorities, property owners or any other third parties with respect to our leasehold interests in or use of such properties. However, we cannot assure you that our use of such leased properties will not be challenged in the future. In the event that our use of properties is successfully challenged, we may be subject to fines and forced to relocate the affected operations. In addition, we may become involved in disputes with the property owners or third parties who otherwise have rights to or interests in our leased properties. We cannot assure you that we will be able to find suitable replacement sites on terms acceptable to us on a timely basis, or at all, or that we will not be subject to material liability resulting from third parties' challenges on our use of such properties. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We may be required to register our operating offices outside of our residence addresses as branch offices under PRC law.

Under PRC law, a company setting up premises for business operations outside its residence address must register them as branch offices with the relevant local market regulation bureau at the place where the premises are located and obtain business licenses for them as branch offices. We may not be able to register branch offices in a timely manner due to complex procedural requirements and relocation of branch offices from time to time. As at the Latest Practicable Date, we were able to register branch offices in all of the important locations where we had meaningful presence. If the PRC regulatory authorities determine that we are in violation of the relevant laws and regulations, we may be subject to penalties, including fines and suspension of operation. If we become subject to these penalties, our business, results of operations, financial condition and prospects could be materially and adversely affected.

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

Under the Enterprise Income Tax Law of the PRC, or the EIT Law, and its implementation rules, an enterprise established outside of the PRC with "de facto management body" within the PRC is considered a resident enterprise and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term "de facto management body" as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. On 22 April 2009, the State Administration of Taxation, or the SAT issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in the PRC. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC

RISK FACTORS

enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in the PRC and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the SAT's general position on how the "de facto management body" text should be applied in determining the tax resident status of all offshore enterprises. If the PRC tax authorities determine that we should be classified as a PRC resident enterprise for PRC tax purposes, our global income will be subject to income tax at a uniform rate of 25%, which may have a material adverse effect on our financial condition and results of operations. Notwithstanding the foregoing provision, the EIT Law also provides that, if a PRC resident enterprise directly invests in another PRC resident enterprise, the dividends received by the investing PRC resident enterprise from the invested PRC resident enterprise are exempted from income tax, subject to certain conditions. However, it remains unclear how the PRC tax authorities will interpret the PRC tax resident treatment of an offshore company with indirect ownership interests in PRC resident enterprises through intermediary holding companies.

Moreover, if the PRC tax authorities determine that our Company is a PRC resident enterprise for PRC enterprise income tax purposes, gains realized on the sale or other disposal of our Shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises, or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains are deemed to be from PRC sources. Any such tax may reduce the returns on your investment in our Shares.

Failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties.

Companies operating in the PRC are required to participate in various government sponsored employee benefit plans, including certain social insurance, housing funds and other welfare-oriented payment obligations, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of our employees up to a maximum amount specified by the local government from time to time at locations where we operate our businesses. The requirement of employee benefit plans has not been implemented consistently by the local governments in the PRC given the different levels of economic development in different

RISK FACTORS

locations. The relevant government authorities may examine whether an employer has made adequate payments of the requisite employee benefit payments, and employers who fail to make adequate payments may be subject to late payment fees, fines and/or other penalties.

During the Track Record Period, some of our PRC subsidiaries failed to pay social insurance premiums for our employees on time or in full amount, as required by the PRC laws and regulations. In accordance with our PRC Legal Adviser, if we are ordered by the competent PRC authorities to pay or make up the deficit of the premiums within a prescribed time limit, but we are still failed to do so, a maximum administrative fine of RMB30.43 million may be imposed against us. In respect of the failure to pay social insurance premiums, we have made provisions of RMB1.0 million, RMB3.4 million, RMB4.0 million and RMB1.8 million for FY2020, FY2021, FY2022 and 6M2023, respectively. During the Track Record Period, 13 of our PRC subsidiaries have not undergone the formalities for registration of housing provident fund contribution for our employees, as such subsidiaries have not employed regular employees. In accordance with our PRC Legal Adviser, failure to do so might be ordered by the housing provident fund management center to ratify such non-compliance within a prescribed time limit, and a further failure to comply with the order issued, a fine of RMB10,000 to RMB50,000 might be imposed against each of our non-compliance PRC subsidiaries. We have not received any notice from the competent PRC governmental departments to order us to undergo the formalities for registration of housing provident fund contribution within the prescribed time limit. We cannot assure you that we are able to make adequate contribution in a timely manner at all time. If we are subject to late fees or fines in relation to the underpaid employee benefits, our business, financial condition and results of operations may be adversely affected.

We are subject to anti-corruption laws and regulations and failure by us to comply with such laws and regulations could severely damage our reputation, and materially and adversely affect our business, financial condition, results of operations and prospects.

We are subject to anti-corruption laws and regulations in the PRC and other jurisdictions where we operate. We have also adopted anti-corruption policies and procedures. However, our policies and procedures may not be followed at all times or effectively detect and prevent all violations by our employees and our efforts may not be sufficient to ensure that our employees will comply with our policies, procedures, relevant laws and regulations at all times. If we, our employees, violate these laws, rules or regulations, we could be subject to fines and/or other penalties and our reputation, corporate image and business operations may be materially and adversely affected.

RISK FACTORS

Actions by PRC regulatory authorities or the courts to provide an interpretation of PRC laws and regulations that differs from our interpretation or to adopt additional anti-bribery or anti-corruption related regulations could also require us to make changes to our operations. Our reputation, corporate image, and business operations may be materially and adversely affected if there is any non-compliance with anti-corruption laws and regulations that could subject us to adverse media coverage, investigations, and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures and legal expenses, which may in turn have a material adverse effect on our business, financial condition and results of operations.

Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your investment.

The conversion of RMB into foreign currencies, including Hong Kong dollars and US dollars, is based on rates set by the People's Bank of China. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollars, the US dollar or other currencies in the future. The value of RMB against the Hong Kong dollars, US dollar and other currencies is affected by changes in the PRC's economic conditions and by the PRC's foreign exchange policies, among other things. We cannot assure you that RMB will not appreciate or depreciate significantly in value against Hong Kong dollars and the US dollar in the future.

We conduct our businesses mainly in RMB, with certain transactions conducted in USD, and to a less extent, other currencies. Our exposure to foreign currency exchange risks arises from such certain transactions conducted in USD and other foreign currencies. As at 31 December 2020, 2021 and 2022, and 30 June 2023, we had RMB19.9 million, RMB5.3 million, RMB12.3 million and RMB4.3 million, respectively, in bank balances and cash denominated in USD. We cannot guarantee that we will not experience significant changes in exchange rates in the future, impacting both our statements of operations and the value of our assets and liabilities denominated in foreign currencies. Any significant appreciation or depreciation of RMB may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our Shares. For example, to the extent that we need to convert Hong Kong dollars and US dollars we receive into RMB to pay our operating expenses, appreciation of RMB against the Hong Kong dollars and the US dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, a significant depreciation of RMB against the Hong Kong dollars and the US dollar may significantly reduce the Hong Kong dollars or the US dollar equivalent of our earnings, which in turn could adversely affect the price of our Shares. Assuming an [REDACTED] of HK\$[REDACTED] per Share (being the [REDACTED] of the [REDACTED] Range of between HK\$[REDACTED] and HK\$[REDACTED] per Share), we estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] million from the [REDACTED] after deducting the [REDACTED] and other estimated expenses paid and payable by us in connection with the [REDACTED]

RISK FACTORS

and assuming that the [REDACTED] is not exercised. Assuming that we convert the full amount of the net [REDACTED] from this [REDACTED] into Renminbi, a 10% appreciation of Hong Kong dollars against Renminbi, from the exchange rate of HK\$0.9044 for RMB1 to a rate of HK\$0.9948 for RMB1, would result in an increase of RMB[•] million in our net [REDACTED] from this [REDACTED]. Conversely, a 10% depreciation of Hong Kong dollars against Renminbi from the exchange rate of HK\$0.9044 for RMB1 to a rate of HK\$0.8140 for RMB1 would result in a decrease of RMB[•] million in our net [REDACTED] from this [REDACTED].

To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

RISKS RELATING TO OUR CORPORATE STRUCTURE

PRC regulations on loans to and direct investment by offshore holding companies in PRC entities may delay or prevent us from using the [REDACTED] of the [REDACTED] to make loans to our PRC subsidiaries.

We may make loans to our relevant PRC subsidiaries which are directly invested by offshore subsidiaries. Any loans to our PRC subsidiaries are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the SAFE or its local counterpart. We may not be able to obtain these government registrations on a timely basis, if at all, with respect to future loans by us to finance our PRC subsidiaries. If we fail to receive relevant registrations, our ability to use the [REDACTED] from the [REDACTED] and to capitalise our PRC operations would be negatively affected which would adversely and materially affect our liquidity and our ability to expand our business.

RISKS RELATING TO THE [REDACTED]

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

Prior to the completion of the [REDACTED], there has been no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after completion of the [REDACTED]. The [REDACTED] is the result of negotiations between the Company, the [REDACTED], [REDACTED] and [REDACTED] (for

RISK FACTORS

themselves and on behalf of the [REDACTED]), which may not be indicative of the price at which our Shares will be traded following completion of the [REDACTED]. The market price of our Shares may drop below the [REDACTED] at any time after completion of the [REDACTED].

There has been no prior public market for the Shares, and the liquidity, market price and trading volume of our Shares may be volatile.

Upon [REDACTED], the trading volume and market price of the Shares may be affected or influenced by a number of factors from time to time, including but not limited to, the revenues, earnings and cash flows of our Group and announcements of new services and/or investments of our Group, strategic alliances and/or acquisitions, fluctuations in market prices for our Group’s services or fluctuations in market prices of comparable companies, changes of senior management of our Group, and general economic conditions.

Any such developments may result in large and sudden changes in volume and price on the Shares. There is no assurance that such developments will not occur and it is difficult to evaluate the impact on our Group and on the trading volume and market price of the Shares. In addition, shares of other companies listed on the Main Board have experienced substantial price volatility in the past. It is likely that from time to time, the Shares will be subject to changes in price that may not be directly related to our Group’s financial or business performance.

The approval of or filing with the CSRC or other governmental authorities may be required in connection with future capital raising activities, and, if required, we cannot assure you that we will be able to obtain such approval or complete such filing.

On 17 February 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and the relevant supporting guidelines (collectively, the “**Listing Trial Measures**”) which came into effect on 31 March 2023. The Listing Trial Measures is formulated to regulate overseas securities offering and listing activities by domestic companies, either in direct or indirect form (hereinafter referred to as “**overseas offering and listing**”). The Listing Trial Measures not only list out the circumstances where overseas offering and listing is forbidden, but also set out the conditions for determining the overseas offering and listing in indirect form. Any domestic company that is deemed to conduct overseas offering and listing activities shall file with the CSRC in accordance with the Listing Trial Measures.

Pursuant to the Announcement relating to the Arrangement of Filing Management of Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》) issued on 17 February 2023 by the CSRC, domestic companies that have submitted valid applications for overseas listing and have not obtained the consent of the overseas regulatory

RISK FACTORS

authorities or the overseas stock exchange as at the date of implementation of the Listing Trial Measures, can reasonably arrange the timing of filing procedure as stipulated in the Listing Trial Measures, and should complete such filing procedure before the date of overseas issuance and listing.

Our Group is obliged to report to the CSRC upon successful overseas [REDACTED] and [REDACTED]. We are subject to CSRC approval, filing, other governmental authorisation or requirements for future capital raising activities. We may fail to obtain such approval or meet such requirements in a timely manner or at all. Such failure may adversely affect our ability to finance the development of our business and may have a material adverse effect on our business, financial condition and results of operation.

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

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

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

Investors in the [REDACTED] may experience dilution if we issue additional Shares in the future, which may decrease our Share price.

To expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of our Shares may experience further dilution in the net tangible assets per Share if we issue additional Shares in the future at a price lower than the net tangible assets per Share.

RISK FACTORS

Any issuance of equity securities after this [REDACTED] may dilute the interests of the existing Shareholders and may substantially decrease the Share price. We may issue equity securities in the future for a number of reasons, including to finance our operations and business strategies (including in connection with acquisitions and other transactions), to adjust our debt-to-equity ratio, to satisfy our obligations upon the exercise of outstanding warrants or options or for other reasons.

There is a time lag between pricing and commencement of trading of the Shares, and the price of our Shares may fall before trading begins.

The [REDACTED] will be determined on the [REDACTED]. However, the trading of Shares on the Main Board will not commence until the [REDACTED], which is expected to be several Business Days after the [REDACTED]. During this period, investors may not be able to sell or otherwise deal in the Shares. Accordingly, holders of the Shares are subject to the risk that the Shares' price could fall before trading begins, resulted from adverse market conditions or other adverse developments that could occur between the said period of time.

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

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

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

RISK FACTORS

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ from those in Hong Kong

The corporate affairs are governed by the Articles of Association and by the Companies Act and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. This may mean that the remedies available to our Company’s minority shareholders may be different from those they would have under the laws of other jurisdictions. A summary of the Cayman Islands Company law is set out in the section headed “Summary of the constitution of our Company and Cayman Islands Company law” in Appendix III to this document.

Our Controlling Shareholders have significant influence over our Company and their interests may not be aligned with the interests of our other Shareholders.

Our Controlling Shareholders have substantial influence over our business and operations, including matters relating to management and policies, decisions in relation to acquisitions, expansion plans, business consolidation, the sale of all or substantially all of our assets, nomination of directors, dividends or other distributions, as well as other significant corporate actions. Immediately following the completion of the [REDACTED], our Controlling Shareholders will collectively beneficially own approximately [REDACTED]% of the voting power of our outstanding share capital, assuming that the [REDACTED] is not exercised. The concentration of voting power and the substantial influence of our Controlling Shareholders over our Company may discourage, delay or prevent a change in control of our Company, which could deprive other shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and reduce the price of our Shares. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Subject to the Listing Rules, our Articles of Association and other applicable laws and regulations, our Controlling Shareholders will continue to have the ability to exercise their substantial influence over us and to cause us to enter into transactions or take, or fail to take, actions or make decisions which conflict with the best interests of our other shareholders.

RISKS RELATING TO THE STATEMENTS MADE IN THIS DOCUMENT

Certain statistics contained in this document are derived from a third-party report and publicly available official sources.

This document, particularly the sections headed “Business” and “Industry Overview” in this document, contains information and statistics, including but not limited to information and statistics relating to the baijiu industry and markets. Such information and statistics have been

RISK FACTORS

derived from various official government and other publications and from a third-party report commissioned by us. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. However, we cannot guarantee the quality or reliability of such source materials. The information and statistics from official government sources have not been independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of our or their respective directors, officers or representatives or any other person involved in the [REDACTED] and no representation is given as to its accuracy. We cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy, as the case may be, in other jurisdictions. Therefore, you should not unduly rely upon the industry facts and statistics contained in this document.

Forward-looking statements contained in this document may differ materially from our Group’s future results.

This document contains certain statements that are “forward-looking” and uses forward looking terminology such as “will”, “expect”, “anticipate”, “estimate”, “believe”, “going forward”, “ought to”, “may”, “seek”, “should”, “intend”, “plan”, “projection”, “could”, “vision”, “goals”, “aim”, “aspire”, “objective”, “target”, “schedule”, “potential”, “predict”, “would” and “outlook”. Those statements include, amongst other things, the discussion of our growth strategy and the expectations of our future operation, liquidity and capital resources.

Prospective investors should be cautioned that reliance on any forward-looking statement involves risks and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could be incorrect. The uncertainties in this regard include those identified in the risk factors discussed above. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange. Prospective investors should not place undue reliance on such forward-looking information. For more details, please refer to the section headed “Forward-looking statements” in this document.

RISK FACTORS

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

We caution our investors not to rely on any information contained in press articles or other media regarding our Group and the [REDACTED]. Prior to the publication of this document, there may be press and media coverage regarding the [REDACTED] and our Group, including certain information not found in this document. We have not authorised the disclosure of any such information in the press or media and do not accept any responsibility for any such press, media coverage on their accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and our investors should not rely on such information.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

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[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Wang Quan (王泉)	No. 56, Huancheng West Road, Xiacheng District, Hangzhou, the PRC	Chinese
Ms. Zhang Min (張旻)	Unit F, Level 13A, No. 3 Lane 458, Wanhangu Road, Jing'an District, Shanghai, the PRC	Chinese
Mr. Yang Zhilong (楊志龍)	Room 301, Unit 1, Block 7, Dingqiao Lanyuan, Jianggan District, Hangzhou, the PRC	Chinese
Mr. Zhang Guangyang (張光陽)	Unit 203, Block 26, Airong Garden Residential Building, No. 5 Industrial Ninth Road, Nanshan District, Shenzhen, Guangdong, the PRC	Chinese
Mr. Zhu Jiong (朱炯)	Unit 302, No. 10, Lane 869, Luotai Road, Baoshan District, Shanghai, the PRC	Chinese
<i>Non-executive Director</i>		
Mr. Wang Tiantian (王添天)	No. 102, Gate 1, Building 5, Luozhuang Dongli, Haidian District, Beijing, the PRC	Chinese
<i>Independent non-executive Directors</i>		
Mr. Ye Xingyue (葉星月)	Room 401, Unit 2, Building 9, Mingshi Homes, Xihu District, Hangzhou, the PRC	Chinese
Mr. Ren Tiangan (任天干)	Room 1603, No. 1, Lane 307, South Shaanxi Road, Huangpu District, Shanghai, the PRC	Chinese
Mr. Sun Peng (孫鵬)	Unit 204, Building 4, Yumin Dongli, Chaoyang District, Beijing, the PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

For further information regarding our Directors, please refer to the section headed "Directors and senior management" in this document.

PARTIES INVOLVED IN THE [REDACTED]

**Sole Sponsor, [REDACTED] and
[REDACTED]**

Grand Moore Capital Limited
Unit 1401, 14/F, Lippo Sun Plaza
28 Canton Road, Tsim Sha Tsui
Kowloon, Hong Kong

[REDACTED]

Legal advisers to our Company

As to Hong Kong laws:

Loong & Yeung
Room 1603, 16th Floor
China Building
29 Queen's Road Central
Central
Hong Kong

As to PRC laws:

Allbright Law Offices
9/11/12F, Shanghai Tower No.501, Yincheng
Middle Road, Pudong New Area, Shanghai
200120 P.R.China

As to Cayman Islands laws:

Appleby
Suites 4201-03&12, 42/F
One Island East
Taikoo Place
18 Westland Road, Quarry Bay
Hong Kong

K18

As to US tariff laws:

K&L Gates
1601 K Street, NW
Washington, D.C. 20006
United States of America

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

**Legal advisers to the Sole Sponsor
and the [REDACTED]**

As to Hong Kong laws:

Khoo & Co.

in association with Michael Ngai & Co.,

Suite 2105, 21/F

Central Plaza

18 Harbour Road

Wanchai

Hong Kong

As to PRC laws:

Shanghai Wenfeiyong Law Firm

Room 2704, Multimedia Plaza

No.1027 Changning Road

Changning District

Shanghai, PRC

Auditor and Reporting Accountant

SHINEWING (HK) CPA Limited

Certified Public Accountants

17/F, Chubb Tower, Windsor House

311 Gloucester Road

Causeway Bay, Hong Kong

Industry Consultant

Frost & Sullivan (Beijing) Inc.,

Shanghai Branch Co.

Room 2504

Wheelock Square

1717 Nanjing West Road

Shanghai

PRC

[REDACTED]

CORPORATE INFORMATION

Registered Office	71 Fort Street, PO Box 500 George Town Grand Cayman KY1-1106, Cayman Islands
Headquarters in the PRC	Room 201 Hangzhou Cross-border e-commerce Industrial Park No. 22 Changcheng Street Gongshu District, Hangzhou City Zhejiang Province, PRC
Principal Place of Business in Hong Kong	Room 1603, 16/F China Building 29 Queen's Road Central Central Hong Kong
Company Secretary	Ms. Wong Hoi Ting (黃凱婷) 31/F, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
Authorised Representatives (for the purpose of the Listing Rules)	Mr. Zhu Jiong (朱炯) Unit 302 No. 10, Lane 869 Luotai Road Baoshan District Shanghai, PRC Ms. Wong Hoi Ting (黃凱婷) 31/F, Tower Two Times Square 1 Matheson Street Causeway Bay Hong Kong
Audit Committee	Mr. Ye Xingyue (葉星月) (<i>Chairman</i>) Mr. Sun Peng (孫鵬) Mr. Ren Tiangan (任天干)

CORPORATE INFORMATION

Remuneration Committee

Mr. Ren Tiangan (任天干) (*Chairman*)
Mr. Wang Quan (王泉)
Mr. Ye Xingyue (葉星月)

Nomination Committee

Mr. Wang Quan (王泉) (*Chairman*)
Mr. Ren Tiangan (任天干)
Mr. Sun Peng (孫鵬)

[REDACTED]

Principal Bankers

**Hangzhou United Rural Commercial Bank
Co Ltd**
Shiqiao Branch
No. 336 Shiqiao Road
Gongshu District, Hangzhou City
Zhejiang Province, PRC

[REDACTED]

Company Website

www.far800.com^(note)

Note:

The information contained on the website does not form part of this document.

INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this document were extracted from the report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the [REDACTED]. The information from official government sources has not been independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of their respective directors and advisers, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy.

SOURCES OF INFORMATION

We have commissioned Frost & Sullivan, an independent market researcher and consultant, to analyse and report on the cross-border e-commerce logistics industry in China. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York. Frost & Sullivan offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage in China includes automotive and transportation, culture and entertainment, technology, media and telecom, wholesale and retail trades, tourism, consumer products, chemicals, materials and food, commercial aviation, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, and industrial and machinery. We commissioned Frost & Sullivan for a total fee of RMB780,000. We are of the view that the payment of such fee does not affect the fairness of the conclusions drawn in the F&S Report.

F&S Report

Our Company has included certain information from the F&S Report in this document because our Directors believe that such information facilitates an understanding of the relevant market for potential investors. The market research process for the F&S Report has been undertaken through detailed primary research which involves discussing the cross-border e-commerce logistics industry with leading industry participants and industry experts, and secondary research, which involves reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database.

Analysis and forecasts contained in the Frost & Sullivan Report are based on the following major assumptions at the time of compiling such reports: (i) China's economy is likely to maintain steady growth in the forecast period; (ii) China's social and economic environment is likely to remain stable in the forecast period; and (iii) Market drivers such as economic globalization and

INDUSTRY OVERVIEW

the increase in the number of online shopping users, the upgraded services of cross-border e-commerce logistics, favourable policies are expected to drive the growth of China’s cross-border e-commerce logistics industry.

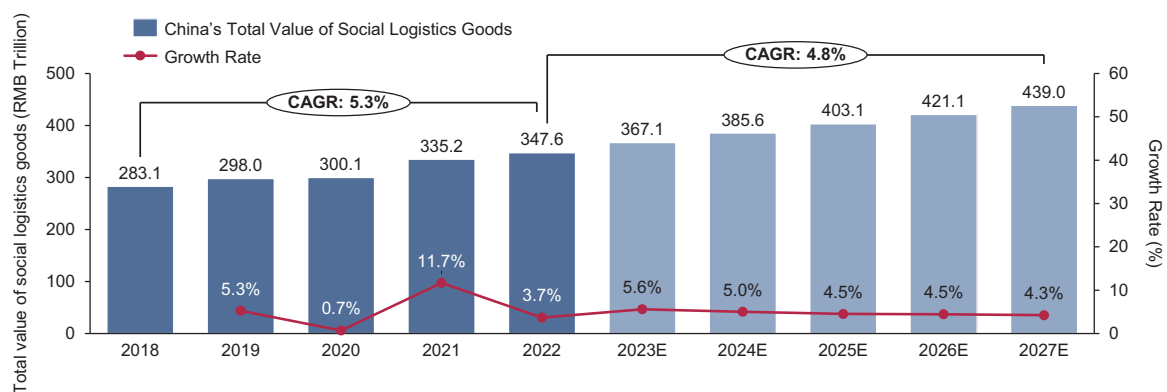
OVERVIEW OF MACRO ECONOMY IN CHINA

Total Value of Social Logistics Goods

Social logistics goods include (i) agricultural products, (ii) industrial products, (iii) external inflow goods, (iv) renewable resources, and (v) units and residents goods. Over the past several years, according to the National Development and Reform Commission, China’s total value of social logistics goods has kept increasing at a rapid growth pace, realizing a CAGR of 5.3% from 2018 to 2022. Due to the outbreak of COVID-19 in 2020, trucking capacity and transportation are strained, therefore the growth rate of the total value of social logistics goods experienced a temporary drop from 5.3% in 2019 to 0.7% in 2020. However, thanks to the effective epidemic prevention policies of the Chinese government, the logistics have quickly recovered and reached RMB335.2 trillion in 2021, and the growth rate has increased by 11.0% as compared to 2020. However, due to the recurrence of COVID-19 in 2022, the growth rate of the total value of social logistics goods dropped to 3.7% in 2022.

With the rapid growth of the economy, the total value of social logistics goods is expected to further increase in the future. The total value of social logistics goods is forecasted to grow at a CAGR of 4.8% from 2022 to 2027 and is expected to reach RMB439.0 trillion by the end of 2027.

Total Value of Social Logistics Goods (China), 2018-2027E



Source: National Development and Reform Commission, Frost & Sullivan

INDUSTRY OVERVIEW

China’s Cargo Throughput by Air, Railway, Water and Road Transport

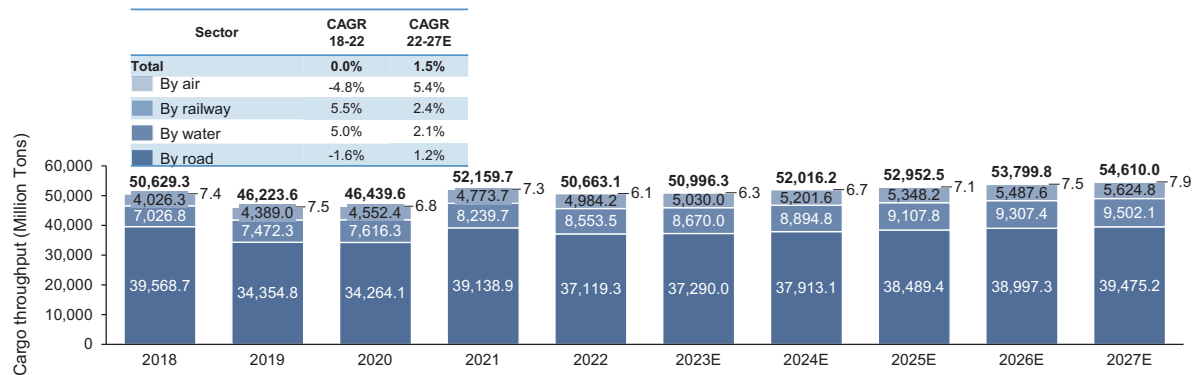
With China’s further reform and development, a modernized comprehensive transport system and comprehensive management system have been built and improved these years. China has formed a multi-nodal and full-coverage transport network. The total cargo throughput in China experienced steady growth from 50,629.3 million tons in 2018 to 50,663.1 million tons in 2022. From 2022 to 2027, the total cargo throughput grows at a CAGR of 1.5%, reaching 54,610.0 million tons by the end of 2027.

A full-coverage highway network has been set up during these years, and the national and provincial trunk highway network has been improved. Road transport is the most common transport among the different ways of cargo transport, reaching 37,119.3 million tons and accounting for 73.3% of total cargo throughput in 2022. The figure is estimated to increase to 39,475.2 million tons in 2027. As the second largest transport way, cargo throughput by water increased from 7,026.8 million tons in 2018 to 8,553.5 million tons in 2022. It is predicted to increase to 9,502.1 million tons in 2027 and account for 17.4% of total cargo throughput by the end of 2027.

According to Development of China’s Transport (《中國交通運輸發展》) issued by The State Council Information Office, airport rail and fast-track transit have been rapidly improved, and the connectivity between airports and other modes of transport has been enhanced. Cargo throughput by railway experienced a CAGR of 5.5% from 2018 to 2022 and is expected to reach 5,624.8 million tons in 2027. The cargo throughput by air accounts for the smallest part of the total cargo throughput, the total cargo throughput by air reached 6.1 million tons in 2022. In 2027, the cargo throughput by air is expected to reach 7.9 million tons, showing a CAGR of 5.4% from 2022. For the proportion of different transport cargo throughput in the total throughput, the proportion of cargo throughput by water and by air is relatively stable. The proportion of cargo throughput by road is expected to experience a slight decrease from 2022 to 2027, While the proportion of cargo throughput by railway is likely to show a slight increase during the same period. According to the “The 14th Five-Year Development Plan of Comprehensive Transportation Service” (《綜合運輸服務“十四五”發展規劃》) published by Ministry of Transport in November 2021, it is estimated that the growth of cargo throughput by road is expected to slow down from 2021 to 2025, while the cargo throughput by railway is predicted to accelerate during the same period.

INDUSTRY OVERVIEW

Cargo Throughput by Air, Railway, Water and Road Transport (China), 2018-2027E



Source: National Bureau of Statistics, Frost & Sullivan

Market Size of Cross-border E-commerce Industry by Export and Import

According to Electronic Commerce Research Center (“ECRC”), cross-border e-commerce is the business related to imported and exported E-commerce trade and retail.

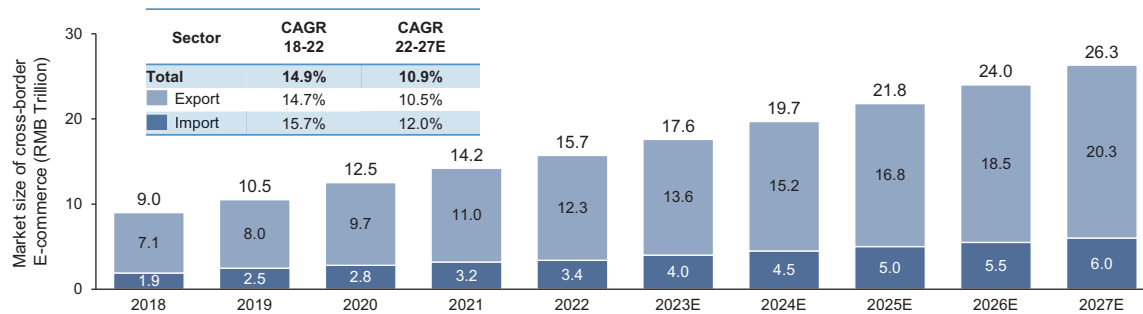
China’s market size for cross-border e-commerce has witnessed a rapid development in the past few years, reaching RMB15.7 trillion in 2022. Thanks to the favourable policies such as “Opinions on Accelerating the Development of New Forms and Models of Foreign Trade” (《加快發展外貿新業態新模式的意見》) published by China’s State Council in July 2021, it aims to apply the overseas warehouse supervision mode of cross-border e-commerce B2B export nationwide and expand the pilot scope of cross-border e-commerce comprehensive pilot zone. Going forward, the Chinese authorities are likely to maintain open and cooperative policies to support the further development of cross-border e-commerce. In 2027, the market size of cross-border e-commerce in China is forecasted to reach RMB26.3 trillion, showing a CAGR of 10.9% from 2022.

The cross-border e-commerce by export and import accounted for 78.9% and 21.1% of the market size of cross-border e-commerce in 2018, respectively. From 2018 to 2022, the market size of cross-border e-commerce by export has increased from RMB7.1 trillion to RMB12.3 trillion. In the future, it is forecasted that the figure is expected to reach RMB20.3 trillion in 2027, representing a CAGR of 10.5% from 2022.

INDUSTRY OVERVIEW

For cross-border e-commerce by import, the market size is expected to continue to increase in the future and realize a CAGR of 12.0% from 2022 to 2027, reaching RMB6.0 trillion in 2027. By the end of 2027, the proportions of cross-border e-commerce by export and import are predicted to show as 77.2% and 22.8%, respectively.

Market Size of Cross-border E-commerce Industry by Export and Import (China), 2018-2027E



Source: General Administration of Customs, Electronic Commerce Research Center, Frost & Sullivan

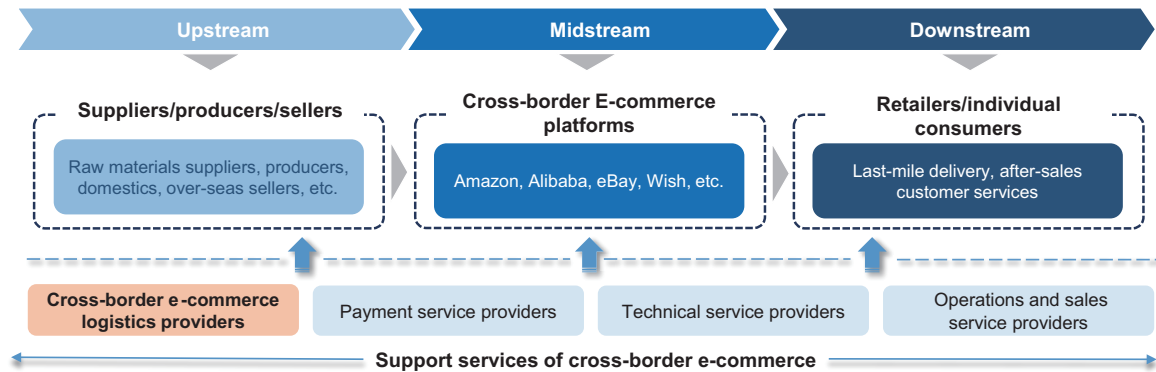
OVERVIEW OF CROSS-BORDER E-COMMERCE LOGISTICS INDUSTRY IN CHINA

Value Chain of Cross-border E-commerce

The value chain of cross-border e-commerce consists of upstream suppliers, midstream cross-border e-commerce platforms, and downstream consumers.

The upstream of the cross-border e-commerce industry is mainly composed of raw materials suppliers, product producers, domestic and overseas sellers, etc. Cross-border e-commerce platforms are one of the key components of the midstream of the cross-border e-commerce industry. These can include online marketplaces, such as Amazon, Alibaba, eBay, etc., which allow sellers to sell their products to a global customer base. The downstream of the cross-border e-commerce industry involves the final stage of the process, such as delivery, product returns and customer services. Retailers and individual consumers are the main components of the downstream cross-border e-commerce industry. While logistics services, operational support, technical support and payment processing are essential support services throughout the entire cross-border e-commerce process.

INDUSTRY OVERVIEW



Source: Frost & Sullivan

Value Chain of Cross-border E-commerce logistics

Cross border e-commerce logistics is an essential carrier for cross-border e-commerce services. It provides import and export warehousing, goods operation, goods transportation, and customs clearance services for cross-border e-commerce enterprises.

In the value chain of cross-border e-commerce logistics, the upstream of cross-border e-commerce logistics mainly includes cross-border e-commerce platforms and merchants. These platforms provide a place for customers to place orders and for sellers to list products.

The midstream of cross-border e-commerce logistics refers to the processes and activities involved in the movement and handling of goods from the point of origin to the end of delivery. Cross-border e-commerce logistics providers and cross-border e-commerce warehousing service providers are the main players in the midstream of cross-border e-commerce logistics. Some companies mainly provide partial cross-border logistics services, such as warehousing, parcel delivery, customs clearance, etc. While some companies cover all major aspects of cross-border logistics processes and provide end-to-end cross-border e-commerce logistics services, including parcel acceptance, warehousing, security check, repackaging, labelling, sorting, export customs declaration, international linehaul, customs clearance and last-mile delivery. Our Group primarily focus on the provision of end-to-end cross-border logistics services in the PRC.

The downstream of the value chain of cross-border e-commerce logistics comprises mainly of individual and business buyers, who are the ultimate recipients of the products.

INDUSTRY OVERVIEW



Source: Frost & Sullivan

Process of cross-border e-commerce logistics services

Package, storage, customs clearance, and transportation are the core process of cross-border e-commerce logistics services. Cross-border e-commerce logistics service level and the efficiency of the logistics system are the guarantees for the development of cross-border e-commerce.

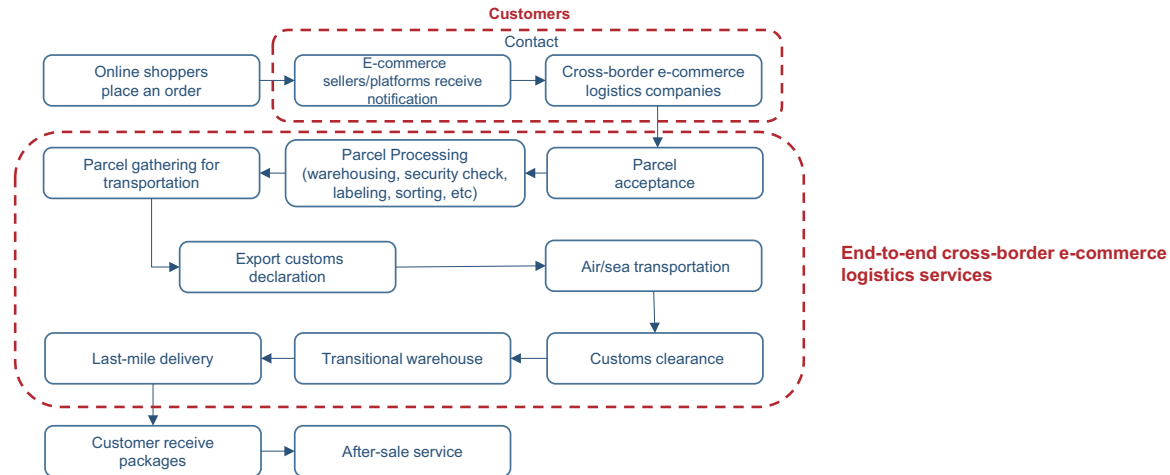
Cross-border e-commerce is of great significance to the transformation, innovation, and upgrading of foreign trade. Traditional foreign trade face problems such as high cost, low transaction efficiency, and complex transaction steps. Also, the main market players in traditional foreign trade are relatively limited, primarily manufacturers, foreign trade enterprises, etc., and transaction entities highly rely on the merchant middleman under the traditional foreign trade background. Due to the outbreak of COVID-19, the development of traditional foreign trade has been hindered, and cross-border e-commerce is greatly favored by enterprises and consumers. Since there is no time-and-space restriction and the transaction chain is greatly shortened, cross-border e-commerce is able to provide consumers with convenient purchasing channels and greatly improve the foreign trade transaction efficiency.

Moreover, cross-border e-commerce logistics can transport more goods categories and use low-volume, multi-batches cargo transportation in the process, while for the traditional foreign trade, the single cargo throughput is large, and the goods variety type is relatively single. Also, merchants can also choose appropriate logistics to reduce operating costs based on sales and inventory. Therefore, as a vital channel for the transformation of foreign trade, cross-border e-commerce plays a leading role in the innovative development of foreign trade.

The whole process of cross-border e-commerce logistics involves various participants, including trucking companies for parcel acceptance, companies specializing in customs clearance, companies specializing in warehouse and package storage, companies specializing in overland, ocean and air, etc. Our group acts as integrators and has established close cooperation with these companies, including those involved in parcel acceptance, customs clearance, warehousing,

INDUSTRY OVERVIEW

distribution, overland, ocean and air transportation, last-mile delivery, etc. This enables the Group to respond to potential changes in the service process, increase efficiency, and provide high-quality services to customers.



Source: Frost & Sullivan

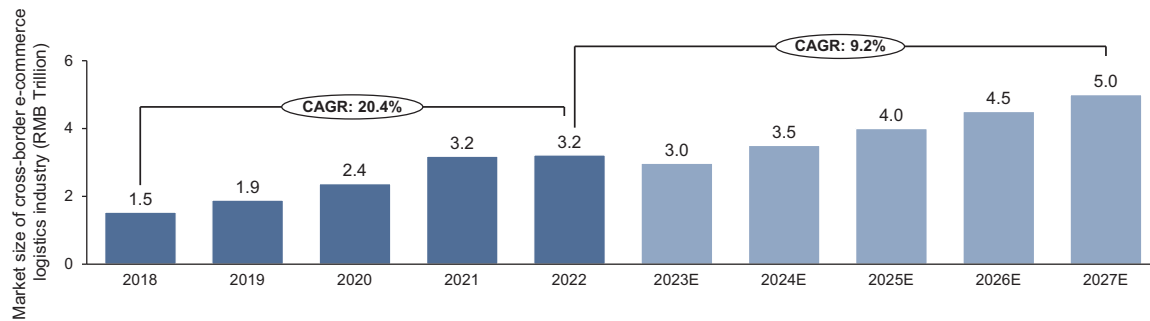
Market Size of Cross-border e-commerce Logistics Industry

Driven by economic growth, the logistics experienced a high-quality development. The overseas trade shows an upgrade during these years. According to the General Administration of Customs, the market size of foreign trade of export and import exceeded US\$6 trillion in 2021 for the first time. Exports and imports with main trading partners and countries along the “Belt and Road Initiatives” have achieved stable growth over 2021. Moreover, a series of policies and regulations were issued, such as the “Notice on Market Regulation of Expanding the Scope of the Pilot Program of Retail Imports in Cross-Border e-commerce and Strictly Implementing the Supervisory Requirements” (《關於擴大跨境電商零售進口試點、嚴格落實監管要求的通知》) launched by the Ministry of Commerce, the National Development and Reform Commission, etc. in March 2021, which aims to expand the pilot program of retail imports in cross-border e-commerce to all free trade pilot zones, cross-border e-commerce comprehensive pilot zones, comprehensive bonded zones, etc., and “Opinions on Further Stabilizing Foreign Trade and Foreign Investment” (《關於進一步做好穩外貿穩外資工作的意見》) launched by State Council of the PRC in August 2020, which aims to further strengthen the work of stabilizing foreign trade and foreign investment, [REDACTED] the industrial chain and supply chain and supporting the development of new business formats of trade, etc. Therefore, with the upgrade of overseas trade in recent years and the favorable policies, cross-border e-commerce has shifted from quantity-based growth to quality-based growth, which continuously promoted the development and upgrade of cross-border e-commerce logistics.

INDUSTRY OVERVIEW

The market size of cross-border e-commerce logistics includes the revenue generated by both domestic and non-PRC-based logistics providers for cross-border e-commerce logistics in the PRC. The market size of cross-border e-commerce logistics increased from RMB1.5 trillion in 2018 to RMB3.2 trillion in 2022, representing a CAGR of 20.4%. In March 2021, due to the Suez Canal obstruction, the inability of cargo ships to pass smoothly has influenced the cross-border e-commerce logistics transportation. The massive cargo ship getting stuck in the Suez Canal in the short term resulted in insufficient capacity, leading to a shortage of market supply and skyrocketing shipping rates. The Suez Canal blockage had an impact on the global shipping industry, affecting domestic transport providers, retailers, manufacturers, and other related groups. Therefore, the market size of cross-border e-commerce logistics industry reached RMB3.2 trillion in 2021 and is expected to gradually recover in 2023. By 2027, the figure is expected to reach RMB5.0 trillion, with a CAGR of 9.2% from 2022 to 2027.

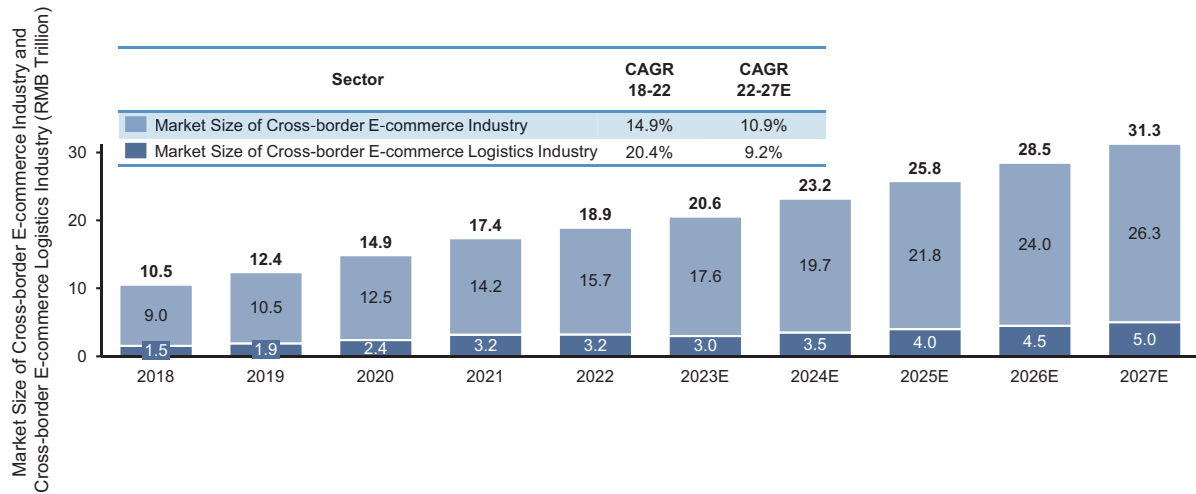
Market Size of Cross-border e-commerce Logistics Industry (China), 2018-2027E



Source: General Administration of Customs, Frost & Sullivan

INDUSTRY OVERVIEW

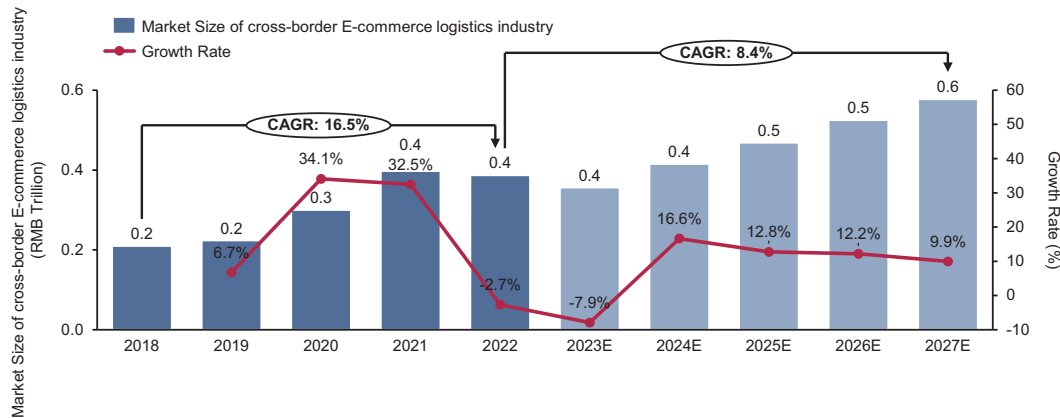
Market Size of Cross-border E-commerce Industry and Cross border E-commerce Logistics Industry (China), 2018–2027E



Source: General Administration of Customs, Frost & Sullivan

Note: The logistics cost of cross-border e-commerce services industry is the market size of cross-border e-commerce logistics industry.

Market Size of Cross-border E-commerce Logistics Industry (China–US), 2018–2027E



Source: General Administration of Customs, Frost & Sullivan

The rapid expansion of cross-border e-commerce activities and the increasing demand for international online shopping have contributed to the growth of cross-border E-commerce industry. The market size of cross-border E-commerce logistics industry between China and the U.S. increased from RMB0.2 trillion in 2018 to RMB0.4 trillion in 2022, growing at a CAGR of 16.5%.

INDUSTRY OVERVIEW

In the future, the market size of cross-border E-commerce logistics industry between China and the U.S. is predicted to reach RMB0.6 trillion in 2027, showing a CAGR of 8.4% from 2022.

Price Analysis of the Cross-border e-commerce Logistics Industry

The main factors affecting the delivery fee for cross-border logistics services include container and freight rate, fuel price, price of shipping market competition, value and type of goods, taxes and regulations in the destination region, the distance and time for transportation. For example, fuel price is one of the factors which will affect the transportation costs. If fuel prices increase, companies may need to adjust prices to account for the increased cost of fuel, which can ultimately result in higher shipping prices for their customers. Also, the value and type of goods can also influence the pricing. For example, goods that are highly valuable and require special handling or require specialized equipment to transport may need additional insurance or security measures during transportation, which can increase the overall cost of shipping.

Cost Analysis of Cross-border E-commerce Logistics Industry

Since the cross-border e-commerce logistics process covers the storage and transportation between different countries, the cost of cross-border e-commerce logistics is mainly affected by the price of international oil, transportation cost, labor cost, rental of warehousing cost, etc. The average futures settlement price of Brent crude oil increased with fluctuations, increasing from US dollar 71.7 per barrel in 2018 to US dollar 99.0 per barrel in 2022.

Average Futures Settlement Price of Brent Crude Oil, 2018-2022

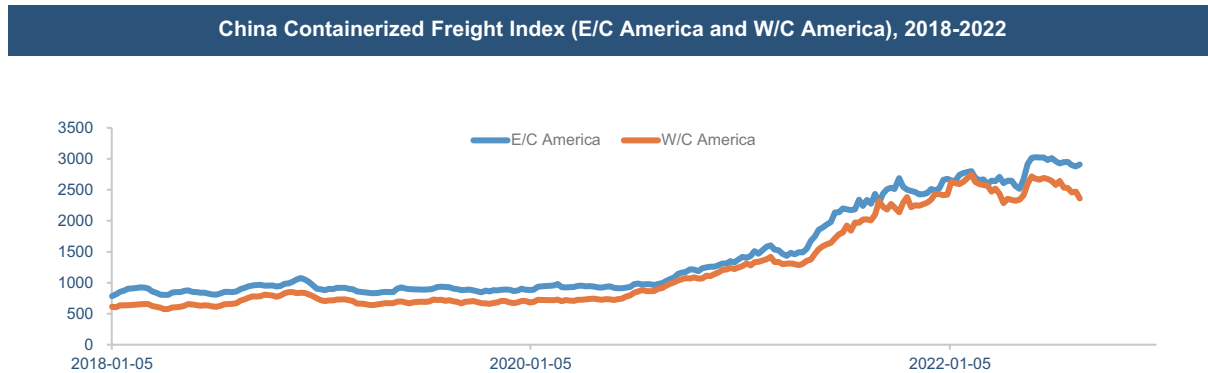
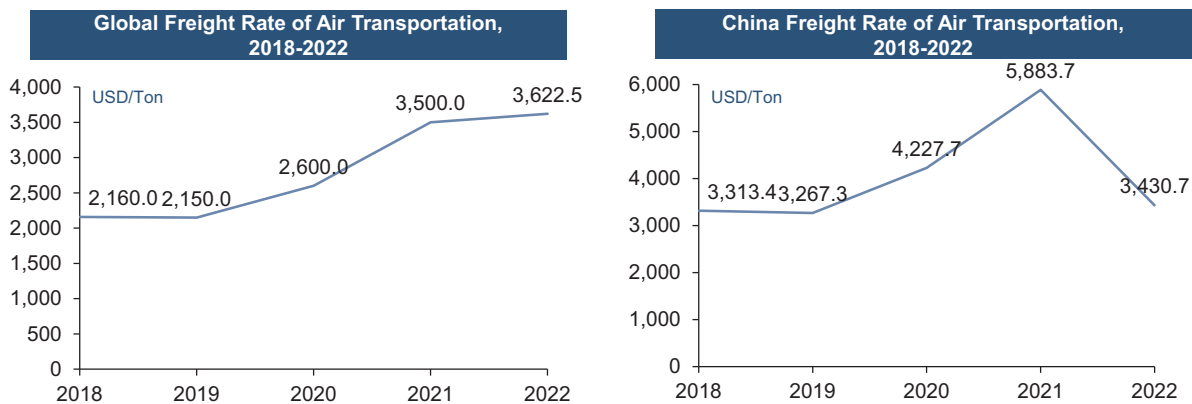


Source: International Petroleum Exchange, Frost & Sullivan

INDUSTRY OVERVIEW

From 2018 to 2019, the global freight rate of air transportation ranged between 2,100.0 USD/ton to 2,200.0 USD/ton. And the China freight rate of air transportation ranged between 3,200.0 USD/ton to 3,300.0 USD/ton during the same period.

The global and China freight rate of air transportation experienced a rapid increase during 2020 and 2021 mainly due to reduced routes and flight cancellations, the overall freight capacity has been relatively insufficient, leading to an increase in air freight prices and maintaining at high levels. From 2021 to 2022, the China cross-border logistics industry is gradually recovered, showing the decrease in the China freight rate of air transportation from 5,883.7 USD/ton in 2021 to 3,430.7 USD/ton in 2022.



Source: CCFI, Frost & Sullivan

In addition to the average futures settlement price of Brent crude oil, container rate is another factor affecting shipping costs. According to the Shanghai Shipping Exchange, China Containerized Freight Index (“CCFI”) CCFI reflects the export container transport market in

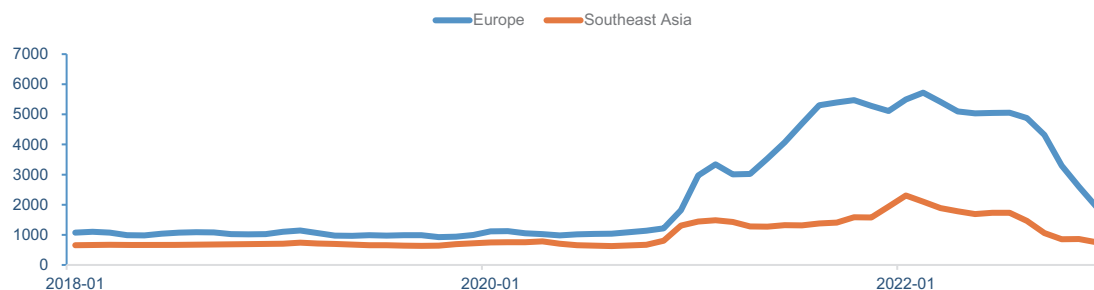
INDUSTRY OVERVIEW

China, and the route-based freight rate index represents changes in freight rates for the entire route. W/C America stands for China’s exports to the U.S. West Coast and E/C America stands for China’s exports to the U.S. East Coast.

From 2018 to 2020, the freight rate of W/C America and E/C America showed a stable trend. In 2021, since the COVID-19 continues to spreading in the United States, the average freight rate index of W/C America and E/C America reached 1,298.4 points and 1,441.1 points in the January 2021, respectively, showing a 6.0% and 8.0% increase compared to December 2020. In the December of 2021, transportation demand remained high, port congestion and container turnover issues caused by the pandemic, the average freight rate index for W/C America and E/C America routes reached 2,409.1 points and 2,573.0 points respectively, reflecting a 6.4% and 5.3% increase compared to November 2021.

In December 2022, transport demand remained low. The average freight rate index for China’s exports to the U.S. West Coast and U.S. East Coast routes were 898.7 points and 1,455.3 points, respectively, representing a month-on-month decrease of 17.1% and 20.3% compared to November 2022.

China Containerized Freight Index (Europe and Southeast Asia), 2018–2022



Source: CCFI, Frost & Sullivan

China Containerized Freight Index for China’s exports to Europe and Southeast Asia shows the similar trend during the same period. In January 2021, the average freight rate index for China’s exports to Europe routes and Southeast Asia routes were 2,971.8 points and 1,440.0 points respectively. This represents a significant increase of 63.4% and 10.2% compared to the previous month’s average.

The China Containerized Freight Index for China’s exports to Europe and Southeast Asia reached the highest level in 2022. In January 2022, the sustained high transportation demand and the ongoing container turnover issues continue to impact the efficiency of the supply chain.

INDUSTRY OVERVIEW

Therefore, the average freight rate index for China’s exports to Europe routes and Southeast Asia routes were 5,492.0 points and 2,305.0 points respectively, showing a 7.4% and 18.7% increase compared to December 2021.

Market Drivers of Cross-border e-commerce Logistics Industry

The development of the cross-border e-commerce logistics industry in China is primarily driven by the following factors:

- ***Economic globalization and the increase in the number of online shopping users:*** Economic globalization promotes the development of trade liberalization. Commodities, goods, and technologies are in rapid circulation around the world. The economic and trade connection is enhanced and brings new opportunities to different countries. The number of online shopping users experienced a rapid increase during these years, rising from 610.1 million in 2018 to 845.3 million in 2022. Also, due to the outbreak of COVID-19 in 2020, global consumption has shifted from offline to online mode. Driven by this economic background, cross-border e-commerce showed a rapid increase in recent years due to its advantages of not being restricted by geography, more convenient and economical shopping experience and more categories of goods, etc. Therefore, as the basic transportation support, the upstream cross-border e-commerce logistics have continued to be promoted with the prosperity of the macroeconomy and the development of the cross-border e-commerce industry.
- ***The upgraded services of cross-border e-commerce logistics:*** To reduce logistics costs, improve logistics service efficiency and meet diversified customer needs, cross-border e-commerce logistics services are constantly transformed and upgraded. Traditional logistics service is relatively simple, while the upgraded logistics services are able to integrate whole process including the collection, warehousing, distribution, and so forth. The upgraded logistics services can also provide customs clearance, information management, supply chain management, and other value-added services to build a more comprehensive and efficient logistics network. The upgrade of cross-border e-commerce logistics services improves the efficiency of the overall cross-border e-commerce market, as the circulation of goods has been accelerated and optimized. Therefore, the revenue and number of orders generated by cross-border e-commerce logistics enterprises largely increase and thus stimulate the development of cross-border e-commerce logistics industry.
- ***Favorable policies:*** According to “The Five-year Plan on Modern Logistics for the 14th Five-Year Plan Period (2021-2025)” (《“十四五”現代物流發展規劃》), it aims at accelerating the integration of logistics hub resources, building major international and

INDUSTRY OVERVIEW

domestic logistics channels, etc. and a modern logistics system featuring supply-demand adaptation with internal and external connectivity will basically be in place, and it will be safe, efficient, smart, and green by 2025. Also, Hangzhou Municipal Government issued “Opinions on Accelerating the High-quality Development of Cross-border e-commerce” (《關於加快推進跨境電子商務高品質發展的實施意見》) to encourage the construction of cross-border e-commerce logistics and provide financial support to outstanding cross-border e-commerce enterprises. Moreover, according to the “Guiding Opinions of the CPC Central Committee and the State Council on Promoting the Formation of a New Pattern in the Large-scale Development of China’s Western Regions” (《關於新時代推進西部大開發形成新格局的指導意見》), it aims at encouraging the west of China to open up wider under the guidance of the Belt and Road initiative. The transport capacity of railways along the Yangtze River and the cargo collection and distribution system at ports shall be improved and active measures shall be taken to support multimodal transport by speeding up the construction of railways and highways linking to ports and industrial parks. In April 2023, Chengdu Tianfu International Airport successfully launched its all-cargo aircraft flights, boosting the development of the aviation logistics industry in Chengdu.

Market Trends of Cross-border e-commerce Logistics Industry

- ***Intelligent Logistics Services:*** Driven by the development of technology and diversified needs in downstream, cross-border e-commerce services were further expanded and improved, realizing intelligence in multiple service links. Based on the full-link optimization analysis of big data, cross-border e-commerce logistics enterprises are able to optimize service steps and improve service efficiency. For example, cross-border e-commerce logistics services providers are expected to collect information and analysis in each process and achieve algorithm planning of optimal routes for goods transportation, intelligent inventory management, etc. The application of big data, AI automatic guided vehicles (“AGV”), and other intelligent equipment such as automatic weighing and dimension measurement systems and automatic sorting systems can effectively improve the goods sorting and packing efficiency and reduce labor costs. Therefore, intelligent services are the market trend in cross-border e-commerce logistics services. Enterprises with intelligent services are expected to enhance the cross-border e-commerce logistics market competitiveness.
- ***Integrated Supply Chain Logistics Services:*** Current cross-border e-commerce logistics services are still limited, mainly focusing on logistics operations such as customs clearance, warehousing, and transportation. However, with the continuous change and improvement of market demand, logistics companies need to expand the scope of their services accordingly. Integrated cross-border e-commerce logistics services not only provide traditional logistics services but also provide services covering all channels of the industry chain, such as

INDUSTRY OVERVIEW

inventory optimization, transportation optimization, warehouse location layout, etc. In the future, the combination of supply chain and logistics is expected to be further developed, and the company providing customers with integrated, omnichannel, and multi-dimensional value-added services is one of the market trends in the cross-border e-commerce logistics industry.

Threats and Challenges of Cross-border e-commerce Logistics Industry

- ***Possible policy changes in tariff and customs inspections:*** Depending on the laws and regulations of different jurisdictions, e-commerce logistics service providers may enjoy tariffs and customs inspection exemptions. For instance, de minimis packages delivered from the PRC to the US may be exempted from customs inspection, allowing cross-border e-commerce logistics service providers to file Type 86 Entry customs clearance to US Customs and conduct end-to-end cross-border delivery at a relatively low cost. Changes in such favourable policies may affect the flow of goods and services across borders, leading to higher costs for the business operations of the cross-border e-commerce logistics service providers.

While there are discussions from time to time that such policies regarding tariffs and customs inspection benefits should be amended to protect the interest of the destination countries, in particular the US, there is currently no major changes in relevant customs regulations in major importing countries which would impact the international operations of logistics companies. Moreover, cross-border e-commerce logistics service providers are able to provide flexible solutions to meet the demand of the customers with the assistance of their supplier network, such as the engagement of new customs brokers which offer different customs clearance channels to ensure that the shipments are cleared quickly and efficiently.

- ***Fuel price fluctuation and possible rising costs:*** Since transportation cost is one of the major costs of the express delivery industry, the fluctuation in key cost can have certain impact on the profit of end-to-end cross-border e-commerce logistics companies. When fuel prices rise, transportation costs go up, which can lead to increased costs for cross-border e-commerce logistics companies. If the price continues to rise, these companies will experience pressure of increased costs.

End-to-end cross-border e-commerce companies provide integrated services that require investments in manpower and equipment. For instance, as salaries and raw material costs increase, these companies may need to pay more for labor and equipment, which can result in higher costs.

INDUSTRY OVERVIEW

To address the threats and challenges of fuel price fluctuation and potential rising costs, end-to-end cross-border e-commerce logistics companies may consider implementing fuel-efficient transportation options and investing in automation and technology to reduce labor costs and increase efficiency.

Competitive Landscape of China’s Cross-border e-commerce Logistics Industry

China’s cross-border e-commerce logistics market mainly include non-PRC-based players and domestic players. Non-PRC-based players are international logistics providers, such as DHL, UPS, FedEx and others, which mainly provide integrated logistics services such as package delivery, cross-border freight transportation, overseas warehouse services, etc. These non-PRC-based players have extensive offshore logistics networks and are primarily responsible for transportation in overseas regions. For operations within the PRC, such non-PRC-based international logistics service providers primarily focus on providing international linehaul services, and put in less resources in the PRC which is labour-intensive in nature, such as manpower for marketing and warehouse operations for labelling, repackaging and sorting, as compared to domestic players. As such, non-PRC-based international logistics service providers often cooperate with domestic players, in which the domestic players would be engaged by the customers for cross-border delivery services, and the non-PRC-based international logistics service providers are engaged by domestic players for international linehaul and last-mile delivery services after the domestic players performed warehousing, security check, labelling, repackaging and sorting processes in service outlets in the PRC. The revenue of cross-border e-commerce logistics for these non-PRC-based players are not available.

China’s cross-border e-commerce logistics market was highly fragmented, with the top five domestic players cross-border e-commerce logistics services providers accounted for an aggregate market share of 1.6% in terms of revenue generated from cross-border e-commerce logistics services in 2022.

In 2022, the Group ranked between 25th to 30th among domestic cross-border e-commerce logistics providers in China in terms of cross-border e-commerce logistics revenue, occupying 0.03% market share with revenue of RMB1.0 billion.

INDUSTRY OVERVIEW

Ranking and Market Share of Top Five Domestic Cross-border E-commerce Logistics Services Providers in terms of Revenue of Cross-border E-commerce Logistics Services (China), 2022

Ranking	Domestic Cross-border E-commerce Logistics Providers	Revenue of Cross-border E-commerce Logistics Services (RMB Billion)	Market Share (%)
1	Company A	17.5	0.5%
2	Company B	11.3	0.4%
3	Company C	11.0	0.3%
4	Company D	6.7	0.2%
5	Company E	5.6	0.2%
	Top five	52.1	1.6%
	Total	3,220.0	100.0%

Source: Frost & Sullivan

Notes:

1. The Company’s data is provided by the Company.
2. Company A is a private company founded in 2009, headquartered in Shenzhen. It principally provides cross-border e-commerce logistics services, including overseas warehouse, special line logistics, etc. Products distribution and supply chain services are also included.
3. Company B is a HKEX listed company founded in 2002, headquartered in Beijing. It principally provides logistics services, including cross-border E-commerce logistics services, cold chain logistics, chemical logistics, etc.
4. Company C is a private company founded in 2004, headquartered in Shenzhen. It principally provides cross-border e-commerce logistics services, including postal system logistics, special line logistics, FBA, etc.
5. Company D is a private company founded in 2014, headquartered in Shenzhen, Guangdong province. It principally provides cross-border logistics services, including cross-border E-commerce logistics services, overseas warehouse, etc.
6. Company E is a private company founded in 1998, headquartered in Beijing. It principally provides cross-border e-commerce logistics services, including postal system logistics and special line logistics. It also build cooperation relationship with Amazon, Wish, eBay, etc.

REGULATORY OVERVIEW

INTERNATIONAL FREIGHT FORWARDING BUSINESS

According to the **Regulations of the People's Republic of China on Managements of International Freight Forwarders** (《中華人民共和國國際貨物運輸代理業管理規定》), which was promulgated by the Ministry of Foreign Trade & Economic Cooperation (incl. former Ministry of Foreign Economy & Trade) ("MOFTEC", Replaced by the Ministry of Commerce) on 29 June 1995 and executed on the same day. And the Detailed Rules for the Implementation of the Regulations of the People's Republic of China on the Administration of the International Freight Forwarding Industry (For Trial Implementation) (《中華人民共和國國際貨物運輸代理業管理規定實施細則(試行)》) which was promulgated by the MOFTEC on 26 January 1998 and executed on the same day, and which was last amended by the Ministry of Commerce on 1 January 2004, the international freight forwarders referred to in the regulations mean those trades entrusted by consignors and consignees of exports and imports conduct international freight forward and related businesses for their clients and collect enumerations for their services in their own names or in the name of their consignors. International freight forwarders must obtain the status of a legal body as an enterprise of the People's Republic of China according to law. According to the characteristics of the trade the establishment of an international freight forwarder must acquire the following conditions: (1) It has competent professional to engage in international freight forwarding; (2) It has a fixed site for business and necessary facilities; (3) It has stable sources of and markets for exports and imports. The international freight forwarder shall engage in operations in accordance with the business scope and locality as listed on the approval certificate and the business license.

According to the (Interim) Measures for the Archival Filing of International Freight Forwarders (2016 Amendment PKULAW Version) (《國際貨運代理企業備案(暫行)辦法》(2016年修正)), which was promulgated by the Ministry of Commerce on 7 March 2005 and executed on 1 April 2005, and was amended on 18 August 2016, all international freight forwarders and their branches (hereinafter referred to as international freight forwarders) that are legally registered at the state administrative department of industry and commerce shall go through the archival filing and registration at the Ministry of Commerce or an organ entrusted by the Ministry of Commerce. The Ministry of Commerce shall be the competent department in charge of the archival filing work of international freight forwarders across the country. National network and territorial administration shall be applicable to the archival filing work of international freight forwarders. The Ministry of Commerce entrusts the local commerce administrative departments (hereinafter referred to as the archival filing organs) to be responsible for handling the archival filing of international freight forwarders of their respective regions. The entrusted archival filing organs may not entrust other institutions to conduct archival filing on their own initiatives.

REGULATORY OVERVIEW

(Interim) Measures for the Archival Filing of International Freight Forwarders (2016 Amendment PKULAW Version) (《國際貨運代理企業備案(暫行)辦法》(2016年修正)) further stipulates, an international freight forwarder shall go through the relevant formalities as required for carrying out international freight forwarding business upon the strength of the Registration Form that has been affixed with the archival filing seal within 30 days at the relevant department (hereinafter referred to as the Archival Filing Form). In case there is any alteration of any information in the Registration Form, an international freight forwarder shall go through the alteration formalities of the Registration Form within 30 days by referring to the relevant provisions in Article 5 of these Measures. If any international freight forwarder fails to go through the alteration formalities, its Registration Form shall be invalidated automatically.

According to the Notice for Strengthening the Regulations on the Safety of Logistics and Delivery Channels (《關於加強物流、寄遞渠道安全監管工作的通知》), which was promulgated by the Ministry of Public Security, the Ministry of State Security, the Ministry of Transport, the Ministry of Railways (dissolved), the Ministry of Commerce, the State Administration for Industry and Commerce (dissolved) and the State Post Bureau on 8 September 2009 and executed on the same day, logistics and transport companies, freight stations (yards), passenger terminals, international freight forwarding companies, postal companies and various types of express delivery companies shall strictly implement inspections and other safety management systems, and strengthen the inspection, filtering and control on the restricted, prohibited and hazardous goods. Logistics and transport companies, freight stations (yards), passenger terminals and international freight forwarding companies shall complete all procedures as required by laws and administrative regulations before transporting their cargoes, and inspection for such procedures must be conducted. Any suspicious packages should be opened for inspection to prevent the hiding and smuggling of restricted, prohibited and hazardous items within regular cargoes. Logistics and transport companies, freight stations (yards) and passenger terminals are strictly forbidden from accepting and transporting any cargoes prohibited from transportation by laws and administrative regulations.

Pursuant to the Counterterrorism Law of the People's Republic of China (2018 Amendment) (《中華人民共和國反恐怖主義法》(2018修正)), which was promulgated by the Standing Committee of the National People's Congress on 27 December 2015, executed on 1 January 2016 and amended on 27 April 2018, the logistics and express delivery operators operating railways, highways, overwater transportation and aerial transportation shall implement safety and inspection system. Any items that are prohibited from transportation or delivery, with significant safety hazards or for which the customers refuse to perform safety inspection shall not be transported or delivered. Logistics operators shall implement a registration system for the identity of transportation and delivery customers and the information of cargoes. In case of failure to comply

REGULATORY OVERVIEW

with the aforementioned provisions, the logistics operator shall be imposed a fine of not less than RMB100,000 and not more than RMB500,000, while the principal person in charge and other directly responsible personnel, shall be imposed a fine of not more than RMB100,000.

EXPRESS BUSINESS

According to the Measures for the Administration of the Business Permit for Express Business (2019 Amendment) (《快遞業務經營許可管理辦法》(2019年修正)), which was promulgated by the Ministry of Transport on 1 September 2009 and executed on 1 October 2009, and was amended on 28 November 2019, the postal administration of the State Council, the postal management institutions of provinces, autonomous regions and municipalities directly under the Central Government, and the postal management institutions at or below the provincial level established according to the provisions of the State Council (hereinafter collectively referred to as “**postal administrations**”) shall be responsible for the administration of the business permit for express business. To carry out express business, an entity or individual shall obtain the business permit for express business according to the law, and accept the supervision and administration of the postal administration and other relevant departments; and no entity or individual may carry out express business without permit.

According to the Measures for the Administration of the Business Permit for Express Business (《快遞業務經營許可管理辦法》), the business permit for express business shall be valid for five years. An enterprise carrying out express business shall, according to the business scope, geographical area, and validity term specified in the Express Business Permit, carry out express business activities.

ROAD FREIGHT TRANSPORTATION

According to the Regulation of the People’s Republic of China on Road Transport (2022 Revision) (《中華人民共和國道路運輸條例》(2022年修正)), which was promulgated by the State Council on 30 April 2004 and executed on 1 July 2004, and was last amended on 26 September 2022 and executed on 1 May 2022, the administrative department of communications of the State Council is in charge of the road transport administration of the whole country. The administrative department of communications of the people’s government on the county level or above is responsible for organizing and leading the road transport administration within its own administrative area. Those who apply for engaging in freight business shall apply to the competent department of transportation after going through the relevant registration procedures with the market supervision and administration department according to law, and the competent department of transportation shall issue the road transportation operation license to the applicant after examination, and issue the vehicle operation license to the applicant’s vehicles that have been put

REGULATORY OVERVIEW

into transportation; Those who use ordinary freight vehicles with a total mass of 4,500kg or less to engage in ordinary freight operations do not need to apply for a road transport operation license and a vehicle operation license in accordance with the provisions of this article.

Regulation of the People's Republic of China on Road Transport (2022 Revision) (《中華人民共和國道路運輸條例》) further stipulates, engages in road transport business operations without obtaining a road transport business operation license, shall be ordered to stop his or its business operations by the administrative organ of road transport on county level or above. The illegal gains, if any, shall be confiscated and he shall be fined not less than 2 times but not more than 10 times of the amount of the illegal gains. If the amount of illegal gains is less than 20,000 yuan, he shall be fined 30,000 up to 100,000 yuan. If any crime is constituted, he shall be subject to criminal liabilities.

According to the Provisions on the Administration of Road Freight Transport and Stations (Sites) (《道路貨物運輸及站場管理規定》), which was promulgated by the Ministry of Transport on 16 June 2005 and executed on 1 August 2005, and was last amended on 26 September 2022 and executed on the same date, a road freight transport business operator shall, according to the business scope as specified in the Road Transport Business Permit, engage in business operations of road freight transport and shall not transfer or rent the Road Transport Business Permit. A road freight transport business operator shall require the drivers of vehicles it employs to carry along with the vehicles the Road Transport Certificate obtained as required. No Road Transport Certificate may be assigned, leased, altered or forged.

NVOCC BUSINESS

According to the Regulations of the People's Republic of China on International Ocean Shipping (《中華人民共和國國際海運條例》), which was promulgated by the State Council on 11 December 2001 and executed on 1 January 2002, and was last amended on 2 March 2019, and Detailed Rules for the Implementation of the Regulations of the People's Republic of China on International Maritime Transportation (《中華人民共和國國際海運條例實施細則》) which was promulgated by the Ministry of Transport on 20 January 2003 and executed on 1 March 2003, and was last amended on 28 November 2019, the "non-vessel shipping business" as used in the preceding paragraph refers to the international ocean shipping business operations of a non-vessel shipping operator to accept the cargo of the shipper as the carrier, take the freight charges from the shipper by issuing his own bills of lading or other transport documents, ship the international ocean goods through international shipping operators and bear the responsibilities of the carrier. To operate non-vessel shipping business within the territory of China, the party shall establish an enterprise with legal status within the territory of China according to law. The non-vessel shipping

REGULATORY OVERVIEW

operator shall attach the relevant materials proving the payment of security deposit in accordance with the provisions of these Regulations when filing the application for registration of bill of lading with the department in charge of transportation under the State Council.

Regulations of the People’s Republic of China on International Ocean Shipping (《中華人民共和國國際海運條例》) further stipulates, the international shipping operators and non-vessel shipping operators may not provide for the use of others the operation qualifications they obtained according to law. If any party operates the non-vessel shipping business without making the registration of bill of lading and paying the security deposit, he shall be ordered to stop the business operations by the department in charge of transportation under the State Council or the department in charge of transportation under the local people’s government authorized by it; if there exist illegal gains they shall be confiscated; if the illegal gains are not less than RMB100,000, a fine of not less than 2 times but not more than 5 times of the illegal gains shall be imposed; if there are no illegal gains or the illegal gains are less than RMB100,000, a fine of not less than RMB50,000 but not more than RMB200,000 shall be imposed.

CUSTOMS DECLARATION

According to the 《Customs Law of the People’s Republic of China (2021 Amendment)》 (《中華人民共和國海關法》), which was promulgated by the Standing Committee of the National People’s Congress on 22 January 1987 and executed on 1 July 1987, and was last amended on 29 April 2021, the Customs of the People’s Republic of China shall be the state organ responsible for supervision and control over everything entering and leaving the customs territory (hereinafter referred to as inward and outward persons and objects). All inward and outward means of transport, goods and articles shall enter or leave the territory at a place where there is a Customs office. All import and export goods must be declared and duties on them paid by their sender or receiver or by representatives entrusted by the sender or receiver. To undergo customs declaration formalities, the consignee or consignor of imported or exported goods and the customs declaration enterprise shall undergo recordation formalities at the Customs in accordance with the law. Whoever engages in the customs declaration business without undergoing recordation at the Customs may be fined by the Customs.

According to the Provisions on the Recordation of Customs Declaration Entities of the People’s Republic of China (《中華人民共和國海關報關單位備案管理規定》), which was promulgated by the General Administration of Customs on 19 November 2021 and executed on 1 January 2022, the consignee or consignor of imported or exported goods or a customs declaration enterprise, as filed with the customs hereinafter (referred to as “**a customs declaration entity**”) may undergo customs declaration within the customs territory of the People’s Republic of China. Where the consignee or consignor of imported or exported goods or a customs declaration enterprise applies for recordation, it shall obtain the qualification of market entities; particularly

REGULATORY OVERVIEW

where the consignee or consignor of imported or exported goods applies for recordation, it shall be filed as a foreign trade business. When applying for recordation, a customs declaration entity shall submit to the customs an Information Form for Recordation of the Customs Declaration Entity. The recordation information shall be published through the “Credit Publicity Platform of Import and Export Business of Customs of the People’s Republic of China.”

According to the Announcement on Fully Including the Recordation of Customs Declaration Entities in the Reform of “Integrating Certificates into One” (《關於報關單位備案全面納入“多證合一”改革的公告》), which was promulgated by the General Administration of Customs, State Administration for Market Regulation on 20 December 2021 and executed on 1 January 2022, where, in applying to a market regulatory authority for registration of a market participant, an applicant is required to concurrently apply for the recordation of a customs declaration entity, the applicant shall choose the option for the recordation of customs declaration entities as required, and additionally enter the relevant recordation information. The market regulatory authority shall complete the registration according to the process of “integrating certificates into one,” and complete data sharing with the General Administration of Customs (“GACC”) at the level of the State Administration for Market Regulation. The appropriate enterprise is not required to file an application for recordation with the customs office.

According to the Measures for the Archival Filing and Registration of Foreign Trade Business Operators (《對外貿易經營者備案登記辦法》), which was promulgated by the Ministry of Commerce on 25 June 2004 and executed on 1 July 2004, and was last amended on 10 May 2021, any foreign trade business operator undertaking the import or export of goods or technology shall go through the archival filing and registration to the Ministry of Commerce of the People’s Republic of China (hereinafter referred to as the “MOC”) or the institutions entrusted by the MOC. In case a foreign trade business operator fails to go through the archival filing and registration according to the present Measures, the customs shall not handle the formalities for declaration of release for import and export. According to the decision on the amendment to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) made by the National People’s Congress of the PRC on 30 December 2022, no filings is required for export trade operators engaged in goods import and export or technology import and export, with effect from 30 December 2022.

ELECTRONIC COMMERCE

According to the E-Commerce Law of the People’s Republic of China (《中華人民共和國電子商務法》), which was promulgated by the Standing Committee of the National People’s Congress on 31 August 2018 and executed on 1 January 2019, an e-commerce business shall, in business operation, abide by the principles of voluntariness, equality, equity and good faith, observe the law and business ethics, fairly participate in market competition, perform obligations in aspects

REGULATORY OVERVIEW

including protection of consumer rights and interests, environment, intellectual property rights, cybersecurity and individual information, assume responsibility for quality of products or services, and accept the supervision by the government and the public. An e-commerce business shall engage in cross-border e-commerce according to the laws, administrative regulations, and other relevant provisions issued by the state on the supervision and administration of import and export.

ENCOURAGE THE ACTIVE DEVELOPMENT OF LOGISTICS INDUSTRY AND CROSS-BORDER E-COMMERCE LOGISTICS BUSINESS

According to the “13th five year plan” for commercial logistics development (《商貿物流發展“十三五”規劃》) jointly promulgated by the Ministry of Commerce, the development and Reform Commission, the Ministry of land and resources, the Ministry of transport and the State Post Office on 19 January 2017 and executed on the same date, the main tasks and key projects include focusing on promoting the development of professional logistics such as e-commerce, cold chain, medicine and means of production. Vigorously develop e-commerce logistics, guide the extension of service networks to small and medium-sized cities, counties and towns, and form an e-commerce logistics system with “optimized structure, powerful functions, efficient operation and high-quality services”. Promote the development of international logistics, focus on the development of cross-border e-commerce, guide and encourage qualified enterprises to scientifically plan and orderly build overseas logistics infrastructure, and build public overseas warehouses with strong radiation capacity. Relying on the cooperation network of railway, highway, water transportation, aviation, postal service and supply and marketing, improve the layout of e-commerce logistics, and build an e-commerce logistics system connecting urban and rural areas, covering the whole country and facing the international market.

According to the Program of Building National Strength in Transportation is as follows (《交通強國建設綱要》), which was promulgated by the Central Committee of the Communist Party of China, State Council on 19 September 2019 and executed on the same date, it is proposed to building a green and efficient modern logistics system, the development of specialized logistics such as e-commerce logistics, cold chain logistics, transportation of oversized goods, and dangerous goods logistics shall be advanced, “Internet plus” efficient logistics shall be developed, and a smart logistics operation mode shall be created; International shipping logistics shall be expanded, international scheduled trains shall be developed, cross-border road transportation facilitation shall be advanced, air logistics hubs shall be vigorously developed, an international delivery logistics supply chain system shall be built.

According to the Opinions on Accelerating the High-quality Development of Cross-border E-commerce (《關於加快推進跨境電子商務高品質發展的實施意見》) which was promulgated by the Hangzhou Municipal People’s Government on 18 January 2023, it is proposed to encourage the cultivation of cross-border e-commerce subjects, the cultivation of cross-border e-commerce

REGULATORY OVERVIEW

brands, the cultivation of cross-border e-commerce talents, the construction of cross-border e-commerce industrial parks, the construction of cross-border e-commerce warehousing and logistics, and the construction of cross-border e-commerce public services; Enterprises are encouraged to build public overseas storage facilities, and logistics enterprises and logistics platforms are encouraged to settle on online integrated service platforms. Provide financial support to logistics enterprises that meet the requirements of intelligent logistics projects of online integrated service platforms and provide service products.

According to the Advancing the High-quality Development of Trade (《關於推進貿易高質量發展的指導意見》), which was promulgated by the Central Committee of the Communist Party of China, State Council on 19 November 2019 and executed on the same date, it is proposed to building an efficient cross-border logistics system, the construction and interconnection of cross-border infrastructure shall be advanced, and transport facilitation arrangements and cooperation in customs clearance shall be jointly promoted. The development of intelligent multimodal transport shall be accelerated. The construction of smart ports shall be hastened. Leading e-commerce, express delivery, and logistics enterprises shall be encouraged to build overseas warehousing and logistics distribution centers and gradually build an intelligent logistics network.

According to the Opinions of the General Office of the State Council on Accelerating the Development of New Types of Consumption Driven by New Business Forms and Patterns (《關於以新業態新模式引領新型消費加快發展的意見》), which was promulgated by the General Office of the State Council on 16 September 2020 and executed on the same date, it is proposed to e-commerce and digital service enterprises shall be encouraged to “go abroad”. A system for international delivery and logistics services shall be established in a rapid manner, and an overall plan shall be made to build international logistics supply chains. Efforts shall be made to expand businesses on global markets particularly markets along the “Belt and Road”, and foster a number of the world’s first-class platform enterprises and enterprises providing logistics supply chains with the capability of allocating international resources.

EMPLOYMENT

According to the Labor Law of the People’s Republic of China (《中華人民共和國勞動法》), which was promulgated by the Standing Committee of the National People’s Congress on 5 July 1994 and executed on 1 January 1995, and was last amended on 29 December 2018, and the Labor Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法》), which was promulgated by the Standing Committee of the National People’s Congress on 29 June 2007 and executed on 1 January 2008, and was amended on 28 December 2012 and executed on 1 July 2013. And the Regulation on the Implementation of the Employment Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法實施條例》) was promulgated by the State

REGULATORY OVERVIEW

Council on 18 September 2008 and executed on the same date, the employer shall establish and perfect rules and regulations in accordance with law and guarantee that laborers enjoy labor right and fulfill labor obligations. A written labor contract shall be concluded in the establishment of employment relationship. Where an employment relationship has already been established with an employee but no written labor contract has been entered simultaneously, a written labor contract shall be concluded within one month from the date when the employee begins to work. Where an employer and an employee conclude a labor contract prior to the employment, the employment relationship is established from the date when the employee begins to work. The employer shall pay laborers wages no lower than local standards on minimum wages.

SOCIAL INSURANCE AND HOUSING PROVIDENT FUND

According to the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》), which was promulgated by the Standing Committee of the National People's Congress on 28 October 2010 and executed on 1 July 2011, and was amended on 29 December 2018. And the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) was promulgated by the State Council on 22 January 1999 and executed on the same date, and was amended on 24 March 2019. And the Regulation on Work-Related Injury Insurance (《工傷保險條例》) was promulgated by the State Council on 27 April 2003 and executed on 1 January 2004, and was amended on 20 December 2010 and executed on 1 January 2011. And the Interim Measures for maternity insurance of enterprise employees (《企業職工生育保險試行辦法》) was promulgated by the Ministry of Labor & Social Security (dissolved) on 14 December 1994 and executed on 1 January 1995. And the Regulations on Unemployment Insurance (《失業保險條例》) was promulgated by the State Council on 22 January 1999 and executed on the same date. And the Decision of the State Council on establishing a unified basic endowment insurance system for enterprise employees 《國務院關於建立統一的企業職工基本養老保險制度的決定》 was promulgated by the State Council on 16 July 1997 and executed on the same date. And the Decision of the State Council on Establishing the Urban Employees' Basic Medical Insurance System (《國務院關於建立城鎮職工基本醫療保險制度的決定》) was promulgated by the State Council on 14 December 1998 and executed on the same date, the employer shall pay basic endowment insurance, basic medical insurance premiums, employment injury insurance, unemployment insurance, maternity insurance for its employees in accordance with the law. An employer shall apply to the local social insurance agency for social insurance registration, participate in social insurance. Where an employer fails to handle social insurance registration, the social insurance administrative department shall order it to make correction within a prescribed time limit; and if it fails to do so within the prescribed time limit, impose a fine of 1-3 times the amount of the social insurance premiums payable upon it. Where an employer fails to pay social insurance premiums on time or in full amount, the collection agency of social insurance premiums shall order it to pay or make up the deficit of premiums within a

REGULATORY OVERVIEW

prescribed time limit, and impose a daily late fee at the rate of 0.05% of the outstanding amount from the due date; and if it still fails to pay the premiums within the prescribed time limit, the relevant administrative department shall impose a fine of 1-3 times the outstanding amount upon it.

According to the Regulation on the Administration of Housing Accumulation Funds (《住房公積金管理條例》), which was promulgated by the State Council on 3 April 1999 and executed on the same day, and was last amended on 24 March 2019, an entity shall undergo the formalities for registration of housing provident fund contribution with the housing provident fund management center, and undergo the formalities for opening housing provident fund accounts for its employees. An entity shall timely and fully deposit housing accumulation fund, and shall not deposit it by exceeding the time limit, or deposit less than it should. Where an entity failing to make deposit registration of the housing accumulation fund or failing to open a housing accumulation fund account for its employees, it shall be ordered by the housing accumulation fund management center to make up the procedures within a time limit; if it fails to make up the procedures within the time limit, it shall be given a fine of 10,000 yuan to 50,000 yuan. Where an entity failing to deposit the housing accumulation fund within the time limit or by under-depositing the fund, it shall be ordered by the housing accumulation fund management center to deposit the fund within a time limit; if it fails to deposit the fund within the time limit, it may apply to the people's court for enforcement.

LAWS AND REGULATIONS ON INTELLECTUAL PROPERTY

Trademark

According to the Trademark Law of the People's Republic of China (《商標法》), which was promulgated by the Standing Committee of the National People's Congress on 23 August 1982 and executed on 1 March 1983, and was last amended on 23 April 2019 and executed on 1 November 2019, And the Regulation on the Implementation of the Trademark Law of the People's Republic of China (《中華人民共和國商標法實施條例》) which was promulgated by the State Council on 3 August 2002 and executed on 15 September 2002, and was last amended on 29 April 2019 and executed on 1 May 2014, the Trademark Office of the administrative department for industry and commerce under the State Council shall take charge of trademark registration and administration across the country. Registered trademarks are trademarks approved to be registered by the Trademark Office, including goods trademarks, service trademarks, collective marks, and certification marks. A trademark registrant shall have the right to exclusively use the registered trademark, which is protected by law. Where an applicant for registration of a trademark identical with or similar to an unregistered trademark in prior use by another party on identical or similar goods has any contractual, business or other relationship with the other party and knows the existence of the unregistered trademark, the trademark shall not be registered upon opposition

REGULATORY OVERVIEW

from the other party. The period of validity of a registered trademark shall be ten years, commencing from the date of approval of registration. A trademark registrant may, by entering into a trademark licensing contract, license another party to use its registered trademark. The licensor shall supervise the quality of the goods on which the licensee uses the licensor's registered trademark. Where another party is licensed to use a registered trademark, the licensor shall report the license to the Trademark Office for recordation, and the Trademark Office shall publish it.

Patent

According to the Patent Law of the People's Republic of China (《中華人民共和國專利法》), which was promulgated by the Standing Committee of the National People's Congress on 12 March 1984 and executed on 1 April 1985, and was last amended on 17 October 2020 and executed on 1 June 2021, the patent administrative department of the State Council shall be responsible for the administration of the patent work throughout China, uniformly accept and examine applications for patents, and grant patents in accordance with the law. The patent administrative department of the people's government of each province, autonomous region, or municipality directly under the Central Government shall take charge of the administration of patents within its own jurisdiction. Where two or more applicants file applications for a patent for an identical invention, the patent shall be granted to the applicant who is the first to file an application. An invention or utility model for which a patent is to be granted shall be novel, inventive and practically applicable. The term of a patent for an invention shall be 20 years, the term of a patent for a utility model shall be ten years, and the term of a patent for a design shall be 15 years, all commencing from the date of filing of application.

Software copyright

According to the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》), which was promulgated by the Standing Committee of the National People's Congress on 7 September 1990 and executed on 1 June 1991, and was last amended on 11 November 2020 and executed on 1 June 2021. And the Regulation on Computers Software Protection (《計算機軟件保護條例》), which was promulgated by the State Council on 20 December 2001 and executed on 1 January 2002, and was last amended on 30 January 2013 and executed on 1 March 2013, a software copyright owner may register with the software registration institution recognized by the copyright administration department of the State Council. A software copyright owner may authorize others to exploit his copyright, and has a right to receive remuneration. Those who infringe upon copyright will bear civil liabilities such as stopping the infringement, eliminating the impact, making an apology, and compensating for losses. If the circumstances are serious, they will be fined or investigated for administrative or criminal responsibility.

REGULATORY OVERVIEW

Domain name

According to the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the Ministry of Industry & Information Technology on 24 August 2017 and executed on 1 November 2017, the Ministry of Industry and Information Technology shall conduct supervision and administration of the domain name services nationwide. The communications administrations of all provinces, autonomous regions and municipalities directly under the Central Government shall supervise and administer the domain name services within their respective administrative regions. Domain name registration is handled through the domain name service organization established in accordance with relevant regulations; The domain name registration applicant shall provide the domain name registration service organization with true, accurate and complete information. The applicant becomes the holder of these domain names after the registration process is completed.

TAX SUPERVISION

Corporate income tax

According to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》), which was promulgated by the Standing Committee of the National People's Congress on 16 March 2007 and executed on 1 January 2008, and was last amended on 29 December 2018. And the Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》), which was promulgated by the State Council on 6 December 2007 and executed on 1 January 2008, and was amended on 23 April 2019, a resident enterprise shall pay the enterprise income tax on its incomes derived from both inside and outside China. For a non-resident enterprise having offices or establishments inside China, it shall pay enterprise income tax on its incomes derived from China as well as on incomes that it earns outside China but which has real connection with the said offices or establishments. The enterprise income tax rate shall be 25%. For a non-resident enterprise having no office or establishment inside China, or for a non-resident enterprise whose incomes have no actual connection to its institution or establishment inside China, it shall pay enterprise income tax on the incomes derived from China, the applicable tax rate is 10%. The enterprise income tax on important high- and new-tech enterprises that are necessary to be supported by the state shall be levied at the reduced tax rate of 15%.

Value added tax

According to the Interim Regulation of the People's Republic of China on Value Added Tax (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on 13 December 1993 and executed on 1 January 1994, and was last amended on 19 November 2017.

REGULATORY OVERVIEW

And the Detailed Rules for the Implementation of the Interim Regulation of the People's Republic of China on Value Added Tax (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the Ministry of Finance on 25 December 1993 and executed on the same date, and was last amended on 28 October 2011 and executed on 1 November 2011. And the Decision of the to Repeal the Interim Regulation of the People's Republic of China on Business Tax and Amend the Interim Regulation of the People's Republic of China on Value-Added Tax (《關於廢止〈中華人民共和國營業稅暫行條例〉和修改〈中華人民共和國增值稅暫行條例〉的決定》), which was promulgated by the State Council on 19 November 2017 and executed on the same date. And the Announcement of the on Relevant Policies for Deepening the Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》), which was jointly promulgated by the Ministry of Finance, State Taxation Administration, General Administration of Customs on 20 March 2019 and executed on 1 April 2019, all enterprises and individuals that sell goods, provide processing, repair and replacement services, sales services, intangible assets, real estate and imported goods in China are taxpayers of value-added tax. According to the Announcement of the on Relevant Policies for Deepening the Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》), the generally applicable value-added tax rate is simplified to 13%, 9%, 6% and 0%, which will take effect from 1 April 2019. The value-added tax rate applicable to small-scale taxpayers is 3%.

According to the Notice on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (《關於全面推開營業稅改徵增值稅試點的通知》), which was promulgated by the Ministry of Finance and State Taxation Administration on 23 March 2016 and executed on 1 May 2016, the direct or indirect international cargo transportation agency services provided by taxpayers are exempt from value-added tax.

HIGH TECH ENTERPRISE

According to the Measures for the Administration of the Certification of High-tech Enterprises (《高新技術企業認定管理辦法》), which was promulgated by the Ministry of Science & Technology, Ministry of Finance, State Taxation Administration on 14 April 2008 and executed on 1 January 2008, and was amended on 29 January 2016. The Measures for the Administration of the Certification of High-tech Enterprises (《高新技術企業認定管理辦法》) recognizes that high-tech enterprises can declare and enjoy preferential tax policies in accordance with the relevant provisions of the Enterprise Income Tax Law of the People's Republic of China (《企業所得稅法》), Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《企業所得稅法實施條例》), Tax Collection Administration Law of the People's Republic of China (《中華人民共和國稅收徵收管理法》) and Rules for the Implementation of the Law of the People's Republic of China on the Administration of Tax Collection (《中華人民共和國稅收徵收管理法實施細則》) And other relevant regulations.

REGULATORY OVERVIEW

Measures for the Administration of the Certification of High-tech Enterprises (《高新技術企業認定管理辦法》) further stipulates, for a high-tech enterprise that has been accredited, its qualification shall be valid for a period of three years from the date of issuance of the certificate. An eligible high-tech enterprise is entitled to the tax preferences from the year when the high-tech enterprise certificate is issued.

LEASE OF HOUSES

According to the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》), which was promulgated by the Ministry of Housing & Urban-Rural Development on 1 December 2010 and executed on 1 February 2011, the parties to house leasing shall sign a leasing contract according to law. The parties to house leasing shall, within 30 days after the conclusion of the house leasing contract, handle the house leasing registration and filing formalities at the construction (real estate) administrative department of the people's government of the municipality directly under the Central Government, city or county at the place where the leased house is located. The construction administrative department of the people's government of a municipality directly under the Central Government, city or county shall order anyone violating of regulations to make corrections within a prescribed time limit, and if an individual fails to do so, may impose a fine of not more than 1,000 yuan on him; and if an entity fails to do so, may impose a fine of more than 1,000 yuan and less than 10,000 yuan on it.

SAFE DOCUMENT NO. 37 REGISTRATION

According to the Notice of the State Administration of Foreign Exchange on Issues concerning Foreign Exchange Administration of the Overseas Investment and Financing and the Round-tripping Investment Made by Domestic Residents through Special-Purpose Companies (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (hereinafter referred to as safe document No. 37), which was promulgated by the State Administration of Foreign Exchange on 4 July 2014 and executed on the same date, for the purpose of investment and financing, domestic residents who directly establish or indirectly control overseas enterprises (hereinafter referred to as special purpose companies) with their legally held assets or interests of domestic enterprises, or with their legally held overseas assets or interests, need to apply to the State Administration of foreign exchange and its branches for foreign exchange registration procedures.

Safe document No. 37 further stipulates, before contributing capital to a special-purpose company with its legal assets or interests within or outside China, a domestic resident shall apply to the foreign exchange authority for undergoing the foreign exchange registration procedure for foreign investment. Where there is any change in the basic information of an overseas special-purpose company which has already been registered such as its domestic resident

REGULATORY OVERVIEW

individual shareholder, name, or term of operation, or where a significant matter occurs such as a capital increase/decrease or equity transfer/replacement by a domestic resident individual, a combination, or a division, the foreign exchange modification registration procedure for foreign investment shall be undergone with the foreign exchange authority in a timely manner. Only after making foreign exchange modification registration for foreign investment may a domestic resident engage in the subsequent business operations (including the inward remittance of profits or dividends). If a domestic resident fails to handle the relevant foreign exchange registration in accordance with the regulations, the State Administration of foreign exchange may impose a fine on him.

LAWS AND REGULATIONS RELATED TO DIVIDEND DISTRIBUTION

The dividend distribution of foreign-funded enterprises is mainly regulated by the Company Law of the People’s Republic of China (the “**Company Law**”), which was promulgated on 29 December 1993 and amended on 26 October 2018. According to the provisions of the Company Law, when distributing the after tax profits of the current year, our Company shall allocate 10% of the after tax profits to our Company’s statutory reserve fund. Unless otherwise stipulated by the relevant laws and regulations of foreign-funded enterprises, if the accumulated amount of our Company’s statutory reserve fund is more than 50% of our Company’s registered capital, it may not be withdrawn. If our Company’s statutory reserve fund is not sufficient to cover the losses of the previous year, the profits of the current year shall be used to cover the losses before the statutory reserve fund is drawn in accordance with the provisions of the preceding paragraph.

LAWS AND REGULATIONS RELATING TO TRANSFER PRICING

Pursuant to the EIT Law, the EIT implementation rules, the Announcement of the State Administration of Taxation on Matters Relating to Improved Administration of Related Party Declarations and Contemporaneous Documentation(《國家稅務總局關於完善關聯申報和同期資料管理有關事項的公告》), promulgated by the SAT on 29 June 2016 and became effective from 29 June 2016, and the Announcement of the State Administration of Taxation on Promulgation of the Administrative Measures on Special Tax Investigation, Adjustment and Mutual Agreement Procedure (國家稅務總局關於發佈《特別納稅調查調整及相互協商程式管理辦法》的公告), promulgated by the SAT on 17 March 2017 and became effective from 1 May 2017 and amended on 15 June 2018, transactions in respect of the purchase, sale and transfer of products, labour service transactions between, among others, enterprises under direct or indirect control by the same third party are regarded as related party transactions. Related party transactions should comply with the arm’s length principles and if the related party transactions fail to comply with the arm’s length principle, which results in the reduction of the enterprise’s taxable income, the tax authority has the power to make special tax adjustments in accordance with certain procedures. An enterprise may propose the pricing principle and computation method for business dealings between the

REGULATORY OVERVIEW

enterprise and its related parties to the tax authorities. Predetermined pricing arrangements shall be concluded after negotiation and confirmation between the tax authorities and the enterprise. Any enterprises entering into related party transactions shall submit an annual related party transactions report to the tax authorities when filing annual income tax returns, and shall also prepare the contemporaneous documentation for its related party transactions for the tax year in accordance with the tax authorities’ requests.

LAWS AND REGULATIONS RELATING TO OVERSEAS SECURITIES OFFERING AND LISTING BY DOMESTIC COMPANIES

According to the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》), which was promulgated by the China Securities Regulatory Commission on 17 February 2023 and executed on 31 March 2023, a domestic companies issuing and listing overseas shall, in accordance with these Measures, file with the CSRC, submit filing reports, legal opinions and other relevant materials, and truthfully, accurately and completely explain the shareholder information. Where a domestic companies indirectly issues and listings overseas, the issuer shall designate a major domestic operating entity as the domestic responsible person and file with the CSRC.

LAWS AND REGULATIONS IN HONG KONG

This section sets out an overview of material laws, regulations and rules applicable to the Group’s business in Hong Kong.

LAWS AND REGULATIONS RELATING TO TRANSFER PRICING IN HONG KONG

Pursuant to Section 20A of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (“IRO”), a non-Hong Kong resident person shall be chargeable to tax either directly or in the name of his agent in respect of all his profits arising in or derived from Hong Kong from any trade, profession or business carried on in Hong Kong whether such agent has the receipt of the profits or not, and the tax so charged whether directly or in the name of the agent shall be recoverable by all means provided in IRO out of the assets of the non-resident person or from the agent. The Inland Revenue Department (“IRD”) may also make transfer pricing adjustments by disallowing expenses incurred by Hong Kong resident under sections 16(1), 17(1)(b) and 17(1)(c) of IRO. Assessors of the IRD are also empowered to disregard certain transactions or dispositions if they are of the opinion that the transactions or dispositions are artificial or fictitious under section 61 of the IRO. With regard to a transaction which has, or would have had the effect of conferring a tax benefit on a person, under section 61A of the IRO, an assistant commissioner of the IRD, having regard to the background and effect of the transaction, has the power to assess the

REGULATORY OVERVIEW

liability to tax of the relevant person as if the transaction or any part thereof had not been entered into or carried out or in such other manner as the assistant commissioner considers appropriate to counteract the tax benefit which would otherwise be obtained.

In 2009, the IRD released Departmental Interpretation and Practice Notes No.45 (“**DIPN 45**”) and No.46 (“**DIPN 46**”). DIPN 45 provides that where double taxation arises as a result of transfer pricing adjustments made by the tax authorities of another country, a Hong Kong taxpayer may potentially claim relief under the treaty between Hong Kong and that country (countries entered into tax arrangements with Hong Kong includes the PRC). DIPN 46 provides clarifications and guidance on the IRD’s views on transfer pricing and how it intends to apply the existing provisions of the Inland Revenue Ordinance to establish whether related parties are transacting at arm’s length prices.

On 13 July 2018, the Inland Revenue (Amendment) (No. 6) Ordinance 2018 (“**Amendment Ordinance No.6**”) was gazette and become effective. The Amendment Ordinance No. 6 introduces provisions for a statutory transfer pricing regime and for transfer pricing documentation in Hong Kong. According to the Amendment Ordinance No.6, where a transaction between two related persons does not comply with the arm’s length principle and has created tax advantage, the IRD is empowered to adjust the profits or losses of that person. The major provisions under the Amendment Ordinance No. 6 start to apply for years of assessment commencing from 1 April 2018.

HISTORY, DEVELOPMENT AND REORGANISATION

BACKGROUND

Overview

We are an established cross-border e-commerce logistics service provider based in the PRC principally engaged in the provision of end-to-end cross-border logistics services.

We were found in 2004 and started our business by providing port-to-port freight forwarding and package delivery services. For freight forwarding service, we engaged third-party air/sea carriers, port operators and other logistics service providers to deliver customers’ good from the PRC to overseas destination countries/regions port-to-port. We also offered customs clearance, parcel pickup and last-mile delivery services to the recipients in the destination countries/regions by engaging third-party overseas customs brokers and logistics service providers.

Based on the experience in providing port-to-port freight forwarding and package delivery services, we were able to accumulate important operational experience in providing international port-to-port and warehouse-to-port services. At the same time, we were able to build up a stable management team with in-depth knowledge and expertise in the logistic industry, which enabled us to assess the market trend and grasp opportunity of development in the logistic industry efficiently. Our high standard logistic services have achieved us long-established reputation and track record among our customers and suppliers in the logistic industry. Relying on such established bases and advantages, we have foreseen the development trend of the logistics industry by transforming from traditional freight forwarding business to cross-border e-commerce logistic services and grasped such opportunity to expand our business and extend our service outlet network to cover major trading centres in the PRC, including Zhejiang Province, Shanghai Municipality, Guangdong Province, Fujian Province, Sichuan Province, Henan Province, Shandong Province and Hong Kong.

In the early stage of China’s economic reform and opening up since 80’s, the world’s top logistic companies were allowed to enter into China market through cooperating with Chinese state-owned logistic companies. In this period, Customer/Supplier Group G entered China market by entrusting a state-owned enterprise (whose shares are listed on the Main Board of the Stock Exchange and the Shanghai Stock Exchange) (the “**said enterprise**”) to operate its courier business in China. Until 2005, following China’s further opening up policy, Customer/Supplier Group G has been able to operate its business in China under its own brand. Since Hangzhou FAR’s establishment in 2004, it had started to cooperate with the said enterprise in a small serve outlet. Through providing professional and reliable services, Hangzhou FAR has gradually expanded its business network and gained recognition from the said enterprise became one of its major agents in a short period of time. During the period cooperating with the said enterprise, the Group was actually doing the business of Customer/Supplier Group G entrusted to the said

HISTORY, DEVELOPMENT AND REORGANISATION

enterprise. In 2005, when Customer/Supplier Group G was able to operate its business in China under its own brand, Hangzhou FAR was selected to become the service contractor of Customer/Supplier Group G, and gradually obtained its operation rights for multiple regions in Zhejiang Province. As a part of its change in strategy planning in China, Customer/Supplier Group G started to implement the OGP project in 2015, in hopes to further expand its market share and provide specialised services to second, third and fourth tier cities in China via a light-asset business model. As of 2015, the Group had maintained business relationships with Customer/Supplier Group G for nearly 10 years, the Group was initially selected as its OGP supplier in Yiwu City, Taizhou City and then expanding to Jiashan City and Yuyao City of the Zhejiang Province, and eventually become one of its most important OGP supplier in Zhejiang Province.

In June 2015, Hangzhou FAR, our principal operating subsidiary, strategically cooperated and become an OGP operator of a Fortune Global 500 multinational logistics company group founded in the US and was accredited the first batch of pilot enterprises at China (Hangzhou) Cross-border e-commerce Comprehensive Pilot Zone* (中國(杭州)跨境電子商務綜合試驗區首批試點企業) by China (Hangzhou) Cross-border e-commerce Comprehensive Pilot Zone Leadership Team Office* (中國(杭州)跨境電子商務綜合試驗區領導小組辦公室). In August 2017, we acquired Global Link, became the business partner of Supplier Group K, a US founded Fortune Global 500 German logistics company group listed on the Frankfurt Stock Exchange and completed the business layout in Southern China and Southwestern China. In December 2018, we commenced cooperation with Yidatong, a subsidiary of Alibaba Holding for provision of logistic services to their customers by being included in the list of logistics service providers. These milestones have proved our success in establishing as a cross-border e-commerce logistic service provider and also formed the foundation of our further development to a leading player in the logistics industry. For details of our business development and operation, please refer to the section headed “Business” of this document.

Key Milestones

The following timeline sets forth the key business milestones and achievements of our Group:

<u>Year</u>	<u>Major Events</u>
2004	Hangzhou FAR was established in the PRC on 26 August 2004
2005	Hangzhou FAR became the service contractor of a Fortune Global 500 multinational logistics company group founded in the US, and gradually obtained the exclusive operation rights for multiple regions in Zhejiang Province

HISTORY, DEVELOPMENT AND REORGANISATION

Year	Major Events
2015	<p>Hangzhou FAR became an OGP operator of a Fortune Global 500 multinational logistics company group founded in the US</p> <p>Hangzhou FAR was accredited the first batch of pilot enterprises at China (Hangzhou) Cross-border e-commerce Comprehensive Pilot Zone* (中國(杭州)跨境電子商務綜合試驗區首批試點企業) by China (Hangzhou) Cross-border e-commerce Comprehensive Pilot Zone Leadership Team Office* (中國(杭州)跨境電子商務綜合試驗區領導小組辦公室)</p>
2017	<p>Acquired Global Link, became the business partner of Supplier Group K, a US founded Fortune Global 500 German logistics company group listed on the Frankfurt Stock Exchange and completed the business layout in Southern China and Southwestern China</p>
2018	<p>Commenced our cooperation with Yidatong, a subsidiary of Alibaba Holding</p>
2020	<p>Commenced business relationship with a supplier which claimed Type 86 Entry from US Customs</p> <p>launched the Sino-US specific self-operated business</p>
2021	<p>Recognised as the 2020 Excellent cross-border e-commerce logistics enterprise* (2020年度優秀跨境電商物流企業) by Shanghai Cross-border e-commerce Association* (上海跨境電子商務行業協會)</p> <p>Hangzhou FAR introduced Alibaba China as a [REDACTED]</p> <p>Hangzhou FAR was awarded the customer first award (Sino-US air charter project team*) (客戶第一獎(中美包機項目組)) by Alibaba's Cross-border Supply Chain</p> <p>Recognised as excellent cross-border e-commerce logistics service provider* (優秀跨境電商物流服務商) by China (Shenzhen) International Logistics and Supply Chain Fair* (中國(深圳)國際物流與供應鏈博覽會)</p>
2022	<p>Recognised as supplier with outstanding contribution to local compliance support in the first half-year* (2022年上半年地方合規支持突出貢獻供應商) by UPS China supplier management team* (UPS中國區供應商管理組)</p>

HISTORY, DEVELOPMENT AND REORGANISATION

Year	Major Events
	Hangzhou FAR was accredited the Hangzhou cross-border e-commerce pole enterprise* (杭州跨境電商標杆企業) by Ebrun cross-border committee of 100* (億邦動力跨境百人會)
2023	Accredited industry leading corporation* (產業賽道領跑企業) by the People’s Government of Gongshu District, Hangzhou City
	Zhejiang Jingyuan was awarded customer value award* (客戶價值獎) by Alibaba.com (阿里巴巴國際站)

OUR COMPANY

On 24 November 2022, our Company, an investment holding company, was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with a par value of HK\$0.01 each. On the same date of incorporation, one Share was allotted and issued to the initial subscriber, an Independent Third Party, at par which was then transferred to Zi Yue on the same date.

Upon completion of the Reorganisation, our Company became the holding company of our Group. For further details of the Reorganisation, please refer to the paragraph headed “Reorganisation” in this section.

OUR MAJOR OPERATING SUBSIDIARIES

Hangzhou FAR

Hangzhou FAR International Logistics Co., Ltd.* (杭州泛遠國際物流有限公司, formerly known as Hangzhou FAR International Logistics Shareholding Co. Ltd* (杭州泛遠國際物流股份有限公司)) was established on 26 August 2004 in the PRC with an initial registered capital of RMB5.0 million. It principally engages in the provision of logistics solution services based on cross-border logistics and global warehousing services. Hangzhou FAR was initially found by and jointly funded by three Independent Third Parties.

In November 2005, Mr. Wang Zhongxing (王仲行), father of Mr. Wang, became the controlling shareholder of Hangzhou FAR until Zhejiang FAR Investment Development Company Limited* (浙江泛遠投資發展有限公司) (“**Zhejiang FAR**”) acquired all the equity interest in Hangzhou FAR in November 2013. At the material time, Zhejiang FAR was a limited company established in the PRC and controlled by Wang family. Mr. Wang had been a minority shareholder of Hangzhou FAR during the period between September 2012 and June 2013.

HISTORY, DEVELOPMENT AND REORGANISATION

Upon completion of a series of equity transfers, Mr. Wang became the controlling shareholder of Hangzhou FAR since May 2015.

In September 2015, Hangzhou FAR was converted from a limited liability company into a joint stock company with limited liabilities. By then, Zhejiang FAR Holdings Group Company Limited* (浙江泛遠控股集團有限公司) (“**Zhejiang Holdings**”, formerly Zhejiang FAR), Mr. Wang, Hangzhou Aiyuan L.P., Mr. Wang Zhonghao, Mr. Zhang Yinkan, Mr. Yang Zhilong (楊志龍), Mr. Jin Meisong (金梅松), Ms. Zhu Jia (朱佳), and Mr. Sun Jianrong (孫建榮) were interested in 50%, 31.2%, 10%, 3%, 2.5%, 1.5%, 0.8%, 0.5% and 0.5% of the shareholding in Hangzhou FAR, respectively.

On 28 December 2015, shares of Hangzhou FAR were listed on the NEEQ (stock code: 835110).

On 21 January 2017, Hangzhou FAR entered into a subscription agreement with each of Shanghai Oriental Ruipeng Investment Center L.P.* (上海東證睿芃投資中心(有限合夥)), Zhuji Oriental Ruiyu Investment Center L.P.* (諸暨東證睿與投資中心(有限合夥)), Shenzhen Nengliang Gaofei Capital Management Limited —_Nengliang Fuda Fund No. 1* (深圳能量高飛基金管理有限公司 — 能量富達1號基金) and Yong Chao Venture Capital Company Limited* (甬潮創業投資有限責任公司) (“**Yongchao Venture**”), pursuant to which Shanghai Oriental Ruipeng Investment Center L.P.* (上海東證睿芃投資中心(有限合夥)), Zhuji Oriental Ruiyu Investment Center L.P.* (諸暨東證睿與投資中心(有限合夥)), Shenzhen Nengliang Gaofei Capital Management Limited — Nengliang Fuda Fund No. 1* (深圳能量高飛基金管理有限公司 — 能量富達1號基金) and Yongchao Venture subscribed approximately 5.25%, 2.25%, 7.50%, and 5.00% of the enlarged share capital of Hangzhou FAR for a consideration of RMB21,000,000, RMB9,000,000, RMB29,980,000, and RMB20,000,000, respectively.

Due to its business development needs and planning for strategic development, Hangzhou FAR voluntarily delisted from the NEEQ on 26 June 2017. Our Directors considered that our Group’s business was in the stage of fast growth, but the investors in the NEEQ were relatively small and inactive and listing on the NEEQ could not reflect our Group’s true market value, as a result we were unable to raise sufficient funds to support our business development. Therefore, in 2017 we resolved to delist from the NEEQ and sought to be listed on a stock market with higher trading volume and liquidity level in order to realize our Group’s development plans and increase our Group’s competitiveness in the industry. Our Directors confirm that, to the best of their knowledge and belief, Hangzhou FAR, its subsidiaries and their directors had not been subject to any administrative penalties by CSRC or other relevant regulators because of the breach or non-compliance with applicable PRC securities laws and regulations as well as rules and regulations of the NEEQ in all material respects, during the period when the shares of Hangzhou FAR were listed on the NEEQ. Further, our Directors confirm that there was no (i) any material

HISTORY, DEVELOPMENT AND REORGANISATION

breach or suspected breach of the rules or regulations of the NEEQ or any relevant law enforcement authority or regulator by, our Group or its directors, since the quotation of Hangzhou FAR on the NEEQ; and (ii) any other matter in relation to the previous quotation of Hangzhou FAR on the NEEQ that may be relevant to the assessment of our Company’s application for the [REDACTED]. Based on the due diligence work conducted by the Sole Sponsor, the Sole Sponsor confirms that there is no discrepancy between the findings from its due diligence work conducted and our Directors’ aforementioned views in relation to the compliance record of Hangzhou FAR, its shareholders, its subsidiaries and their directors during the period when the shares of Hangzhou FAR were listed on the NEEQ. The Sole Sponsor is also of the view that there is no other matter arising from the listing and delisting of the shares of Hangzhou FAR on the NEEQ which ought to be brought to the attention of the regulators and investors.

Hangzhou FAR had underwent a series of share transfers and capital increments thereafter, particulars of which are set out as follows:-

- (a) In September 2017, Zhejiang Holdings transferred 3,224,839 shares of, representing approximately 8.6000% shareholding in, Hangzhou FAR at a consideration of RMB3,224,839 to Rizhao Lijiu Internet Technology Partnership L.P.* (日照利久網絡科技合夥企業(有限合夥)). Since Rizhao Lijiu and Zhejiang Holdings were owned by same group of owners, the consideration was set at RMB1.0 per share of Hangzhou FAR, based on the then registered capital of Hangzhou FAR. Hangzhou FAR intended to expand its business to northern China. In order to meet the demand of local authority for attracting local investments in Shandong Province, Zhejiang Holdings transferred certain number of shares to Rizhao Lijiu, a limited partnership established by same group of beneficial owners as Zhejiang Holdings in Rizhao City, Shandong Province.
- (b) For the purpose of inviting more investments, in September 2017, Rizhao Lijiu Internet Technology Partnership L.P.* (日照利久網絡科技合夥企業(有限合夥)) transferred an aggregate of 3,195,864 shares of, representing approximately 8.5227% shareholding in, Hangzhou FAR at an aggregate consideration of RMB60,000,000 to Ningbo Meishan Bonded Port District Jiale Equity Center (L.P.)* (寧波梅山保稅港區迦勒股權中心(有限合夥)) (“**Ningbo Jiale L.P.**”), Guangdong Wuba Commercial Investment Management Company Limited* (廣東五叭商業投資管理有限公司) (“**Guangdong Wuba**”), Ningxia Guwang Wealth No.3 Fund Partnership (L.P.)* (寧夏谷旺財富叁號基金合夥企業(有限合夥)), Horgos Shengshi Longxuan Equity Investment Partnership (L.P.)* (霍爾果斯盛世隆軒股權投資合夥企業(有限合夥)), Horgos Shengshi Qinyue Equity Investment Partnership (L.P.)*, (霍爾果斯盛世勤悅股權投資合夥企業(有限合夥)), Ningxia Shengshi Borun Investment Partnership (L.P.)* (寧夏盛世博潤投資合夥企業(有限合夥)), Anhui Guoyuan Venture Capital Company Limited* (安徽國元創投有限責任公司), Ningbo Yongtao Venture Capital Partnership (L.P.)* (寧波甬濤創業投資合夥企業(有限合夥)).

HISTORY, DEVELOPMENT AND REORGANISATION

夥) (“**Ningbo Yongtao L.P.**”) and Beijing Yuanlue Trading Company Limited* (北京遠略商貿有限公司) (“**Beijing Yuanlue**”). The consideration of each transfer was determined after arm’s length negotiation between the parties with reference to the estimated market value of Hangzhou FAR of RMB704 million, which was calculated by using the estimated net profit of Hangzhou FAR for FY2017 in the sum of approximately RMB60,000,000 times P/E ratio of 11.73 (i.e. approximately RMB18.77 per share of Hangzhou FAR). In the same month, these 9 transferees increased capital injection of an aggregate amount of RMB120,000,000 in Hangzhou FAR, representing approximately 13.04% of the then enlarged share capital of Hangzhou FAR.

- (c) In November 2017, Hangzhou FAR increased its registered capital of approximately RMB5.6 million. In December 2017, Shenzhen Nengliang Gaofei Capital Management Limited — Nengliang Fuda Fund No.1* (深圳能量高飛基金管理有限公司 — 能量富達1號基金) decided to exit its investment in our Group and transferred 1,319,222 shares, 1,331,610 shares and 159,793 shares of, representing approximately 3.0592%, 3.0879% and 0.3706% shareholding in, Hangzhou FAR at a consideration of approximately RMB24,767,000, RMB25,000,000 and RMB3,000,000 to Ye Jianrong (葉建榮), Hangzhou Xiacheng Industrial Investment Fund Limited* (杭州下城產業投資基金有限公司) (now known as Hangzhou Gongshu Industrial Investment Fund Co. Ltd.* (杭州拱墅產業投資基金有限公司) (“**Hangzhou Gongshu**”)) and Xinyu Hongtian Investment Management Centre (L.P.)* (新餘泓天投資管理中心(有限合夥)), respectively. The consideration of each transaction was determined after arm’s length negotiation between the parties with reference to the estimated market value of Hangzhou FAR of RMB810 million, which was calculated by using the estimated net profit of Hangzhou FAR for FY2017 in the sum of approximately RMB60,000,000 times P/E ratio of 13.5 (i.e. approximately RMB18.77 per share of Hangzhou FAR).
- (d) In January 2018, Zhuji Oriental Ruiyu Investment Center L.P.* (諸暨東證睿與投資中心(有限合夥)) decided to exit its investment in our Group and transferred 843,750 shares of, representing approximately 1.9566% shareholding in, Hangzhou FAR at a consideration of approximately RMB15,837,000 to Sichuan Province Xincheng Investment Co. Ltd.* (四川省新成投資有限公司) (“**Sichuan Xincheng**”). The consideration was determined after arm’s length negotiation between the parties with reference to the estimated market value of Hangzhou FAR of RMB810 million, which was calculated by using the estimated net profit of Hangzhou FAR for FY2017 in the sum of approximately RMB60,000,000 times P/E ratio of 13.5 (i.e. approximately RMB18.77 per share of Hangzhou FAR).

HISTORY, DEVELOPMENT AND REORGANISATION

- (e) In July 2018, Rizhao Lijiu Internet Technology Partnership L.P.* (日照利久網絡科技合夥企業(有限合夥)) decided to exit its investment in our Group and transferred 28,975 shares of, representing approximately 0.0672% shareholding in, Hangzhou FAR at a consideration of approximately RMB618,000 to Rizhao Ruitan e-commerce Center* (日照銳曇電子商務中心) (“**Rizhao Ruitan**”). The consideration was determined after arm’s length negotiation between the parties with reference to the estimated market value of Hangzhou FAR of RMB920 million after taking into account of the increment of registered capital of approximately RMB5.6 million in November 2017 (i.e. approximately RMB21.34 per share of Hangzhou FAR).
- (f) In February 2019, for the purpose of optimising the corporate structure, Zhejiang Holdings transferred 11,775,161 shares, all its shareholding in Hangzhou FAR at a consideration of RMB11,775,161 to Fujian Province Defeng Corporate Management Centre (L.P.)* (福建省德豐企業管理中心(有限合夥)), (now known as Hangzhou Shirui Industrial Management Partnership (L.P.)* (杭州世瑞企業管理合夥企業(有限合夥))) (“**Hangzhou Shirui L.P.**”). Since Zhejiang Holdings and Hangzhou Shirui L.P. were owned by same group of beneficial owners, the consideration was set at RMB1.0 per share of Hangzhou FAR, based on the then registered capital of Hangzhou FAR.

HISTORY, DEVELOPMENT AND REORGANISATION

The shareholding structure of Hangzhou FAR immediately prior to the commencement date of the Track Record Period (i.e. 1 January 2020) is set out as follows:

Shareholders	Approximate Shareholding (%)
Mr. Wang, his associates and companies controlled by him	
Hangzhou Shirui (L.P.)	27.31
Mr. Wang	21.71
Hangzhou Aiyuan (L.P.)	6.96
Rizhao Ruitan	0.07
Subtotal	56.05
 Ye Jianrong (葉建榮) and companies controlled by him	
Yongchao Venture	4.35
Ye Jianrong (葉建榮)	3.06
Ningbo Yongtao L.P.	1.16
Subtotal	8.57
Ningbo Jiale L.P.	5.81
Shanghai Dongzheng Ruipeng Investment Center (L.P.)* (上海東證睿芃投資中心(有限合夥))	4.57
Anhui Guoyuan Venture Capital Company Limited*	3.41
Ningxia Guwang Wealth No.3 Fund Partnership (L.P.)*	3.34
Beijing Yuanlue	3.35
Hangzhou Gongshu	3.09
Wang Zhonghao (王仲浩)	2.09
Sichuan Xincheng	1.96
Zhang Yinkan (張寅侃)	1.74
Guangdong Wuba	1.16
Ningxia Sheng World Expo Investment Partnership (L.P.)*	1.12
Yang Zhilong (楊志龍)	1.04
Horgos Shengshi Qinyue Equity Investment Partnership (L.P.)*	0.61
Jin Meisong (金梅松)	0.56
Horgos Shengshi Longxuan Equity Investment Partnership (L.P.)*	0.50
Xinyu Hongtian Investment Management Center (L.P.)* (新餘泓天投資管理中心(有限合夥))	0.37
Zhu Jia (朱佳)	0.35
Sun Jianrong (孫建榮)	0.35

HISTORY, DEVELOPMENT AND REORGANISATION

During the Track Record Period, Hangzhou FAR underwent the following share transfers:

Date	Transferor	Transferee	Approximate Shareholding involved in the Share Transfers	Approximate Consideration (RMB)
September 2020	Ningxia Sheng World Expo Investment Partnership (L.P.)	Yu Wei (俞薇)	0.65%	7.40 million
	Horgos Shengshi Longxuan Equity Investment Partnership (L.P.)	Yu Wei (俞薇)	0.03%	0.35 million
	Horgos Shengshi Qinyue Equity Investment Partnership (L.P.)	Yu Wei (俞薇)	0.61%	6.95 million
	Wang Zhonghao (王仲浩)	Yu Wei (俞薇)	0.14%	1.57 million
	Ningxia Sheng World Expo Investment Partnership (L.P.)	Ningbo Mingxia Medical Investment Partnership (L.P.)* (寧波明夏醫養投資合夥企業(有限合夥)) (“ Ningbo Mingxia L.P. ”)	0.47%	5.40 million
	Horgos Shengshi Longxuan Equity Investment Partnership (L.P.)	Ningbo Mingxia L.P.	0.47%	5.34 million
	Wang Zhonghao (王仲浩)	Ningbo Mingxia L.P.	0.10%	1.15 million
October 2020	Ningxia Guwang Wealth No.3 Fund Partnership (Limited Partnership)	Zhongtai Venture Capital (Shenzhen) Company Limited* (中泰創業投資(深圳)有限公司) (now known as Zhongtai Venture Capital (Shanghai) Company Limited* (中泰創業投資(上海)有限公司) (“ Zhongtai Venture ”))	2.69%	29.61 million
	Wang Zhonghao	Zhang Li (張莉)	0.64%	9.31 million
	Wang Zhonghao	Zhang Li (張莉)	0.20%	2.24 million

HISTORY, DEVELOPMENT AND REORGANISATION

Date	Transferor	Transferee	Approximate Shareholding involved in the Share Transfers	Approximate Consideration (RMB)
November 2020 . .	Shanghai Dongzheng Ruipeng Investment Center (L.P.)	Xia Minyong (夏敏勇)	4.57%	22.58 million
	Xia Minyong (夏敏勇)	Suzhou History Cultural Famous City Development Venture Capital Company Limited* (蘇州市歷史文化名城發展集團創業投資有限公司)	1.09%	10 million
	Xia Minyong (夏敏勇)	Yu Shenqiang (俞深強)	1.00%	11 million
December 2020 . .	Xinyu Hongtian Investment Management Center (L.P.)* (新餘泓天投資管理中心(有限合夥))	Xu Ning (胥寧)	0.18%	1.84 million
	Xinyu Hongtian Investment Management Center (L.P.)	Zhao Fenfang (趙芬芳)	0.19%	2 million

Hangzhou FAR and the above shareholders entered into the Alibaba Subscription Agreement with Alibaba China on 4 January 2021, pursuant to which, Hangzhou FAR agreed to increase its registered capital to approximately RMB47.91 million and Alibaba China agreed to subscribe 10% of the registered capital (i.e. 4,791,427 shares) for a consideration of approximately RMB138.89 million, which was determined with reference to the estimated net profit of Hangzhou FAR for FY2020. As at 22 January 2021, approximately RMB4.79 million of the share subscription price had been injected to the registered capital of Hangzhou FAR and approximately RMB134.10 million to the capital reserves of Hangzhou FAR. For further details of this subscription, please refer to the paragraph headed “[REDACTED]” in this section.

On 8 August 2022, Zhongtai Venture and Hangzhou FAR entered into a share repurchase agreement (“**Zhongtai Repurchase Agreement**”). Pursuant to which, Hangzhou FAR agreed to repurchase approximately 2.42% of the registered capital (i.e. 1,161,166 shares) from Zhongtai Venture Capital (Shanghai) Company Limited* for a consideration of approximately RMB33.3 million. The consideration was determined after arm’s length negotiation between the parties with reference to the investment costs of Zhongtai Venture.

On 15 August 2022, Anhui Guoyuan Venture Capital Company Limited* (安徽國元創投有限責任公司) and Hangzhou FAR entered into a share repurchase agreement (“**Anhui Guoyuan Repurchase Agreement**”). Pursuant to which, Hangzhou FAR agreed to repurchase approximately 3.07% of the registered capital (i.e. 1,470,097 shares) from Anhui Guoyuan Venture Capital Company Limited* (安徽國元創投有限責任公司) for a consideration of approximately RMB37.3

HISTORY, DEVELOPMENT AND REORGANISATION

million. The consideration was determined after arm’s length negotiation between the parties with reference to the investment costs provided by Anhui Guoyuan Venture Capital Company Limited* (安徽國元創投有限公司).

On 2 September 2022, Ningbo Jiale L.P. and Gongshu Technology entered into a share transfer agreement, pursuant to which, Ningbo Jiale L.P. agreed to transfer its 1,449,438 shares in Hangzhou FAR to Gongshu Technology for a consideration of RMB35.0 million. On the same date, Suzhou History Cultural Famous City Development Venture Capital Company Limited* (蘇州市歷史文化名城發展集團創業投資有限公司) and Gongshu Technology entered into a share transfer agreement, pursuant to which, Suzhou History Cultural Famous City Development Venture Capital Company Limited* agreed to transfer its 468,726 shares in Hangzhou FAR to Gongshu Technology for a consideration of RMB11.32 million. For further details of these share transfers, please refer to the paragraph headed “[REDACTED]” in this section.

On 7 November 2022, Easygo HK entered into the Easygo HK Agreement with Hangzhou FAR to subscribe 457,404 shares of Hangzhou FAR at a consideration of approximately RMB13,260,000. In December 2022, Hangzhou FAR was converted from a joint stock company with limited liabilities to a limited liability company. Immediately after the capital injection, Easygo HK held 1% of equity interests of Hangzhou FAR. Hangzhou FAR became our indirect wholly-owned subsidiary immediately upon completion of the Reorganization. For further details, please refer to the paragraph headed “Reorganisation” in this section.

First level subsidiaries:

Our first level subsidiaries are subsidiaries directly held by Hangzhou FAR, particulars of which are set out as follows:-

Name	Date of incorporation/ establishment	Place of incorporation/ establishment	Principal business
1. Shenzhen Full Speed	5 August 2019	PRC	No business operation ^{Note}
2. Hangzhou Feiyue	27 June 2016	PRC	No business operation ^{Note}
3. Hangzhou Import & Export	13 October 2008	PRC	Logistics services, customs and trade agency services
4. Hangzhou Aiyuan	7 August 2015	PRC	Technical development and technical services

HISTORY, DEVELOPMENT AND REORGANISATION

Name	Date of incorporation/ establishment	Place of incorporation/ establishment	Principal business
5. Hangzhou Supply Chain	15 March 2016	PRC	Supply chain management and logistics services
6. Hangzhou Qintian	13 August 2009	PRC	Research and development
7. Zhejiang Jingyuan	22 February 2017	PRC	Postal parcel services and the main entity responsible for operating projects with Yidatong
8. Shenzhen Global Link	23 November 2006	PRC	Providing international logistics service in Southern China
9. Sichuan Global Link	30 October 2017	PRC	Providing logistics solution services in Chengdu City
10. Shanghai Supply Chain	14 March 2018	PRC	Postal parcel services
11. HK FAR	21 April 2017	Hong Kong	Logistics and storage management
12. Shanghai Aiyuan	23 February 2016	PRC	No business operation ^{Note}
13. Yiwu Aiyuan	5 September 2017	PRC	No business operation ^{Note}
14. Guangzhou Global Link	21 November 2017	PRC	Supply chain management and logistics services ^{Note}

Note: the subsidiaries have applied or will apply deregistration as at the date of this document.

Hangzhou Import & Export

Hangzhou Import & Export was established in the PRC as a limited liability company on 13 October 2008. At the time of establishment, Hangzhou Import & Export was owned as to 90% by an Independent Third Party and 10% by Mr. Wang. Hangzhou FAR acquired 90% equity interest from an Independent Third Party for a consideration of RMB1.08 million in February 2013. Following a series of equity transfers, Hangzhou Import & Export became the wholly-owned

HISTORY, DEVELOPMENT AND REORGANISATION

subsidiary of Hangzhou FAR in April 2017. As at 1 January 2020, being the date of commencement of the Track Record Period, and up to the Latest Practicable Date, FAR Import & Export was an indirect wholly-owned subsidiary of our Company.

Shenzhen Global Link

Shenzhen Global Link was established in the PRC as a limited liability company on 23 November 2006 by Mr. Sun Jianwei (孫劍巍) and Ms. Su Suyan (蘇素艷). After a series of transfers and increase in registered capital, Hangzhou FAR acquired 100% of equity interest in Shenzhen Global Link for a consideration of RMB160 million in August 2017. Such consideration was determined between the parties on an arm’s length basis with reference to the valuated net asset value of Shenzhen Global Link as at 31 July 2017 performed by an independent valuer. Prior to the acquisition of Shenzhen Global Link, the Group’s business was concentrated in Eastern China, mainly in Zhejiang Province. The Group acquired Shenzhen Global Link to expand its business layout in Southern China. As at 1 January 2020, being the date of commencement of the Track Record Period, and up to the Latest Practicable Date, Shenzhen Global Link principally engages in providing international logistics service in Southern China.

Second Level Subsidiaries

Our second level subsidiaries are set out as follows:

	<u>Name</u>	<u>Date of incorporation/ establishment</u>	<u>Place of incorporation/ establishment</u>	<u>Principal business</u>
1.	Zhejiang Mancao	28 March 2019	PRC	Postal parcel services
2.	ZY Logistics	10 November 2017	Hong Kong	Investment holding
3.	Concorde Overseas	30 June 2017	United Kingdom	Transportation activity
4.	Global Link	20 November 2006	Hong Kong	Provide local logistics services
5.	Yiwu FAR	26 May 2017	PRC	No business operation ^{Note}

Note: the subsidiaries have applied deregistration as at the date of this document.

HISTORY, DEVELOPMENT AND REORGANISATION

DISSOLVED ENTITIES

Our subsidiaries deregistered or dissolved during the Track Record Period are set out as follows:

	Name of subsidiaries	Date of deregistration or dissolution	Place of incorporation/ establishment	Reason of deregistration or dissolution
1.	Shenzhen Lianzhong Supply Chain Management Company Limited (深圳市聯中供應鏈管理有限公司)	13 March 2020	PRC	No business operation
2.	Shanghai Fanrong E-Commerce Company Limited (上海泛蓉電子商務有限公司)	3 August 2020	PRC	No business operation
3.	Ningbo FAR Supply Chain Management Company Limited (寧波泛遠供應鏈管理有限公司)	2 September 2020	PRC	No business operation
4.	Hangzhou Yiyun e-commerce Company Limited* (杭州義雲電子商務有限公司)	22 July 2022	PRC	No business operation
5.	FAR Express Solution Ltd.	26 August 2022	United States, Illinois	No business operation
6.	Shenzhen Jiyuan International Logistics Company Limited* (深圳驥遠國際物流有限公司).	3 November 2022	PRC	No business operation
7.	Sparkling Pennant Limited (燦旗有限公司)	23 December 2022	Hong Kong	No business operation
8.	Dongguan Yirun Freight Forwarding Company Limited* (東莞市壹潤貨運代理有限公司)	31 January 2023	PRC	No business operation

HISTORY, DEVELOPMENT AND REORGANISATION

During the Track Record Period and up to the date of dissolution of the aforesaid dissolved entities, as confirmed by the Directors, each of the dissolved entities had no material non-compliance and was not involved in any material litigation that will affect the suitability of our executive Directors under Rules 3.08 and 3.09 of the Listing Rules or the suitability for [REDACTED] of our Company under Rule 8.04 of the Listing Rules.

[REDACTED]

Key details of the [REDACTED] are summarised below:

(i) Alibaba China/Taobao China

In 2018, due to its expansion plan in logistics services in the PRC, Alibaba Holding started to look for suitable local logistic service providers in the PRC for cooperation. Because of our long-established reputation and track record in cross-border logistics industry in the PRC, especially in Zhejiang Province, the logistics team of Alibaba Holding approached Mr. Wang in August 2018 to discuss the business cooperation between Alibaba Group and our group. In December 2018, we commenced cooperation with Yidatong, a subsidiary of Alibaba Holding. After more than one year's business cooperation through Yidatong, Alibaba Holding understood our business model and was confident in our cross-border e-commerce logistics service. In September 2020, Alibaba Holding's investment team began to contact us exploring its investment in our Group and eventually, Alibaba China became a [REDACTED] of us in January 2021. Our Directors confirmed that save that Mr. Wang Tiantian, our non-executive Director who joined Alibaba Group in April 2017, there are no other past or present relationship (whether business, financing, trust or otherwise) between Yidatong and the Company, including their shareholders, directors, senior management and any of their respective associates.

Name of investor	:	Alibaba China, which was replaced by its affiliate, Taobao China, upon completion of the Reorganisation. Both Alibaba China and Taobao China are subsidiaries of Alibaba Holding, an Independent Third Party.
Date of subscription agreement	:	4 January 2021
Date of Shareholders Agreement	:	4 January 2021, the Shareholders Agreement was superseded and replaced by the New Shareholders Agreement dated 16 May 2023 entered into among the Company and its Shareholders.

HISTORY, DEVELOPMENT AND REORGANISATION

Amount of consideration paid	:	Approximately RMB138.9 million
Basis of consideration	:	determined after arm’s length negotiation between the parties with reference to the estimated net profit of Hangzhou FAR for FY2020 in the sum of approximately RMB80,000,000 times the P/E ratio of 17.8 (such P/E ratio was determined after comparing the P/E ratios of certain logistics companies whose shares are listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange in 2020), we considered that the valuation in determining the consideration was reasonable.
Payment date of the consideration	:	22 January 2021
Effective cost per Share paid	:	Approximately RMB[REDACTED] [REDACTED]
Shareholding upon [REDACTED]	:	[REDACTED] Shares representing approximately [REDACTED]% of the issued share capital of our Company upon [REDACTED] (without taking into consideration of Shares which may be issued and allotted under the [REDACTED])
Use of proceeds	:	As general working capital. As of the Latest Practicable Date, the investment proceeds from Alibaba China have been fully utilised.

HISTORY, DEVELOPMENT AND REORGANISATION

- Strategic benefits to our Group : Our Directors are of the view that our Group can benefit from the additional capital injected by Alibaba China for the expansion of business capabilities in the PRC, insights for industry, advice on business expansion and strategic direction. Alibaba China’s investments also demonstrated their confidence in our Group’s operations and served as an endorsement of our Group’s performance, strengths and prospects. Accompanying the [REDACTED] from Alibaba China, we have deepened business cooperation with Alibaba Group and increase the revenues generated from business working with Alibaba Group.
- Special rights : Pursuant to the Shareholders Agreement:
- (a) Alibaba China has the right of first refusal to subscribe for Hangzhou FAR’s newly increased registered capital, newly issued shares or convertible bonds (“**Right of First Subscription**”);
 - (b) without the prior written consent of Alibaba China, the Founding Shareholders should not directly or indirectly transfer all or part of Hangzhou FAR’s shares and its other equity securities to any entity;
 - (c) if any shareholder of Hangzhou FAR intends to transfer its shares to any other entity, Alibaba China has the right of first refusal for the proposed transfer of shares. (“**Right of First Refusal**”);

HISTORY, DEVELOPMENT AND REORGANISATION

- (d) Subject to (b) above, if the Founding Shareholders intend to transfer all or part of its Shares to a transferee, the Founding Shareholders shall issue a transfer notice to Alibaba China. Upon receipt of the transfer notice, if Alibaba China chooses to exercise the co-sale right, it shall have the right to require the transferee to purchase its shares in Hangzhou FAR at the same price, terms and conditions offered by the Founding Shareholders to the transferee (“**Co-Sale Rights**”);
- (e) if any shares are issued by Hangzhou FAR at a price lower than effective cost paid by Alibaba China, Hangzhou FAR and/or the Founding Shareholders shall indemnify Alibaba China either by allotting such number of additional shares or payment of cash to compensate any such loss suffered by Alibaba China (“**Anti-Dilution Right**”);
- (f) Alibaba China shall have the right to nominate one director to the board of Hangzhou FAR (“**Right of Nomination**”);
- (g) Alibaba China has the right to require that the composition of the board of directors, quorum and resolution approval mechanism of Hangzhou FAR’s wholly-owned subsidiaries be consistent with those of the board of directors of Hangzhou FAR; the proportion of directors nominated by Alibaba China and founding shareholders of Hangzhou FAR in the composition of the board of directors of the subsidiary of Hangzhou FAR shall be consistent with the proportion of the board of directors of Hangzhou FAR;

HISTORY, DEVELOPMENT AND REORGANISATION

- (h) Hangzhou FAR should obtain the prior written consent of Alibaba China for certain significant corporate matters, such as merger, division, liquidation, dissolution, change of company form, amend or delete any article of the company's articles of association, increase or decrease the registered capital of the company, and without the prior written consent of Alibaba China, Hangzhou FAR should not, and should not cause its subsidiaries, implement such matters or any resolutions on such matters;
- (i) shareholders of Hangzhou FAR should procure Hangzhou FAR, and Hangzhou FAR undertook that, without the prior written consent of Alibaba China, it should not give any other investors rights, benefits or any other treatment which are more favourable than those of Alibaba China;
- (j) Alibaba China should be kept abreast of any criminal, administrative or regulatory investigations or claims involving Hangzhou FAR and its group members, and Hangzhou FAR should cooperate with Alibaba China and their affiliates to avoid or reduce any expenses or regulatory consequences that might be caused by such investigations or actions;

HISTORY, DEVELOPMENT AND REORGANISATION

- (k) before completion of the Qualified IPO (as defined in (p) below) and without the prior written consent of Alibaba China: (i) Hangzhou FAR and its subsidiaries should not issue any equity securities to any specific entity in competition either directly or indirectly with Alibaba China or its affiliates (“**Specific Entity**”) or accept any other form of investment; and (ii) any shareholder of Hangzhou FAR should not directly or indirectly sell, transfer or pledge any securities to a Specific Entity or place any encumbrance on them (“**Right against Specific Entity**”);
- (l) if any early termination event (as defined in the Shareholders Agreement) occurs, and the shareholders of Hangzhou FAR resolves in a general meeting to dissolve and liquidate Hangzhou FAR, or any deemed liquidation event (as defined in the Shareholders Agreement) occurs, Alibaba China shall enjoy preference right in distribution of assets according to the formula stipulated in the Shareholders Agreement (“**Liquidation Preference Rights**”);
- (m) the Founding Shareholders should not assign their rights and obligations under the Shareholder Agreement without the prior written consent of Alibaba China; Alibaba China might transfer all or any part of its rights and interests under the Shareholder Agreement to its affiliates without the consent of other shareholders;

HISTORY, DEVELOPMENT AND REORGANISATION

- (n) without the prior written consent of Alibaba China, no party to the Shareholders Agreement should, and should procure the Group not to, issue press releases or make relevant announcements related to the transactions proposed under the Shareholder Agreement, nor communicate with any news media in other ways of communication;
- (o) without the prior written consent of Alibaba China or their affiliates, regardless of whether Alibaba China hold any Shares directly or indirectly at that time, parties to the agreement should not (and shall cause their respective affiliates to refrain from) use, publish or reproduce the name of Alibaba China or any of its affiliates for any marketing, advertising, promotional or other purposes
- (p) Alibaba China is given the right to, upon the occurrence of specified divestment events, request Hangzhou FAR and/or the Founding Shareholders to repurchase all or part of the Shares held by Alibaba China. (the “**Divestment Rights**”) Such divestment events include, *inter alia*,
 - (a) Hangzhou FAR fails to achieve a qualified IPO which the market capitalisation of the listing vehicle is satisfactory to the shareholders including but not limited to Alibaba China (the “**Qualified IPO**”);

HISTORY, DEVELOPMENT AND REORGANISATION

- (b) where investment bank or securities firm engaged by Hangzhou FAR alerts by any written means that Hangzhou FAR has satisfied conditions of Qualified IPO and the investors agree or propose to launch proceedings for the Qualified IPO, but the Founding Shareholders have no proper reasons to vote against or abstain at such board of Directors' meeting or shareholders' meeting, leading to the failure to launch the Qualified IPO in a timely manner;
- (c) at any time before successful complete of Qualified IPO by Hangzhou FAR, the Founding Shareholders or Hangzhou FAR make express indication to abstain the arrangements or works for the Qualified IPO of Hangzhou FAR;
- (d) issues, including but not limited to, breaching industry and commerce, taxation, land, environmental protection, customs, postal, housing construction, etc. or other issues not compliant with the governance rules for listing incurred by Hangzhou FAR and/or other Group Companies, resulting Hangzhou FAR fails to realize the Qualified IPO;
- (e) since there occurs operations breaching the laws and inaction by the Founding Shareholders, personnel of senior management, causing Hangzhou FAR subject to administrative punishment and Hangzhou FAR therefore unable to realize the Qualified IPO;

HISTORY, DEVELOPMENT AND REORGANISATION

- (f) the Founding Shareholders occur problem of serious personal integrity that damages the interests of Hangzhou FAR and/or other Group Companies, including but not limited to circumstances of Hangzhou FAR and/or other Group Companies incurring cash sales revenue off the books that the investors are unknown, the Founding Shareholders damaging the interests of Hangzhou FAR and/or other Group Companies through connected transactions, etc., and it fails to adopt rectification measures;
- (g) Hangzhou FAR, the Group Companies and/or the Founding Shareholders makes any untrue statement or violates undertakings to Alibaba China;
- (h) Hangzhou FAR, other Group Companies and/or the Founding Shareholders seriously violate agreements entered into with Alibaba China, and fail to adopt rectification measures;
- (i) in the course of due diligence or after completion of investments by the shareholders, the Founding Shareholders or the management of Hangzhou FAR provide false information to the shareholders, and such information casts material effect to the investment decision of the shareholders, or such information causes material adverse effect to Hangzhou FAR;

HISTORY, DEVELOPMENT AND REORGANISATION

- (j) by the reason of the Founding Shareholders, the shareholders are unable to lawfully exercise their respective legal rights of being shareholders, and the rights under the Shareholders' Agreement, and such other rights as agreed under other previous agreements entered into with such shareholders;
- (k) production and operation of Hangzhou FAR exist material difficulties, causing it unable to conduct normal operation;
- (l) the Group Companies and/or Hangzhou FAR and/or any shareholders violate Alibaba China's Right against Specific Entity;
- (m) a specific license agreement is terminated by any reasons before 19 July 2028;
- (n) shareholders request Hangzhou FAR and/or the Founding Shareholders to repurchase all or part of the shares held by them (if any); and
- (o) the Group Companies, Actual Controllers and/or Affiliates of the Actual Controllers breach their representations, statements, warranties, undertakings, agreements or other obligations under previous agreements and pursuant to which shareholders request the Group Companies, Actual Controllers and/or Affiliates of the Actual Controllers to undertake compensations or other default liabilities, casting material adverse effect on the Group Companies or their business or causing Hangzhou FAR unable to realize the Qualified IPO;

HISTORY, DEVELOPMENT AND REORGANISATION

Upon execution of the New Shareholders Agreement, (a) Divestment Rights pursuant to sub-clauses (b) to (o) were terminated; (b) Taobao China will still enjoy Divestment Rights if the Company fails to achieve a Qualified IPO by 4 January 2024; (c) the Founding Shareholders further undertook to Taobao China to (i) vote against any resolutions proposed by the Company to issue securities to any Specific Entity, and (ii) not directly or indirectly sell or transfer any Shares or equities of the Company to any Specific Entity (“**Entrenched Right against Specific Entity**”); (d) the Founding Shareholders further undertook to Taobao China to procure there be one Director nominated by Taobao China (“**Entrenched Right of Nomination**”); (e) save as specifically provided above, all rights previously enjoyed by Alibaba China pursuant to the Shareholders Agreement were transferred to Taobao China, while all obligations incurred by Hangzhou FAR and the Founding Shareholders were transferred to the Company and the BVI entities held by such Founding Shareholders; (f) all special rights granted to Taobao China by the Company will terminate upon [REDACTED]; (g) the Entrenched Right against Specific Entity and the Entrenched Right of Nomination granted by the Founding Shareholders to Taobao China (collectively “**Post-[REDACTED] Special Rights**”) will survive upon [REDACTED]; and (h) save as to the Post-[REDACTED] Special Rights, all material special rights granted by the Founding Shareholders to Taobao China will terminate upon [REDACTED].

Lock-up : Nil

HISTORY, DEVELOPMENT AND REORGANISATION

By virtue of the Shareholders Agreement, certain shareholders of Hangzhou FAR are entitled to the following rights:

- (a) all shareholders of Hangzhou FAR (except the Founding Shareholders) are entitled to the Right of First Subscription if Alibaba China chooses not to exercise fully its Right of First Subscription;
- (b) certain designated shareholders of Hangzhou FAR are entitled to the Right of First Refusal if Alibaba China chooses not to exercise fully its Right of First Refusal;
- (c) certain designated shareholders of Hangzhou FAR are entitled to the Co-Sale Rights simultaneously with Alibaba China;
- (d) certain designated shareholders of Hangzhou FAR are entitled to Anti-Dilution Right after Alibaba China has enjoyed its Anti-Dilution Right;
- (e) all shareholders of Hangzhou FAR (except the Founding Shareholders) are entitled to the Liquidation Preference Right as set forth in the Shareholders Agreement and according to the formula stipulated in the same after Alibaba China has enjoyed its Liquidation Preference Right; and
- (f) certain designated shareholders of Hangzhou FAR are entitled to the Divestment Rights (except such shareholders are not entitled to exercise Divestment Rights pursuant to sub-clauses (g), (h) and (l) of Divestment Rights).

Upon execution of the New Shareholders Agreement:

- (a) divestment Rights pursuant to sub-clauses (b) to (o) were terminated;
- (b) certain designated shareholders of the Company will still enjoy Divestment Rights if the Company fails to achieve a Qualified IPO by 4 January 2024;
- (c) save as specifically provided above, all rights previously enjoyed by shareholders of Hangzhou FAR (except Alibaba China) pursuant to the Shareholders Agreement were transferred to their offshore affiliates who are shareholders of the Company, while all obligations incurred by Hangzhou FAR and the Founding Shareholders were transferred to the Company and the BVI entities held by such Founding Shareholders;
- (d) all special rights granted to shareholders of the Company by the Company will terminate upon [REDACTED];

HISTORY, DEVELOPMENT AND REORGANISATION

- (e) all special rights granted to shareholders of the Company (except Taobao China) by the Founding Shareholders will terminate upon [REDACTED].

(ii) Gongshu Technology

On 2 September 2022, Gongshu Technology acquired in aggregate 4.2359% shareholding interests in Hangzhou FAR from its then existing shareholders, Ningbo Jiale L.P. and Suzhou History Cultural Famous City Development Venture Capital Company Limited* (蘇州市歷史文化名城發展集團創業投資有限公司) in a total consideration of approximately RMB46.3 million and become a [REDACTED]. For details of the transactions, please refer to the paragraph headed “Our Major Operating Subsidiaries — Hangzhou FAR” in this section. Gongshu Technology and Hangzhou Gongzhu (one of our existing Shareholders after the Reorganisation) are sister companies and both under the same control of Hangzhou Gongshu District Finance Bureau (杭州市拱墅區財政局), the working department of the People’s Government of Gongshu District of Hangzhou City. Long in December 2017, Hangzhou Gongshu has been a shareholder of Hangzhou FAR. Through Hangzhou Gongshu, Hangzhou Gongshu District Finance Bureau has deepened its understanding of our Group’s business operation and is confident of our future development in the logistics industry, thereby Hangzhou Gongshu District Finance Bureau further invested in our Group through Gongshu Technology. Both of Gongshu Technology, Hangzhou Gongzhu and Hangzhou Gongshu District Finance Bureau are Independent Third Parties.

Name of transferee	:	Gongshu Technology
Name of transferors	:	(a) Ningbo Jiale L.P. (b) Suzhou History Cultural Famous City Development Venture Capital Company Limited*
Date of share transfer agreements	:	2 September 2022
Amount of consideration paid	:	(a) approximately RMB35.0 million to Ningbo Jiale L.P. (b) approximately RMB11.3 million to Suzhou History Cultural Famous City Development Venture Capital Company Limited

HISTORY, DEVELOPMENT AND REORGANISATION

To the best knowledge of our Directors, the respective considerations paid by Gongshu Technology to Ningbo Jiale L.P. and Suzhou History Cultural Famous City Development Venture Capital Company Limited* (蘇州市歷史文化名城發展集團創業投資有限公司) were commercially determined and agreed between the contracting parties based certain profit margin on top of the previous investment costs in our Group by Ningbo Jiale L.P. and Suzhou History Cultural Famous City Development Venture Capital Company Limited* (蘇州市歷史文化名城發展集團創業投資有限公司).

- Date of full payment of consideration : (a) 28 September 2022
- (b) 6 September 2022
- Effective cost per Share paid : [REDACTED]
- [REDACTED]
- Shareholding upon [REDACTED] : [REDACTED] Shares representing approximately [REDACTED]% of the issued share capital of our Company upon [REDACTED] (without taking into consideration of Shares which may be issued and allotted under the [REDACTED])
- Use of proceeds : The total consideration of approximately RMB46.3 million had been paid to Ningbo Jiale L.P. and Suzhou History Cultural Famous City Development Venture Capital Company Limited* (蘇州市歷史文化名城發展集團創業投資有限公司), but not to our Group.
- Strategic benefits to our Group : Although the considerations in the two share transfers were not paid to us, strategically the further investment in our Group by Hangzhou Gongshu District Finance Bureau (杭州市拱墅區財政局) represented the confidence and support of the People's Government of Gongshu District of Hangzhou City in the business of our Group.

HISTORY, DEVELOPMENT AND REORGANISATION

Special rights : Nil, except such rights succeeded by Gongshu Technology from the transferors pursuant to the Shareholders Agreement (and where applicable, superseded and replaced by the New Shareholders Agreement)

Lock-up : Nil

(iii) Easygo

Mr. Zeng Yong, the sole shareholder and director of Easygo was carrying on logistics business in U.S. and was acquainted with the name of our Group in the cross-border e-commerce logistics industry. In 2022, Mr. Zeng met Mr. Wang in an exhibition and was interested in investing in our Group. Through rounds of discussions, Mr. Zeng Yong invested in our Group by acquiring 1% equity interests of Hangzhou FAR through Easygo HK in November 2022. For details of the transaction, please refer to the paragraph headed “Our Major Operating Subsidiaries — Hangzhou FAR” in this section. Mr. Zeng Yong, Easygo HK and Easygo are both Independent Third Parties.

Name of investor : Easygo (through Easygo HK)

Date of agreement : 7 November 2022

Amount of consideration paid : RMB13,260,141.96

Basis of consideration : same unit price as Alibaba China’s investment in Hangzhou FAR pursuant to the Shareholders’ Agreement

Payment date of the consideration : 9 February 2023

Effective cost per Share paid : RMB[REDACTED]

[REDACTED]

Shareholding upon [REDACTED] : [REDACTED] Shares representing approximately [REDACTED]% of the issued share capital of our Company upon [REDACTED] (without taking into consideration of Shares which may be issued and allotted under the [REDACTED])

HISTORY, DEVELOPMENT AND REORGANISATION

- Use of proceeds : As general working capital. As of the Latest Practicable Date, the investment proceeds from Easygo have been fully utilised.
- Strategic benefits to our Group : As a strategic foreign investor under the Reorganisation, after its investment Hangzhou FAR was converted to a sino-foreign equity joint venture. In addition to the provision to our Group with general working capital, Mr. Zeng Yong with his knowledge and experience in logistics industry will be able to provide professional advice on the business operation and future industry development trend to our management.
- Special rights : Nil, except such rights expected to be granted to all shareholders of the Company (excluding the Founding Shareholders) pursuant to the New Shareholders Agreement
- Lock-up : Nil

Our PRC Legal Adviser advised that the [REDACTED] were conducted in compliance with all applicable laws and regulations in the PRC.

On the basis that (i) the [REDACTED], being the first day of trading of the Shares on the Stock Exchange, will take place no earlier than 120 clear days after completion of the [REDACTED], and (ii) all special rights granted to the [REDACTED] will be terminated upon completion of the [REDACTED], the Sole Sponsor confirms that the [REDACTED] are in compliance with the Interim Guidance (HKEx-GL29-12) on [REDACTED] investments issued by the Stock Exchange on October 13, 2010 and as updated in March 2017, and the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017.

HISTORY, DEVELOPMENT AND REORGANISATION

Notes:

1. The other individuals were the followings

Ye Jianrong (葉建榮)	2.9133%
Xia Minyong (夏敏勇)	2.3603%
Zhang Yinkan (張寅侃)	1.6563%
Wang Zhonghao (王仲浩)	1.5578%
Yu Wei (俞薇)	1.3648%
Yang Zhilong (楊志龍)	0.9938%
Yu Shenqiang (俞深強)	0.9523%
Zhang Li (張莉)	0.8058%
Gin Meisong (金梅松)	0.5300%
Zhu Jia (朱佳)	0.3313%
Sun Jianrong (孫建榮)	0.3313%
Zhao Fenfang (趙芬芳)	0.1837%
Xu Ning (胥寧)	0.1691%
Total	14.1498%

2. Beneficial owners of Hangzhou Shirui L.P.:

Mr. Wang	54.5226%
Sun Jianwei (孫劍巍)	17.8342%
Hu Bing (胡兵)	7.6432%
Wang Zhonghao (王仲浩)	6.0000%
Zhang Yinkan (張寅侃)	5.0000%
Zhu Jiong (朱炯)	3.0000%
Yang Zhilong (楊志龍)	3.0000%
Pan Jutian (潘鉅添)	3.0000%

3. Alibaba China is indirectly wholly owned by Alibaba Holding

4. Beneficial owners of Hangzhou Aiyuan L.P.:

Mr. Wang^	13.9333%
Cheng Xiaochun (程曉春)	4.1667%
Shen Xiaolan (沈小蘭)	3.5000%
Wang Yihang (王義杭)	3.3333%
Liu Diquan (劉迪群)	2.5500%
Zhang Xiaou (章曉鷗)	2.5000%
Liu Birong (劉碧榕)	2.3333%
Wang Juan (王娟)	2.3333%
Zhou Fei (周飛)	2.1667%
Sun Min (孫敏)	2.0000%
Wang Jiajia (王佳佳)	1.8333%
Sun Jianrong (孫建榮)	1.8333%
Zhao Jia (趙佳)	1.7667%
Wu Cheng (吳澄)	1.5000%
Zhang Zhaona (章趙娜)	1.3333%

HISTORY, DEVELOPMENT AND REORGANISATION

Li Qingyu (李清瑜)	1.3333%
Liu Jian (劉健)	1.3333%
Jia Dandan (賈丹丹)	1.3333%
Pan Longping (潘龍平)	1.3333%
Zhu Guangzhen (朱廣真)	1.3333%
Zheng Yinxiang (鄭銀祥)	1.3333%
Chai Hong (柴洪)	1.1667%
Yu Chan (余嬋)	1.0000%
Zhang Lin (章琳)	1.0000%
Xie Enfei (解恩飛)	0.8333%
Liu Juan (劉娟)	0.8333%
Li Jun (李軍)	0.6667%
Zhu Jia (朱佳)	0.6667%
Chen Guoqin (陳國勤)	0.5000%
Zhou Changqing (周長清)	0.5000%
Hong Laiming (洪來明)	0.5000%
Dong Lina (董麗娜)	0.5000%
Miao Kaimeng (繆鎧檬)	0.5000%
Zhou Huicheng (周惠誠)	0.5000%
Wang Zhongxing (王仲行)^	0.3333%
Li Feng (酈峰)	0.3333%
Zhou Yu (周鈺)	0.3333%
Zhong Sheng (鍾聲)	0.3333%
Xu Yan (徐妍)	0.3333%
Wu Jianguang (吳建光)	0.3333%
Ruan Yuliang (阮雨良)	0.2500%
Kong Lingqin (孔令琴)	0.1667%
Hangzhou Xier Enterprise Management Partnership (Limited Partnership) (杭州歇爾企業管理合夥企業(有限合夥))	16.6667%
Hangzhou Tegai Investment Management Partnership (Limited Partnership) (杭州特概投資管理合夥企業(有限合夥))	16.6667%
4(a). Beneficial owners of Hangzhou Xier Enterprise Management Partnership (Limited Partnership) (杭州歇爾企業管理合夥企業(有限合夥)):	
Mr. Wang^	65.0000%
Sun Dongfei (孫東飛)	14.0000%
Chen Yuelian (陳躍蓮)	3.0000%
Song Yu (宋禹)	2.0000%
Qiu Ruiying (邱睿鶯)	2.0000%
Liang Ying (梁英)	2.0000%
Zhou Leijiang (周雷江)	2.0000%
Wang Zhonggen (王仲根)^	1.0000%
Shi Xiaoye (施曉擘)	1.0000%
Bu Xiaoyan (卜曉燕)	1.0000%
Fang Weicheng (方偉程)	1.0000%
Yao Jianyang (姚建洋)	1.0000%
Wang Chundi (王春娣)	1.0000%
Zhang Chunlei (張春雷)	1.0000%
Wang Ping (王萍)	1.0000%
Xiao Tianmin (蕭天民)	1.0000%

HISTORY, DEVELOPMENT AND REORGANISATION

Xu Ning (胥寧)	0.5000%
Ding Huanjun (丁煥軍)	0.5000%
4(b). Beneficial owners of Hangzhou Tegai Investment Management Partnership (Limited Partnership) (杭州特概投資管理合夥企業(有限合夥)):	
Mr. Wang (王泉)	78.7000%
Cheng Xiaochun (程曉春)	4.0000%
Wang Lei (王磊)	2.0000%
Lao Jun (勞俊)	2.0000%
Chen Xiaoyan (陳小燕)	1.0000%
Xu Li (徐麗)	1.0000%
Zhou Lingli (周玲莉)	1.0000%
Li Xiaolong (李小龍)	1.0000%
Wang Jiaping (王佳萍)	1.0000%
Wu Qiaoqiao (吳巧巧)	1.0000%
Zhu Qingjiang (朱清江)	1.0000%
Chen Zhongqing (陳仲慶)	1.0000%
Wang Shilong (王師龍)	1.0000%
Xue Ben (薛奔)	1.0000%
Lou Zhihui (樓志輝)	1.0000%
Qi Dibin (戚狄斌)	1.0000%
Wu Chunguang (武春光)	0.8000%
Ke Yanliang (柯彥良)	0.5000%
^ Mr. Wang is one of our Controlling Shareholders. Mr. Wang Zhongxing (王仲行) is the father of Mr. Wang and Mr. Wang Zhonggen (王仲根) is the uncle of Mr. Wang, other than that, each of the other general partners and limited partners of Hangzhou Aiyuan L.P., Hangzhou Xier Enterprise Management Partnership (Limited Partnership) and Hangzhou Tegai Investment Management Partnership (Limited Partnership) is not a connected person of Mr. Wang, Zi Yue and Gensis FAR within the meaning of the Listing Rules.	
5. Gongshu Techonology is indirectly wholly owned by Hangzhou Gongshu District Finance Bureau (杭州市拱墅區財政局)	
6. Shareholders of Beijing Yuanlue:	
Zhou Shuyun (周曙雲)	70.0000%
Gao Zeyu (高澤宇)	30.0000%
7. Hangzhou Gongshu is indirectly wholly owned by Hangzhou Gongshu District Finance Bureau (杭州市拱墅區財政局)	
8. Beneficial owners of Ningbo Jiale L.P.:	
Ningbo Meishan Bonded Port Area Suizi John Equity Investment Center (Limited Partnership) (寧波梅山保稅港區錾子約翰股權投資中心(有限合夥))	24.8994%
Ningbo Meishan Bonded Port Area Jacob Equity Investment Center (Limited Partnership) (寧波梅山保稅港區雅各股權投資中心(有限合夥))	9.5767%
Li Sanmei (黎三妹)	9.5767%
Zhu Bing (朱兵)	[REDACTED]
Lin Saichun (林賽春)	[REDACTED]

HISTORY, DEVELOPMENT AND REORGANISATION

Zhang Dongyue (張東岳)	3.8307%
He Weitao (何偉濤)	3.8307%
Wen Shaomo (溫少模)	3.8307%
Liu Yinfang (劉銀芳)	3.0645%
Sun Changjiang (孫長江)	2.8730%
Wang Haolong (王浩龍)	2.8730%
Zhang Yu (張玉)	2.2984%
Pan Bihua (潘筆華)	2.2984%
Chen Yao (陳瑤)	2.2984%
Liang Zhihua (梁志華)	1.9153%
Liu Baoyu (劉寶玉)	1.9153%
Wu Shangzhen (吳尚珍)	1.9153%
Ke Yuxia (柯玉霞)	1.9153%
Song Peilin (宋沛林)	1.9153%
Zhao Yi (招亦)	1.9153%
Gan Peisi (甘沛斯)	1.9153%
Li Weidong (李偉東)	1.9153%
Liang Zhiyan (梁志研)	1.9153%
Shenzhen Suizi	0.0192%

8(a). Beneficial owners of Ningbo Meishan Bonded Port Area Suizi John Equity Investment Center (Limited Partnership) (寧波梅山保稅港區繸子約翰股權投資中心(有限合夥)):

He Lianming (何聯明)	20.0000%
Shenzhen Suizi	9.0000%
Sun Changjiang (孫長江)	4.0000%
Liang Li (梁力)	4.0000%
Feng Zaixiang (馮在祥)	4.0000%
Zhang Jiayong (張嘉勇)	4.0000%
Zhongshan Suizi Joseph Equity Investment Center (Limited Partnership) (中山繸子約瑟股權投資中心(有限合夥))	4.0000%
Zhang Xiaojun (張曉君)	3.0000%
Shu Bo (舒波)	3.0000%
Guo Haowen (郭浩文)	2.8000%
Chen Xiurong (陳秀容)	2.2000%
Zhou Hong (周紅)	2.0000%
Zheng Dong (鄭東)	2.0000%
Chen Cuilan (陳翠蘭)	2.0000%
Tan Zhiqiang (譚志强)	2.0000%
Liu Baoyu (劉寶玉)	2.0000%
Liu Yaping (劉亞萍)	2.0000%
Xi Tao (奚濤)	2.0000%
Lei Lin (雷林)	2.0000%
Gan Li (甘力)	2.0000%
Fang Bo (方波)	2.0000%
Lin Yongan (林永安)	2.0000%
Wu Xiaoping (吳小平)	2.0000%
Chen Yequ (陳葉秋)	2.0000%
He Weitao (何偉濤)	2.0000%
Lin Wentao (林文韜)	2.0000%
Luo Zhicong (羅智聰)	2.0000%

HISTORY, DEVELOPMENT AND REORGANISATION

Deng Yuyan (鄧玉顏)	2.0000%
Mai Jieying (麥結英)	2.0000%
Zhao Yiming (趙藝鳴)	2.0000%
Liu Yingyi (劉穎儀)	2.0000%
8(a)(i). Beneficial owners of Zhongshan Suizi Joseph Equity Investment Center (Limited Partnership) (中山繸子約瑟股權投資中心(有限合夥)):	
Shenzhen Suizi	23.0769%
Liang Jieyin (梁結茵)	15.3846%
Chen Ye qiu (陳葉秋)	15.3846%
Chen Cuilan (陳翠蘭)	15.3846%
He Ruiheng (何銳衡)	7.6923%
Lu Yiqiang (盧毅強)	7.6923%
Yin Mingcui (尹明翠)	7.6923%
Lu Rongjin (陸榮進)	7.6923%
8(b). Beneficial owners of Ningbo Meishan Bonded Port Area Jacob Equity Investment Center (Limited Partnership) (寧波梅山保稅港區雅各股權投資中心(有限合夥)):	
Shenzhen Suizi	53.3333%
Lai Yongqin (黎泳琴)	16.6667%
Chen Yao (陳瑤)	6.6667%
Chen Yiwen (陳毅文)	6.6667%
Yan Qinghua (嚴慶華)	3.3333%
Li Jiangdong (鄺江東)	3.3333%
Li Qianying (李倩影)	3.3333%
Li Weiju (李維駒)	3.3333%
Fan Qiangxue (樊強學)	3.3333%
	53.3333%
8(c). Shareholders of Shenzhen Suizi	
Shenzhen Muen Investment Management Co., Ltd. (深圳市牧恩投資管理有限公司)	39.0000%
Guangdong Chuangneng Design Consulting Co., Ltd. (廣東創能設計顧問有限公司)	19.5000%
Huang Jinwei (黃錦偉)	12.1875%
Luo Suqi (羅素奇)	9.7500%
Xiao Siqing (肖四清)	4.9374%
Li Zhiquan (李治權)	3.9000%
Fang Haishun (方海順)	3.9000%
Huang Xiaoxiao (黃小筱)	3.9000%
Zhongshan Megen Enterprise Management Partnership (Limited Partnership) (中山蒙恩企業管理合夥企業(有限合夥))	2.9250%
8(c)(i) Shareholders of Shenzhen Muen Investment Management Co., Ltd. (深圳市牧恩投資管理有限公司)	
Wu Manping (吳蔓萍)	99.8000%
Yang Dian (楊典)	0.2000%

HISTORY, DEVELOPMENT AND REORGANISATION

8(c)(ii) Shareholders of Guangdong Chuangneng Design Consulting Co., Ltd. (廣東創能設計顧問有限公司)	
Fu Jin (傅進)	99.5000%
Shan Jiqu (單既秋)	0.5000%
8(c)(iii) Beneficial owners of Zhongshan Meng'en Enterprise Management Partnership (Limited Partnership) (中山蒙恩企業管理合夥企業(有限合夥))	
Lin Xiaoli (林小麗)	40.0000%
Yin Li (尹力)	40.0000%
Li Shuling (李淑玲)	20.0000%
9. Shareholders of Sichuan Xincheng	
Xu Yucong (徐雨聰)	20.0000%
Xu Jihua (徐計華)	80.0000%
10. Shareholders of Guangdong Wuba	
Xia Daoning (夏道寧)	49.0000%
Wang Xiangxiu (王祥秀)	51.0000%
11. Beneficial owners of Ningbo Mingxia L.P.	
Jiang Weiwei (蔣維偉)	9.9192%
Lao Weimin (勞偉敏)	19.8384%
Li Xiaoli (李曉麗)	9.9192%
Liao Jiamin (廖佳敏)	19.8384%
Shen Ligang (沈利剛)	9.9192%
Zhang Chuang (張闡)	19.8384%
Zhang Hualin (張華林)	9.9192%
Ningbo Jiuyue Datai Private Equity Fund Management Co., Ltd. (寧波九月達泰私募基金管理有限公司)	0.8081%
11(a). Shareholders of Ningbo Jiuyue Datai Private Equity Fund Management Co., Ltd. (寧波九月達泰私募基金管理有限公司)	
Zhang Hualin (張華林)	90.0000%
Shi Ye (石也)	5.0000%
Chen Lei (陳磊)	5.0000%

Step 1: Capital injection of Easygo to Hangzhou FAR

- (a) On 16 May 2022, Easygo HK, an investment holding company, was incorporated in Hong Kong by Easygo with one share of HK\$1.00 issued to and fully paid by Easygo.

HISTORY, DEVELOPMENT AND REORGANISATION

- (b) On 7 November 2022, Easygo HK entered into the Easygo HK Agreement with Hangzhou FAR, pursuant to which Easygo HK agreed to subscribe and Hangzhou FAR agreed to allot 457,404 shares in Hangzhou FAR at a consideration of approximately RMB13,260,000. Immediately after completion of the capital injection, Easygo HK held 1% of equity interests in Hangzhou FAR.

Step 2: Establishment of offshore group structure and wholly foreign owned enterprise

- (a) On 8 June 2022, Zi Yue was incorporated under the laws of BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On the same date, one fully-paid share of Zi Yue was allotted and issued to Mr. Wang.
- (b) On 24 November 2022, our Company, an investment holding company, was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary Shares with a par value of HK\$0.01 per Share. On 24 November 2022, one fully-paid Share was allotted and issued to the initial subscriber, which was then transferred to Zi Yue on the same date.
- (c) On 15 December 2022, an investment holding company, Sure Link was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 15 December 2022, one fully paid ordinary share of Sure Link, representing its entire issued share capital, was issued and allotted at par to our Company.
- (d) On 22 December 2022, an investment holding company, Novel Harbour was incorporated in Hong Kong. One fully paid ordinary share of Novel Harbour, representing its entire issued share capital, was issued and allotted at HK\$1.00 to Sure Link.
- (e) On 13 January 2023, Heguang Tongchen was established by Novel Harbour.

HISTORY, DEVELOPMENT AND REORGANISATION

Step 3: Setup of BVI Companies by certain existing ultimate beneficial owners of Hangzhou FAR

On divers dates, 26 BVI companies were incorporated by certain existing ultimate beneficial owners of the equity interests in Hangzhou FAR (other than Alibaba China and Easygo HK) (the “Original Owners”). Particulars of which are set out as follows:

	Name of BVI companies	Date of incorporation	Original Owners	Respective beneficial interests in the BVI companies (Note)	Ultimate Beneficial Owners
				(%)	
1.	Gensis FAR Holdings Limited 天遠控股有限公司 (“Gensis FAR”).	28 December 2022	Hangzhou Aiyuan L.P.	100	Please refer to Note 4 on page 135
2.	Summit Charm Holdings Limited 峰魅控股有限公司 (“Summit Charm”).	29 December 2022	Hangzhou Gongshu	100	Please refer to Note 7 on page 135.2
3.	Eastern Ventures Holdings Limited 東創控股有限公司 (“Eastern Ventures”).	21 December 2022	Ningbo Jiale L.P. through Hangzhou Shengdelan L.P.	100	Please refer to Note 8 on page 135.2
4.	Bliss Sky Holdings Limited 願天控股有限公司 (“Bliss Sky”).	29 December 2022	Ningbo Mingxia L.P. through Hangzhou Mingxia Datai L.P. Enterprise Management Partnership (Limited Partnership)* 杭州明夏達泰企業管理合夥企業(有限合夥) (“Hangzhou Mingxiadatai L.P.”)	100	Please refer to Note 11 on page 135.5
5.	Summit Acute Holdings Limited 峰銳控股有限公司 (“Summit Acute”).	23 December 2022	Gongshu Technology	100	Please refer to Note 5 on page 135.2
6.	Coast Harvest Holdings Limited 岸城控股有限公司 (“Coast Harvest”).	10 October 2022	Ye Jianrong (葉建榮) Ye Xinyi (葉心怡)	85 15	Ye Jianrong (葉建榮) Ye Xinyi (葉心怡)
7.	Good Chains International Holdings Limited (錦聯國際控股有限公司) (“Good Chains”).	24 May 2022	Sun Jianwei (孫劍巍)	100	Sun Jianwei (孫劍巍)
8.	Beijing Yuanlue Holdings Limited 北京遠略控股有限公司 (“Yuanlue Holdings”).	24 May 2022	Zhou Shuyun (周曙雲) Gao Zeyu (高澤宇)	70 30	Zhou Shuyun (周曙雲) Gao Zeyu (高澤宇)

HISTORY, DEVELOPMENT AND REORGANISATION

Name of BVI companies	Date of incorporation	Original Owners	Respective beneficial interests in the BVI companies (Note)	Ultimate Beneficial Owners
			(%)	
9. Winner Wealth Investment Holdings Limited (捷裕投資控股有限公司) (“Winner Wealth”)	24 May 2022	Wang Zhonghao (王仲浩)	100	Wang Zhonghao (王仲浩)
10. Win Kane Holdings Limited (寅侃控股有限公司) (“Win Kane”)	24 May 2022	Zhang Yinkan (張寅侃)	100	Zhang Yinkan (張寅侃)
11. Skill Lead Holdings Limited 藝領控股有限公司 (“Skill Lead”)	8 June 2022	Ye Jianrong (葉建榮)	100	Ye Jianrong (葉建榮)
12. Power New Investment Holdings Limited 威新投資控股有限公司 (“Power New”)	5 July 2022	Xia Minyong (夏敏勇)	100	Xia Minyong (夏敏勇)
13. World Crystal Holdings Limited (世福控股有限公司) (“World Crystal”)	8 June 2022	Hu Bing (胡兵)	100	Hu Bing (胡兵)
14. Sichuan Xin Cheng Holdings Limited 四川省新成控股有限公司 (“Sichuan Xin Cheng”)	5 May 2022	Xu Jihua (徐計華) Xu Yucong (徐雨聰)	80 20	Xu Jihua (徐計華) Xu Yucong (徐雨聰)
15. Ren He International Holdings Limited (仁和國際控股有限公司) (“Ren He”)	24 May 2022	Yang Zhilong (楊志龍)	100	Yang Zhilong (楊志龍)
16. Diana Jou Holdings Limited 薇蕪控股有限公司 (“Diana Jou”)	24 May 2022	Yu Wei (俞薇)	100	Yu Wei (俞薇)
17. Champion Joint Holdings Limited 冠合控股有限公司 (“Champion Joint”)	10 October 2022	Wang Xiangxiu (王祥秀) Xia Daoning (夏道寧)	51 49	Wang Xiangxiu (王祥秀) Xia Daoning (夏道寧)
18. Colour Talent Holdings Limited 帝榮控股有限公司 (“Colour Talent”)	8 June 2022	Yu Shenqiang (俞深強)	100	Yu Shenqiang (俞深強)
19. Li Zhang International Holdings Limited 莉幸國際控股有限公司 (“Li Zhang”)	8 June 2022	Zhang Li (張莉)	100	Zhang Li (張莉)
20. Seven Big Dipper Holdings Limited (北斗七星控股有限公司) (“Seven Big Dipper”)	24 May 2022	Zhu Jiong (朱炯)	100	Zhu Jiong (朱炯)
21. Win Tim Holdings Limited (贏添控股有限公司) (“Win Tim”)	24 May 2022	Pan Jutian (潘鉅添)	100	Pan Jutian (潘鉅添)
22. Courage Sino Holdings Limited 勇華控股有限公司 (“Courage Sino”)	24 May 2022	Jin Meisong (金梅松)	100	Jin Meisong (金梅松)
23. Yu Han Holdings Limited 譽漢控股有限公司 (“Yu Han”)	24 May 2022	Zhu Jia (朱佳)	100	Zhu Jia (朱佳)

HISTORY, DEVELOPMENT AND REORGANISATION

Name of BVI companies	Date of incorporation	Original Owners	Respective beneficial interests in the BVI companies (Note) (%)	Ultimate Beneficial Owners
24. Empire Port Holdings Limited 榮加控股有限公司 (“ Empire Port ”)	8 June 2022	Sun Jianrong (孫建榮)	100	Sun Jianrong (孫建榮)
25. Aroma Full Holdings Limited 芳福控股有限公司 (“ Aroma Full ”)	24 May 2022	Zhao Fenfang (趙芬芳)	100	Zhao Fenfang (趙芬芳)
26. Hoi Tai Holdings Limited 開泰控股 有限公司 (“ Hoi Tai ”)	8 June 2022	Xu Ning (胥寧)	100	Xu Ning (胥寧)

Note: the respective percentage of beneficial interests in the BVI companies applies to both Original Owners and Ultimate Beneficial Owners of the corresponding BVI companies

HISTORY, DEVELOPMENT AND REORGANISATION

Step 4: Subscription of new Shares by the BVI companies set up by the Original Owners

On 9 May 2023, the BVI companies set up by the Original Owners entered into Original Owners Subscription Agreement with our Company to subscribe for an aggregate of 40,491,580 Shares (which has taken into account and excluded the one Share held by Zi Yue under step 2(b) above) at an aggregate subscription price of RMB40,491,581 (which was set off with the total consideration agreed to be paid by Heguang Tongchen for its acquisitions of approximately 88.5247% equity interest in Hangzhou FAR from the Original Owners under Step 5 below). The number of Shares respectively subscribed by each BVI company are set out in the table below:

Allottees of the Shares	Number of Shares allotted and issued	Approximate % of shareholdings in our Company immediately after the subscription (%)
Zi Yue	15,809,969	39.0451
Gensis FAR	3,000,000	7.4089
Coast Harvest	2,375,685	5.8671
Good Chains	2,099,511	5.1851
Summit Acute	1,918,164	4.7372
Yuanlue Holdings	1,444,531	3.5675
Winner Wealth	1,411,930	3.4870
Win Kane	1,338,758	3.3063
Summit Charm	1,331,610	3.2886
Skill Lead	1,319,222	3.2580
Power New	1,068,796	2.6396
Eastern Ventures	1,053,988	2.6030
World Crystal	899,622	2.2218
Sichuan Xin Cheng	843,750	2.0838
Ren He	803,255	1.9838
Diana Jou	618,043	1.5263
Champion Joint	500,685	1.2365
Bliss Sky	451,620	1.1153
Colour Talent	431,228	1.0650
Li Zhang	364,910	0.9012
Seven Big Dipper	353,255	0.8724
Win Tim	353,255	0.8724
Courage Sino	240,000	0.5927
Yu Han	150,000	0.3704
Empire Port	150,000	0.3704
Aroma Full	83,207	0.2055
Hoi Tai	76,586	0.1891
Total	40,491,580	100

HISTORY, DEVELOPMENT AND REORGANISATION

Step 5: Acquisition of approximately 88.5247% equity interest in Hangzhou FAR by Huguang Tongchen

On 9 May 2023, Huguang Tongchen and the Original Owners entered into the Original Owners Acquisition Agreement, pursuant to which Huguang Tongchen acquired in aggregate approximately 88.5247% equity interest in Hangzhou FAR from the Original Owners at a total consideration of RMB40,491,581 (such total consideration was set off with the aggregate subscription price agreed to be paid by the Original Owners to our Company in respect of their subscriptions of 40,491,580 Shares of our Company under Step 4 above). The respective equity interest acquired by Huguang Tongchen from each Original Owner are shown in the table below:

Existing shareholders of Hangzhou FAR	Approximate equity interest in Hangzhou FAR acquired by Huguang Tongchen
	(%)
Hangzhou Shirui L.P.	25.7435
Mr. Wang	20.4633
Hangzhou Aiyuan L.P.	6.5588
Gongshu Technology	4.1936
Yongchao Venture	4.0992
Beijing Yuanlue	3.1581
Hangzhou Gongshu	2.9112
Ye Jianrong (葉建榮)	2.8841
Xia Minyong (夏敏勇)	2.3367
Ningbo Jiale L.P.	2.3043
Sichuan Xincheng	1.8446
Zhang Yinkan (張寅侃)	1.6397
Wang Zhonghao (王仲浩)	1.5422
Yu Wei (俞薇)	1.3512
Ningbo Yongtao L.P.	1.0946
Guangdong Wuba	1.0946
Ningbo Mingxia L.P.	0.9874
Yang Zhilong (楊志龍)	0.9838
Yu Shenqiang (俞深強)	0.9428
Zhang Li (張莉)	0.7978
Gin Meisong (金梅松)	0.5247
Zhu Jia (朱佳)	0.3279
Sun Jianrong (孫建榮)	0.3279
Zhao Fenfang (趙芬芳)	0.1819
Xu Ning (胥寧)	0.1674
Rizhao Ruitan	0.0633
Total	<u>88.5247</u>

HISTORY, DEVELOPMENT AND REORGANISATION

Step 6: Acquisition of Equity Interest held by Alibaba China and Concurrent Subscription of Preferred Shares by Taobao China

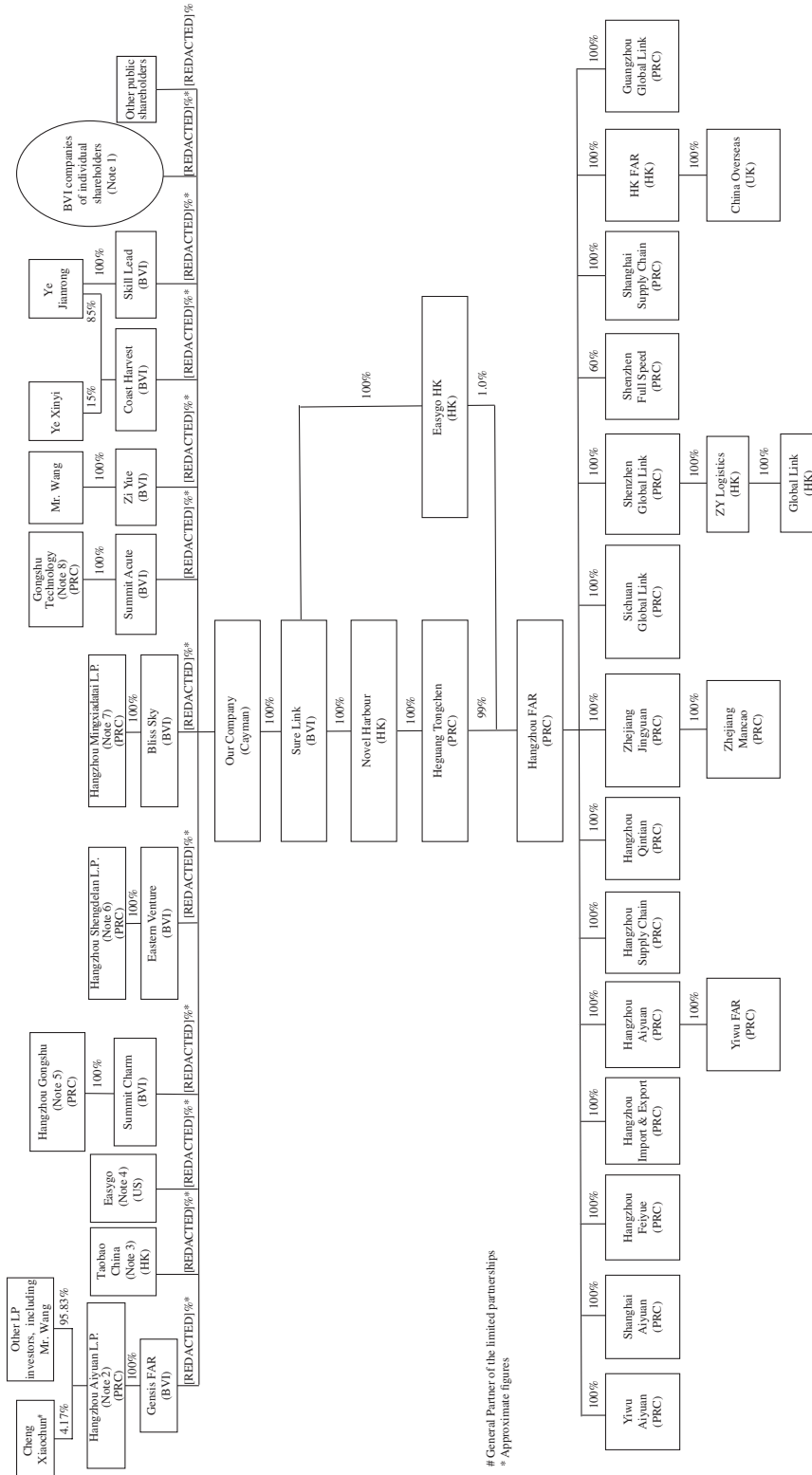
On 11 May 2023, Huguang Tongchen and Alibaba China entered into the Alibaba Acquisition Agreement, pursuant to which Huguang Tongchen acquired from Alibaba China approximately 10.4753% equity interest in Hangzhou FAR for a consideration of RMB138,888,889, which was equivalent to the capital injected by Alibaba China to Hangzhou FAR in 2021. On 11 May 2023, Taobao China, an affiliate of Alibaba China, entered into the Taobao Subscription Agreement with our Company to subscribe for 4,791,427 Preferred Shares at a subscription price of RMB138,888,889, which was equivalent to the consideration paid by Huguang Tongchen in the Alibaba Acquisition Agreement. The transactions contemplated under the Alibaba Acquisition Agreement and the Taobao Subscription Agreement were both completed on 16 May 2023.

Step 7: Easygo Share Swap Arrangement

On 16 May 2023, Sure Link and Easygo entered into the Easygo Share Swap Agreement, pursuant to which Easygo transferred the entire issued shares of Easygo HK to Sure Link, in consideration of which, our Company allotted and issued 457,404 Shares to Easygo. Immediately after the share swap, Easygo HK became our wholly-owned subsidiary and Easygo was interested in approximately 1% of the enlarged issued share capital of our Company.

HISTORY, DEVELOPMENT AND REORGANISATION

Chart VI Corporate structure upon completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued upon the exercise of the [REDACTED])



General Partner of the limited partnerships

* Approximate figures

HISTORY, DEVELOPMENT AND REORGANISATION

Notes:

1. BVI companies of individual shareholders

	Approximate % of shareholdings in our Company
	(%)
Good Chains	3.6720
Yuanlue Holdings	2.5265
Winner Wealth	2.4695
Win Kane	2.3415
Power New	1.8693
World Crystal	1.5734
Sichuan Xin Cheng	1.4757
Ren He	1.4049
Diana Jou	1.0810
Champion Joint	0.8757
Colour Talent	0.7542
Li Zhang	0.6382
Seven Big Dipper	0.6178
Win Tim	0.6178
Courage Sino	0.4198
Yu Han	0.2624
Empire Port	0.2624
Aroma Full	0.1455
Hoi Tai	0.1339
Total	<u>23.1415</u>

2. Beneficial owners of Hangzhou Aiyuan L.P.:

Mr. Wang	13.9333%
Cheng Xiaochun (程曉春)	4.1667%
Shen Xiaolan (沈小蘭)	3.5000%
Wang Yihang (王義杭)	3.3333%
Liu Diquan (劉迪群)	2.5500%
Zhang Xiaoou (章曉鷗)	2.5000%
Liu Birong (劉碧榕)	2.3333%
Wang Juan (王娟)	2.3333%
Zhou Fei (周飛)	2.1667%
Sun Min (孫敏)	2.0000%
Wang Jijia (王佳佳)	1.8333%
Sun Jianrong (孫建榮)	1.8333%
Zhao Jia (趙佳)	1.7667%
Wu Cheng (吳澄)	1.5000%
Zhang Zhaona (章趙娜)	1.3333%
Li Qingyu (李清瑜)	1.3333%
Liu Jian (劉健)	1.3333%
Jia Dandan (賈丹丹)	1.3333%

HISTORY, DEVELOPMENT AND REORGANISATION

Pan Longping (潘龍平)	1.3333%
Zhu Guangzhen (朱廣真)	1.3333%
Zheng Yinxiang (鄭銀祥)	1.3333%
Chai Hong (柴洪)	1.1667%
Yu Chan (餘嬋)	1.0000%
Zhang Lin (章琳)	1.0000%
Xie Enfei (解恩飛)	0.8333%
Liu Juan (劉娟)	0.8333%
Li Jun (李軍)	0.6667%
Zhu Jia (朱佳)	0.6667%
Chen Guoqin (陳國勤)	0.5000%
Zhou Changqing (周長清)	0.5000%
Hong Laiming (洪來明)	0.5000%
Dong Lina (董麗娜)	0.5000%
Miao Kaimeng (繆鎧檬)	0.5000%
Zhou Huicheng (周惠誠)	0.5000%
Wang Zhongxing (王仲行)^	0.3333%
Li Feng (龐峰)	0.3333%
Zhou Yu (周鈺)	0.3333%
Zhong Sheng (鍾聲)	0.3333%
Xu Yan (徐妍)	0.3333%
Wu Jianguang (吳建光)	0.3333%
Ruan Yuliang (阮雨良)	0.2500%
Kong Lingqin (孔令琴)	0.1667%
Hangzhou Xier Enterprise Management Partnership (Limited Partnership) (杭州歇爾企業管理合夥企業(有限合夥))	16.6667%
Hangzhou Tegai Investment Management Partnership (Limited Partnership) (杭州特概投資管理合夥企業(有限合夥))	16.6667%

2(a). Beneficial owners of Hangzhou Xier Enterprise Management Partnership (Limited Partnership) (杭州歇爾企業管理合夥企業(有限合夥)):

Mr. Wang	65.0000%
Sun Dongfei (孫東飛)	14.0000%
Chen Yuelian (陳躍蓮)	3.0000%
Song Yu (宋禹)	2.0000%
Qiu Ruiying (邱睿鶯)	2.0000%
Liang Ying (梁英)	2.0000%
Zhou Leijiang (周雷江)	2.0000%
Wang Zhonggen (王仲根)^	1.0000%
Shi Xiaoye (施曉擘)	1.0000%
Bu Xiaoyan (卜曉燕)	1.0000%
Fang Weicheng (方偉程)	1.0000%
Yao Jianyang (姚建洋)	1.0000%
Wang Chundi (王春娣)	1.0000%
Zhang Chunlei (張春雷)	1.0000%
Wang Ping (王萍)	1.0000%
Xiao Tianmin (蕭天民)	1.0000%
Xu Ning (胥寧)	0.5000%
Ding Huanjun (丁煥軍)	0.5000%

HISTORY, DEVELOPMENT AND REORGANISATION

2(b). Beneficial owners of Hangzhou Tegai Investment Management Partnership (Limited Partnership) (杭州特概投資管理合夥企業(有限合夥)):

Mr. Wang (王泉)	78.7000%
Cheng Xiaochun (程曉春)	4.0000%
Wang Lei (王磊)	2.0000%
Lao Jun (勞俊)	2.0000%
Chen Xiaoyan (陳小燕)	1.0000%
Xu Li (徐麗)	1.0000%
Zhou Lingli (周玲莉)	1.0000%
Li Xiaolong (李小龍)	1.0000%
Wang Jiaping (王佳萍)	1.0000%
Wu Qiaoqiao (吳巧巧)	1.0000%
Zhu Qingjiang (朱清江)	1.0000%
Chen Zhongqing (陳仲慶)	1.0000%
Wang Shilong (王師龍)	1.0000%
Xue Ben (薛奔)	1.0000%
Lou Zhihui (樓志輝)	1.0000%
Qi Dibin (戚狄斌)	1.0000%
Wu Chunguang (武春光)	0.8000%
Ke Yanliang (柯彥良)	0.5000%

^ Mr. Wang is one of our Controlling Shareholders. Mr. Wang Zhongxing (王仲行) is the father of Mr. Wang and Mr. Wang Zhonggen (王仲根) is the uncle of Mr. Wang, other than that, each of the other general partners and limited partners of Hangzhou Aiyuan L.P., Hangzhou Xier Enterprise Management Partnership (Limited Partnership) and Hangzhou Tegai Investment Management Partnership (Limited Partnership) is not a connected person of Mr. Wang, Zi Yue and Gensis FAR within the meaning of the Listing Rules.

3. Taobao China is indirectly wholly owned by Alibaba Holding

4. Easygo is directly wholly owned by Zeng Yong (曾勇)

5. Hangzhou Gongshu is indirectly wholly owned by Hangzhou Gongshu District Finance Bureau (杭州市拱墅區財政局)

6. Beneficial owners of Hangzhou Shengdelan L.P.:

Ningbo Jiale L.P.	99.9000%
Shenzhen Suizi	0.1000%

6(a). Beneficial owners of Ningbo Jiale L.P.:

Ningbo Meishan Bonded Port Area Suizi John Equity Investment Center (Limited Partnership) (寧波梅山保稅港區遜子約翰股權投資中心(有限合夥))	24.8994%
Ningbo Meishan Bonded Port Area Jacob Equity Investment Center (Limited Partnership) (寧波梅山保稅港區雅各股權投資中心(有限合夥))	9.5767%
Li Sanmei (黎三妹)	9.5767%
Zhu Bing (朱兵)	5.7460%
Lin Saichun (林賽春)	5.7460%
Zhang Dongyue (張東岳)	3.8307%
He Weitao (何偉濤)	3.8307%

HISTORY, DEVELOPMENT AND REORGANISATION

Wen Shaomo (溫少模)	3.8307%
Liu Yinfang (劉銀芳)	3.0645%
Sun Changjiang (孫長江)	2.8730%
Wang Haolong (王浩龍)	2.8730%
Zhang Yu (張玉)	2.2984%
Pan Bihua (潘筆華)	2.2984%
Chen Yao (陳瑤)	2.2984%
Liang Zhihua (梁志華)	1.9153%
Liu Baoyu (劉寶玉)	1.9153%
Wu Shangzhen (吳尚珍)	1.9153%
Ke Yuxia (柯玉霞)	1.9153%
Song Peilin (宋沛林)	1.9153%
Zhao Yi (招亦)	1.9153%
Gan Peisi (甘沛斯)	1.9153%
Li Weidong (李偉東)	1.9153%
Liang Zhiyan (梁志研)	1.9153%
Shenzhen Suizi	0.0192%

6(a)(i). Beneficial owners of Ningbo Meishan Bonded Port Area Suizi John Equity Investment Center (Limited Partnership) (寧波梅山保稅港區繸子約翰股權投資中心(有限合夥)):

He Lianming (何聯明)	20.0000%
Shenzhen Suizi	9.0000%
Sun Changjiang (孫長江)	4.0000%
Liang Li (梁力)	4.0000%
Feng Zaixiang (馮在祥)	4.0000%
Zhang Jiayong (張嘉勇)	4.0000%
Zhongshan Suizi Joseph Equity Investment Center (Limited Partnership) (中山繸子約瑟股權投資中心(有限合夥))	4.0000%
Zhang Xiaojun (張曉君)	3.0000%
Shu Bo (舒波)	3.0000%
Guo Haowen (郭浩文)	2.8000%
Chen Xiurong (陳秀容)	2.2000%
Zhou Hong (周紅)	2.0000%
Zheng Dong (鄭東)	2.0000%
Chen Cuilan (陳翠蘭)	2.0000%
Tan Zhiqiang (譚志强)	2.0000%
Liu Baoyu (劉寶玉)	2.0000%
Liu Yaping (劉亞萍)	2.0000%
Xi Tao (奚濤)	2.0000%
Lei Lin (雷林)	2.0000%
Gan Li (甘力)	2.0000%
Fang Bo (方波)	2.0000%
Lin Yongan (林永安)	2.0000%
Wu Xiaoping (吳小萍)	2.0000%
Chen Yequ (陳葉秋)	2.0000%
He Weitao (何偉濤)	2.0000%
Lin Wentao (林文韜)	2.0000%
Luo Zhicong (羅智聰)	2.0000%
Deng Yuyan (鄧玉顏)	2.0000%
Mai Jieying (麥結英)	2.0000%

HISTORY, DEVELOPMENT AND REORGANISATION

Zhao Yiming (趙藝鳴)	2.0000%
Liu Yingyi (劉穎儀)	2.0000%
6(a)(i-i) Beneficial owners of Zhongshan Suizi Joseph Equity Investment Center (Limited Partnership) (中山繸子約瑟股權投資中心(有限合夥)):	
Shenzhen Suizi	23.0769%
Liang Jieyin (梁結茵)	15.3846%
Chen Ye qiu (陳葉秋)	15.3846%
Chen Cuilan (陳翠蘭)	15.3846%
He Ruiheng (何銳衡)	7.6923%
Lu Yiqiang (盧毅強)	7.6923%
Yin Mingcui (尹明翠)	7.6923%
Lu Rongjin (陸榮進)	7.6923%
6(a)(ii) Beneficial owners of Ningbo Meishan Bonded Port Area Jacob Equity Investment Center (Limited Partnership) (寧波梅山保稅港區雅各股權投資中心(有限合夥)):	
Shenzhen Suizi	53.3333%
Lai Yongqin (黎泳琴)	16.6667%
Chen Yao (陳瑤)	6.6667%
Chen Yiwen (陳毅文)	6.6667%
Yan Qinghua (嚴慶華)	3.3333%
Li Jiangdong (鄺江東)	3.3333%
Li Qianying (李倩影)	3.3333%
Li Weiju (李維駒)	3.3333%
Fan Qiangxue (樊強學)	3.3333%
6(b). Shareholders of Shenzhen Suizi	
Shenzhen Muen Investment Management Co., Ltd. (深圳市牧恩投資管理有限公司)	39.0000%
Guangdong Chuangneng Design Consulting Co., Ltd. (廣東創能設計顧問有限公司)	19.5000%
Huang Jinwei (黃錦偉)	12.1875%
Luo Suqi (羅素奇)	9.7500%
Xiao Siqing (肖四清)	4.9374%
Li Zhiquan (李治權)	3.9000%
Fang Haishun (方海順)	3.9000%
Huang Xiaoxiao (黃小筱)	3.9000%
Zhongshan Meng'en Enterprise Management Partnership (Limited Partnership) (中山蒙恩企業管理合夥企業(有限合夥))	2.9250%
6(b)(i) Shareholders of Shenzhen Muen Investment Management Co., Ltd. (深圳市牧恩投資管理有限公司)	
Wu Manping (吳蔓萍)	99.8000%
Yang Dian (楊典)	0.2000%
6(b)(ii) Shareholders of Guangdong Chuangneng Design Consulting Co., Ltd. (廣東創能設計顧問有限公司)	
Fu Jin (傅進)	99.5000%
Shan Jiqu (單既秋)	0.5000%

HISTORY, DEVELOPMENT AND REORGANISATION

- 6(b)(iii) Beneficial owners of Zhongshan Mengen Enterprise Management Partnership (Limited Partnership) (中山蒙恩企業管理合夥企業(有限合夥))
- | | |
|----------------------------|----------|
| Lin Xiaoli (林小麗) | 40.0000% |
| Yin Li (尹力) | 40.0000% |
| Li Shuling (李淑玲) | 20.0000% |
7. Beneficial owners of Hangzhou Mingxiadatai L.P.:
- Ningbo Mingxia Medical Care Investment Partnership (Limited Partnership)
(寧波明夏醫養投資合夥企業(有限合夥)) 99.90%
- Ningbo Jiuyue Datai Private Equity Fund Management Co., Ltd.
(寧波九月達泰私募基金管理有限公司) 0.10%
- 7(a) Beneficial owners of Ningbo Mingxia Medical Care Investment Partnership (Limited Partnership) (寧波明夏醫養投資合夥企業(有限合夥))
- | | |
|--|----------|
| Jiang Weiwei (蔣維偉) | 9.9192% |
| Lao Weimin (勞偉敏) | 19.8384% |
| Li Xiaoli (李曉麗) | 9.9192% |
| Liao Jiamin (廖佳敏) | 19.8384% |
| Shen Ligang (沈利剛) | 9.9192% |
| Zhang Chuang (張闌) | 19.8384% |
| Zhang Hualin (張華林) | 9.9192% |
| Ningbo Jiuyue Datai Private Equity Fund Management Co., Ltd.
(寧波九月達泰私募基金管理有限公司) | 0.8081% |
- 7(b) Shareholders of Ningbo Jiuyue Datai Private Equity Fund Management Co., Ltd. (寧波九月達泰私募基金管理有限公司)
- | | |
|------------------------------|----------|
| Zhang Hualin (張華林) | 90.0000% |
| Shi Ye (石也) | 5.0000% |
| Chen Lei (陳磊) | 5.0000% |
8. Gongshu Techonology is indirectly wholly owned by Hangzhou Gongshu District Finance Bureau (杭州市拱墅區財政局)
9. The Shares held by each of Taobao China, Easygo, Summit Charm, Eastern Venture, Bliss Sky, Summit Acute, Coast Harvest, Skill Lead, Good Chains, Yuanlue Holdings, Winner Wealth, Power New, World Crystal, Sichuan Xin Cheng, Diana Jou, Champion Joint, Colour Talent, Li Zhang, Win Tim, Courage Sino, Aroma Full and Hoi Tai will be considered as part of the public float after [REDACTED] for the purpose of Rule 8.08 of the Listing Rules.

SAFE Registration

Pursuant to the SAFE Circular 37, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the “Overseas SPV”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in

HISTORY, DEVELOPMENT AND REORGANISATION

respect of the Overseas SPV, including a change of Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the SAFE Circular 13, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity was located.

As advised by our PRC Legal Adviser, all ultimate individual beneficial owners of our Company have respectively completed the registrations under SAFE Circular 13 and SAFE Circular 37.

THE M&A RULES

According to the M&A Rules, which was jointly promulgated by MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the SAMR, the CSRC, and the SAFE on 8 August 2006, and amended on 22 June 2009, “merger and acquisition of domestic enterprises by foreign investors” referred to in the M&A Rules shall mean any of the following where a foreign investor: (i) purchases the equity interest of a shareholder in a domestic non-foreign-invested enterprise (the “**domestic enterprise**”); (ii) subscribes for increased capital of a domestic enterprise so as to convert such domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases and operates the assets of a domestic enterprise by agreement; or (iv) purchases the assets of a domestic enterprise by agreement and then invests such assets to establish a foreign-invested enterprise and operates the assets. According to Article 11 of the M&A Rules, the merger and acquisition of a domestic enterprise with or by a domestic enterprise, enterprise or individual, that has related party relationship with the target company, in the name of an overseas company legitimately incorporated or controlled by the domestic enterprise, enterprise or individual, shall be subject to examination and approval by MOFCOM.

As advised by our PRC Legal Adviser, when Easygo HK subscribed 1% shareholding interests in Hangzhou FAR on 7 November 2022 under Step 1 of the Reorganisation, Easygo HK was a foreign investor and was independent from Hangzhou FAR and the Group, Article 11 of the M&A Rules does not apply. Furthermore, at the time when Huguang Tongchen acquired 88.5247% equity interest in Hangzhou FAR on 9 May 2023 under Step 5 of the Reorganisation, Hangzhou FAR had already been a foreign-invested enterprise, the relevant laws and regulations concerning the alteration of investor’s equities in foreign-invested enterprises were applied rather than the M&A Rules Article 11 of the M&A Rules. Accordingly, the M&A Rules does not apply to our Reorganisation.

HISTORY, DEVELOPMENT AND REORGANISATION

ODI approval

Pursuant to the Measures for the Administration of Overseas Investment (《境外投資管理辦法》) which was promulgated by the MOFCOM on 6 September 2014 and became effective on 6 October 2014, the Administrative Measures for Overseas Investment by Enterprises (《企業境外投資管理辦法》) which was promulgated by the National Development and Reform Commission on 26 December 2017, and became effective on 1 March 2018, the Circular of SAFE on Further Simplifying and Improving the Direct Investment — related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (“**Circular 13**”) and other rules (collectively, “**ODI Rules**”), a domestic institution is required to undergo relevant procedures for offshore investment prior to its overseas direct investment and obtain relevant record-filing, approval, certificate or permit. The onshore corporate shareholders have completed the registration/record-filing in January 2023 in accordance with the ODI Rules in relation to their outbound direct investments as domestic institutions.

Circular 37

According to the Circular of the SAFE on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or Circular 37, as modified by Circular 13, PRC residents, including PRC individuals, are required to file foreign exchange registration with designated banks before it injects assets or equity interest in an offshore special purpose vehicle which is directly established or indirectly controlled by the PRC residents for the purpose of investment and financing. In addition, in the event that any change of basic information (including PRC resident shareholders, name and operation term) or any change involving material events (including increase or decrease in investment amount, share transfer or exchange, or merger or division) arises in respect of the registered offshore special purpose vehicle, the foreign exchange registration shall be updated. As advised by our PRC Legal Adviser, all PRC ultimate individual shareholders of our Company, who are PRC residents, have completed the foreign exchange registrations pursuant to Circular 37 and Circular 13 in relation to their offshore investments as PRC residents.

BUSINESS

OVERVIEW

We are an established cross-border e-commerce logistics service provider based in the PRC principally engaged in the provision of end-to-end cross-border logistics services. In 2015, we are the first batch of pilot enterprises at China (Hangzhou) Cross-border e-commerce Comprehensive Pilot Zone* (中國(杭州)跨境電子商務綜合試驗區首批試點企業) in the PRC. To seize the opportunity arising from the development of the PRC’s cross-border e-commerce industry, particularly in the Yangtze River Delta and Pearl River Delta, we strategically set up our service outlets in major trading centres in the PRC, including Zhejiang Province, Shanghai Municipality, Guangdong Province, Fujian Province, Sichuan Province, Henan Province, Shandong Province and Hong Kong. According to the F&S Report, the aforementioned regions have a strong demand for e-commerce logistics services with the total value of goods traded (excluding Hong Kong) in 2022 amounted to approximately RMB24.4 trillion, representing approximately 57.9% of the total value of goods traded in the PRC. During the Track Record Period, our domestic logistics network is mainly concentrated in the Southeastern part of China.

Our business is built on a customer-oriented culture. Given our asset-light nature, we are capable of providing various flexible and reliable delivery options to our customers based on their selection of express, standard or economic delivery options, through coordinating our network of suppliers. At present, we provide overall management of the entire logistics value chain (from receiving the parcel from our customer and delivering the parcel to the final destination), 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 services to customers in the PRC and overseas. We offer our customers the flexibility to pick and choose the services they require us to perform within the logistics value chain, such as freight forwarding, customs clearance, recovery, warehouse operation, transportation and last-mile delivery. We offer customised solutions based on customers’ specific requirements and formulate logistics solutions that suit their needs. For further details of our business operation, please refer to the section headed “Our business model” in this section. Our asset-light logistics business model enables us to scale our network rapidly with limited capital outlay and provide service options to our customers based on their budget and preferences.

BUSINESS

The following table sets forth a breakdown of our Group’s revenue, gross profit and gross profit margin by business line during the Track Record Period:

	FY2020			FY2021			FY2022			6M2022			6M2023					
	Gross profit margin		Revenue	Gross profit margin/ (loss)		Revenue	Gross profit margin		Revenue	Gross profit margin/ (loss)		Revenue	Gross profit margin/ (loss)					
	RMB'000	%		RMB'000	%		RMB'000	%		RMB'000	%		RMB'000	%	RMB'000	%		
End-to-end cross-border delivery																		
— Express delivery ⁽¹⁾	673,479	44.5	1,515,967	45.1	79,676	13.1	767,012	61.2	66,208	8.6	378,754	62.1	30,526	8.1	341,758	50.7	17,081	5.0
— Standard delivery ⁽²⁾	379,153	25.1	415,516	30.7	(19,527)	(4.7)	177,468	14.2	10,821	6.1	99,336	16.3	8,432	8.5	233,367	34.6	23,785	10.2
— Economic delivery ⁽³⁾	302,588	20.0	16,949	3.8	130	0.3	35,956	2.9	3,536	9.8	18,737	3.1	1,252	6.7	14,784	2.3	3,395	22.7
	1,355,220	89.6	1,076,932	79.6	60,279	5.6	980,436	78.3	80,565	8.2	496,827	81.5	40,210	8.1	589,909	87.5	44,261	7.5
Freight forwarding																		
— Airborne	29,755	2.0	2,094	7.0	2,796	4.5	87,396	7.0	(3,373)	(3.9)	39,031	6.5	(3,488)	(8.9)	5,918	0.9	(905)	(15.3)
— Seaborne	56,719	3.8	2,181	3.8	146,989	10.9	75,710	6.0	3,769	5.0	41,272	6.7	2,023	4.9	9,598	1.4	1,706	17.8
— Ground transportation	12,384	0.7	839	6.8	17,209	1.3	39,922	3.2	3,936	9.9	7,882	1.3	645	8.2	24,960	3.7	1,875	7.5
	98,858	6.5	5,114	5.2	225,705	16.7	213,222	16.2	4,332	2.1	88,185	14.5	(820)	(0.9)	40,476	6.0	2,677	6.6
Other logistics service																		
— Customs clearance/pick-up/delivery	14,549	1.0	1,969	13.5	9,571	0.7	2,142	2.6	7,486	22.7	6,445	1.1	3,037	47.1	27,894	4.1	3,724	13.4
— Industry-tailored solutions	8,292	0.5	3,308	39.9	6,441	0.4	2,118	0.3	562	16.9	1,987	0.3	321	16.2	1,187	0.2	289	24.3
— OGP/OSP service	33,070	2.2	16,280	49.2	33,807	2.5	13,373	2.5	11,053	36.0	15,417	2.5	6,237	40.5	13,624	2.0	3,300	24.2
— Miscellaneous service ⁽⁴⁾	2,159	0.2	1,501	69.6	1,230	0.1	622	0.1	667	45.9	880	0.1	24	2.7	821	0.1	204	25.0
	58,070	3.9	23,058	39.7	51,049	3.7	18,255	5.5	19,768	28.9	24,729	4.1	9,619	38.9	43,525	6.5	7,517	17.3
Total	1,512,148	100.0	1,353,686	100.0	99,856	7.4	1,251,983	100.0	104,665	8.4	609,741	100.0	49,009	8.0	673,910	100	54,455	8.1

BUSINESS

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) Miscellaneous service mainly include (i) IT system technological support and maintenance services; and (ii) selling of logistics-related materials.

During the Track Record Period, majority of our revenue and gross profit were derived from our end-to-end cross-border delivery service.

For details of the fluctuation in revenue, gross profit and gross profit margin under each business line, please refer to the paragraph headed “Financial information — Comparison of results of operation”.

BUSINESS

Founded in 2004, we started our business by providing port-to-port freight forwarding and packaging delivery services. Over the years, we managed to develop our capabilities and build up a network of suppliers to assist us in our provision of cross-border end-to-end delivery services which covers the entire logistics service chain. We worked closely with international and national-level suppliers for the provision of various logistics services to build our international logistics network. We maintained business relationships with Customer/Supplier Group G, a Fortune Global 500 multinational logistics company group founded in the US, since 2005. We also became a business partner of Supplier Group K, a US founded Fortune Global 500 German logistics company group listed on the Frankfurt Stock Exchange since our acquisition of the Global Link group in 2017, which had had over seven years of business relationships with Global Link group prior to the said acquisition. During the Track Record Period, (i) we had business relationship with over 1,100 suppliers; (ii) our five largest suppliers in each FY2020, FY2021, FY2022 and 6M2023 accounted for approximately 61.4%, 50.6%, 61.2% and 62.3% of our total purchases, respectively; and (iii) our largest supplier accounted for approximately 28.3%, 25.3%, 43.4% and 39.8% of our total purchases, respectively.

With the support of such comprehensive suppliers' network, we are capable of providing end-to-end cross-border delivery services to different countries around the world. During the Track Record Period, we have delivered parcels to more than 220 countries/regions. The largest proportion of our revenue was derived from the provision of end-to-end delivery services to the US.

BUSINESS

The table below sets out our revenue, gross profit and gross profit margin breakdown for end-to-end cross-border delivery service by destination during the Track Record Period:

	FY2020			FY2021			FY2022			6M2022			6M2023							
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin					
	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue				
End-to-end cross-border delivery																				
North America	873,474	64.5	50,928	5.8	763,012	70.9	30,130	4.0	657,838	67.1	57,817	8.8	313,318	63.1	27,469	8.8	476,115	80.7	37,413	7.9
— The United States	798,581	58.9	42,557	5.3	691,791	64.2	23,095	3.3	595,165	60.7	53,830	9.0	275,388	55.4	24,900	9.0	456,814	77.4	36,110	7.9
— Canada	43,569	3.2	4,602	10.6	39,346	3.7	3,931	10.0	32,155	3.3	2,504	7.8	19,225	3.9	1,437	7.5	9,974	1.7	677	6.8
— Mexico	12,998	1.0	1,622	12.5	15,190	1.4	1,589	10.5	14,700	1.5	1,223	8.3	8,495	1.7	680	8.0	5,622	1.0	383	6.8
— Other countries/regions in North America	18,326	1.4	2,147	11.7	16,685	1.6	1,515	9.1	15,818	1.6	260	1.6	10,209	2.1	452	4.4	3,705	0.6	243	6.6
Europe	288,297	21.3	24,316	8.4	170,339	15.8	16,314	9.6	184,147	18.8	13,749	7.5	101,418	20.4	7,634	7.5	66,706	11.3	4,121	6.2
— The United Kingdom	41,259	3.0	3,043	7.4	23,484	2.2	2,946	12.5	22,858	2.3	1,838	8.0	12,470	2.5	918	7.4	10,238	1.7	909	8.9
— Germany	38,754	2.9	3,316	8.6	25,563	2.4	1,665	6.5	20,114	2.1	2,552	12.7	11,086	2.2	1,458	13.2	8,228	1.4	472	5.7
— Italy	20,304	1.5	1,960	9.7	10,882	1.0	1,070	9.8	17,376	1.8	1,324	7.6	8,662	1.7	639	7.4	5,860	1.0	382	6.5
— Other countries/regions in Europe	187,980	13.9	15,997	8.5	110,410	10.2	10,633	9.6	123,799	12.6	8,035	6.5	69,199	13.9	4,619	6.7	42,380	7.2	2,358	5.6
Asia	89,136	6.6	9,277	10.4	59,066	5.5	5,777	9.8	54,805	5.6	4,050	7.4	31,350	6.3	2,241	7.1	22,076	3.7	1,272	5.8
— Japan	32,573	2.4	3,315	10.2	19,855	1.9	1,485	7.5	7,923	0.8	415	5.2	5,153	1.0	385	7.5	2,568	0.4	97	3.8
— Isreal	13,284	1.0	1,019	7.7	6,123	0.6	615	10.1	7,151	0.7	424	5.9	4,402	0.9	245	5.6	1,659	0.3	86	5.2
— Saudi Arabia	4,166	0.3	407	9.8	3,630	0.3	376	10.4	5,216	0.5	264	5.1	2,811	0.6	178	6.3	3,190	0.5	90	2.8
— Other countries/regions in Asia	39,113	2.9	4,536	11.6	29,458	2.7	3,301	11.2	34,515	3.5	2,947	8.5	18,985	3.8	1,433	7.5	14,657	2.5	999	6.8
Others	104,313	7.6	10,531	10.1	84,515	7.8	8,058	9.5	83,646	8.5	4,949	5.9	50,741	10.2	2,866	7.5	25,012	4.2	1,455	5.8
Total	1,355,220	100.0	95,052	7.0	1,076,932	100.0	60,279	5.6	980,436	100.0	80,565	8.2	496,827	100.0	40,210	5.6	589,909	100.0	44,261	7.5

Note: Others include, among others, Brazil and Peru.

BUSINESS

During the Track Record Period, majority of our revenue from end-to-end cross-border delivery service was derived from the delivery of parcels to North America. For further details, please refer to the section headed “Financial information — Revenue by business line — End-to-end cross-border delivery” in this document.

In addition to our suppliers’ network, we also have a diversified customer portfolio. Our customers generally comprise e-commerce platforms, e-commerce sellers (both e-commerce customers), traditional traders (non e-commerce customers) and other logistics service providers.

During the Track Record Period, (i) approximately 92.2%, 83.3%, 84.1%, 86.2% and 94.1% of our revenue were derived from e-commerce platforms and e-commerce sellers (including those engaged our Group through other logistics service providers), respectively; (ii) our five largest customers in each year/period accounted for approximately 22.8%, 31.9%, 28.5% and 45.2% of our total revenue, respectively; and (iii) our five largest customer in each year/period accounted for approximately 7.0%, 16.1%, 12.2% and 22.4% of our total revenue, respectively.

We have maintained stable relationships with our major customers. Since 2012, we commenced business relationship with a supermarket chain company established in the UK. Since 2018, we commenced business relationship with Yidatong, a subsidiary of Alibaba Holding. Alibaba China, another subsidiary of Alibaba Holding, became our strategic business partner and investor in 2021. For further details, please refer to the section headed “History, development and reorganisation — [REDACTED]” in this document. In recognition of our services, we have received numerous awards from our customers and government institutions. In 2021, we were recognised as the 2020 Excellent Cross-border e-commerce Logistics Enterprise* (2020年度優秀跨境電商物流企業) by the Shanghai Cross-border E-Commerce Association* (上海跨境電子商務行業協會), and on the same year, we were also awarded the title of 2020 Excellent Enterprise in Hangzhou Postal Express Industry* (2020年度杭州市郵政快遞業優秀企業) by Hangzhou Post Management Bureau* (杭州市郵政管理局). In 2022, we were named as the Supplier with Outstanding Contribution to Local Compliance Support in the First Half-year* (2022年上半年地方合規支持突出貢獻供應商) by UPS China Supplier Management Team* (UPS中國區供應商管理組), and were also awarded the title of Hangzhou Cross-border e-commerce Benchmark Enterprise* (杭州跨境電商標杆企業) by Ebrun Cross-border Committee of 100* (億邦動力跨境百人會). In 2023, we were awarded the Customer Value Award* (客戶價值獎) by Alibaba.com (阿里巴巴國際站). For the list of recognitions and awards, please refer to the paragraph headed “Recognitions and awards” in this section.

BUSINESS

The e-commerce industry in the PRC has experienced significant growth in terms of market size and revenue in the past five years. According to the F&S Report, the market size for cross-border e-commerce has witnessed rapid growth in the past few years, increasing from approximately RMB9.0 trillion in 2018 to approximately RMB15.7 trillion in 2022 with a CAGR of approximately 14.9%. It is expected that in 2027, the market size of cross-border e-commerce in the PRC will reach approximately RMB26.3 trillion, showing an estimated CAGR of 10.9% from 2022. Supported by the growth in the e-commerce industry, the market size for the cross-border e-commerce logistics industry by export also increased from approximately RMB0.9 trillion in 2018 to approximately RMB1.9 trillion in 2022, at a CAGR of 19.9%. It is expected that the market size for the cross-border e-commerce logistics industry by export will reach approximately RMB3.2 trillion in 2027, representing a CAGR of 11.3% from 2022. Our Group generated the majority of our revenue from export delivery services to foreign countries during the Track Record Period. Our Directors believe that the industry growth will continue to drive our business development in the long run.

According to the F&S Report, the outbreak of COVID-19 has also changed consumer habits significantly and accelerated the transition of consumption pattern from traditional offline shopping to online channels and platforms, promoting further development and expansion of cross-border e-commerce industry. Taking the US as an example, which is our largest revenue generating destination during the Track Record Period, the e-commerce retail trade penetration rate has increased from approximately 8.5% in 2018 to approximately 12.9% in 2022, and it is estimated that the penetration rate will further reach approximately 14.8% by the end of 2027. Our Directors believe that the surge in trading on e-commerce platforms will benefit our Group’s business as these platforms, with the attempt to attract more online customers, will seek to collaborate with e-commerce logistics service providers which are able to provide flexible and efficient delivery options. As at the Latest Practicable Date, we have entered into service agreements with various e-commerce trading platforms, including a fashion e-commerce platform reaching customers in more than 150 countries, a comprehensive e-commerce platform that pioneered the concept of “team purchase”, and Yidatong, for the provision of logistics services to their customers by being included in the list of logistics service providers for the customers to select.

BUSINESS

In recent years, the PRC government has implemented various policies in support of the cross-border e-commerce logistics industry. On 17 May 2022, the State Council of the People’s Republic of China published the Plan for Development for the Modern Logistics Industry during the 14th Five-Year Plan (《「十四五」現代物流發展規劃》), introducing open and cooperative policies to support the further development of the cross-border e-commerce industry in the PRC. Our Directors believe that with the support from the PRC government and the overall market development, our Group’s business will continue to grow.

Relying on our understanding of the market need and our experience in providing end-to-end cross border delivery service, our Directors are confident that we are well-positioned to capture the growth opportunities in the cross-border e-commerce logistics service industry and will benefit from the growing demand for our services from existing and future clients in the logistics industry in the PRC.

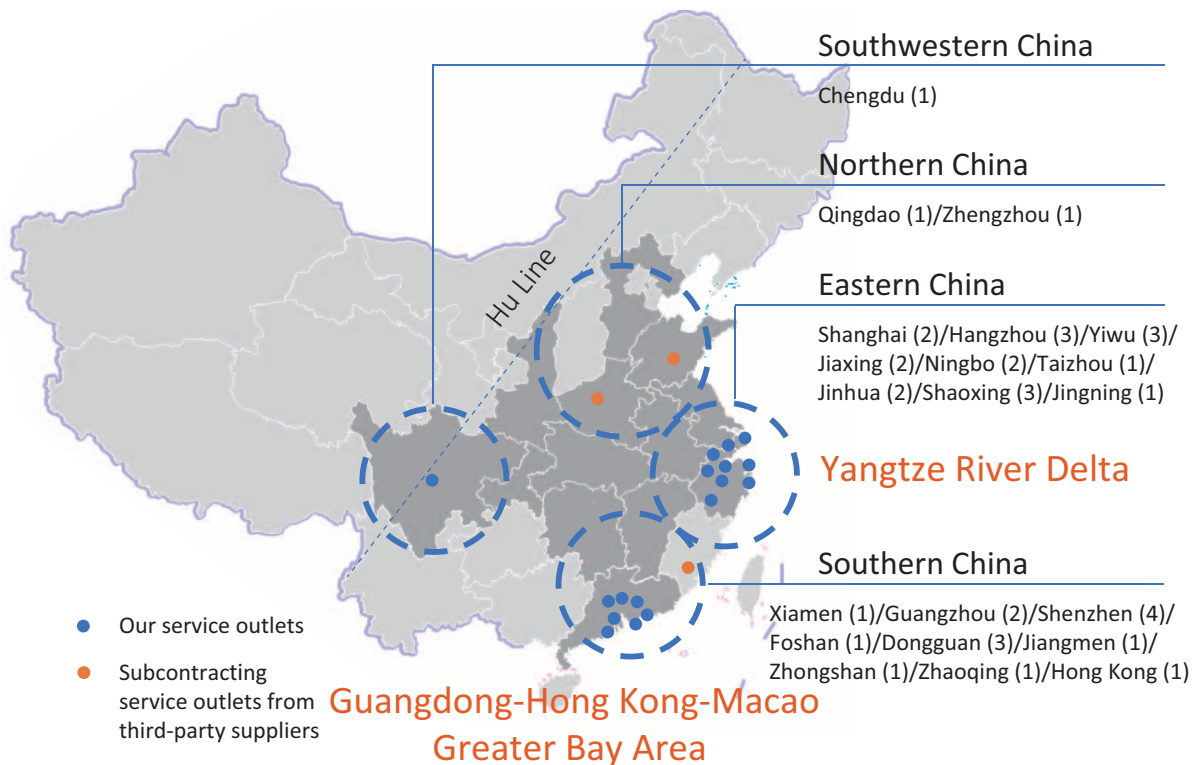
OUR COMPETITIVE STRENGTHS

Our competitive strengths are key factors contributing to our success to date. Our Directors believe that the following competitive strengths will continue our presence and increase our market share in the logistics industry.

BUSINESS

(a) We have a broad service outlets and suppliers network providing a wide coverage in terms of geographical reach and service variety

Our domestic logistics network is mainly concentrated in the Southeastern part of China. As at Latest Practicable Date, we had 39 service outlets (five being subcontracting service outlets from third-party suppliers), with most of them strategically located in major trading centres in the PRC including Zhejiang Province, Shanghai Municipality, Guangdong Province, Fujian Province, Sichuan Province, Henan Province, Shandong Province and Hong Kong. Set out below are the geographical locations of the service outlets of the Group in the PRC, including the subcontracting service outlets from third-party suppliers:



According to the F&S Report, the aforementioned regions have a strong demand for e-commerce logistics services with the total value of goods traded (excluding Hong Kong) in 2022 amounted to approximately RMB24.4 trillion, representing approximately 57.9% of the total value of goods traded in the PRC. Moreover, to facilitate our overseas warehousing and sorting processes, two of our subcontracting service outlets were located in the US as at the Latest Practicable Date. A number of key procedures involved in the logistics value chain are conducted in our service outlets. With a network of service outlets, we have flexibility in allocating our

BUSINESS

internal resources and designing the optimum route for efficient delivery. Our service outlets also enable us to reach customers and suppliers from various provinces to provide comprehensive services to a number of customers.

Other than our network of service outlets, our Directors believe that one of the key factors to our success is our close working relationships with our network of suppliers, which includes air/sea port operators, air and ocean carriers, custom brokers as well as international and national-level logistics service providers. During the Track Record Period, we had business relationships with over 1,100 suppliers, with our five largest suppliers in each year/period having business relationships with us that range from approximately two to 18 years as at the Latest Practicable Date. In particular, we have maintained business relationships with non-PRC-based international logistics service providers such as Customer/Supplier Group G, a Fortune Global 500 multinational logistics company group founded in the US, as well as Supplier Group K, a US founded Fortune Global 500 German logistics company group listed on the Frankfurt Stock Exchange, as our suppliers for around 18 and 13 (including around seven years of business relationship between Supplier Group K and Global Link group) years, respectively. According to the F&S Report, non-PRC-based international logistics service providers primarily focus on providing international linehaul services within the PRC, and put in less resources in the PRC which is labour-intensive in nature, such as manpower for marketing and warehouse operations for labelling, repackaging and sorting, as compared to domestic players. As such, non-PRC-based international logistics service providers often cooperate with us, in which we would be engaged by the customers for end-to-end cross-border delivery services, and non-PRC-based international logistics service providers are engaged by us for international linehaul and last-mile delivery services after we have performed warehousing, security check, labelling, repackaging and sorting processes in our service outlets. By fully utilising their resources and capabilities in the cross-border logistics industry, we are able to coordinate the entire or part of the logistics value chain, while providing flexible delivery options to cater different delivery requirements of our customers, such as our express, standard, and economic delivery services.

With our supplier network, we are capable to match our customers with the suppliers that suits their export or delivery needs. For instance, our parcels can be delivered to and stored in the container freight stations located in both the Western and Eastern part of the US, allowing us to carry out last-mile delivery in the US in a more cost-effective way for local recipients. Customs brokers engaged by us are able to provide customs clearance channels which allows us to complete pre-clearance before landing of the parcels. We have a long-standing business relationship with one of the customs brokers which is able to file Type 86 Entry to US Customs, allowing us to enjoy tax benefits if the value of shipment is less than US\$800 in value. With our close working relationships with a wide variety of suppliers, we are able to design and coordinate the entire or part of the value chain, with flexible options of delivery means and methods to cater for specific

BUSINESS

parcel delivery requirements, such as freight forwarding, cold chain logistics management and customs clearance in the PRC. With the option to freely choose a desired service portfolio, customers can enjoy better service experience that helps increase customer loyalty.

(b) Our established track record of over 19 years in serving the logistics industry allows us to understand and adapt to our customers’ needs so as to strengthen our relationship with customers

We believe our established reputation and track record are important factors affecting customers’ choice. We have a track record of over 19 years which we have created a network of over 10,000 customers along the logistics service value chain. Our customers include e-commerce platforms, e-commerce sellers, other logistics service providers and non e-commerce sellers. The wide range of our customer base helps us to diversify our risks that may be derived from various industries.

We have established stable business relationship with well-known companies in their various industries during the Track Record Period such as Yidatong (a subsidiary of Alibaba Holding) and a supermarket chain company established in the UK.

As a result of our effort in providing high standard logistics services to our customers, our Group had won various awards over the past years allowing us to earn the reputation in the logistics industry as a reliable partner, and recognitions in the logistics industry. In 2021, we were recognised as the 2020 Excellent Cross-border e-commerce Logistics Enterprise* (2020年度優秀跨境電商物流企業) by the Shanghai Cross-border E-Commerce Association* (上海跨境電子商務行業協會), and on the same year, we were also awarded the title of 2020 Excellent Enterprise in Hangzhou Postal Express Industry* (2020年度杭州市郵政快遞業優秀企業) by Hangzhou Post Management Bureau* (杭州市郵政管理局). In 2022, we were named as the Supplier with Outstanding Contribution to Local Compliance Support in the First Half-year* (2022年上半年地方合規支持突出貢獻供應商) by UPS China Supplier Management Team* (UPS中國區供應商管理組), and were also awarded the title of Hangzhou Cross-border e-commerce Benchmark Enterprise* (杭州跨境電商標杆企業) by Ebrun Cross-border Committee of 100* (億邦動力跨境百人會). In 2023, we were awarded the Customer Value Award* (客戶價值獎) by Alibaba.com (阿里巴巴國際站). Our ability to satisfy our customers’ requirements gives us the competitive edge to attract business opportunities. For the list of recognitions and awards, please refer to the paragraph headed “Recognitions and awards” in this section.

BUSINESS

(c) We have an experienced management team with a proven track record

Our management team has broad experience and in-depth knowledge and strong expertise in the logistics industry. Mr. Wang, who is our chairman and executive Director, has been with us since our establishment and has more than 19 years of experience in the logistics industry. Ms. Zhang Min and Mr. Zhang Guangyang, our executive Directors, have more than 25 and 21 years of experience in the logistics industry, respectively. For further details on the backgrounds and experience of our Directors, please refer to the section headed “Directors and senior management” in this document. We believe that the broad experience of our management team and their industry knowledge and in-depth understanding of the logistics industry would enable us to assess market trends effectively as well as to operate and manage our business efficiently. Hence, having an experienced and dedicated management team is important to our business and enables us to (i) be aware of our competitive and market landscape; (ii) recognise the needs of our customers more readily; (iii) manage our operations, specifically, cross-border logistics services, more effectively; and (iv) build on the experiences we have had with our customers and suppliers.

Further, we believe that success in logistics is primarily made possible by the quality and dedication of the people in the organisation. We consider our employees to be our most crucial asset and we are committed to cultivating our employees’ capabilities and qualifications internally and recruiting talent externally. We develop our employees’ knowledge, skills and know-how through regular in-house and external trainings and foster a strong sense of belonging among employees by providing a rewarding work environment.

(d) We have proprietary IT systems contributing to increased operation efficiency

Technology is at the core of our operations. It is critical to our network and service offerings. As at the Latest Practicable Date, we owned 74 software copyrights. At present, we have independently developed a SaaS platform, and our intellect management platform has been established to effectively connect upstream, downstream and third-party business partners, and is equipped to optimise our services through data application and analysis for cost reduction and increase in efficiency. We have also developed tracking systems which allows customers to track their orders in real time based on their mode of delivery and transportation route. We believe that such platforms allow us to better design logistics solutions for our customers and monitor the supply chain performances, thereby be more effective in managing the costs associated with the customers’ supply chains.

To maintain our competitive edges in innovation, we constantly invest significant resources into research and development activities. Our annual research and development expenses incurred are over RMB9.0 million during the Track Record Period.

BUSINESS

OUR BUSINESS STRATEGIES

We strive to capitalise on the business opportunities emerged through the course of increasing demand of cross-border e-commerce logistics services in the PRC. Our business objectives are to achieve sustainable growth, further strengthen our market position in the cross-border e-commerce logistics service industry in the PRC, and create long-term value for our Shareholders by executing the following key strategies:

Achieve greater scale and capacity and further our reach

According to the F&S Report, the market size of the cross-border e-commerce logistics industry increased from approximately RMB1.5 trillion in 2018 to approximately RMB3.2 trillion in 2022, representing a CAGR of 20.4%. The outbreak of COVID-19 in 2020 has also shifted the consumption pattern of consumers from offline to online. By 2027, the market size of the cross-border e-commerce logistics industry is expected to reach approximately RMB5.0 trillion, with a CAGR of 9.2% from 2022 to 2027. Furthermore, the number of online shopping users and penetration rate have been increasing throughout the years, and are expected to further increase. According to the F&S Report, the total number of online shopping users is expected to reach approximately 1,012.8 million in 2027, representing a CAGR of 3.7% from 2022 to 2027. Furthermore, the PRC government has been striving to promote the development of the modern logistics industry, thereby boosting the demand of the PRC logistics industry. According to the “14th Five-Year Plan on Modern Logistics Development” (“十四五”現代物流發展規劃) published by The State Council of the PRC in May 2022, the logistics industry connects the manufacturing sector with the consumers and is important for the development of the overall economy in the PRC. In April 2023, the General Administration of Customs of China, together with the National Development and Reform Commission, the Ministry of Finance, the Ministry of Transport, the Ministry of Commerce, the State Administration for Market Regulation and other departments, organised a special action to promote cross-border trade facilitation in 2023, which includes the support in (i) the construction of “smart ports”; (ii) supporting the upgrading of foreign trade industries and the healthy and sustained development of new business formats; (iii) paperless port and shipping logistics operations; (iv) standardising and reducing of compliance costs in the customs clearance process and (v) the improvement of communication channels between government departments and business owners.

As such, our Group intends to expand our scale and capacity of our business operation and further our reach, so as to capture the business opportunities brought by the market growth. As at the Latest Practicable Date, our Group had 17 service outlets in Zhejiang Province, 13 service outlets in Guangdong Province, two service outlets in Shanghai Municipality and other service

BUSINESS

outlets in Fujian Province, Hong Kong, Sichuan Province, Henan Province and Shandong Province. The following table sets out the revenue, gross profit and gross profit margin by geographical locations of our existing service outlets (including operating offices) during the Track Record Period:

	FY2020			FY2021			FY2022			6M2022			6M2023		
				Gross profit margin/											
	Gross profit		Gross margin	Gross profit/(loss)		margin (loss)	Gross profit		margin	Gross profit		margin	Gross profit		margin
	Revenue	profit	margin	Revenue	profit/(loss)	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	%	
Guangdong Province	1,009,567	62,058	6.1	715,934	49,287	6.9	695,122	53,104	7.6	337,167	22,902	6.8	473,993	32,589	6.9
Zhejiang Province ⁽¹⁾	381,588	53,467	14.0	572,018	50,567	8.8	513,216	44,694	8.7	250,548	22,393	8.9	185,390	19,188	10.3
Shanghai Municipality	23,596	901	3.8	46,122	(1,369)	(3.0)	15,460	254	1.6	8,425	202	2.4	4,171	111	2.7
Others ⁽²⁾	97,397	6,798	7.0	19,612	1,371	7.0	28,185	6,613	23.5	13,601	3,512	25.8	10,356	2,567	24.8
Total	1,512,148	123,224	8.1	1,353,686	99,856	7.4	1,251,983	104,665	8.4	609,741	49,009	8.0	673,910	54,455	[REDACTED]

Notes:

- Includes revenue from other business operation of the Group, including freight forwarding, miscellaneous service and industry-tailored solutions, which does not involve the service outlets but processed through the operating offices located in Zhejiang Province.
- Others include, among others, Sichuan Province, Shandong Province, Henan Province, Fujian Province and Hong Kong.

Our revenue from service outlets and operating offices located in Zhejiang Province increased from approximately RMB381.6 million to RMB572.0 million from FY2020 to FY2021, primarily due to (i) the increase in revenue of our standard delivery services as the Group conducted sales promotion on e-commerce platform, Alibaba.com; and (ii) increase in revenue for our freight forwarding services. The decrease in gross profit margin from 14.0% to 8.8% from FY2020 to FY2021 in Zhejiang Province was mainly attributable to the aforementioned sales promotion, which also led to the gross loss margin recorded for the service outlets and operating offices located in Shanghai Municipality bring approximately 3.0% for FY2021. Our gross profit from service outlets and operating offices located in other provinces increased from 7.0% to 23.5% from FY2021 to FY2022, mainly due to the heightened emphasis on offering services with higher profit margins, particularly in the areas of customs clearance, pick-up and delivery service, at those outlets and offices during FY2022.

BUSINESS

We directly operate all of our service outlets which serve as the nodes of different line-haul routes. Based on the geographical area of the provinces in the PRC, we may set out one or more service areas in the same province, but in different cities or counties, in order to (i) cater for the need of our existing customers and suppliers which are not based near the current service outlet network within the large geographical area of the province; and (ii) capture new business opportunities through expansion of our Group’s business coverage and increasing our business exposure to new customers. We intend to increase our scale and capacity by (i) expanding and upgrading our existing service outlets in the PRC; and (ii) setting up new service outlets in the PRC. Based on our previous experience, the setting up of service outlets in the same province will lead to an increase in revenue in both service outlets, given that we are able to attract new customers with the enhanced business coverage within the area.

(i) Setting up new service outlets in the PRC

We intend to set up four new service outlets in Guangdong Province and five new service outlets in Zhejiang Province, Shanghai Municipality, Sichuan Province, Jiangsu Province and Chongqing Municipality. Guangdong Province has been an important hub for cross-border e-commerce logistics services. According to the F&S Report, the total cargo throughput of Guangdong Province amounted to approximately 3,518.1 million tons in 2022, representing 6.9% of the total cargo throughput in the PRC. Meanwhile, the total value of traded goods of Guangdong Province amounted to approximately RMB8.3 trillion, representing 21.2% of the total value of goods in the PRC. As such, our Group intends to set up new service outlets and will target at more direct customers in Guangdong Province. Our Directors believe that with the chain of new service outlets, we will be able to provide services to more customers, both existing and new, located nearby in a more time and cost-effective manner, given the reduced transportation fees, distance and traveling time. Our Directors are also of the view that our service outlets collaborate to enhance and optimise the overall efficiency of the Group’s logistics service. The setting up of other new service outlets will (i) enable our Group to expand our operational network and service capability in the PRC; (ii) provide us with more flexibility in designing the route when providing services; and (iii) would offer more options to the Group for parcel distribution, which allows more room for adjustment based on factors such as volume of parcels, gross floor area of service outlet and number of staff, so to maximise the capacity and efficiency of our service outlets. With more service outlets, we will be able to enhance our operational efficiency in order to better cater for the demands and orders of our customers.

BUSINESS

The following table sets out the location, number and expected gross floor area of the proposed new service outlets, as well as the justification of setting up service outlet in the particular location:

Province/ Municipality	City	Number	Expected gross floor area (m ²)	Justification of setting up service outlet
Guangdong . . .	Shenzhen	1	(1) 500	As advised by F&S, the export value of Shenzhen, Guangzhou and Dongguan in 2022 amounted to RMB2,194.5 billion, RMB619.5 billion and RMB924.0 billion, and is anticipated to reach approximately RMB2,583.2 billion, RMB713.5 billion and RMB1,241.0 billion in 2025, respectively. To capture such growth, we intend to set up new service outlets to attract direct customers, in particular e-commerce platforms and e-commerce sellers located at the Southern China regions, through the provision of “door-to-door” parcel acceptance services, which is more convenient for our customers who would deliver their parcels to our service outlets through our own means in order to save logistics costs. By expanding our business coverage through the setting up of a new service outlet, we will be able to reduce our logistics costs, such as the transportation fees for performing “door-to-door” parcel acceptance.
	Guangzhou	1	500	
	Dongguan	1	500	

Meanwhile, we are establishing one of the largest service outlets within our Group in Shenzhen to expand our network in the Eastern and Southern China regions. We are currently in the process of negotiating with Yidatong to expand our service offerings for cross-border e-commerce logistics services for considerable amount of parcels from Alibaba.com. Given the significantly increasing trend in our business volume with Yidatong and our strong relationship with Alibaba Group through their investment into our Group, our Directors are confident that we will be able to record higher business volume with Yidatong. As such, it is essential for our Group to establish a large service outlet in Shenzhen to capture the increase in demand for our service.

BUSINESS

Province/ Municipality	City	Number	Expected gross floor area (m ²)	Justification of setting up service outlet
Zhejiang	Wenzhou	1	500	As advised by F&S, the export value of Wenzhou in 2022 amounted to approximately RMB250.2 billion, and is anticipated to reach approximately RMB328.1 billion in 2025. As such, we intend to expand our business coverage in Zhejiang Province and provide customer with more flexibility in delivering parcels to our Group.
Shanghai	Shanghai	1	500	As advised by F&S, the export value of Shanghai in 2022 amounted to approximately RMB1,713.4 billion, and is anticipated to reach approximately RMB1,987.0 billion in 2025. As such, we intend to expand our business coverage in Shanghai, given its importance as a central coast logistics hub for foreign trade and export.
Jiangsu	Suzhou/ Kunshan	1	500	As advised by F&S, the export value of Kunshan in 2022 amounted to approximately USD70.2 billion, and is anticipated to reach approximately USD85.7 billion in 2025. As such, we intend to expand our business coverage in Jiangsu Province and provide customer with more flexibility in delivering parcels to our Group.
Sichuan	Chengdu	1	200	According to the State Council and the CAAC Southwest Regional Administration, the Chengdu Tianfu Airport has launched its all-cargo aircraft routes in April 2023, allowing air carriers to conduct international aviation logistics business. As such, we intend to station our new service outlet in the aviation park situated in the airport to capture new business opportunities by first introducing our customs clearance services (other logistics service), and gradually expand our service offerings in the region.

BUSINESS

Province/ Municipality	City	Number	Expected gross floor area (m ²)	Justification of setting up service outlet
Chongqing . . .	Chongqing	1	200	According to the F&S Report, the development of cross-border e-commerce logistics in Chongqing has been heavily supported by government policies, for instance, the introduction of customs clearance channels within the e-commerce logistics industrial parks. As such, we intend to set up a new service outlet in Chongqing Municipality to capture the growing business opportunities by first introducing our customs clearance services (other logistics service), and gradually expand our service offerings in the region.

As at the Latest Practicable Date, save for a leasing agreement for a warehouse in Shenzhen our Group entered into, we neither identified any particular target properties nor entered into any formal agreements for lease.

Our Directors are of the view that our Group can maintain a similar level of gross profit margin when operating new services outlets, as the business operation of our new service outlets will be similar to that of our existing service outlets. While the majority of our costs are logistics costs charged by our suppliers, our Group intends to engage suppliers who have already established business relationship with our Group for the provision of services to our new service outlets in accordance with our existing framework agreements. We also intend to hire staff at a similar salary level so as to control our cost of sales at a similar level. As at the Latest Practicable Date, our Group does not have service outlets in Jiangsu Province and Chongqing Municipality. Given that our Group has been operating our service outlets in Hangzhou and Chengdu, which are geographically close to Jiangsu and Chongqing, respectively, our Directors consider that the current operational model applied in our existing service outlets in the PRC shall be successfully replicated to the proposed new service outlets in Jiangsu and Chongqing. According to the F&S Report, the total cargo throughput of Jiangsu Province and Chongqing Municipality amounted to approximately 4,146.3 million tons in 2022, representing 8.2% of the total cargo throughput in the PRC. Meanwhile, the total value of traded goods of Jiangsu Province and Chongqing Municipality amounted to approximately RMB6.3 trillion, representing 14.9% of the total value of goods in the PRC. The total value of goods traded in provinces/regions where our existing service outlets are located (excluding Hong Kong) together with Jiangsu Province and Chongqing Municipality, province/region where we intend to set up new service outlets, amounted to approximately RMB30.6 trillion, representing approximately 72.8% of the total value of goods traded in the PRC in 2022. Furthermore, in accordance with the Guiding Opinions of the CPC Central Committee and the State Council on Promoting the Formation of a New Pattern in the Large-scale Development of China’s Western Regions (《中共中央、國務院關於新時代推進西部大開發形成新格局的指導意

BUSINESS

見》) issued by the State Council effective on 17 May 2020, a number of opinions are offered to accelerate the formation of a new pattern of the western region development and advance the high-quality development of the western regions, including but not limited to, opening-up of infrastructures such as ports, cross-border transport and further improvement of information transmission routes, as well as the expedition of the construction of an open logistics network and a cross-border postal service system. Our Directors believe that establishing business presence at these locations can further our reach to potential customers and allow us higher flexibility in providing our services.

Forecasted revenue, profit breakeven and investment payback periods

Based on the assumptions that (i) the commencement of operation of the relevant new service outlets will take place between July 2024 and January 2025 and (ii) the new service outlets will generate revenue on the following month upon their establishment, our forecasted revenue in aggregate for the new service outlets for the year ending 31 December 2026 is approximately RMB211.0 million.

Breakeven period refers to the length of time required for our new service outlets to generate sufficient revenue to our Group to cover its operating cost during the same financial year on accounting basis for the first time since the date of the initial investment cash outflow. Based on the assumptions that the gross profit margin would be similar to our existing service outlets for FY2022, our Directors expect that all of our new service outlets will achieve profit breakeven within one month upon commencement of operation.

Investment payback period refers to the length of time required to recover the initial investment costs from the accumulated net cash inflow to be generated from our new service outlets since the date of the initial investment cash outflow. Based on the assumptions that our revenue will increase in line with the overall business growth, and that there will be no material impact on our sales due to fluctuation in market demand, exchange rates, inflations, and increase in service charges by our suppliers, our Directors expect that the investment payback period will be approximately three to five years after the establishment of the new service outlets.

(ii) Expanding and/or upgrading our existing service outlets in the PRC

We intend to expand and/or upgrade seven of our service outlets in Zhejiang Province and six of our service outlets in Guangdong Province, Sichuan Province and Hong Kong by utilising the net [REDACTED] from the [REDACTED], mainly due to the high utilisation rate and increasing business volume of our service outlets at those locations which requires us to expand our capacity. For illustrative purpose only and based on the estimation of our Directors, the average utilisation rates of our service outlets situated in Zhejiang Province, Guangdong Province, Sichuan Province and

BUSINESS

Hong Kong were over 85% for FY2022, which were calculated by dividing the average number of parcels handled per day by the estimated number of parcels that can be handled per day. Our management assesses and estimates the number of parcels that can be handled per day based on the operational gross floor area divided the average volume of the parcel.

The following table sets out (1) the location, (2) province, (3) the year of establishment, and (4) the initial investment costs of the existing service outlets to be expanded and/or upgraded:

Location	Province	Year of establishment	Initial investment costs (RMB'000)	Average utilization rate for FY2022 (%)
Jiashan	Zhejiang	2005	1,582	100.6
Shenzhen (Baoan)	Guangdong	2006	3,118	131.6
Hong Kong	—	2006	521	88.2
Yongkang	Zhejiang	2009	853	98.6
Guangzhou	Guangdong	2010	2,095	99.3
Yiwu	Zhejiang	2015	716	85.2
Jinhua	Zhejiang	2015	375	91.7
Chengdu	Sichuan	2015	144	N/A (used for customs clearance services)
Dongguan	Guangdong	2015	1,223	101.1
Shenzhen (Bantian)	Guangdong	2017	1,093	100.8
Yuyao	Zhejiang	2017	593	96.5
Fenghua	Zhejiang	2018	1,650	98.4
Fuyang	Zhejiang	2019	528	88.1

For FY2022, the average utilisation rate of the existing service outlets to be expanded and/or upgraded ranged from 85.2% to 131.6%. Some of the average utilisation rate of the above service outlets exceeded 100% as the handled parcels are placed in non-operational areas of the service outlets such as offices and large equipments (e.g. inspection machines). As confirmed by our Directors, our Group has paid back all of our existing service outlets to be expanded and/or upgraded as at the Latest Practicable Date.

As provided in the F&S Report, such as (i) the expected increase in the market size of cross-border e-commerce industry in the PRC to reach approximately RMB26.3 trillion in 2027, representing a CAGR of 10.9% from 2022, and (ii) the estimated increase in the e-commerce retail trade penetration rate in the US to reach 14.8% by the end of 2027, the expansion and upgrading of our existing service outlets will enable us to increase our efficiency in our warehousing,

BUSINESS

security check, repackaging, labeling and sorting operations due to economies of scale, which our Directors believe will ensure stable delivery of services in a timely manner in such service outlets. Meanwhile, with the expansion and/or upgrading of our existing service outlets, we can also further our reach to collect parcels from a larger area around those locations and capture higher revenue. It is expected that our expanded and/or upgraded service outlets will have a larger capacity for warehousing, security check, repackaging, labelling and sorting of parcels to cope with the high utilisation rates, and thus improve our capability in parcels transshipment and will further consolidate our market position. The purchase of automation equipment such as automatic weighing and dimension measurement systems, automatic sorting system and conveyors will also enhance our efficiency in processing parcels received from our customers. According to the F&S Report, the provision of intelligent logistics services is a market trend. The application of intelligent equipment can effectively improve the goods sorting and packing efficiency and can reduce labour costs, thus enhance the logistics service provider’s market competitiveness. While we do not own a fleet of air, sea and road transport capacity for our end-to-end e-commerce cross-border delivery service, the purchase of road vehicles such as vans allows us to increase our business coverage for parcel pick-up.

To support our initiative to achieve greater scale and capacity and further our reach, we will incur costs to set up new service outlets and upgrade and/or expand existing service outlets, such as purchasing equipment and office utilities, leasing and renovating premises and hiring additional staff. Majority of the additional staff to be hired will be operational and delivery staff to support our expanded business operation.

We intend to utilise approximately RMB[REDACTED] million, representing approximately [REDACTED]% of the net [REDACTED] from the [REDACTED] to implement the plan. For further details, please refer to the section headed “Future Plans and [REDACTED] — [REDACTED]” in this document.

We intend to continue to work closely with our existing customers and explore new business opportunities with new customers by providing a more comprehensive service scope to cater to our customers’ needs and to reach out to more customers at locations close to our service outlets.

Invest in and upgrade our information technology systems

We rely on our information technology system for our day-to-day operation of our business. We intend to invest in and upgrade our information technology system to further enhance our Group’s efficiency. We intend to integrate and enhance the self-developed information technology systems that serve the entire operational chain of our Group. We aim to link the work processes from parcel pick-up, domestic transshipment, international linehaul to last-mile delivery. We also aim to connect the customer service platform with our Group’s operation platform and financial system. Such integrated information technology system enables our Group to manage different

BUSINESS

business functions, such as designing delivery routes, communication with customers and suppliers, cost calculation, parcel tracing and monitoring of receivables and payables within a centralised and integrated system. Such integrated information technology system mainly serves the following three functions:

- ***Logistics chain management.*** Our logistics chain management system covers the operation of the entire logistics value chain. It shall allow our customers to place delivery orders more seamlessly to our service outlets and keep track of the delivery status of the parcels within the value chain. We intend to optimise our online reservation system, allowing customer to select their preferred parcel pick-up time. During parcel acceptance, we shall increase the efficiency of our delivery staff by equipping them with electronic handheld devices to input details of the parcels and the customers when receiving the parcels. During the domestic transshipment, international linehaul and last-mile delivery processes, we intend to set up automatic management modules which will, according to pre-set formulae, allocate trucks, calculate the available aircraft/freight space and our parcel volume to optimise the deployment of parcels in different air/sea carriers and trucks. Our customers shall also be able to monitor the real-time movement of each on-duty truck.
- ***Business and financial management.*** Our system shall allow us to align the business and financial statistics of the different services procured by our customers, and implement a consolidated reporting system to achieve more efficient and standardised financial reconciliation and settlement.
- ***Customer service.*** Currently, our customers contact us through different platforms depending on the services they require and service outlet they approached. We intend to provide our customers a unified portal platform for engagement of services, thereby increasing customer experience and loyalty.

Our Directors believe that such integrated information technology system will enable our Group to have better control over the workflow and perform tasks efficiently and effectively. With the implementation of our enhanced integrated system, we will be able to reduce the amount of data entry tasks carried out by our operational staff across various stages of our logistics workflow. In addition, the system will improve the efficiency of our transportation network by automating the allocation of internal and external transportation resources, thereby reducing the need for manual allocation. The centralisation and integration of our system will achieve higher automation of work and thus will increase operational efficiency. Our Directors are of the view that these features will be able to substantially reduce the amount of manual work required during our business operation and will be able to increase our efficiency, reduce the risk of error and release our limited workforce to fulfill our fast-growing service demand.

BUSINESS

Our business is built on a customer-oriented culture. With an improved information technology system, we will be able to provide more stable and efficient services to our customers. Our customers will also be able to benefit from the improved customer order platform for them to place an order that suit their needs. Our Directors believe that a more user-friendly system will be able to enhance our customers relationship management and market analysis, thereby improving our customer penetration and retention efficiency and eventually achieve a sustainable performance growth.

According to the F&S Report, being equipped with intelligent and integration services is a market driver for cross-border e-commerce logistics enterprises. It is expected that with the continuous growth of number of online shopping users, enterprises will have to attract downstream customers to strengthen the cooperation between upstream and downstream enterprises in the industry, thereby driving the improvement of the industrial development. As such, our Directors believe that it is essential for our Group to invest in and upgrade our information technology system by integrating all business functions and act as a connector among customers that require logistics services, so as to enable us to expand our business.

Other than the benefits detailed above in respect of the improvement of business efficiency, investing in our information technology system will also enhance the security level of our system. We collect data from various customers and engage various service providers during our business operation process. Therefore, improving the security level of our system will enable our Group to provide more stable services and gain confidence from our customers and suppliers. We intend to invest in firewall and risk detection software so as to prevent leakage of information or potential system failure that may affect our business.

In view of the above, our Directors consider that the investment in and upgrading of our information technology system is crucial not only to enhance our operational efficiency and capacity to cater for our business expansion and minimise operational risk, but also to maintain our competitive position in the industry. Our Group intends to utilise approximately RMB[REDACTED] million, representing approximately [REDACTED]% of the net [REDACTED] from the [REDACTED] to invest in and upgrade our information technology systems. For further details, please refer to the section headed “Future Plans and [REDACTED] — [REDACTED]” in this document.

OUR BUSINESS MODEL

Our business model principally involves the provision of (i) end-to-end cross-border delivery, (ii) freight forwarding and (iii) other logistics service.

BUSINESS

End-to-end cross-border delivery

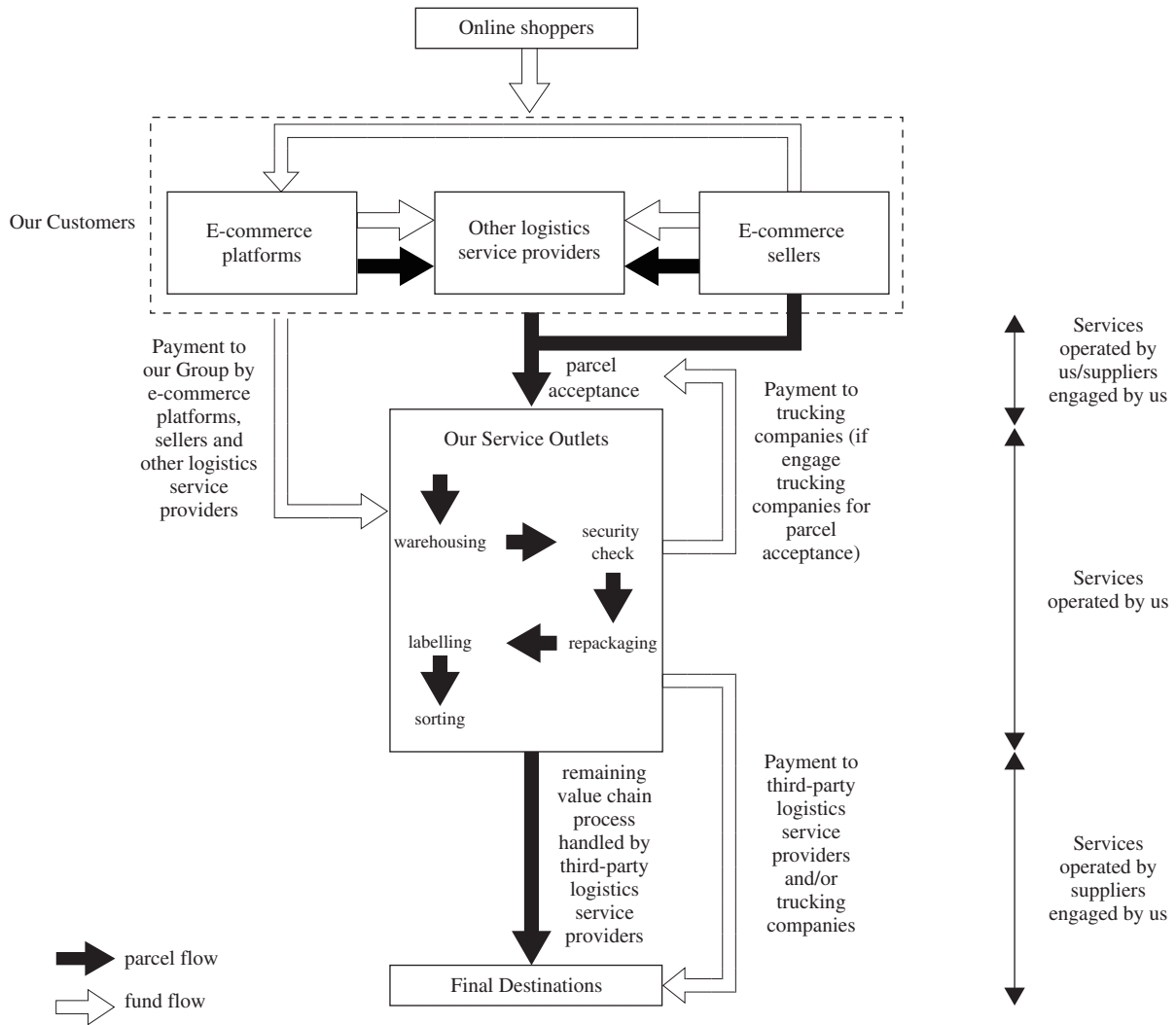
We provide integrated one-stop international logistics services to our customers throughout the entire end-to-end logistics value chain to deliver their parcels to the destination countries or regions. As an asset-light logistics service provider, we operate the service outlets network that provide parcel acceptance, warehousing, security check, repackaging, labelling and sorting services within the end-to-end logistics value chain, whereas our suppliers (including air/sea port operators, air and ocean carriers, custom brokers and third-party logistics service providers) operate air/sea port operation, customs clearance, international linehaul and last-mile delivery services.

Our service outlets are strategically situated in key destinations in the PRC which are concentrated areas for the development for cross-border logistics industry, including Zhejiang Province, Shanghai Municipality, Guangdong Province, Fujian Province, Sichuan Province, Henan Province, Shandong Province and Hong Kong. We are capable of providing services covering the entire logistics value chain to ensure that our cross-border logistics services are stable and reliable. We have established long-term and stable relationships with international and national third-party service providers whom we engage while we coordinate the entire logistics value chain. Our customers in this business line include e-commerce platforms, e-commerce sellers and other logistics service providers whose end-customers are e-commerce related. For FY2020, FY2021, FY2022, 6M2022 and 6M2023, our revenue from this business line was approximately RMB1,355.2 million, RMB1,076.9 million, RMB980.4 million, RMB496.8 million and RMB589.9 million, respectively, representing approximately 89.6%, 79.6%, 78.3%, 81.5% and 87.5% of the total revenue in the relevant period.

BUSINESS

For illustrative purposes only, the following diagrams illustrate the process for the completion of a typical end-to-end cross-border delivery order:

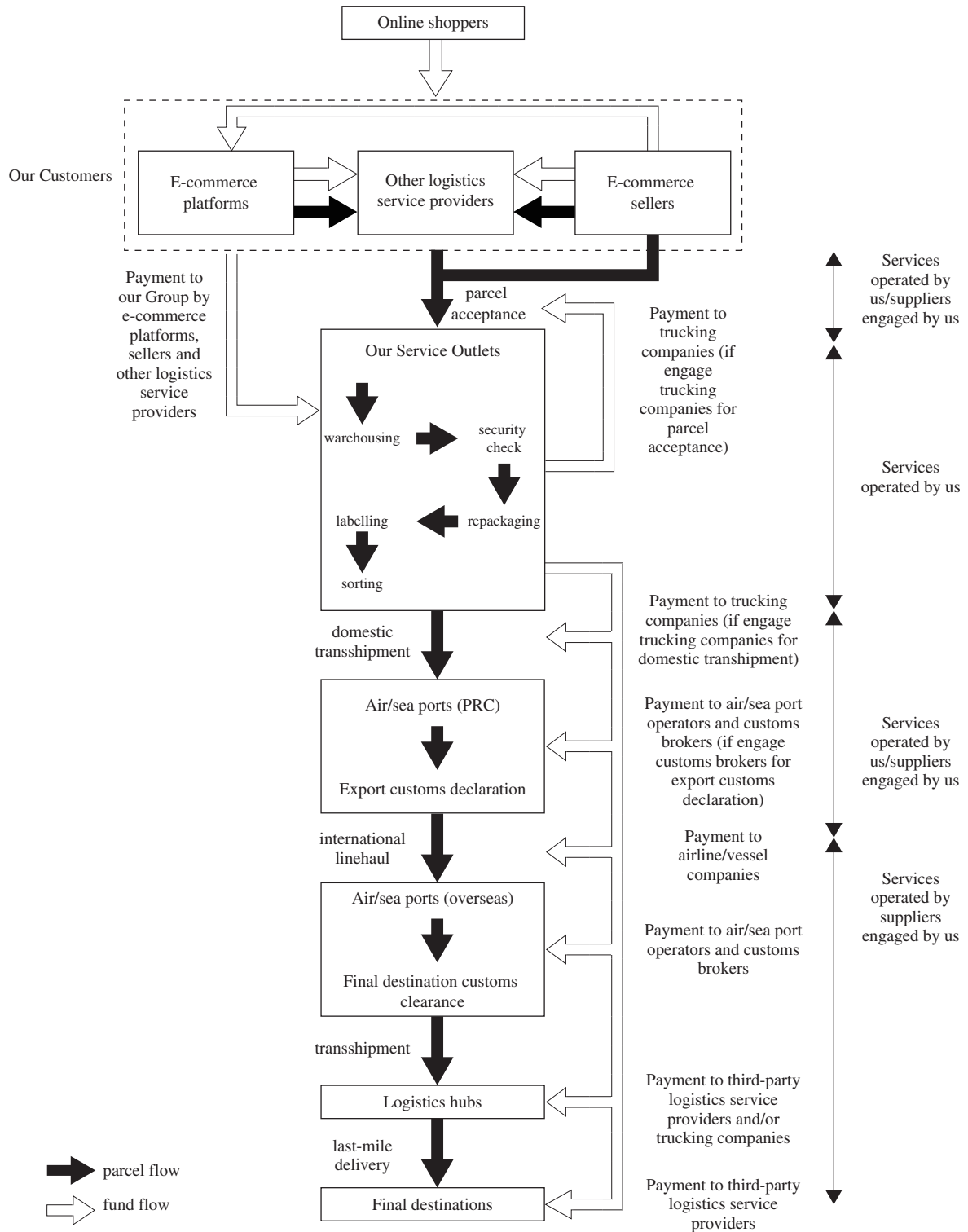
Express delivery service/Economic delivery service (by postal service)



Parcels delivered with express delivery service take approximately three to five business days to be delivered to the final destination. Parcels delivered with economic delivery service take approximately 10 or more business days to be delivered to the final destination.

BUSINESS

Standard delivery service/Economic delivery service (by seaborne transportation)



BUSINESS

Parcels delivered with standard delivery service take approximately six to nine business days to be delivered to the final destination. Parcels delivered with economic delivery service take approximately 10 or more business days to be delivered to the final destination.

For details regarding our types of customers, please refer to the section headed "Business — Our customers" in this document.

Set forth below are the key steps of our workflow and services:

- **Parcel acceptance.** Based on the request of the customers, we can provide trucking services for "door-to-door" parcel pick-up from our customers' warehouse or other designated locations to our service outlets with our self-owned trucks or trucks operated by third-party trucking companies engaged by us. Alternatively, our customers may drop-off the parcels to our service outlets by their own means. We consider factors including the location, condition and capacity to choose the most suitable service outlet for our customers.
- **Warehousing, security check, repackaging and labelling and sorting.** The parcels received from our customers will be stored temporarily in our service outlets. When the parcels have arrived at our service outlet, our service outlet staff will unpack and inspect the parcels to see if they contain export prohibited and restricted goods in accordance with our internal control procedures. Our Company has established a parcel inspection policy which instructs our staff to verify the information of the parcel before it is accepted to the service outlet. The policy also listed out the types of items that are dangerous goods which the staff should be aware of, and the items will not be processed if it is identified as dangerous goods. In order to ensure the safety of delivery and prevent contraband, the relevant staff would check the items consigned by customers. For suspicious items that safety cannot be determined, customers are required to provide the safety certificates. If the customer cannot issue a safety certificate, it will not be accepted for delivery. When our staff identifies any dangerous goods, he/she is responsible for reporting dangerous items to relevant regulatory department or postal management department.

After the inspection is completed, details of the parcels will be inputted in our computer system, which will (i) design the most suitable delivery route for the parcels, (ii) generate shipping label and (iii) automatically placing an order with third-party logistics services providers engaged by us. Once the order has been placed, our staff will conduct repackaging of the parcels and label them according to the size, weight, name of supplier and mode of delivery services chosen by our customers. We will then sort the parcels based on the delivery route. Our delivery services can be divided into 3 modes,

BUSINESS

namely express delivery (takes approximately three to five business days to be delivered to the final destination), standard delivery (takes approximately six to nine business days to be delivered to the final destination) and economic delivery (takes approximately 10 or more business days to be delivered to the final destination).

For express delivery service, our suppliers, such as Customer/Supplier Group G, a Fortune Global 500 multinational logistics company founded in the US and Supplier Group K, a US founded Fortune Global 500 German logistics company listed on the Frankfurt Stock Exchange, are responsible for processes after the parcels are despatched from our service outlets, from domestic transshipment till the last-mile delivery process. For standard delivery services, we coordinate with different suppliers for different services within the logistics value chain. For economic delivery services, we either engage postal service providers to manage the processes after the parcels are despatched from our service outlets, or coordinate different suppliers for services within the logistics value chain.



Warehousing



Security check



Repackaging and labelling



Sorting

- **Domestic transshipment.** The parcels will then be delivered to air or sea ports through domestic transshipment by suppliers engaged by us. For our express delivery services, our suppliers are responsible for the whole process from domestic transshipment till last-mile delivery. The parcels are usually transferred to air ports through their distribution centres for

BUSINESS

airborne transportation. For our standard and economic delivery services, we usually engage third-party trucking companies or directly transfer the parcels to air/sea ports by our own trucks for airborne/seaborne transportation. Depending on the types of parcel and relevant export requirement, the parcels may be transferred to our service outlet in Hong Kong through ground or seaborne transportation. For economic delivery service (by postal service), our supplier is responsible for the whole process from the airport till last-mile delivery.

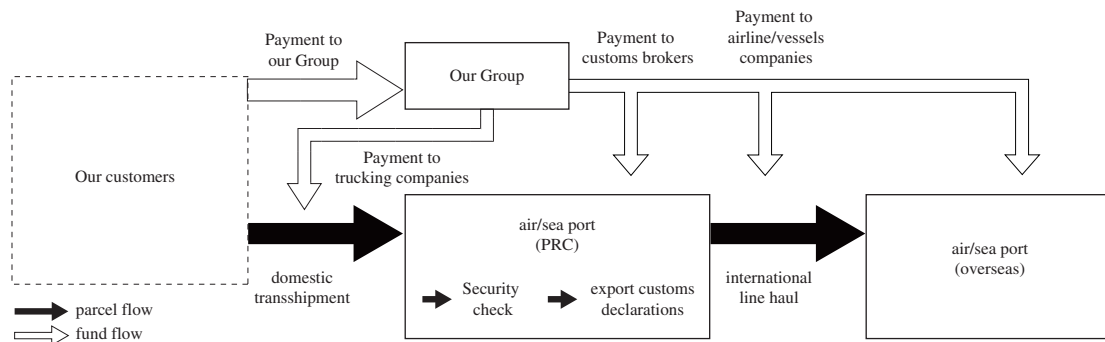
- **Export customs declaration.** We provide standard customs declaration services in the PRC before departure. For our express and economic delivery services (by postal service), customs declaration will usually be conducted by the suppliers engaged by us to conduct the remaining value chain. As for our standard and economic delivery services (by seaborne transportation), we handle customs clearance by either engaging third-party customs brokers or through our own resources.
- **International linehaul.** After customs declaration is completed in the PRC, the parcels will be loaded onto air parcel terminals or container vessels and be delivered to the transitional warehouse in the destination country/region. For our express and economic delivery services (by postal service), the international linehaul service is included as part of our suppliers' package of services till last-mile delivery. The cross-border transportation vehicles are usually operated or managed by our suppliers. For our standard and economic delivery services (by seaborne transportation), we usually engage third-party sea/air carriers for parcel delivery to the port of the final destination.
- **Customs clearance.** We provide customs clearance services before or upon the parcels arrives at the destination country through customs clearance channels. For our express and economic delivery services (by postal service), customs clearance will be conducted by our suppliers as part of their package of services. For our standard and economic delivery services (by seaborne transportation), we usually engage third-party customs brokers for customs clearance.
- **Last-mile delivery.** If requested by our customers, we provide trucking services in the destination country to deliver the parcel to the customer's designated locations. For our express and economic delivery services (by postal service), such services are provided through our suppliers as part of their package of services. For our standard and economic delivery services (by seaborne transportation), we usually engage trucking companies or third party logistics service providers for last-mile delivery.
- **Customer service.** We will closely monitor the delivery status of the parcels through our tracking systems, and customers are able to keep close contact with us through our 24-hour customer services line.

BUSINESS

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. Parcels will be directly delivered to the air/sea port of origin by us (through our own trucks or trucking companies engaged by us) or the customers. Our staff will check with the customers to see if the parcels contain items that are dangerous goods, unsafe, prohibited or restricted items, as well as the number, weight, size, type of the items. Our Group would only provide freight forwarding services to customers who have complied with all the necessary requirements. Upon arriving at the air/sea port of origin, the parcels will go through security checks by the customs department of the PRC. Afterwards, the parcels will go through the export customs declaration handled by third-party customs brokers engaged by us. The parcels will then be delivered through air/sea carriers engaged by us to the air/sea port of the final destination. As such, we will have to liaise with different service providers within our supplier network, which include air/sea carriers, trucking companies, customs brokers and other logistics service providers. For FY2020, FY2021, FY2022, 6M2022 and 6M2023, our revenue from this business line was 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 the total revenue in the relevant period.

For illustrative purposes only, the following diagram illustrate the process for the completion of a typical freight forwarding delivery order:



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

BUSINESS

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 period.

Customs clearance/pick-up/delivery

We offer specific logistics services to customers whom require us to coordinate and arrange suitable suppliers to complete their logistics service chain, including customs declaration service in the PRC by utilising our own resources or engaging third-party customs brokers, and customs clearance service in the overseas destination countries by engaging third-party customs brokers, parcel pick-up from the air/sea port of the destination countries by engaging third-party logistics service providers, and last-mile delivery services from the overseas logistics hub to the recipients in the destination countries/regions by engaging logistics service providers.

Industry-tailored solutions

Based on the specific needs of our customers, we offer customised solutions on a case-by-case basis. We will analyse our customer needs, such as budget, pick-up location, destination, delivery time, nature of parcel, and then formulate logistics solutions that suits their needs. Our customers are from different industry verticals, such as manufacturers and traders of home appliances, apparel, and consumer goods. For example, we commenced business relationship with a Dutch conglomerate of florists which is headquartered in Aalsmeer since 2018 ("**RF**"), by providing customised supply chain solutions involving cold chain logistics management and customs clearance for parcel import to the PRC for the delivery of fresh flowers to the PRC. For this particular case, cross-border airborne transportation containing fresh flowers will be arranged and operated by air carriers engaged by RF. Prior to the arrival of the fresh flowers, we will inform the third-party customs brokers engaged by us. The last-mile delivery will be either performed by us through ground transportation (with trucking companies engaged by us) or inland PRC air carriers engaged by customers of RF. Throughout the process, the flowers are kept in temperature-controlled cold chain warehouses provided by third party suppliers engaged by us.

OGP/OSP services

We have been providing OGP/OSP services to Customer/Supplier Group G, a Fortune Global 500 multinational logistics company group founded in the US, since 2015. As an OSP operator, we established operation points in Taizhou City and Jinhua City for both export and import services specifically for end customers of Customer/Supplier Group G. For our export operations, we conduct parcel acceptance and deliver them to the designated transportation hubs of Customer/Supplier Group G, either directly or through our service outlets, by ground transportation. For our import operations, we conduct parcel acceptance from the designated

BUSINESS

transportation hubs of Customer/Supplier Group G and conduct last-mile delivery, either directly or through our service outlets, also by ground transportation. Ground transportation services are conducted by our own trucks or third-party trucking companies engaged by us. As an OGP operator, the services we provide are similar to the OSP services, with the exception that, as part of the marketing campaign of Customer/Supplier Group G, our staff and trucks are required to wear the uniform and display the logo of Customer/Supplier Group G, respectively.

As an OGP/OSP operator of Customer/Supplier Group G, we provide OGP/OSP services in designated cities and districts within the Zhejiang Province in the PRC such as Yiwu, Jiashang, Taizhou, Yuyao, Shaoxing and Jinhua, in which we operate under the terms and conditions outlined in the OSP/OGP contracts entered into between Customer/Supplier Group G and us (the “**OGP/OSP Contracts**”). We adhere to Customer/Supplier Group G’s standard service protocols, procedures, safety regulations and compliance policies.

Failure to comply with one of the terms under the OGP/OSP Contracts may result in a deduction of service fees or termination of agreements by Customer/Supplier Group G. To the best of our Directors’ knowledge, information and belief, during the Track Record Period and up to the Latest Practicable Date, our Group did not materially breach any terms stipulated in the OGP/OSP Contracts.

For FY2020, FY2021, FY2022, 6M2022 and 6M2023, our revenue from being OGP/OSP operators represented approximately 2.2%, 2.5%, 2.5%, 2.5% and 2.0% of the total revenue in the relevant period.

For the salient terms of our agreement, please refer to the sections headed “Business — Our Customers — Salient terms of agreements with our customers — Agreements with Customer/Supplier Group G for the provision of OGP/OSP services” in this document.

LICENSES AND PERMITS

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had obtained all the approvals, permits, consents, licenses and registrations that were material to our business and operations, and all of them are in force as at the Latest Practicable Date. We renew all such material permits and licenses from time to time to comply with the relevant laws and regulations in all material respects. Our Directors are of the view that there is no material legal impediment to renewing such licenses and permits.

BUSINESS

We had obtained the following licenses and permits that are, in the opinion of our Directors, material to our business, as at the Latest Practicable Date:

Holder	Name of license and permit	Issuing authority	Date of grant/filing	Date of expiry
Hangzhou FAR	Express delivery licence (domestic delivery)* (快遞業務經營許可證(國內快遞))	Zhejiang Post Administration Bureau* (浙江郵政管理局)	26 May 2022	25 May 2027
Hangzhou FAR	Express delivery licence (international agency delivery)* (快遞業務經營許可證(代理國際快遞))	State Post Bureau* (國家郵政局)	17 May 2020	16 May 2025
Hangzhou FAR	Filing of NVOCC* (無船承運業務備案)	Department of Transportation* (交通運輸局)	9 May 2023	— ⁽¹⁾
Hangzhou FAR	Registration certificate for customs* (報關單位備案)	Qianjiang Customs Integrated Business Office No. 3* (錢江海關綜合業務三處)	9 March 2023	—
Hangzhou FAR	Permit for Road Transport Business* (道路運輸經營許可證)	Hangzhou Transportation Bureau* (杭州交通運輸局)	29 March 2022	29 March 2026
Hangzhou FAR	Filing of international freight forwarding enterprise* (國際貨運代理企業備案)	Competent authority for the filing of international freight forwarding enterprise under MOFCOM (Zhejiang)* (商務部國際貨物運輸代理企業備案機關(浙江省))	30 January 2023	— ⁽¹⁾
Hangzhou FAR	IATA Certificate of Accreditation	IATA	2023	— ⁽¹⁾
Hangzhou FAR	OTI-NVOCC	Federal Maritime Commission	June 2020	— ⁽¹⁾
Shenzhen Global Link . . .	Express delivery licence (international agency delivery)* (快遞業務經營許可證(代理國際快遞))	State Post Bureau* (國家郵政局)	5 August 2021	4 August 2026
Shenzhen Global Link . . .	Registration certificate for customs* (報關企業備案)	Fuzhong Customs Department* (福中海關)	4 July 2023	—

BUSINESS

Holder	Name of license and permit	Issuing authority	Date of grant/filing	Date of expiry
Shenzhen Global Link . . .	Filing for International Freight Forwarding Agent* (國際貨運代理企業備案)	Competent authority for the filing of international freight forwarding enterprise under MOFCOM (Shenzhen)* (商務部國際貨物運輸代理企業備案機關(深圳市))	3 December 2021	— ⁽¹⁾
Shenzhen Global Link . . .	Permit for Road Transport Business* (道路運輸經營許可證)	Shenzhen Transportation Bureau* (深圳市交通運輸局)	27 December 2021	26 December 2025
Yiwu Aiyuan	Filing for International Freight Forwarding Agent* (國際貨運代理企業備案)	Competent authority for the filing of international freight forwarding enterprise under MOFCOM (Zhejiang)* (商務部國際貨物運輸代理企業備案機關(浙江省))	25 August 2021	— ⁽¹⁾
Yiwu Aiyuan	Registration certificate for customs* (海關進出口貨物收發貨人備案)	Yiwu Customs Department* (義烏海關)	9 September 2021	31 July 2068
Sichuan Global Link	Customs Declaration Unit Registration Certificate* (報關單位註冊登記證書)	Tianfu New District Customs* (天府新區海關)	24 April 2023	—
Sichuan Global Link	Filing for International Freight Forwarding Agent* (國際貨運代理企業備案)	Competent authority for the filing of international freight forwarding enterprise under MOFCOM (Shuangliu, Chengdu)* (商務部國際貨物運輸代理企業備案機關(成都雙流))	10 December 2018	— ⁽¹⁾
Hangzhou Supply Chain . . .	Filing certificate for customs declaration* (報關單位備案證明)	Qianjiang Xiao Ran Customs Office* (錢江海關駐蕭然辦事處)	3 July 2023	—
Hangzhou Supply Chain . . .	Filing for International Freight Forwarding Agent* (國際貨運代理企業備案)	Competent authority for the filing of international freight forwarding enterprise under MOFCOM (Zhejiang)* (商務部國際貨物運輸代理企業備案機關(浙江省))	4 January 2019	— ⁽¹⁾

BUSINESS

Holder	Name of license and permit	Issuing authority	Date of grant/filing	Date of expiry
Zhejiang Jingyuan	Customs Declaration Unit Registration Certificate* (海關進出口貨物收發貨人備案)	Lishui Customs Department* (麗水海關)	18 September 2021	— ⁽¹⁾
Zhejiang Jingyuan	Filing for International Freight Forwarding Agent* (國際貨運代理企業備案)	Competent authority for the filing of international freight forwarding enterprise under MOFCOM (Zhejiang)* (商務部國際貨物運輸代理企業備案機關(浙江省))	25 August 2021	— ⁽¹⁾
Shanghai Aiyuan	Customs Declaration Unit Registration Certificate* (報關單位註冊登記證書)	Yangshan Special Comprehensive Bonded Zone Customs* (洋山特殊綜合保稅區海關)	17 August 2023	—
Shanghai Aiyuan	Filing for International Freight Forwarding Agent* (國際貨運代理企業備案)	Competent authority for the filing of international freight forwarding enterprise under MOFCOM (Shanghai)* (商務部國際貨物運輸代理企業備案機關(上海市))	20 May 2018	— ⁽¹⁾
Shanghai Supply Chain	Filing for International Freight Forwarding Agent* (國際貨運代理企業備案)	Competent authority for the filing of international freight forwarding enterprise under MOFCOM (Shanghai)* (商務部國際貨物運輸代理企業備案機關(上海市))	4 November 2020	— ⁽¹⁾
Shanghai Supply Chain	Filing certificate for customs declaration* (報告單位備案證明)	Jiading Customs Department* (嘉定海關)	11 July 2023	—
Hangzhou Feiyue	Filing for International Freight Forwarding Agent* (國際貨運代理企業備案)	Competent authority for the filing of international freight forwarding enterprise under MOFCOM (Zhejiang)* (商務部國際貨物運輸代理企業備案機關(浙江省))	13 April 2023	— ⁽¹⁾
Hangzhou Aiyuan	Filing certificate for customs declaration* (報關單位備案證明)	Hangzhou Special Comprehensive Bonded Zone Customs* (杭州綜合保稅區海關)	3 July 2023	—

BUSINESS

Holder	Name of license and permit	Issuing authority	Date of grant/filing	Date of expiry
Hangzhou Aiyuan	Filing for International Freight Forwarding Agent* (國際貨運代理企業備案)	Competent authority for the filing of international freight forwarding enterprise under MOFCOM (Zhejiang)* (商務部國際貨物運輸代理企業備案機關(浙江省))	6 March 2019	— ⁽¹⁾
Hangzhou Qintian	Filing for International Freight Forwarding Agent* (國際貨運代理企業備案)	Competent authority for the filing of international freight forwarding enterprise under MOFCOM (Zhejiang)* (商務部國際貨物運輸代理企業備案機關(浙江省))	13 April 2023	— ⁽¹⁾
Zhejiang Mancao	Filing for International Freight Forwarding Agent* (國際貨運代理企業備案)	Competent authority for the filing of international freight forwarding enterprise under MOFCOM (Zhejiang)* (商務部國際貨物運輸代理企業備案機關(浙江省))	6 April 2021	— ⁽¹⁾
Shenzhen Full Speed.	Permit for Road Transport Business* (道路運輸經營許可證)	Shenzhen Transportation Bureau* (深圳市交通運輸局)	12 September 2019	11 September 2023
Yiwu FAR	Filing for International Freight Forwarding Agent (1)* (國際貨運代理企業備案表(一))	Competent authority for the filing of international freight forwarding enterprise under MOFCOM (Zhejiang)* (商務部國際貨物運輸代理企業備案機關(浙江省))	23 April 2023	— ⁽¹⁾

Note:

(1) The registration or filing does not have an expiration date.

RECOGNITIONS AND AWARDS

The following table sets out our major awards and recognitions:

Year of award	Award	Granted by
2023	2022 Excellent cross-border e-commerce logistics enterprise* (2022年度優秀跨境電商物流企業)	Shanghai Cross-border e-Commerce Association* (上海跨境電子商務行業協會)

BUSINESS

Year of award	Award	Granted by
2023	2022 Excellent enterprise in Hangzhou postal express industry* (2022年度杭州市郵政快遞業優秀企業)	Hangzhou Post Management Bureau* (杭州市郵政管理局)
2023	Industry leading corporation* (產業賽道領跑企業)	People's Government of Gongshu District, Hangzhou City* (杭州市拱墅區人民政府)
2023	Customer value award* (客戶價值獎)	Alibaba.com (阿里巴巴國際站)
2022	Top 50 in revenue in China's private international freight forwarding logistics business* (中國民營國際貨代物流營業總收入前50名)	China International Freight Agency Association* (中國國際貨運代理協會)
2022	Best timeliness award T86 consolidated express* (最佳時效獎泛遠T86集運快遞)	ZIM Integrated Shipping Services Ltd. Shenzhen branch
2022	Top 100 in revenue in China's integrated international freight forwarding logistics business* (中國國際貨代物流綜合業務總收入前100名)	China International Freight Agency Association* (中國國際貨運代理協會)
2022	Quality service provider 2022 first quarter runner-up* (優質服務供應商2022年第一季度季軍)	UPS China supplier management team* (UPS中國區供應商管理組)
2022	Supplier with outstanding contribution to local compliance support in the first half-year* (2022年上半年地方合規支持突出貢獻供應商)	UPS China supplier management team* (UPS中國區供應商管理組)
2022	Hangzhou cross-border e-commerce pole enterprise* (杭州跨境電商標杆企業)	Ebrun cross-border committee of 100* (億邦動力跨境百人會)

BUSINESS

Year of award	Award	Granted by
2021	2020 Excellent cross-border e-commerce logistics enterprise* (2020年度優秀跨境電商物流企業)	Shanghai Cross-border E-commerce Association* (上海跨境電子商務行業協會)
2021	Customer first award (Sino-US air charter project team)* (客戶第一獎(中美包機項目組))	Alibaba's Cross-border Supply Chain
2021	2020 Digital trade excellent logistics service provider* (2020數智貿易優秀物流服務商)	Hangzhou Cross-border e-commerce Association* (杭州跨境電子商務協會)
2021	Excellent cross-border e-commerce logistics service provider* (優秀跨境電商物流服務商)	China (Shenzhen) International Logistics and Supply Chain Fair* (中國(深圳)國際物流與供應鏈博覽會)
2021	2020 Excellent enterprise in Hangzhou postal express industry* (2020年度杭州市郵政快遞業優秀企業)	Hangzhou Post Management Bureau* (杭州市郵政管理局)
2020	Shenzhen key logistics enterprise* (深圳市重點物流企業)	Shenzhen Transportation Bureau* (深圳市交通運輸局)
2020	Top 50 global cross-border e-commerce new power digital empowerment elite* (全球跨境電商新勢力數位化賦能精英 TOP50)	Ebrun* (億邦動力)
2019	Baoan district logistics delivery anti-drug control demonstration enterprise* (寶安區物流寄遞禁毒管控示範企業)	Shenzhen Baoan District Drug Control Committee* (深圳市寶安區禁毒委員會)
2019	Hangzhou Service Trade Demonstration Enterprise* (杭州市服務貿易示範企業)	Hangzhou Municipal Bureau of Commerce* (杭州市商務局)
2019	Excellent cross-border e-commerce comprehensive service enterprise* (優秀跨境電商綜合服務企業)	Shanghai Cross-border E-Commerce Association* (上海跨境電子商務行業協會)

BUSINESS

Year of award	Award	Granted by
2019	2018 Zhejiang Top 100 e-commerce Companies* (2018浙江百強電商)	Zhejiang Electron Business Promotion Association* (浙江省電子商務促進會)
2017	AAAA logistics enterprise* (AAAA物流企業)	China Federation of Logistics and Procurement* (中國物流與採購聯合會)
2015	The first batch of pilot enterprises at China (Hangzhou) Cross-border e-commerce Comprehensive Pilot Zone* (中國(杭州)跨境電子商務綜合試驗區首批試點企業)	China (Hangzhou) Cross-border e-commerce Comprehensive Pilot Zone Leadership Team Office* (中國(杭州)跨境電子商務綜合試驗區領導小組辦公室)
2013	2012 Hangzhou International Forwarding Advanced Enterprise* (杭州市2012年度國際貨代先進企業)	Hangzhou Leading Group for Promoting the Development of Modern Logistics Industry* (杭州市推進現代物流產業發展領導小組)
2012	2011 China international freight forwarding logistics most growing enterprise award* (2011年度中國國際貨代物流最具成長型企業獎)	China International Freight Agency Association/International Shangbao* (中國國際貨運代理協會/國際商報)
2012	2011 UPS best business partner* (UPS最佳合作夥伴)	UPS

IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 pandemic has adversely affected the global economy and caused disruptions to the global supply chain. During the Track Record Period, COVID-19 pandemic had adversely affected the e-commerce cross-border logistics service industry in the PRC. The business operations of our service outlets were affected during the Track Record Period. Due to the impacts of COVID-19 pandemic, during FY2020, FY2021, FY2022 and 6M2023, 14, 1, 17 and nil of our service outlets closed temporarily for an average of approximately 10.7 days, 12.0 days, 14.7 days and nil days, respectively. During the affected periods, our Group closely communicated with our customers and sought alternative routes for parcel acceptance and delivery. We also diverted some logistics flows to other unaffected service outlets to mitigate the impacts on our customers and our business.

BUSINESS

According to the F&S Report, the outbreak of COVID-19 in 2020 disrupted the daily operation and economic circulation. Therefore, the growth rate of per capita annual disposable income decreased by 4.2% from 2019 to 2020. Following the introduction of the effective infection prevention and control policies by the Chinese government, the per capita annual disposable income rebounded in 2021 with a growth rate of 9.1%. However, due to the continuous impact of COVID-19 in 2022, the per capita annual disposable income growth rate in 2022 experienced a slight decrease compared with that of 2021, yet still reached RMB36,883 in 2022.

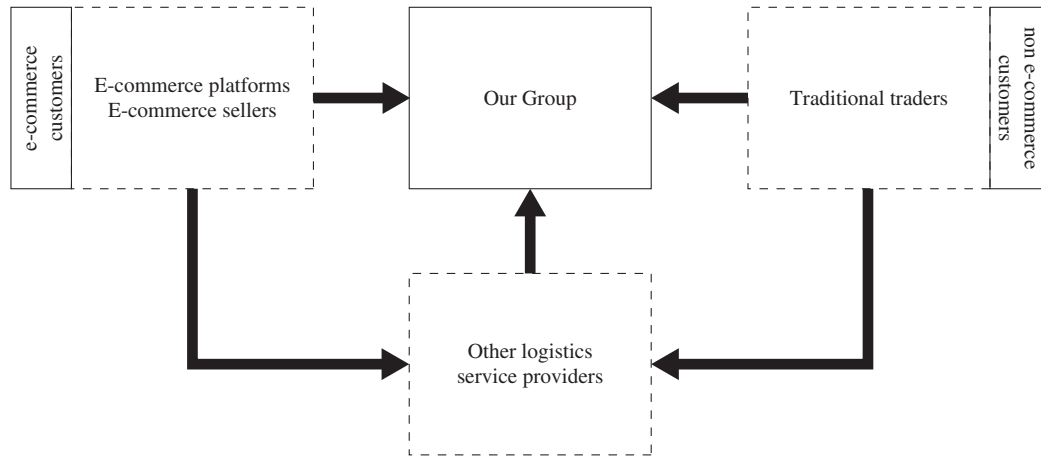
On the other hand, the pandemic has resulted in a shift in consumer behaviour towards online shopping, which has boosted the e-commerce retail trade penetration rate and driven the demand for cross-border e-commerce logistics services to export products in the PRC. The increase in demand for cross-border e-commerce logistics has, to some extent, led to the growth of our business. As at the Latest Practicable Date, we have entered into service agreements with various e-commerce trading platforms and their supply chain arms, including a fashion e-commerce platform reaching customers in more than 150 countries, a comprehensive e-commerce platform that pioneered the concept of “team purchase”, and Yidatong. We believe that the shift in consumer behaviour towards online shopping is likely to have a long-term positive impact on the cross-border e-commerce logistics service industry. We will continue to monitor the development of the pandemic and take appropriate actions in response to any future change.

In May 2023, the World Health Organisation ended the global emergency status for COVID-19, declaring that it is now an established and ongoing health issue which no longer constitutes a public health emergency of international concern.

Given the recent improvement of the COVID-19 pandemic, we believe that while COVID-19 outbreaks have affected and may continue to affect our short-term growth, we do not expect such outbreaks to have a material adverse effect on our long-term overall business and financial performance. Meanwhile, our Directors believe that our Group will continue to benefit from the business growth underpinned by the global consumption’s shift from offline to online mode, due to the outbreak of COVID-19. According to the F&S Report, the e-commerce retail trade penetration rate of the US, which is our largest revenue generating destination during the Track Record Period, has increased from approximately 8.5% in 2018 to approximately 12.9% in 2022, and it is estimated that the penetration rate will further reach approximately 14.8% by the end of 2027. With the growth in e-commerce retail trade, the demand for e-commerce logistics services will also increase.

BUSINESS

OUR CUSTOMERS



During the Track Record Period, the majority of our revenue were derived from e-commerce customers directly or through other logistics service providers. E-commerce customers comprised e-commerce platform operators and e-commerce sellers, while non-e-commerce customers comprised traditional traders. We were also engaged by other logistics service providers to provide logistics services for their customers, which consist of both e-commerce and non e-commerce customers. Our customers may engage us to perform end-to-end cross-border delivery, freight forwarding and other logistics services. As confirmed by our Directors, since each logistics service provider has its own clientele and concentrates on their particular routes, the gathering of resources between logistics service providers enables us to achieve economies of scale, hence business relationship between other logistics service providers is more of a network of alliance than competition. To the best knowledge of our Directors, our services are procured by other logistics services providers as (i) it may not be economically viable for them to establish their own self-arranged services for particular routes that are similar to our services, given the additional operational expertise and resources needed to coordinate the entire/part of the value chain; (ii) we possess qualifications, certifications and licenses such as IATA agent status and NVOCC certification which are essential for reserving airborne and seaborne cargo spaces; and (iii) our Group has access to more competitive terms and rates through our suppliers network as compared to other logistics service providers who may have insufficient parcel volume or business volume to secure favourable contract terms and rates from upstream suppliers.

BUSINESS

The following table sets forth a breakdown of our Group’s revenue by major customer type during the Track Record Period:

	FY2020		FY2021		FY2022		6M2022		6M2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
E-commerce related										
E-commerce platforms	89,116	5.9	236,837	17.5	153,347	12.3	86,941	14.3	236,278	35.1
— Yidatong	37,088	2.5	218,580	16.1	153,347	12.3	86,941	14.3	85,541	12.6
— Others	52,028	3.4	18,257	1.4	—	—	—	—	150,737	22.4
E-commerce sellers	311,610	20.6	273,059	20.2	270,431	21.6	134,274	22.0	120,623	17.9
Other logistics service providers										
(Note 1)	998,521	66.0	678,187	50.1	729,040	58.2	304,596	50.0	277,445	41.2
	1,399,247	92.5	1,188,083	87.8	1,152,818	92.1	525,811	86.2	634,346	94.1
Non e-commerce related										
Traditional traders	63,087	4.2	97,647	7.2	57,772	4.6	34,221	5.6	7,816	1.2
Other logistics service providers										
(Note 2)	49,814	3.3	67,956	5.0	41,393	3.3	49,709	8.2	31,748	4.7
	112,901	7.5	165,603	12.2	99,165	7.9	83,930	13.8	39,564	5.9
Total	1,512,148	100.0	1,353,686	100.0	1,251,983	100.0	609,741	100.0	673,910	100.0

Notes:

- (1) Other logistics service providers in which their end-customers (who are the senders of the parcels) are e-commerce related.
- (2) Other logistics service providers in which their end-customers (who are the senders of the parcels) are traditional traders.

For FY2020, FY2021, FY2022 and 6M2023, sales to our five largest customers in each year/period represented approximately 22.8%, 31.9%, 28.5% and 45.2% of our total revenue, and sales to our largest customer represented approximately 7.0%, 16.1%, 12.2% and 22.4% of our total revenue, respectively. We had established business relationships with our five largest customers in each year/period during the Track Record Period for two to 18 years.

As advised by the PRC Legal Adviser, we are generally not held responsible for any loss or damage to parcels caused by air carriers, shipping liners, or other logistics service providers engaged by us. As under our standard terms & conditions for providing end-to-end cross-border delivery service and freight forwarding services, which are applicable to other logistic service providers as our customers, we have included several disclaimers and force majeure clauses that limit our liability. Typically, our Group’s liability is restricted to losses caused directly by our own

BUSINESS

actions under these provisions, typically with a compensation limit per shipment. For liability that does not arise from our own actions, we will either (i) claim compensation from the suppliers or actual carriers involved directly to provide such compensation to our customers or (ii) assist our customers to proceed with their claims against the suppliers or actual carriers involved. Furthermore, as advised by the PRC Legal Adviser, our Group may be liable for shipping any dangerous, unsafe, prohibited or restricted items as a result of the customers’ false information. If our Group fails to comply with the requirements outlined in the Counterterrorism Law of the People’s Republic of China (2018 Amendment), we may incur fines imposed by the regulatory authorities in the PRC. For specific details regarding these requirements and associated fines, please refer to the section “Regulatory Overview — International Freight Forwarding Business.” However, under the standard terms and conditions for providing our Group’s freight forwarding services, we have included clauses to limit our liability and specify that the customers are liable for providing false information regarding the parcels.

BUSINESS

The table below sets forth the details of our five largest customers in each year during the Track Record Period:

FY2020

Customer	Sales amount	Percentage of our total revenue	Starting year of business relationship	Credit terms and payment method	Background	Major services provided
	<i>(RMB'000)</i>	<i>(%)</i>				
Ruijie International Logistics (Guangzhou) Co., Ltd.* (睿捷國際物 流(廣州)有限公司)	106,439	7.0	2019	3 days, bank transfer	A PRC limited liability company principally engaged in the provision of logistics services, with registered capital of RMB5.0 million	End-to-end cross-border delivery
Customer/Supplier Group A	70,652	4.7	2018	14 days, bank transfer	A US limited private company group engaged in shipping services	End-to-end cross-border delivery
Customer/Supplier Group B	70,109	4.6	2017	30 days, bank transfer	A Fortune Global 500 PRC state-owned postal service provider company group	End-to-end cross-border delivery
Customer C	52,025	3.4	2019	20 days, bank transfer	A Hong Kong limited liability company principally engaged in cross-border delivery and local delivery & trading services with issued share capital of HK\$0.01 million	End-to-end cross-border delivery
Customer D	47,607	3.1	2020	30 days, bank transfer	A PRC limited liability company principally engaged in the provision of logistics services, with registered capital of RMB5.0 million	End-to-end cross-border delivery
Total	<u>346,832</u>	<u>22.8</u>				

BUSINESS

FY2021

Customer	Sales amount	Percentage of our total revenue	Starting year of business relationship	Credit terms and payment method	Background	Major services provided
	<i>(RMB'000)</i>	<i>(%)</i>				
Yidatong	218,580	16.1	2018	25 days, bank transfer	A subsidiary of an e-commerce company group listed on the Hong Kong Stock Exchange and the New York Stock Exchange	End-to-end cross-border delivery
Customer/Supplier E . . .	64,906	4.8	2020	5 days, bank transfer	A PRC limited liability company principally engaged in the provision of logistics services, with registered capital of RMB1.0 million	End-to-end cross-border delivery
Customer F	63,071	4.7	2012	5 days, bank transfer	An England & Wales private limited liability company principally engaged in discount retailing of household products, with called up share capital of approximately GBP15.8 million	Freight forwarding
Ruijie International Logistics (Guangzhou) Co., Ltd.	46,060	3.4	2019	3 days, bank transfer	A PRC limited liability company principally engaged in the provision of logistics services, with registered capital of RMB5.0 million	End-to-end cross-border delivery
Customer/Supplier Group G	39,590	2.9	2005	30 days, bank transfer	A Fortune Global 500 multinational logistics company group founded in the US	Other logistics service
Total	<u>432,207</u>	<u>31.9</u>				

BUSINESS

FY2022

Customer	Sales amount <i>(RMB'000)</i>	Percentage of our total revenue <i>(%)</i>	Starting year of business relationship	Credit terms and payment method	Background	Major services provided
Yidatong	153,347	12.2	2018	25 days, bank transfer	A subsidiary of an e-commerce company group listed on the Hong Kong Stock Exchange and the New York Stock Exchange	End-to-end cross-border delivery
Customer H	62,980	5.0	2021	2 days, bank transfer	A Hong Kong limited liability company principally engaged in freight forwarding, with issued share capital of HKD1.0 million	End-to-end cross-border delivery
Customer I	57,121	4.6	2021	25 days, bank transfer	A PRC limited liability company principally engaged in freight forwarding, with registered capital of RMB8.0 million	Freight forwarding
Customer J	44,042	3.5	2019	0 days (payment on delivery of service), bank transfer	A PRC limited liability company principally engaged in supply chain management, with registered capital of RMB5.0 million	End-to-end cross-border delivery
Customer F	39,832	3.2	2012	5 days, bank transfer	An England & Wales private limited liability company principally engaged in discount retailing of household products, with called up share capital of approximately GBP15.8 million	Freight forwarding
Total	<u>357,322</u>	<u>28.5</u>				

BUSINESS

6M2023

Customer	Sales amount <i>(RMB'000)</i>	Percentage of our total revenue <i>(%)</i>	Starting year of business relationship	Credit terms and payment method	Background	Major services provided
Customer Q	150,688	22.4	2023	15 days, bank transfer	A PRC subsidiary of a multinational commerce group listed on the NASDAQ	End-to-end cross-border delivery
Yidatong	85,548	12.7	2018	25 days, bank transfer	A subsidiary of an e-commerce company group listed on the Hong Kong Stock Exchange and the New York Stock Exchange	End-to-end cross-border delivery
Hong Kong Profit Fields Logistics Company Limited	26,892	4.0	2019	1 day, bank transfer	A Hong Kong limited liability company principally engaged in trading, with issued share capital of HKD3.0 million	End-to-end cross-border delivery
Customer H	23,993	3.6	2021	2 days, bank transfer	A Hong Kong limited liability company principally engaged in freight forwarding, with issued share capital of HKD1.0 million	End-to-end cross-border delivery
Customer J.	17,324	2.6	2019	0 days (payment on delivery of service), bank transfer	A PRC limited liability company principally engaged in supply chain management, with registered capital of RMB5.0 million	End-to-end cross-border delivery
	<u>304,445</u>	<u>45.2</u>				

Save for Yidatong, which is a subsidiary of one of our Shareholders, Taobao China, our Directors confirm that our five largest customers in each year during the Track Record Period were all Independent Third Parties and that none of our Directors, their respective close associates or any Shareholder (which to the best knowledge of our Directors owned more than 5% of our share capital as at the Latest Practicable Date) had any interest, directly or indirectly, in any of our five largest customers in each year during the Track Record Period. For further details of the

BUSINESS

relationship between our Group and Taobao China, please refer to the section headed “History, development and reorganisation — [REDACTED]” in this document. Save as disclosed in the section above and the section headed “History, development and reorganisation — [REDACTED]” in this document, our Group did not have any other business cooperation with Alibaba China and/or Taobao China during the Track Record Period and up to the Latest Practicable Date. Our Directors confirmed that the transactions with Yidatong 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. For further details of the related party transactions, please refer to the section headed “Financial Information — Related party transactions” in this document and the Note 34 to the Accountants’ Report set out in Appendix I to this document.

Our Directors confirm that, to their best knowledge, during the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes with our customers or compensate for any major damaged goods during shipping, or any major delays in or disruption with our services.

Salient terms of agreements with our customers

Agreements with our general customers

We typically sign master service agreements with our customers covering various terms, including contracting parties, contractual period, termination, scope of services, fees, payment method and parties’ rights and obligations, among other things. The salient terms of typical agreements with our major customers are summarised as follows:

Contractual Period	The period of each contract is typically one year to five years during the Track Record Period.
Termination:	Our agreements with major customers can be terminated upon mutual consent, or by either party after giving advanced written notice for a time period stipulated in the agreements or in the event of material breaches of the other party.
Scope of services	End-to-end cross-border delivery, freight forwarding and other logistics service.

BUSINESS

Fees Fees are determined by scope of service, parcel volume and weight, distance of delivery route and delivery time.

Payment terms We offer different payment terms to our customers, including payment before parcel collection (prepayment), payment on delivery of service and periodical payment.

Agreements with Customer/Supplier Group G for the provision of OGP/OSP services

The salient terms of the agreements with Customer/Supplier Group G are set out below:

Contractual period: The duration of agreements is generally for a period of one to five years.

Termination: Customer/Supplier Group G has the right to unilaterally terminate agreements without cause by providing advanced written notice of one month, while our Group has the right to terminate agreements without cause by providing advanced written notice of 90 days. In the event of winding up or insolvency of any parties, either our Group or Customer/Supplier Group G may unilaterally terminate the agreements.

Service scope: Our Group is authorised to work as independent contractors for Customer/Supplier Group G, unloading their parcels and collecting and delivering them on their behalf in specified areas as provided in the agreements.

Fee: The services fees to be charged under the agreement shall be calculated based on the shipment volume, the rates of the services fees and business growth commissions as provided in the agreements.

Payment: All sums due to us shall be paid by Customer/Supplier Group G in accordance with the terms of the agreements within thirty days after receipt of VAT invoices issued by our Group.

During the Track Record Period, our Group terminated one contract with a customer under mutual agreement, which was initiated by the customer due to a change of its own strategic plan. The customer, who started business with us in 2018, settled all outstanding invoices with in December 2020. Except for this termination, during the Track Record Period and up to the Latest Practicable Date, our Group did not terminate any contracts with our customers.

BUSINESS

Pricing policy

End-to-end cross-border delivery

Our business department is responsible for determining the final rates for end-to-end cross-border delivery services (including the express, standard and economic delivery services) for each of our customers. We adopt a cost-plus approach for our pricing policy and take into account the following factors, among others, in determining the fees we charge our customers:

- (i) the volume of the parcels;
- (ii) prevailing market rates offered by our competitors;
- (iii) cost of services, including cost incurred during the transshipment process, international linehaul and last-mile delivery process performed by third-party logistics service providers engaged by us;
- (iv) seasonality;
- (v) reasonable profit margin (based on the type and nature of parcels to be handled by us);
and
- (vi) length of business relationship and future business opportunity.

Our Group adjusts prices for end-to-end cross-border delivery from time to time, based on the costs of services and prevailing market rates. In general, our suppliers of express and economic delivery services offer their services to our Group at a base price when entering into new contracts. However, they may apply surcharges to our Group based on prevailing market conditions. Consequently, our Group adjusts our selling prices to our customers accordingly. When it comes to standard delivery services, our Group engages various logistics parties throughout the supply chain, such as air carriers, customs clearance providers, and last-mile service providers. These parties may update their prices based on prevailing market conditions. As a standard practice, to reflect the actual fluctuation of our costs, our Group provides updates to our customers from time to time regarding pricing for standard delivery services.

We closely monitor the cost of services charged by our third-party suppliers. If the service charges of a particular supplier largely exceeds our expected amount, we will procure services with an alternative supplier providing similar services with the support of our comprehensive suppliers' network. We had business relationship with over 1,100 suppliers during the Track Record Period.

BUSINESS

Freight forwarding and other logistics service

Our final rates for freight forwarding, customs clearance/pick-up/delivery and industry-tailored solutions services are also fixed on a cost-plus basis that are determined by our business department, based on the costs of services plus a reasonable profit margin. The costs of service mainly include service charges of third-party logistics services providers, such as freight charges, customs clearance charges, warehousing, and transportation charges. For airborne and seaborne freight forwarding, our suppliers generally provide their fees on a weekly or bi-weekly basis, subject to prevailing market conditions. Our Directors confirm that as the scope of services provided to each customer varies, our fees for freight forwarding are quoted on a case-by-case basis and subject to a monthly price update, while our customs/clearance/pick-up/delivery and industry-tailored solutions are quoted and adjusted from time to time according to prevailing market conditions. Same as our end-to-end cross-border delivery services, we will engage alternative suppliers should the service charges of a particular supplier largely exceeds our expected amount in order to maintain our profit margin.

Our fees for the provision of OGP/OSP services are subject to the agreement between Customer/Supplier Group G and us. For further details regarding the salient terms of the agreement, please refer to the paragraph headed “Salient terms of agreements with our customers — Agreements with Customer/Supplier Group G for the provision of OGP/OSP services” in this section. The pricing policy for such services are determined by Customer/Supplier Group G.

Maintenance of our profitability

We plan to continue to expand our customer base and diversify the range of customers, in particular, in the e-commerce and logistics industries. Our Directors believe that this allows us to strengthen our bargaining power with suppliers as we increase our number of parcels and volume, which may help minimise the impact of fluctuations in our costs of sales and sales volume, in order to maintain our profitability.

Moreover, we continue to focus on effective cost control and optimisation of operational efficiency to maintain our profitability. Our management team has implemented cost control measures and regularly reviews our operating costs to reduce our costs. In addition, we plan to maximise the utilisation of our service outlets so to improve our operational efficiency.

Sales and marketing

Our sales and marketing staff are mainly responsible for promoting our services, communicating with our customers and handling their inquiries and orders. Substantially all of our sales and marketing staff are located in the PRC.

BUSINESS

From time to time, our sales and marketing staff will provide the latest information about our services, shipping routes, shipping schedules and fee quotations to our customers for their selection based on their needs. When contacted by our customers, our sales and marketing staff will discuss with them their needs, such as budget, pick-up location, destination, delivery time, nature of parcel and any requirement for additional services and confirm with them the details of the shipping plan and the fees.

We also engage in a variety of programmes and marketing activities to promote our brand and our services. Our offline marketing activities include the attending of professional logistics and procurement trade fairs, such as the Annual China Aviation Logistics Industry Conference* (中國航空物流產業年會), the Global Cross-border e-commerce Summit (全球跨境電商峰會) and China (Shenzhen) International Logistics and Supply Chain Fair (物流與供應鏈博覽會), holding weekly or monthly meetings with e-commerce sellers and e-commerce platforms to grasp the latest market trend within the e-commerce industry, and door-to-door promotion. Our online marketing activities include the leveraging of online platforms to distribute business updates and new discounts. Our Directors will also hold regular board meetings to discuss, among other things, our marketing strategies and relationship maintenance with our customers. In addition, we require our staff and employees to apply our logos on personnel uniforms, transportation vehicles and packages materials in a consistent and unified manner in order to further enhance our brand recognition during interactions with our end customers.

For e-commerce platform customers, we are usually invited by e-commerce platforms for short-term trial period for provision of logistics services based on our established reputation and track record in cross-border logistics industry in the PRC, or after we are introduced to the e-commerce customers by business acquaintances. We are then invited for a tender submission at the end of the trial period for the actual service provision agreement or, upon passing the trial period, commence official business relationship with the e-commerce platforms. For e-commerce sellers, other logistics service providers and traditional traders, they are usually procured by us through trade fairs, introduction by business acquaintances and door-to-door promotion.

Customer services

Our customer service team handles general enquiries, complaints and feedback from customers. We also provide a 24-hour customer services line to allow customers to contact our staff for any urgent matters. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we did not receive any material complaint or claim from our customers in relation to our services.

BUSINESS

Payment terms

We offer different payment terms to our customers, including payment before parcel collection (prepayment), payment on delivery of service and periodical payment. 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. We determine the credit period granted to our customers based on the length and depth of business relationship, their credit profile and business volume.

Warranty and goods damaged in transit

Delivery carriers generally purchase insurance for potential damages during transportation. We also keep insurance policies for potential damage claims from our customers. During the Track Record Period, there had not been such instances of goods damaged in transit that resulted in a materially adverse impact on our business operations and financial position.

OUR SUPPLIERS

Our suppliers generally include air/sea port operators, air and ocean carriers, custom brokers as well as international and national-level logistics service providers.

For FY2020, FY2021, FY2022 and 6M2023, purchases from our five largest suppliers in each year/period represented approximately 61.4%, 50.6%, 61.2% and 62.3% of our total purchases, and purchases from our largest supplier represented approximately 28.3%, 25.3%, 43.4% and 39.8% of our total purchases, respectively. We had established business relationships with our five largest suppliers in each year/period during the Track Record Period for two to 18 years.

We have limited bargaining power with our upstream suppliers, who have a wider international delivery network and fleets of ground transportation and aircraft, in negotiating increases in transportation costs, as well as seasonal surcharges and fuel surcharges. During the Track Record Period, more than 90% of our cost of sales was attributed to logistics costs; therefore, any slight increase in logistics costs could further squeeze our profitability.

BUSINESS

The table below sets forth the details of our five largest suppliers in each year/period during the Track Record Period:

FY2020

Supplier	Purchases amount <i>(RMB'000)</i>	Percentage of our total purchases <i>(%)</i>	Starting year of business relationship	Credit terms and payment method	Background	Major products/services purchased
Supplier Group K	379,365	28.3	2017	30 days, bank transfer	A US founded Fortune Global 500 German logistics company group listed on the Frankfurt Stock Exchange	Cross-border logistics, transportation and delivery services
Customer/Supplier Group A	228,015	17.0	2018	15 days, bank transfer	A US limited private company group engaged in shipping services	Parcel delivery and customs clearance services from the PRC to the US
Customer/Supplier Group B	142,291	10.6	2017	0 days (prepayment), bank transfer	A Fortune Global 500 PRC state-owned postal service provider company group	Air freight and postal service delivery
Supplier L	41,814	3.1	2019	25 days, bank transfer	A Hong Kong limited liability company principally engaged in the provision of logistics services, with issued share capital of HKD5.0 million	Cross-border parcel shipping and postal delivery service
Supplier M	31,773	2.4	2019	30 days, bank transfer	A PRC limited liability company principally engaged in the provision of logistics services, with registered capital of RMB5.0 million	Cross-border parcel shipping and postal delivery service
Total	823,258	61.4				

BUSINESS

FY2021

Supplier	Purchases amount	Percentage of our total purchases	Starting year of business relationship	Credit terms and payment method	Background	Major products/services purchased
	(RMB'000)	(%)				
Supplier Group K	301,620	25.3	2017	30 days, bank transfer	A US founded Fortune Global 500 German logistics company group listed on the Frankfurt Stock Exchange	Cross-border logistics, transportation and delivery services
Customer/Supplier Group A	111,193	9.3	2018	0 days (prepayment), bank transfer	A US limited private company group engaged in shipping services	Parcel and customs clearance delivery services from the PRC to the US
Shenzhen Wanguojitong International Freight Forwarding Co., Ltd.* (深圳萬國集通國際貨運代理有限公司)	89,296	7.5	2021	0 days (prepayment), bank transfer	A PRC limited liability company principally engaged in aircraft chartering, with registered capital of RMB5.0 million	Aircraft chartering
Customer/Supplier Group N	56,733	4.8	2018	15 days, bank transfer	A subsidiary of a PRC airline company group listed on the Hong Kong Stock Exchange	Air cargo spaces on flights from the PRC to the US
Supplier Group O	43,551	3.7	2013	30 days, bank transfer	A subsidiary of a Fortune Global 500 PRC shipping company group listed on the Hong Kong Stock Exchange	Sea freight spaces on vessels
Total	602,393	50.6				

BUSINESS

FY2022

Supplier	Purchases amount	Percentage of our total purchases	Starting year of business relationship	Credit terms and payment method	Background	Major products/services purchased
	(RMB'000)	(%)				
Supplier Group K	474,830	43.4	2017	30 days, bank transfer	A US founded Fortune Global 500 German logistics company group listed on the Frankfurt Stock Exchange	Cross-border logistics, transportation and delivery services
Shenzhen Wanguojitong International Freight Forwarding Co., Ltd. (深圳萬國集通國際貨運代理有限公司)	77,435	7.1	2021	0 days (prepayment), bank transfer	A PRC limited liability company principally engaged in aircraft chartering, with registered capital of RMB5.0 million	Aircraft chartering
Customer/Supplier Group N.	48,333	4.4	2018	15 days, bank transfer	A subsidiary of a PRC airline company group listed on the Hong Kong Stock Exchange	Air cargo spaces on flights from the PRC to the US
Supplier Group O	38,901	3.5	2013	30 days, bank transfer	A subsidiary of a Fortune Global 500 PRC shipping company group listed on the Hong Kong Stock Exchange	Sea freight spaces on vessels
Hangzhou Zibuyu Supply Chain Management Co., Ltd.* (杭州子不語供應鏈管理有限公司)	30,123	2.8	2021	5 days, bank transfer	A PRC limited liability company principally engaged in the provision of supply chain management, with registered capital of RMB10 million	Cross-border logistics, transportation and delivery services
Total.	669,622	61.2				

BUSINESS

6M2023

Supplier	Purchases amount	Percentage of our total purchases	Starting year of business relationship	Credit terms and payment method	Background	Major products/services purchased
	(RMB'000)	(%)				
Supplier Group K	235,003	39.8	2017	30 days, bank transfer	An American founded German logistics company group listed on the Frankfurt Stock Exchange	Cross-border logistics, transportation and delivery services
Customer/Supplier P	72,143	12.2	2022	0 days (prepayment), bank transfer	A US limited private company principally engaged in trucking, warehousing and last-mile delivery services.	Last mile delivery services in the US
Customer/Supplier Group G	24,477	4.1	2005	30 days, bank transfer	A top 50 Fortune 500 multinational logistics company group founded in the US	Cross-border logistics, transportation and delivery services
Supplier S	22,179	3.8	2022	0 days (prepayment), bank transfer	A PRC limited liability company principally engaged in the provision of supply chain management, with registered capital of RMB10 million	Freight forwarding services
Supplier R	14,564	2.5	2021	10 days, bank transfer	A US limited private company principally engaged in international transportation, customs declaration and warehousing	Parcel customs clearance and delivery and induction into last-mile service providers
	<u>368,366</u>	<u>62.3</u>				

BUSINESS

Reliance on Supplier Group K

Supplier Group K was our largest supplier in each of FY2020, FY2021, FY2022 and 6M2023. Purchases from Supplier Group K accounted for approximately 28.3%, 25.3%, 43.4% and 39.8% of our total purchases during the Track Record Period. We engaged Supplier Group K for the provision of logistics services for our business operations, in particular the Southern China region, given that we maintained stable business relationships with Supplier Group K in the region upon our acquisition of Shenzhen Global Link in 2017. For details regarding Shenzhen Global Link, please refer to the section headed “History, development and reorganisation — Our major operating subsidiaries — Shenzhen Global Link” in this document. Supplier Group K is listed on the Frankfurt Stock Exchange which had approximately 590,000 employees, conducting business in more than 220 countries and territories and recorded revenue of approximately EUR94,436 million in 2022. To the best of our Directors’ knowledge, information and belief, our Directors are of the view that our substantial purchase amounts with Supplier Group K is mainly due to the following reasons:

- (i) Supplier Group K had been the one of the largest logistics services providers in the PRC by market capitalisation according to the F&S Report, and has a track record of providing quality services as confirmed by our Directors;
- (ii) during the Track Record Period, we mainly engaged Supplier Group K as our supplier to perform cross-border logistics services, in particular express delivery services, from the Hong Kong port to the final destination. The increase in purchases from Supplier Group K from 25.3% in FY2021 to 43.4% in FY2022 was mainly due to the increase in the number of orders for our end-to-end cross-border delivery services in the Southern China region in FY2022; and
- (iii) we have established business relationship with Supplier Group K for more than 13 years (including 7 years of business relationship between Supplier Group K and Global Link Group) and have not experienced any material non-performance by Supplier Group K which caused disruption to our operations.

Given our long-standing relationship and the quality of services provided by Supplier Group K and the similar price charged by Supplier Group K compare with that charged by other suppliers, our Group engaged Supplier Group K for majority of the orders in Southern China region. As such, an increase in the number of orders in Southern China region in FY2022 has also led to an increase in purchase from Supplier Group K in FY2022. For the risk associated business relationship with Supplier Group K, please refer to the section headed “Risk factors — Risks relating to our business and industry — We rely on our largest supplier, Supplier Group K, in the provision of cross-border logistics services” in this document.

BUSINESS

The salient terms of the agreement with Supplier Group K are set out below:

- Contractual period: The agreement shall continue for an indefinite period of time until terminated in accordance with the term of the agreement with Supplier Group K.
- Termination: Our Group or Supplier Group K may unilaterally terminate the agreement without cause upon advanced written notice period of one month; or in case of winding up or insolvency of our Group or Supplier Group K; or a material breach of the terms of the agreement with a five-day notice.
- Service scope: Supplier Group K provides the express transportation of parcels by means of air, road and related services to be provided by or as may from time-to-time agreed.
- Fee: The services fees to be charged under the agreement shall be calculated based on the shipment volumes and the rates of the services fees as provided in the agreement.
- Payment: All sums due from us shall be paid in accordance with the terms of the agreement within thirty days after receipt of the weekly statement of accounts.

According to the F&S Report, it is an industry norm for logistics service provider to procure services from sizeable and multinational suppliers with proven capability and track record in providing relevant services. Since Supplier Group K is a major and reliable logistics service provider, as part of our commitment for customer satisfaction, we will continue our business relationship with Supplier Group K as one of our major suppliers. Despite our reliance on Supplier Group K, in particular for FY2022, our Directors are of the view that our business is sustainable for the following reasons:

- (i) we have generally maintained good business relationship with Supplier Group K for over 13 years (including 7 years of relationship between Supplier Group K and Global Link Group). In light of the long-established business relationship and our satisfactory performance, our Directors are of the view that the risk of Supplier Group K terminating their business relationship with us is low;
- (ii) we do not directly compete with Supplier Group K since we serve a different group of target customers by specialising in cross-border e-commerce logistics services. Our Directors are of the view that we are unlikely exposed to intermediation risk as it is

BUSINESS

uncommon and not economically efficient for top worldwide logistic companies to transact with our target customers due to the time and efforts invested for the entire logistics chain. According to the F&S Report, non-PRC-based international logistics service providers such as Supplier Group K primarily focus on providing international linehaul services, and put in less resources in the PRC which is labour-intensive in nature, such as manpower for marketing and warehouse operations for labelling, repackaging and sorting, as compared to domestic players. As such, non-PRC-based international logistics service providers often cooperate with us, in which we would be engaged by the customers for end-to-end cross-border delivery services, and non-PRC-based international logistics service providers are engaged by us for international linehaul and last-mile delivery services after we have performed warehousing, security check, labelling, repackaging and sorting processes in our service outlets;

- (iii) we offer our customers the flexibility to pick and choose the services by providing different types of logistics services. Apart from express delivery services in which we may engage Supplier Group K as our supplier, we also offer standard and economic delivery services as options for our customers;
- (iv) as we are not bound to make purchase from Supplier Group K, we maintain flexibility in supplier selection and we are able to procure similar services under similar terms and conditions from other suppliers; and
- (v) we have maintained good business relationship with our supplier network, including four of the top five largest logistics services providers in the world according to the 2022 Fortune Global 500. During the Track Record Period, we have engaged more than 1,100 logistics service providers for our business operations. Apart from Supplier Group K, all of our five largest suppliers during FY2020, FY2021, FY2022 and 6M2023 were logistics services providers. In the event of Supplier Group K terminating their business relationships with us for whatever reasons, our Directors believe that we would be able to engage alternative logistics service providers necessary for our business operations from other logistics services providers.

Our Directors confirm that our five largest suppliers in each year/period during the Track Record Period were all Independent Third Parties and that none of our Directors, their respective close associates or any Shareholder (which to the best knowledge of our Directors owned more than 5% of our share capital as at the Latest Practicable Date) had any interest, directly or indirectly, in any of our five largest suppliers in each year/period during the Track Record Period.

BUSINESS

Our Directors confirm that, to their best knowledge, during the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties in obtaining supplies for our business in a timely manner and we did not have any material disputes with our major suppliers.

Salient terms of agreements with our suppliers

Agreements with our general suppliers

We typically sign master service agreements with our suppliers covering various terms, including contracting parties, contractual period, scope of services, fees, payment method and parties' rights and obligations, among other things. The salient terms of the agreements which we typically enter with our major suppliers are summarised as follows:

Contractual Period:	The period of each contract is typically one to three years during the Track Record Period. In certain cases, our suppliers are given an option to renew the contracts (the renewal period typically being one year after expiry of the original term).
Scope of services:	International logistics, transportation and delivery services, customs clearance services, aircraft chartering, selling of aircraft and sea freight spaces.
Fees:	Fees are determined by scope of services and factors including, but not limited to, delivery arrangement, delivery time, transportation arrangement, parcel volume or weight, distance of delivery route, sizes of aircraft/sea freight spaces required and customs brokerage requirements.
Payment terms:	All payment due will be paid in accordance with the payment arrangement specified in the agreement, including payment after issuance of invoices and/or periodical payment.

OUR OVERLAPPING CUSTOMERS AND SUPPLIERS

During the Track Record Period, a number of our customers were also our suppliers (the "Overlapped Customers and Suppliers"). According to the F&S Report, it is an industrial norm that logistics service providers (including freight forwarders) work with other logistics service providers which specialised in the operation of the required routes. It is further stated in the F&S Report that since cross engagement enables logistics service providers to reduce transportation time and cost, it is common for logistics service providers to on-sell cargo space to other market

BUSINESS

practitioners. Therefore, it is an industry norm to have dual role customers in the cross-border logistics service industry. As confirmed by the Directors, the purchases from, and sales to, each of the Overlapped Customers and Suppliers during the Track Record Period varies each year/period during the Track Record Period as such purchase orders from our Group/Overlapped Customers and Suppliers are determined by factors such as (i) delivery orders from end customers, (ii) delivery costs, (iii) destination country, (iv) delivery route, and (v) number of available freight space.

Set out below is the revenue and purchase related to the major Overlapped Customers and Suppliers during the Track Record Period:

	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>	<u>6M2023</u>
Revenue from the major Overlapped Customers and Suppliers (RMB'000)	235,468	360,678	303,569	120,702
As a % of our total revenue	15.6	26.6	24.2	17.9
Purchases from the major Overlapped Customers and Suppliers (RMB'000)	395,206	326,745	191,537	112,473
As a % of our total purchase	29.5	27.5	17.6	18.4

Our Directors confirmed that the negotiations of the terms of our sales to and purchase from the Overlapped Customers and Suppliers were conducted on arms-length negotiation; and the sale and purchase were independent of and not inter-conditional with each other. Therefore, none of the revenue from or the purchase from all the Overlapped Customers and Suppliers were arisen from the same transaction. Our Directors further confirmed that the arrangements and terms of transactions with the Overlapped Customers and Suppliers were in line with the market and similar to those transactions with our other customers and suppliers.

BUSINESS

Set out below is the revenue, gross profit margin and purchase related to our major customers and suppliers who are Overlapped Customers and Suppliers during the Track Record Period:

	FY2020						FY2021						FY2022						6/12/2023							
	% of total revenue		Gross profit margin		% of total purchase		% of total revenue		Gross profit margin		% of total purchase		% of total revenue		% of total purchase		% of total revenue		% of total purchase		% of total revenue		% of total purchase			
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%		
Customer																										
Yidalong	70,636	2.5	4.3	16.1	0.3 ⁽³⁾	—	—	153,347	12.2	6.7	—	—	86,941	14.3	7.9	—	—	85,548	17.9	9.7	155	0.0	—	—	—	
Customer/Supplier Group A	70,636	4.7	10.7	228,015	17.0	874	0.0	6.00 ⁽¹⁾	111,193	9.3	85	0.0	6.6	13,791	1.3	1	0.0	11,288	2.1	—	—	987	0.2	—	—	
Customer/Supplier Group B	70,109	4.6	6.3	142,291	10.6	1,065	0.1	1.1	38,937	3.3	477	0.0	26.2	11,478	1.0	285	0.0	29.7	4,408	0.8	363	0.1	17.6	2,333	0.4	
Customer/Supplier Group G	37,618	2.5	49.2	4,081	0.3	39,590	2.9	40.5	19,574	1.6	33,545	2.7	35.1	27,950	2.6	16,889	2.8	38.9	13,380	2.5	13,859	2.1	23.6	24,477	4.1	
Customer/Supplier E	5,659	0.4	(23.4) ⁽⁴⁾	—	—	64,916	4.8	4.6	(4.6) ⁽⁴⁾	—	10,901	0.9	9.0	0	0.0	8,532	1.4	10.6	0	0.0	—	—	—	—	—	
Customer I	—	—	—	—	—	12,900	1.0	15.2	3.15	0.3	51,121	4.6	4.4	316	0.0	21,531	3.5	(6.2) ⁽⁵⁾	—	—	1,829	0.3	(0.3)	569	0.1	
Customer J	14,377	1.0	5.1	13,607	1.0	20,086	1.5	2.7	7,897	0.7	44,042	3.5	8.8	0	0.0	19,678	3.2	3.4	—	—	17,324	2.6	4.7	—	—	
Supplier																										
Shenzhen Wangnongjiao International Freight Forwarding Co., Ltd* (深圳萬農通國際貨運代理有限公司)	—	—	—	—	—	2,677	0.2	(11.4) ⁽²⁾	89,296	7.5	439	0.0	0.0	77,435	7.1	439	0.1	0.0	36,098	6.8	—	—	184	0.0	—	—
Customer/Supplier Group N	—	—	—	—	—	7,212	0.5	—	56,733	4.8	3,605	0.3	12.9	48,333	4.4	755	0.1	18.9	27,211	5.1	1,779	0.3	13.9	11,625	2.0	
Customer/Supplier P	—	—	—	—	—	—	—	7	—	—	—	0.0	14.3	12,234	1.1	—	—	—	1,379	0.3	—	—	—	72,143	12.2	

Notes:

- We recorded a gross loss margin of approximately 3.0% for our transactions with Customer/Supplier Group A in FY2021, which was mainly attributable to the increase of logistics costs during FY2021. However, there was a time lag in adjusting the price upwards to Customer/Supplier Group A 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 the Group and Customer/Supplier Group A.

BUSINESS

- (2) We recorded a gross loss margin of approximately 11.4% for our transactions with Shenzhen Wanguojitong International Freight Forwarding Co., Ltd. (“SWIF”) in FY2021, which was mainly attributable to the transfer of air freight space by our Group to other logistics service providers at a discounted price, as the parcels delivered by our Group through the air carriers provided by SWIF did not full occupy the air freight spaces for certain periods in FY2021 when our Group first commenced business relationship with SWIF.
- (3) In FY2021, our Group executed a sales promotion campaign as part of our strategy to establish a stronger business presence on the e-commerce platform Alibaba.com, through our business relationship with Yidatong. For details, please refer to the section “Financial Information - Comparison of results of operations - FY2022 compared with FY2021” in this document.
- (4) Our Group commenced business relationship with Customer/Supplier E in 2020. Throughout FY2020, our primary service offering to Customer/Supplier E was standard delivery service. As this business line was in its development phase, it required substantial business volume and expanded customer base to facilitate growth. Given the nature of this business line and in recognition of Customer/Supplier E’s potential in generating increased business volume, discounted prices were offered by the Group for the purpose of further substantiating the business relationship between the Group and Customer/Supplier E, leading to a gross loss of approximately 23.4%. During FY2021, our Group’s revenue generated from Customer/Supplier E increased significantly, while our gross loss reduced to approximately 4.6%, which was mainly attributable to a stronger business relationship with Customer/Supplier E.
- (5) In 6M2022, there was an overall oversupply of airborne capacity due to a decrease in demand in the market; to strategically cope with the market, our Group offered discounted rates to Customer I in order to fulfill our committed airborne capacity, leading to a gross loss of approximately 6.2%. This strategy continued into in the second half of FY2022, where the discounted rates attracted increased revenue from Customer I, ultimately leading to a gross profit of approximately 4.4% for FY2022. In 6M2023, in response to prevailing market conditions, one of the suppliers of our Group adjusted their pricing strategies, providing a higher proportion of floating rates. Consequently, we experienced a reduction in our logistics costs and gained more flexibility in setting our prices. As a result, our Group had more room for adjusting our prices according to the fluctuations of logistics costs in 6M2023 compared to 6M2022, resulting in a decrease in gross loss for 6M2023 of approximately 0.3%.

BUSINESS

Set out below is the nature of, and underlying principal service involved and geographical regions covered by the relevant service with our major customers and suppliers who are Overlapped Customers and Suppliers during the Track Record Period:

<u>Customers/Suppliers</u>	<u>Principal service involved as our Group's customers and geographical regions covered</u>	<u>Principal service involved as our Group's supplier and geographical regions covered</u>
Customer/Supplier Group A . . .	End-to-end cross-border delivery services to customers referred by Customer/Supplier Group A • the US	Customs clearance and last-mile delivery services • the US
Customer/Supplier Group B . . .	End-to-end cross-border delivery service • countries/regions subject to their orders	Provision of air freight spaces • countries/regions subject to our orders
Customer/Supplier Group G . . .	OGP/OSP services (other logistics service) • the PRC	Cross-border logistics, transportation and delivery services • countries/regions subject to our orders
Customer I	Freight forwarding • the US	Provision of air freight spaces • the US

BUSINESS

<u>Customers/Suppliers</u>	<u>Principal service involved as our Group's customers and geographical regions covered</u>	<u>Principal service involved as our Group's supplier and geographical regions covered</u>
Customer J	End-to-end cross border delivery services • countries/regions subject to their orders	Cross-border logistics, transportation and delivery services • countries/regions subject to our orders
Shenzhen Wanguojitong International Freight Forwarding Co., Ltd.* (深圳 萬國集通國際貨運代理有限 公司)	Airborne international linehaul services • the US	Provision of air freight spaces • the US
Customer/Supplier Group N . . .	Airborne international linehaul services • the US	Provision of air freight spaces • the US
Yidatong	End-to-end cross border delivery services • countries/regions subject to their orders	Freight forwarding • the US
Customer/Supplier E	End-to-end cross border delivery services • countries/regions subject to their orders	End-to-end cross border delivery services • countries/regions subject to our orders
Customer/Supplier P	Customs clearance for parcels • the US	 • the US

BUSINESS

OUR THIRD-PARTY PAYMENT ARRANGEMENTS

Background

During the Track Record Period, certain of our customers (the “**Relevant Customer(s)**”) settled their payments with us through third-party payors (the “**Third-party Payment Arrangement(s)**”). For FY2020, FY2021, FY2022 and 6M2023, the aggregate amount of third-party payments were approximately RMB23.8 million, RMB9.1 million, RMB11.8 million and RMB0.1 million, respectively, representing approximately 1.6%, 0.7%, 0.9% and 0.0% of our total revenue for the corresponding periods. During the Track Record Period, third-party payors primarily consisted of (i) legal representatives, directors, shareholders and employees of the Relevant Customers; (ii) family members of the owners of the Relevant Customers; and (iii) business partners of the Relevant Customers. Set out below are the details of the Third-Party Payment Arrangements during the Track Record Period and during the one month ended 31 January 2023 (prior to our cessation of all Third-party Payment Arrangements), including the (i) relationship between the third-party payors and the Relevant Customers; (ii) number of the third-party payors; and (iii) amount of revenue contributed to our Group:

BUSINESS

	The month ended															
	FY2020				FY2021				FY2022				31 January 2023 (the date prior to our cessation of all Third-party Payment Arrangements)			
	Number of third-party payors	Amount RMB'000	% of the aggregate amount of third-party payments	% of total revenue	Number of third-party payors	Amount RMB'000	% of the aggregate amount of third-party payments	% of total revenue	Number of third-party payors	Amount RMB'000	% of the aggregate amount of third-party payments	% of total revenue	Number of third-party payors	Amount RMB'000	% of the aggregate amount of third-party payments	% of total revenue
Relationship with the Relevant Customers																
Legal representatives, directors, shareholders and employees	526	21,952	92.2	1.5	334	8,649	94.7	0.6	254	11,127	94.6	0.9	15	96	97.0	
Family members of the owners of the Relevant Customers	11	1,150	4.8	0.1	13	333	3.6	0.0	1	27	0.2	0.0	—	—	—	
Business partners of the Relevant Customers ^(Note 1)	17	716	3.0	0.0	23	152	1.7	0.0	25	611	5.2	0.0	3	3	3.0	
Total	554	23,818	100.0	1.6	370	9,134	100.0	0.6	280	11,765	100.0	0.9	18	99	100.0	

Notes:

1. Business partners of the Relevant Customers include customers and business referral agents of the Relevant Customers.
2. Settlement methods mainly include bank transfer, electronic applications such as WeChat Pay, Alipay and cash.

BUSINESS

For FY2020, FY2021, FY2022 and 6M2023, payments from legal representatives, directors, shareholders and employees of the Relevant Customers have contributed approximately 92.2%, 94.7%, 94.6% and 97.0% of the aggregate amount of third-party payments, respectively. No individual Relevant Customer had made material contribution to our revenue during the Track Record Period. Since February 2023, we have ceased all Third-party Payment Arrangements.

During the Track Record Period and up to the Latest Practicable Date, we have not provided any discount, commission, rebate or other benefit to any of the Relevant Customers or the third-party payors to facilitate or incentivise the Third-party Payment Arrangements. Our Directors confirmed that all the third-party payors are independent of our Group. Our Directors further confirmed that all the third-party payors are independent of each of our respective Directors, senior management and Shareholders. We issued the bills to the Relevant Customers directly with respect of the relevant transactions and payment amounts.

Reasons for utilising Third-party Payment Arrangements

According to the F&S Report, use of third party's accounts for settlement of transactions is not uncommon in the cross-border e-commerce logistics industry, especially among small and medium-sized enterprises that mainly engage logistics service providers for delivery of small parcels. Based on the representation of the Relevant Customers and to the best knowledge of our Directors, the main reasons for the Relevant Customers to utilise Third-party Payment Arrangements are as follows:

- for new Relevant Customers who engage us for ad-hoc cross-border logistics services, our Group usually requires them to first settle the payment before completing the value chain, and it is more efficient for the employees of the Relevant Customers to settle payments through their personal accounts as the value of each transaction is relatively small;
- some small and medium-sized enterprises and individual-run industrial and commercial households settle their outstanding amounts due to us through Third-party Payment Arrangement due to their internal operational and financial management practice and/or for convenience. These small and medium-sized enterprises and individual-run industrial and commercial households may also typically lack an adequate financial system; and
- some Relevant Customers paid through third-party payors because they may experience limited cash flow or stringent liquidity management from time to time, as a result of which the Relevant Customers will require their respective debtors to settle their payments by paying directly to us through Third-party Payment Arrangements.

BUSINESS

To the best knowledge of our Directors and based on our communication with the Relevant Customers, the main reasons for the third-party payors to take additional risks and make payments on behalf of the Relevant Customers are as follows:

- some third-party payors who were related to the Relevant Customers, namely (i) legal representatives, directors and shareholders of the Relevant Customers; and (ii) family members of the owners of the Relevant Customers, who were instructed by the Relevant Customers to make payments on their behalf, for convenience;
- some third-party payors who had business relationships with the Relevant Customers, namely the business partners of the Relevant Customers, made payments on behalf of the Relevant Customers to maintain their existing business relationships with the Relevant Customers by facilitating their management and operational needs.

Internal Control Measures and Cessation of Third-party Payment Arrangements

To safeguard our interest against risk associated with Third-party Payment Arrangements, we implemented various internal control measures to manage and reduce such practice, including, among other things:

- (i) we required our customers to settle their payment directly through their own corporate bank accounts;
- (ii) for customers who were unable to directly settle payments with us immediately at the relevant time, we required that such customers (1) communicate relevant information to us, including, among others, the identity of the involved third-party payors; (2) obtain prior written approval from persons in charge; (3) provide us with a delegation of payment letter; and (4) enter into a tri-party payment agreement (the "**Tri-party Payment Agreement(s)**") with us and the third-party payors based on our house form. In the Tri-party Payment Agreement(s), it is specified that the Relevant Customer delegates its payment obligation under the terms of the original agreement with us to the respective third-party payor who has undertaken to pay directly to us under the same terms. We shall accept the payment from the third-party payor as if it were paid by the Relevant Customer and issue the invoice to the Relevant Customer, and we may demand payment from, and pursue legal action against, the Relevant Customer if the respective third-party payor fails to pay accordingly. For FY2020, FY2021 and FY2022, and during the month ended 31 January 2023 (the date prior to our cessation of all Third-party Payment Arrangements), the aggregate amount of third-party payments from parties which entered into Tri-party Payment Agreements were approximately RMB21.5

BUSINESS

million, RMB8.3 million, RMB11.5 million and RMB0.1 million, respectively, representing approximately 90.3%, 90.4%, 97.6% and 99.5% of the total amount of third-party payments for the corresponding periods; and

- (iii) before accepting any third-party payment, we verified the payment information against the information recorded in our system to ensure that such payment was settled through the relevant third-party payor's account as identified in the appropriate Tri-party Payment Agreement(s).

To better manage payments from Relevant Customers, we have required: (1) the Relevant Customers and their respective third-party payors to not be involved in any money laundering or other illegal activities; (2) the Relevant Customers and respective third-party payors to indemnify us against all damages and losses that we may incur from such activities of them; and (3) the Relevant Customers to sign Tri-party Payment Agreement(s) and we would reject such Third-party Payment Arrangement(s) otherwise. Our Directors are responsible for formulating and overseeing the implementation of our internal control measures and the effectiveness of our quality management system. Furthermore, to prevent the re-occurrence of the Third-party Payment Arrangements going forward, we have implemented enhanced internal control measures, including establishing a mechanism to monitor all coming payments through third-party payors. We revised our internal policies and notified all of our employees that they are prohibited from accepting third-party payments. According to our revised internal policies, once such third-party payment incidents are found, our employees shall promptly notify our headquarters, and our managers in charge will further review before reporting to the management for further decision and handling. During the Track Record Period and up to the Latest Practicable Date, other than simply accepting the third-party payments paid by the third-party payors for the Relevant Customers, we have not proactively initiated any of the Third-party Payment Arrangements, nor have we participated in any separate arrangement between the Relevant Customers and their respective third-party payors for the settlement of the payments owed by the Relevant Customers to the third-party payors. As confirmed by our Directors, the Relevant Customers would only inform us of the Third-party Payment Arrangement after the payments have been settled by the third-party payors, even though we have required our customers to settle their payment directly through their own corporate bank accounts as aforementioned. Moreover, we were not involved in the negotiation and execution of the Tri-party Payment Agreements. Such agreements were only sent to us for record upon execution by the Relevant Customers and third-party payors.

Since February 2023, we have ceased all Third-party Payment Arrangement(s). Given the immaterial revenue contribution from the Relevant Customers through Third-party Payment Arrangement(s) during the Track Record Period, our Directors are of the view that the cessation of Third-party Payment Arrangement(s) will not have any material impact on our business, results of operations and financial performance. Based on the above internal control measures which have

BUSINESS

been fully adopted by our Company since February 2023 and the fact that since February 2023, there has been no Third-party Payment Arrangement, our Directors are of the view that the above enhanced internal control measures are effective and adequate in preventing unauthorised third party payments and its associated risks. Since February 2023, we have been strictly enforcing no Third-party Payment Arrangement policies via additional written notices, and enhancing internal procedures requiring employees to carefully verify payment information against the information recorded in our system to ensure that payments are made through customers' bank accounts. Our managers in charge have been closely monitoring relevant arrangements and overseeing the implementation of the aforementioned policies. As at the Latest Practicable Date, all Third-party Payment Arrangement(s) have been ceased. Based on the above, nothing has come to the Sole Sponsor's attention that would cause the Sole Sponsor to question the effectiveness and adequacy of the above enhanced internal control measures.

Internal control measures have been established to preserve the integrity of our Company's financial and accounting information and prevent fraud and money laundering activities:

- A compilation of financial management system and an information system account, password and authority management system have been established to govern the financial reporting process and the integrity of financial information. Such policies are approved by management and circulated to relevant staff for execution.
- User privilege of the accounting system has been granted according to the roles and responsibilities of the accounting personnel. In addition, the system administrator of the accounting system is currently designated to IT personnel.
- In addition, the user rights of the accounting system of the resigned personnel have been inactivated. The audit record of user permission is reviewed by management of IT department.
- Timetable for month end financial closing has been set up for accounting staff to follow. Different types of accounting vouchers are approved by designated accounting personnel based on relevant supporting document, while monthly financial statement is reviewed by our financial controller.
- Code of conduct has been established which has set out the rules or policies that all staff should adhere to.

BUSINESS

- Whistle blowing policy has been formulated. It specifies the reporting and investigation procedure of misconduct, malpractice and irregularity. In addition, the management has set up independent communication channel to handle the complaint from the whistleblowers.
- An anti-money laundering and counter terrorist financing policy has been established and approved by the management. The policy is established to provide for the imposition of requirements relating to customer due diligence and record-keeping. It also stipulates the reporting channel when potential case relevant to anti-money laundering and counter terrorist financing occurs.

PRC Laws in relation to the Third-party Payment Arrangements

As advised by our PRC Legal Adviser, (i) the Third-party Payment Arrangement(s) are assignments of liability from Relevant Customers to third-party payors; (ii) the Tri-party Payment Agreement(s), once they come into effect, constitute legal and binding obligations on each of the parties under the Third-party Payment Arrangement(s) pursuant to the Civil Code of the PRC (中華人民共和國民法典); (iii) the Third-party Payment Arrangement(s) without a delegation of payment letter and/or Tri-party Payment Agreement expose the transaction(s) to the risk of repayment due to the lack of the consents of relevant parties. Nevertheless, our PRC Legal Adviser is of the view that the arrangement(s) (including the transactions without a delegation of payment letter and/or Tri-party Payment Agreement) do not contravene or circumvent applicable laws or regulations in the PRC.

In accordance with our PRC Legal Adviser, Article 191 of the Criminal Law of the PRC stipulates that whoever commits any of the following conducts to cover up or conceal the origin and nature of any proceeds as well as any gains accrued by such proceeds of a drug crime, an organized crime of gangland in nature, a terrorist crime, a crime of smuggling, a crime of corruption or bribery, a crime of disrupting the order of financial administration, or a crime of financial fraud shall commit the crime of money laundering: (1) providing any account for the aforesaid funds; (2) converting property into cash, negotiable instruments, or denominated securities; (3) transferring funds by bank transfer or any other means of payment and settlement; (4) transferring assets across border; (5) otherwise covering up or concealing the origin and nature of any proceeds of crime and gains accrued by such proceeds. Therefore, a company commits the crime of money laundering only when it commits the related acts of assistance in transferring the funds for the purpose of covering up or concealing the origin and nature of any proceeds of the aforementioned crimes as well as any gains accrued by such proceeds.

BUSINESS

Our Group and the Relevant Customers entered into contracts based on true declarations of wills. The Relevant Customers actually delivered the goods to the our Group, and our Group provided logistics services. When our Group received funds from a third party during normal business operation, we would settle the logistics costs with the suppliers engaged, whereas such suppliers were not designated by the Relevant Customers nor the third party, and they were not connected parties of the Relevant Customers or the third party. Our Group made corresponding payments to the designated suppliers according to actual and normal business operation, and there was no commitment of related assisting acts in transferring the funds for the purpose of covering up or concealing the origin and nature of any proceeds of the aforementioned crimes as well as any gains accrued by such proceeds. In this regard, our PRC Legal Adviser is of the view that the risk of the Third Party Payment Arrangement be deemed as money laundering under the Criminal Law of the PRC is not high.

TRANSFER PRICING ARRANGEMENT

Overview

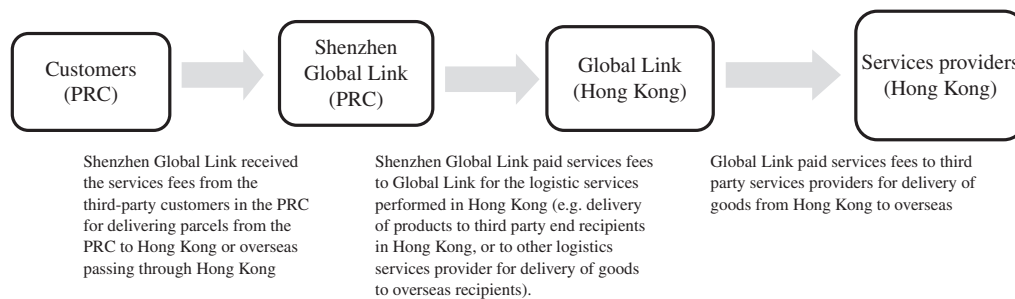
Our Group conducted its cross-border e-commerce logistics services via various subsidiaries located in different cities in the PRC to cope with the customers' demand and arrange cross-border delivery of parcels. The subsidiaries are the engagement parties for both customers and the logistics service providers.

BUSINESS

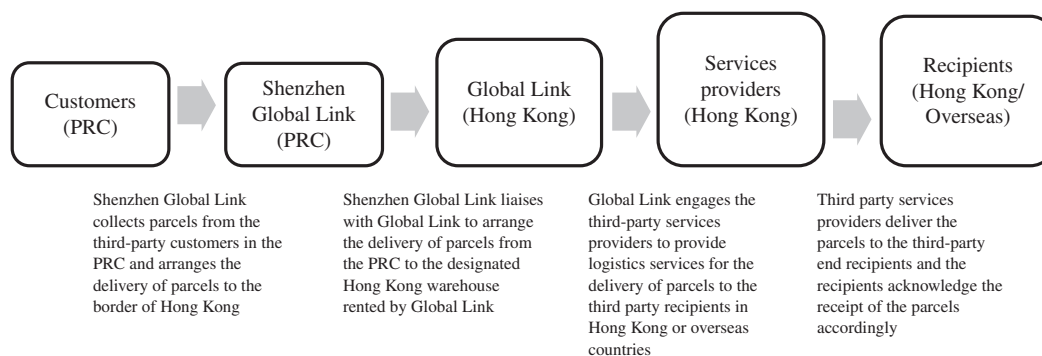
Transfer pricing analysis

For individuals and businesses in the PRC requesting cross-border e-commerce logistics services from the PRC to Hong Kong, or from the PRC to overseas countries passing through Hong Kong, Shenzhen Global Link was principally the engagement party for such services, and responsible for the liaison with the customers in the PRC, including the confirmation of orders from customers via our order system, collecting the parcels from the customers and arranging the delivery of parcels from the PRC to Hong Kong. Thereafter, Global Link was engaged by Shenzhen Global Link for further arrangement of the delivery of parcels in Hong Kong, or delivery of parcels to overseas countries by other logistics service providers engaged by Global Link. Global Link was therefore responsible for soliciting and engaging suitable logistics service providers in Hong Kong to deliver parcels to the designated recipients in Hong Kong or overseas countries, as well as liaising with the respective logistics services providers to facilitate and monitor the delivery process. Set out below are the fund flow and logistics flow from the PRC to Hong Kong between Global Link and Shenzhen Global Link:

Fund flow from the PRC to Hong Kong



Logistics flow from the PRC to Hong Kong



BUSINESS

In accordance with the transfer pricing analysis prepared by our transfer pricing consultant, the transactional net margin method was selected as the most appropriate transfer pricing method and the full cost mark-up ratio (“**FCMU ratio**”) were selected as the most appropriate transfer pricing method and profit level indicator, respectively, to assess if the related-party transactions conducted between the relevant companies are carried out on an arm’s length basis. Based on the benchmarking analysis performed, (i) the FCMU ratio of Global Link computed for FY2020 and FY2022 were within the inter-quartile range for the comparable independent third parties; and (ii) the FCMU ratio of Global Link computed for FY2021 was below the lower range for the comparable independent third parties. Having said, in the case of a formal transfer pricing adjustment (where mutual adjustments should be agreed by the respective in-charge tax authorities) being made for FY2021, and by adopting the internationally accepted approach and practice in general, the adjustment would result in a net decrease of total income tax payable by our Group in FY2021. This is on the basis that additional profits adjusted to Global Link would cause an increase in taxable profits of Global Link, and an increase in Hong Kong Profits Tax Liability at 16.5% tax rate. On the other hand, there will be a reduction in taxable profits of Global Link Shenzhen, and reduction in Enterprise Income Tax at the rate of 25%. Due to the differential prevailing tax rates applicable in both jurisdictions, additional profits would be allocated and taxed in a lower tax rate jurisdiction whilst reduction of profits in the same amount and a refund of tax would be triggered in a higher tax rate jurisdiction. As such, the subject related party transactions did not appear to have caused any reduction, avoidance or evasion of income tax from the overall transfer pricing perspectives. As a whole, there would not be adverse tax impact on the Group for FY2021 in this regard. Accordingly, based on the transfer pricing review, our Directors, after consultation with our transfer pricing consultant, are of the view that the related party transactions did not appear to create any significant challenge by the relevant tax authorities in our transfer pricing policy for the relevant years/period from the respective regulatory framework perspective, and the risk of being challenged by the relevant tax authorities for profits shifting is relatively low. Specifically, transfer pricing analysis is not applicable for the six-month periods ended 30 June 2022 and 2023, since (i) the relevant tax authorities generically conduct investigations and impose tax adjustments, if applicable, on a taxpayer in response to its transfer pricing matters on a yearly basis, and (ii) there might be seasonable fluctuations that could affect the financial performance of Global Link Hong Kong for the six-month periods ended 30 June 2022 and 2023 as compare to its full year financial performance, it would therefore be inappropriate to conduct a formal transfer pricing benchmark study for Global Link Hong Kong for the subject periods by using data of the comparable companies which are obtained on a yearly basis.

As at the Latest Practicable Date, our Directors were not aware of any outstanding enquiry, audit or investigation by any tax authorities with respect to our transfer pricing arrangements. Based on the foregoing and as advised by our transfer pricing consultant, our Directors are of the view that our the risk of transfer pricing arrangements during the Track Record Period being challenged by the relevant tax authority for profits shifting is relatively low.

BUSINESS

With a view to ensuring ongoing compliance of the applicable transfer pricing regulations, we have adopted the following measures to ensure ongoing compliance with the relevant transfer pricing laws and regulations in Hong Kong and the PRC:

- (i) we shall maintain the engagement of an external tax adviser to advise us on transfer pricing matter annually. The most appropriate transfer pricing method and price and profit level indicator should be selected according to analysis prepared by the external tax adviser. We should formulate the transfer pricing policy of the transactions through financial budgeting according to the result of the analysis;
- (ii) training will be provided to our senior management relating to updates on relevant transfer pricing laws and regulations in the relevant jurisdictions;
- (iii) our Directors and financial controller should review all reporting forms before submitting to the relevant tax authority;
- (iv) our Directors and financial controller will make sure the transfer pricing arrangement is aligned with each party’s value contribution;
- (v) our Directors will review the terms of the material inter-company transactions and regularly monitor our transfer pricing policy to ensure the transactions are carried out on arm’s length basis; and
- (vi) our financial controller will document and file relevant supporting documents of value contribution of each party for risk management, including but not limited to responsibilities planning, correspondences, performance and outcome assessment of relevant work.

Based on the above, the transfer pricing consultant is of the view that the above measures adopted by the Group are principally effective and adequate to improve ongoing compliance of the applicable transfer pricing regulations. Having considered the above, our Directors are of the view that above measures are sufficient and effective.

For further details of our Group’s risks relating to transfer pricing, please refer to the section headed “Risk Factors — Risks relating to our business and industry — Our operations may be subject to transfer pricing adjustments” in this document.

BUSINESS

SEASONALITY

Our Directors believe that the cross-border e-commerce logistics industry is affected by seasonality. We usually experience a slight increase in freight volume in the fourth quarters of each year as such period are peak seasons for e-commerce platforms to carry out annual offline and online marketing activities such as “double eleven” (雙十一), “black Friday” and Christmas marketing sales.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we have registered 15 trademarks in the PRC, 1 trademark in Hong Kong, 3 patents in the PRC, and had registered 8 domain names that are, in the opinion of our Directors, material to our business. For further details of our intellectual property rights, please refer to the paragraph headed “Statutory and general information — B. Further information about the business of our Company — 2. Intellectual property rights of our Group” in Appendix IV to this document.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not experienced any infringement to our intellectual property rights which had a material adverse effect on our business, results of operations, financial conditions and prospects, and we were not involved in any disputes or litigations relating to the infringement of the intellectual property rights or aware of any such claims either pending or threatened.

CYBERSECURITY AND DATA PRIVACY

We attach importance to data security and protection. We mainly collect and store different types of data from our customers and recipients, including but not limited to (i) personal/corporate data, such as name, telephone number and address, and (ii) transactional data, such as particulars of the parcel contents (number, weight and nature) and customs clearance data. Such information is collected with prior user consent in accordance with applicable laws and regulations and is stored in our system unless it is requested to be removed by the relevant customers/recipients or government authorities. As confirmed by our Directors, the information was used by our business department to facilitate our operations. Our Group has established the personal information protection management policy, data export management policy, network information security complaint and reporting policy, data storage and expiration destruction policy and the personal information security impact assessment policy. Relevant policies include the definition of data export, contract management, personal information transmission and data security measures, personal information-related rights management, different types of data destruction methods, data export risk assessment, etc. Moreover, our Group has established a document management policy.

BUSINESS

It stipulates the roles and responsibilities of record keeping of each department, methods of keeping different document types, penalty of losing and leakage of confidential information. The policies have been approved by the management and circulated to relevant staff for execution.

In order to prevent our staff from using confidential data, non-disclosure clauses have been included in the staff handbook which requires staff to keep any confidential information properly. All staff is required to provide written confirmation to acknowledge their understanding on the handbook and willingness to comply.

For data export with third parties, our Group has compiled relevant supplementary agreement templates in accordance with the "Standard Contract Regulations for Export of Personal Information". If our Group's business with any third party involves the export of personal information and data, our Group will arrange to sign a data privacy supplementary agreement with the relevant third party. The content of the agreement mainly includes (1) the location and period of data storage abroad; (2) the processing measures for the outbound data after the storage period is reached, the agreed purpose is completed, or the legal document is terminated; (3) binding requirements for retransfer of data to other organizations and/or individuals; and (4) the security measures that should be taken when there are substantial changes in the actual control or business scope of the overseas data recipient, or changes in the recipient's country or region's data security protection policies and regulations and network security environment which makes it difficult to guarantee data security.

As advised by our PRC Legal Adviser, according to the Certification of Filing on the Hierarchical Protection on the Safety of Information System issued by the Public Security Bureau of Hangzhou to our Group, the security protection of information system of our Group categorised as the third level of the hierarchical protection on the safety of information system, and which, the hierarchical protection on the security of its information system can be divided into five levels, from low to high. As for express delivery, the highest level of security protection for information systems applicable is third level, which refers to when an information system is destructed and such destruction would cause serious damage to the social order and public interests, or general damage to national security.

As advised by our PRC Legal Advisers, (i) the Group is capable to detect, monitor and deal with the corresponding events in relation to security protection, network and information security in a timely manner, as well as to ensure the information and network security of the Group, so to minimise the likelihood of any damage to the social order, public interest or national security as a result of the destruction of the information system from happening; (ii) the Group has strictly complied with the relevant requirements to fulfil the third level of the hierarchical protection of the said security system, and obtained Certificate of Recorded Protection of Information System Security Level* 《信息系統安全等級保護備案證明》 issued by the competent authorities of the

BUSINESS

Public Security Bureau; and (iii) during the Track Record Period and up to the Latest Practicable Date, our Group has not been subject to supervision and inspection or administrative penalty related to data security or personal information imposed by relevant competent departments.

PROPERTIES

As at the Latest Practicable Date, we owned 4 properties in the PRC with an aggregate gross area of approximately 685.6 m², which were primarily used as offices. We have obtained all the requisite certificates and permits for our owned properties.

As at the Latest Practicable Date, we leased 42 properties in the PRC and 3 properties in Hong Kong, with an aggregate gross floor area of approximately 18,843 m² (excluding one workshop and two carparks located in Hong Kong), which were primarily used for offices, logistics operations and/or storage purposes. We believe that there are sufficient supply of properties in the PRC and Hong Kong, and thus we do not rely on existing leases for our business operations.

As of the Latest Practicable Date, landlords of 10 out of our 42 leased properties in the PRC have not provided us with valid title certificates or relevant authorization documents evidencing their rights to lease the properties to us. Consequently, if any of these leases is terminated as a result of challenges by third parties, we may not be able to continue to use such properties. We believe that there are alternative premises available at reasonable market rates if we were forced to relocate our premises which lack valid title certificates.

Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the relevant local branches of the PRC Ministry of Housing and Urban Development. As of the Latest Practicable Date, we had not completed lease registration of 33 properties we leased in the PRC, primarily due to the landlords' failure to provide valid title certificates or the difficulty of procuring the relevant landlords' cooperation to register such leases. Our PRC Legal Advisor has advised us that the lack of registration for the lease contracts will not affect the validity of such lease contracts under PRC law, and has also advised us that a maximum penalty of RMB10,000 may be imposed for each incident of non-compliance of lease registration requirements.

BUSINESS

EMPLOYEE

As at 30 June 2023, we had a total of 473 full-time employees. Most of our employees are located in the PRC. The table below sets forth the number of our employees with breakdown by function as at 30 June 2023:

Function	Number of Employees
Management	20
Operations and customer services	334
Sales and marketing	50
Human resources and administration	15
Finance	37
Information technology	17
Total	473

Relationship with staff

Our Directors consider that we have maintained a good relationship with our employees. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had complied with all applicable labour laws and regulations in all material respects.

Our employees were represented by labour unions. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant disputes with our employees or any disruption to our operations due to labour disputes nor had we experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel.

Training

We provide orientation training to our newly recruited employees to help them understand our corporate culture. We also organize a mentorship program where our more experienced employees help our newly recruited employees to enhance their skills and knowledge in relation to the daily operation. From time to time, we also hold training meetings to enhance the skills of our employees.

BUSINESS

Remuneration and benefits

We generally pay our employees a fixed salary, allowances and a performance-based bonus. In general, we determine an employee’s salary based on each employee’s qualifications, experience and capability as well as the prevailing market remuneration rate. We are required to make contributions to mandatory social insurance funds for our employees to provide retirement, medical, work-related injury, maternity and unemployment benefits, as well as housing provident funds, under the applicable PRC laws and regulations.

INSURANCE

We maintain various insurance policies to safeguard against risks and unexpected events. We have purchased compulsory motor vehicle liability insurance and commercial insurance such as automobile third-party liability insurance, vehicle loss insurance and driver/passenger liability insurance. We also provide social security insurance including pension insurance, unemployment insurance, work-related injury insurance and medical insurance to our employees.

We do not purchase insurance for items delivered by us except for ocean cargo transportation insurances. We do not maintain business interruption insurance; nor do we maintain product liability insurance or key-man insurance. We consider that the coverage from the insurance policies maintained by us is adequate for our present operations and is in line with the industry norm. Our management evaluates the adequacy of our insurance coverage from time to time and purchase additional insurance policies as needed. For our risks relating to our insurance coverage, please refer to the section headed “Risk factors — Risks relating to our business and industry — Our insurance coverage may not be adequate, which could expose us to significant costs and business disruptions” in this document.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”)

Our Group’s governance regarding ESG

We are committed to environmental protection and promoting corporate social responsibility and best corporate governance practices to create sustainable value for our stakeholders and take up responsibilities as a corporate citizen. We seek to uphold the highest standard of corporate governance as a means to ensure our sustainable growth and safeguard the interests of all of our stakeholders, including but without limitation, our shareholders, employees, suppliers, customers, other business partners and the community at large. We acknowledge the responsibilities on environmental protection, social responsibilities and are aware of the climate-related issues that may have impacts on our business operations. We are committed to comply with the ESG reporting requirements upon [REDACTED], the Group’s policies on ESG related matters were established

BUSINESS

in accordance with the standards set out in Appendix 27 to the Listing Rules. As such, we engaged an independent ESG consultant (the “**ESG Consultant**”) to assist us to achieve the aforementioned. Our Board has overall responsibility for formulating and overseeing our Group’s policies, strategies and execution on ESG-related matters.

Board Governance

Our Group has adopted comprehensive ESG policies. Our Board and management are primarily in charge of assessing and evaluating ESG and climate related risks and opportunities, as well as reviewing existing strategies in order to monitor the ESG aspects in the day-to-day business operations of our Group, including implementation of necessary measures to mitigate the potential and relevant risks. The members of our Board have relevant corporate governance experience on ESG-related matters, including to (i) govern the process of data-collection and review emissions, energy consumption and operational materials consumption; (ii) supervise work distribution for implementation of ESG systems; and (iii) design and execute energy saving and environmental initiatives such as to explore the possibilities of procurement of environmental friendly and energy-saving materials for business operations.

Our Board reviews ESG and climate related matters, as well as the progress of ESG related goals at least once a year. Our management reviews the goals and targets set and implement policies for improving our Group’s performance regarding ESG and report to our Board. Our management has established policies where various departments of our Group are assigned with ESG-related tasks and responsibilities, including setting goals for reducing carbon emissions, enhancing resource conservation, and promoting environmental protection. Such policies are kept in place to maximise the expertise of different departments for yielding the best results from various measures.

In addition, upon [REDACTED], our Group will publish ESG report on an annual basis pursuant to the reporting requirements under the Listing Rules. This will allow our Board to analyse and disclose important ESG matters, risk management, accomplishment and performance of the objectives of the Group.

Our Board is responsible for assessing the risks associated with ESG and climate change, and directs the management to execute relevant ESG strategies and policies accordingly. The management takes part in encouraging different departments to seek for improvements in ESG strategies, in order to reduce the possible negative impacts on the business operation. The progress of the execution of ESG policies, potential ESG risks that arise from the operation and other material issues are reported to our Board by the relevant management and supervisors of the departments on an annual basis or when necessary.

BUSINESS

Furthermore, under the supervision of our Board, our management will also keep track of the emerging market trends regarding ESG-related issues that may potentially impact the business operation of our Group, so that timely adjustments could be made to ensure that our Group is able to follow international trends and standards in relation to ESG-related issues.

To ensure regular and effective communication between our Group and the major stakeholders, such as investors, the government, the public and employees of our Group, our management has established various communication channels. Our management also ensures internal communication within our Group amongst different departments as well as our Board through Board meetings, investor meetings, monthly meetings, dedicated reports and social media platforms. This allows our Board to evaluate and assess the effectiveness of the abovementioned policies and measures, in order to better manage ESG-related issues of our Group.

ESG Risk Management and Strategy

Our Group has identified the material environmental, social and climate-related issues highly relevant to our business through various channels, including taking internal and external stakeholders’ opinions into consideration, analysis from materiality maps provided by well-known external institutions including the ESG Industry Materiality Map by Morgan Stanley Capital International (“**MSCI**”) and Sustainability Accounting Standards Board (“**SASB**”) Materiality Map by SASB, as well as the assistance of third-party ESG consultants. Materiality assessment is a three-step process of identification, prioritisation, validation and review. The material sustainability topics identified by the stakeholders were based on the results of the materiality assessment surveys which contain 35 potential material topics were identified with reference to the ESG Industry Materiality Map and SASB Materiality Map. Based on (i) “the importance of economic, environmental and social impacts”; (ii) “the impact on stakeholders’ assessment and decision-making”; and (iii) the results of the abovementioned materiality assessment surveys completed by stakeholders, where the topics with scores higher than the upper quartile will be taken into consideration, the priority of material issues is decided. The management of our Group reviews and confirms the material issues and reviews the scope for improvement in the future. Such environmental, social and climate-related issues may lead to various risks and opportunities to our Group, potentially impacting our Group in different ways. Our Group identified 5 material ESG-related issues which have significant impact on the Group’s business and stakeholders and listed below (for further details, please refer to the paragraph headed “Employee” in this section).

In assessing the materiality of ESG-related risks, we consider the relevant factors, such as the nature of our business, and specific data, such as consumption data of the vehicles, water and electricity during the Track Record Period.

BUSINESS

The business operation of our Group could be affected and are subject to financial risks if the logistics providers, cargo owners and truckers we work with, or other participants in our ecosystem are materially and adversely affected by extreme weather conditions, including those resulted from climate change. For example, we may face risks related to natural disasters, extreme weather conditions and other unforeseeable incidents.

In addition, we face potential and actual ESG-related challenges in multiple aspects. For example, (i) suppliers, including logistics service providers, sea carriers and air carriers, we cooperate with may fail to meet vehicle emission standards or requirements and violate laws and regulations related to environmental protection; (ii) we may not be able to detect or prevent our suppliers from increasing their carbon emissions during transportation under extreme weather conditions; and (iii) we may not be able to detect or prevent our logistic suppliers from transporting illegal and dangerous cargo, violating fire safety-related regulations and indirectly affecting the safety of the workers and our business operation. To mitigate and prevent the abovementioned potential and actual risks, our Group will continue to monitor extreme weather conditions and comply with relevant laws and regulations.

Material Issues

Potential Risks and Impacts

Greenhouse Gas Emissions

A rise in the frequency and severity of extreme weather events (such as super typhoons and heavy rainstorms), changes in precipitation patterns, and extreme variability in weather patterns impact our business operation in the short and medium term.

Potential financial impacts are identified such as the increase in operating costs due to the increase in difficulty in the transportation of products during extreme weather events, implementation of new practices and processes on extreme weather events management and increase in maintenance and repair budgets.

Air Quality

Various air pollutants are emitted from logistic vehicle fleets, which have a negative impact on ambient air quality.

Under increasing regulatory pressure, customer preference and rising fuel cost, the Group may need to modernize the fleet by employing more expensive alternative fuels and upgrading existing emission control devices, which potentially increase the operational cost.

BUSINESS

Labour Practices	Potential disputes arising from dissatisfaction of wage, benefits and fairness could provoke arguments that may hinder our Group’s operation. Employees receiving inadequate training may lead to improper handling processes may pose threat to customers’ goods and most importantly damage the reputation of our Group.
Employee Health & Safety	Health and safety of employees are inextricably linked to our Group’s productivity which further influences its profitability. Injuries due to accidents, fatigue and improper handling of machinery could hinder our Group’s operation to different extents.
Supply Chain Management	<p>Our Group contract with large, complex networks of asset-based third-party providers to provide cross border e-commerce logistics services to customers.</p> <p>Our Group may fail to provide quality service on time in light of inappropriate selection of contractor. Under this circumstance, our Group may be fined or requested for compensation because of the breaches of contracts.</p>

Environmental Matters

We endeavour to minimise the potential environmental and climate-related risks and impacts from our daily operation and to foster green operation within our Group. Our Group strictly abides by the environment-related laws and regulations involving air emissions, wastewater discharge, and waste disposal of the PRC and Hong Kong. We are aware of the environmental impacts that it may induce and the resources that are required for the business operation. Therefore, we have set directional environmental targets, committing our Group to:

- enhance energy and water conservation;
- fully comply with the national discharge standard; and
- zero environmental pollution accident.

We have taken into account the quantitative information that reflects environmental-related risks to our management, including pollutants emissions from vehicles and greenhouse gas emissions as well as resource consumption. Our Group also sets a measurable emission targets, we

BUSINESS

expect to achieve the goal of reducing at least 8% of energy consumption by 2030 with 2020 as the base year taking into consideration of factors such as the potential expansion of business of the Group upon [REDACTED], such as setting up new service outlets. Energy consumption of the Group has decreased in FY2021 by 39% from FY2020, and increased by 20% in FY2022 from FY2021. Overall, the energy consumption dropped by 27% in FY2022 compared to FY2020. In light of the historical figures during the Track Record Period, the ESG Consultant is of the view that 8% reduction in energy consumption by 2030 (with FY2020 as the base year) is achievable. However, such as change in business operations or energy prices could impact the achievability of target reduction. In order to achieve the target, our Group may face different financial and operational impacts. Implementing energy reduction measures in logistics operations, such as optimising delivery routes and using efficient equipment, can lead to streamlined operations, cost savings (such as lowered electricity and fuel costs, and reduced maintenance expenses), and improved customer satisfaction. Moreover, complying with emission and carbon reduction regulations helps avoid penalties and prepares the Company for future regulatory changes. Nevertheless, to achieve the aforementioned, it may require investments in electric/hybrid vehicles, employee training, and software for route optimisation. With our Group’s continuous effort on controlling energy consumption, it is expected that our Group’s energy consumption will maintain at an acceptable level despite our anticipated future business growth.

Emissions control

The primary source of our air pollutant emissions is the combustion of fuels from company vehicles. Typical air pollutants emitted include nitrogen oxides, sulphur oxides and particulate matter. Our Group has kept our fleet vehicles properly tuned to maintain the vehicles in an efficient condition as inefficient car engine will use more fuels and emit more air pollutants. Also, our Group reminds drivers not to idle vehicles with running engines and prioritises electric or hybrid vehicles, so as to minimise the air pollutant emissions from our Group’s fleet. In addition, we will offer low carbon driving training sessions (e.g. avoid sudden acceleration) to drivers. The following table sets forth the amount of our air pollutant emissions during the Track Record Period:

Air Emissions (Note 1)	2020	2021	2022	6M2023
Nitrogen Oxides (NOx)	1.66	0.71	0.56	0.52
Sulphur Oxides (SOx)	0.00	0.00	0.00	0.00
Particulate Matter (PM)	0.14	0.06	0.05	0.04

Note:

1. The emission factors are derived from “Guidelines on Greenhouse Gas Emission Accounting and Reporting” provided by the National Development and Reform Commission of the PRC (“NDRC”), and “Reporting Guidance on Environmental KPIs” in “How to Prepare an ESG Report” (the “ESG Report Guidance”) issued by the Stock Exchange in March 2020.

BUSINESS

Our greenhouse gas emissions are primarily classified into two scopes: (i) scope 1 includes direct emissions from the combustion of fuels of company vehicles; and (ii) scope 2 includes indirect emissions from purchased electricity and heating. The following table sets forth the amount of greenhouse gas emissions during the Track Record Period:

Greenhouse Gases Emissions <i>(Note 1)</i>	2020	2021	2022	6M2023
Total GHG Emissions (tCO₂e)	544	372	434	217
Scope 1 Direct emissions <i>(Note 2)</i> . . .	471	255	313	180
Scope 2 Energy indirect emissions <i>(Note 3)</i>	73	117	121	37
Intensity (tCO₂e/per employee)	1.12	0.77	0.94	0.46

Notes:

1. The Group’s greenhouse gas inventory includes carbon dioxide and methane. For the ease of reading and understanding, the GHG emissions data is presented in carbon dioxide equivalent (CO₂e).
2. Scope 1 included the emissions from the use of vehicles. Calculation method is from the ESG Report Guidance while the emission factors used are from the “Guidelines on Greenhouse Gas Emission Accounting and Reporting” provided by the NDRC.
3. Scope 2 included the emissions from purchased electricity. Calculation method is from the ESG Report Guidance. The emission factors used are from the “Average Carbon Dioxide Emission Factor of China Regional Power Grid” and the “Guidelines on Greenhouse Gas Emission Accounting and Reporting” published by NDRC.

Use of Resources

Our Group advocates the wise and efficient use of energy and water consumption, and reduction of waste production within the operations. We actively exercise diverse measures as discussed in the following sections to minimise wastage of energy and to save resources. Our Group targeted to reduce wastage of water and energy, and waste generation. Our Group also aimed to promote waste sorting to differentiate recyclable waste.

For lighting in office, we separate light switches for different light zones and employees are required to switch off lighting when zones or rooms are not in use. Our Group maximises natural light in the workplace as far as practicable to save electricity consumption. To maximise the efficiency of lighting, lamps and light fixtures with high energy efficiency, such as T5 fluorescent lamps and LEDs, are adopted and regularly cleaned.

In order to increase the efficiency of air conditioners, our Group will clean the filters and fan coil units regularly. In addition, employees are asked to place weather strips on doors and windows to prevent leakage of conditioned air. We have also set a minimum temperature of 25.5 degrees

BUSINESS

Celsius for the air conditioning systems and avoided installing air-conditioners in areas with direct sunlight exposure. For rooms not being used, our Group requires employees to switch off the air conditioners.

To minimise the energy wastage from electronic equipment, the computers are set to automatic standby mode when idling and employees are required to switch off electronic equipment when leaving office. In addition, our Group purchases electronic equipment with Energy Efficiency Label and give priorities to equipment with higher efficiency.

The following table listed the data of energy consumption during the Track Record Period:

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>6M2023</u>
Total Energy Consumption (MWh) .	1,930	1,179	1,411	753
Use of Vehicles (MWh) (<i>Note 1</i>)	1,813	994	1,223	693
Purchased Electricity (MWh) (<i>Note 2</i>)	117	185	188	60
Intensity (MWh/per employee)	3.99	2.44	3.05	1.59

Notes:

1. Vehicles consumption is calculated based on the actual amount consumed. Calculation method is from the ESG Report Guidance. The emission factors were calculated with reference to the “Guidelines on Greenhouse Gas Emission Accounting and Reporting” provided by NDRC.
2. Electricity consumption is calculated based on the actual amount purchased.

Our Group prepared the environmental KPIs such as emission and energy consumption in accordance with the ESG reporting guide set out in Appendix 27 to the Listing Rules. There is no data on industry averages or standards on emissions and energy consumption available. The calculation and emission factors are extracted from the ESG Report Guidance.

The ESG Consultant is responsible for the verification of our Group’s emissions and energy consumption data by carrying out the following procedures: 1) sample check the source documents; 2) verify the calculation methodology and/ or the emission factors; and 3) recalculate the aforementioned information.

BUSINESS

Social Matters

Labour Practices

Human capital is valuable for our Group in reaching long-term sustainable development. Our Group believes that human resource management is of utmost importance to the business of the Group, and understands that well-established employment procedures enable itself to attract and retain talents.

Our Group is committed to promoting fairness and equality in the workplace, as well as providing equal opportunities to its employees. Our Group has formulated multiple measures in order to protect the rights of employees, including but not limited to terms of recruitment, promotion, compensation and dismissal, equal opportunities, diversity, anti-discrimination, and other benefits and welfare, such as working hours and rest periods. Our Group is dedicated to providing fair and open opportunities to all employees during hiring processes, remuneration and benefits provision, as well as training and promotion opportunities. The decision will not be affected by age, sex, physical or mental health status, marital status, race, nationality, or other factors.

Our Group strictly prohibits the employment of child labour in accordance with the relevant laws and regulations such as the Employment of Children Regulations of Hong Kong and the Provision on the Prohibition of Using Child Labour of the PRC. The Group has implemented measures and procedures that emphasise on strict prohibition of engaging child labour. The human resources and administration department of the Group checks applicants’ documents such as identity cards, household register, academic certificates to confirm if their age, identity, educational background and appearance match their supporting document prior to entering employment contract with them, so as to prevent misemploying child labour.

Upon receipt of resignation from an employee, the corresponding department head will organise an exit interview with the resigning employee to discuss the reasons for resignation. The human resources and administration department of the Group will closely monitor staff turnover as an attempt to identify potential problems within the Group regarding employees.

Our Group has put a strong emphasis on providing suitable trainings for employees in order to cater for the requirements of various positions. The Training Department designs appropriate annual training programs and plans which includes internal training such as orientation training and mentoring program. For external training, our Group encourages employees to attend trainings and seminars held by external organizations.

BUSINESS

As a way to care about employees, and at the same time stimulate their working initiative, our Group offers all employees a wide range of welfare and benefits. Our Group strictly complies with laws and regulations in PRC including but not limited to the Social Insurance Law of the PRC, the Labor Law of the PRC and the Labor Contract Law of the PRC.

The following table sets out the number of employees of our Group by gender, age group and function as at 30 June 2023:

Employment indicators	As at 30 June 2023
Total employees	473
<i>By gender</i>	
Male	301 (64%)
Female.	172 (36%)
<i>By age groups</i>	
Age <30	182 (38%)
Age 30–50.	275 (58%)
Age >50	16 (3%)
<i>By employment types</i>	
Management	20 (4%)
Operation and Customer Services	334 (71%)
Sales and Marketing	50 (11%)
Human Resources and Administration	15 (3%)
Finance	37 (8%)
Information Technology.	17 (4%)
Total	<u>473</u>

Occupational Health and Safety

Work safety and personal safety of employees always come first during the business operation of our Group. Our Group strongly upholds regulatory compliance and gives health and safety standards top priority in its activities. All employees, including management, are responsible for preserving a healthy and injury-free workplace by adhering to different safety initiatives outlined in our Group’s policy. The health and safety procedures stress the significance of workplace safety and health and make sure that the office and working environment adheres to or exceeds the standards set out by applicable laws. The management strives to provide a safe workplace in which machines and facilities are in safe and optimal conditions.

BUSINESS

Supply Chain Management

Effective supply chain management is the prerequisite to the success of the logistic industry business. Therefore, our Group aims to minimise the environmental and social risks of its suppliers by setting criteria for supplier selection. Our Group will evaluate suppliers’ service quality, delivery time, production capacity, compliance and other factors. Suppliers should comply with all relevant local and international laws and regulations regarding anti-bribery, anti-corruption and other unethical business practices. In addition, our Group will prioritise local suppliers or suppliers that are geographically closer and more accessible to the company to reduce carbon footprint.

Our Group evaluates suppliers’ service quality, delivery, production capacity, compliance and other factors during the supplier selection process. Only suppliers that meet our criteria may be added to the list of qualified suppliers for further considerations. On top of that, our Group conducts annual supplier evaluation and eliminate suppliers that do not meet the standards for cooperation from the list of qualified suppliers. Suppliers who are found to be incompliant with our Group’s policy will be terminated and removed from the list of qualified suppliers until the situation has been improved.

The following table sets forth the number of suppliers engaged by our Group during the Track Record Period:

Number of Suppliers	2020	2021	2022	6M2023
Total number of suppliers	677	653	579	504
China	646	623	542	472
Other Asia Region	12	8	4	5
Europe	8	9	15	10
America	10	12	18	15
Oceania	1	1	—	2

Expenditure of ESG Issues

It is vital for our Group to keep track of its expenditure and projected costs of tackling ESG and climate related issues aroused from business operation, and of abiding by environmental-related laws and regulations.

In the foreseeable future, the Board expects there will be possible changes on greenhouse gas emissions, enhanced emission-reporting obligations and other emission compliance requirements. Our Group may face higher compliance costs and fines in case our Group fails to comply with the reporting or compliance requirements. Our Group will need to spend more research and

BUSINESS

development expenditures and capital investment in new and alternative technology. Our Group will continuously monitor and assess its climate risk exposure and act to minimise the impact on its operations.

During the Track Record Period, the cost of mitigating environmental, social and climate related impact includes but is not limited to the fee for environmental projects and environmental impact assessment consulting. The expenditure within the Track Record Period is shown below:

<u>Expenditure</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>6M2023</u>
RMB	236,000	665,000	41,400	88,200

In future, our Group has estimated approximately RMB616,000, RMB1,114,000 and RMB983,000 as the annual budget for the remaining half year of 2023, 2024 and 2025 respectively for managing environmental issues. Our Group shall continue to review the environmental expenditure and budget for environmental compliance and develop well-spent environmental strategies, so as to enhance its environmental performance and operate in a sustainable way.

LITIGATION

As advised by our PRC Legal Adviser, we do not have any pending or threatened litigation, arbitration or administrative proceeding against our Group or our Directors during the Track Record Period, which could have a material adverse effect on our financial conditional or result of operations.

REGULATORY COMPLIANCE

During the period between 1 January 2020 and 31 December 2022, we failed to pay social insurance and housing provident fund for our employees in accordance with relevant laws and regulations, and also failed to undergo the formalities for registration of housing provident fund contribution.

In accordance with our PRC Legal Adviser, Article 86 of the Social Insurance Law of the PRC stipulates that, where an employer fails to pay social insurance premiums on time or in full amount, the collection agency of social insurance premiums shall order it to pay or make up the deficit of premiums within a prescribed period, and impose a daily late fee at the rate of 0.05% of the outstanding amount from the due date; and if it still fails to pay the premiums within the prescribed period, the relevant administrative department shall impose a fine of 1-3 times the outstanding amount upon it. Based on the unpaid amount of social insurance contribution of approximately RMB1.0 million, RMB3.4 million, RMB4.0 million and RMB1.8 million for FY2020, FY2021, FY2022 and 6M2023, respectively, the potential maximum fine which may be

BUSINESS

imposed on the Group if the Group fails to make required payments within the stipulated period required by the relevant administrative department equals to approximately RMB30.43 million. Our PRC Legal Advisor is of the view that the risk of our Group being ordered to pay the shortfall for social insurance contribution and subject to material administrative penalties due to our Group's failure to provide full social insurances contributions for its employees during the Track Record Period is remote, considering that (i) our Group has obtained compliance confirmation letters from the relevant authorities or credit platforms confirming that there has been no record of administrative penalty in respect of social insurances contributions against our Group during the Track Record Period; and (ii) the provisions for the shortfall amounts of social insurance contribution in the amount of approximately RMB1.0 million, RMB3.4 million, RMB4.0 million and RMB1.8 million for FY2020, FY2021, FY2022 and 6M2023, respectively have been made, which indicates that our Group is capable of making up for the shortfall amount of social insurance contributions within the prescribed period in the event our Group is ordered to do so.

The Regulations on Administration of Housing Provident Funds stipulates that a newly established entity shall, within 30 days as of its establishment, undergo the formalities for registration of housing provident fund contribution with the housing provident fund management center, and shall, within 20 days as of registration, undergo the formalities for opening housing provident fund accounts for its employees. Violation of the aforementioned stipulations will bring about an order by the housing provident fund management center to make up the procedures within a time limit; if it fails to make up the procedures within the time limit, it shall be given a fine of RMB10,000 to RMB50,000. So far, a total of 13 our subsidiaries have not undergone the formalities for registration of housing provident fund contribution, as such subsidiaries have not employed regular employees. We have not yet received any order from the competent department on undergoing the formalities for registration of housing provident fund contribution. If we are ordered by the competent department on handling such formalities, we are capable of supporting such department in a timely manner, and in accordance with our PRC Legal Adviser, the risk for our Group being fined is remote.

Therefore, the above non-compliance issues on social insurance and housing provident fund would not bring material adverse effect to the operation of our Group.

As advised by our PRC Legal Adviser and confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, save for the above disclosed, we have complied with all applicable laws and regulations in Hong Kong and the PRC in all material respects.

BUSINESS

Business activities involving the use of De Minimis Exemption in the US

In accordance with our US Tariff Legal Adviser, Section 321 of the Tariff Act of 1930, codified at 19 U.S.C. § 1321(a)(2)(C) (the "**De Minimis Exemption**") authorises U.S. Customs and Border Protection ("**CBP**") to admit certain articles free of duty, taxes, and fees where the "aggregate fair retail value in the country of shipment of articles imported by one person on one day..." is under US\$800. Goods meeting these criteria may be entered using informal entry procedures under entry type 86.

The De Minimis Exemption allows an importer to avoid payment of ordinary duties (and formal entry procedures) that may otherwise apply. The De Minimis Exemption also may allow an importer to avoid payment of other additional duties applicable to imports. Critically for parties exporting goods of Chinese origin to the US, goods otherwise subject to the duties imposed on articles of China pursuant to Section 301 of the Trade Act of 1974 ("**Section 301 Duties**") ranging from 7.5% to 25%, may be entered duty free using the De Minimis Exemption.

Purpose of the De Minimis Exemption

In accordance with our US Tariff Legal Adviser, the purpose of the De Minimis Exemption is to avoid administrative burden, including the "expense and inconvenience" to CBP of formal entry procedures that would be "disproportionate to the amount of revenue that would otherwise be collected." Prior to 2016, the threshold for the De Minimis Exemption was limited to entries of an aggregate fair retail value of no more than US\$200. The dollar threshold was increased to US\$800 via amendment to the Tariff Act of 1930 as part of the Trade Facilitation and Trade Enforcement Act of 2015.

According to F&S, it is common for e-commerce platforms and sellers to deliver goods valued at US\$800 or less to the US and enjoy the de minimis tariff exemption in order to lower the logistics costs, given that most cross-border e-commerce sellers focused on the B2C (Business-to-Consumer) business model, accounting for over 60% of all cross-border e-commerce sellers in the PRC, and under the B2C business model, about 80% to 90% of the sellers focuses on delivering small parcels, of which about 80% to 90% are priced below US\$800.

During the Track Record Period, substantially all of our parcels delivered to the US entered the US under the De Minimis Exemption. The number of parcels valued at US\$800 or below delivered to the US by us during the Track Record Period amounted to over 90% of the total number of parcels delivered to the US by our Group, in which parcels refer to a single or multiple parcels delivered to the same location under the same shipment order. As a result, substantially all revenue generated from parcels delivered to the US during the Track Record Period was generated from parcels under the De Minimis Exemption. In particular, within revenue generated from our

BUSINESS

end-to-end cross-border delivery service, approximately RMB798.6 million, RMB691.8 million, RMB595.2 million, RMB275.4 million and RMB456.8 million in FY2020, FY2021, FY2022, 6M2022 and 6M2023 were generated from parcels shipped to the US, respectively, representing approximately 58.9%, 64.2%, 60.7%, 55.4% and 77.4% of total revenue generated from end-to-end cross-border delivery in corresponding periods.

Potential changes in De Minimis Exemption

In 2023, two legislative proposals to limit the De Minimis Exemption are pending before the US Congress, the Import Security and Fairness Act (ISFA) and the De Minimis Reciprocity Act of 2023 (DMRA). The two proposals, although varying in substance, both propose to exclude goods of Chinese origin imported to the US from benefiting from the De Minimis Exemption.

As advised by our US Tariff Legal Adviser, if either of the proposals is enacted and implemented in its current form, parcels that would currently be eligible for the De Minimis Exemption would become ineligible for such exemption, and would have to enter the US through a formal entry process. However, the proposals may eventually be revised to provide a less restrictive standard related to the use of the De Minimis Exemption for China-origin goods to enter the US. As advised by our US Tariff Legal Adviser, US Congress is unlikely to pass either the ISFA or the DMRA as a standalone bill. Instead, if there is sufficient Congressional support to move legislation limiting use of the De Minimis Exemption, US Congress will likely include text from either bill (or some combination thereof) in a comprehensive legislative "package" containing many different sections relating to a single subject. At this point in time, it is unclear if a legislative proposal limiting use of the De Minimis Exemption for imports of China-origin goods will move through US Congress and become law. Moreover, the final form and potential effective date of any limitation is also unclear. It is possible that legislation as passed could retain the De Minimis Exemption but only impose a lower dollar value threshold, including on imports of China-origin goods.

In terms of timeline, as advised by our US Tariff Legal Adviser, US Congress is unlikely to pass a China competitiveness package this year, and will instead consider it in early 2024. Only once US Treasury publishes a Final Rule (or an Interim Final Rule) would any final change to the De Minimis Exemption go into effect. The rulemaking process generally takes anywhere from several months to over a year, depending on how fast the agency moves to issue regulations, whether the agency uses the notice and comment rulemaking process, or whether the agency determines to issue an Interim Final Rule.

BUSINESS

Under any of the above scenarios, and assuming the earliest that De Minimis Exemption legislation would be signed into law is 2024, the earliest effective date for any change to the De Minimis Exemption likely would be mid to late 2024. However, it is inherently impossible to predict the timing or outcome of the legislative process in the US, and progress on current legislative proposals may be suddenly accelerated, delayed or may not happen at all due to a number of factors. In addition, it is possible that new legislative proposals or regulatory proposals related the De Minimis Exemption could be introduced.

Potential impacts

In our operations, we generally do not act as the importer of record for the parcels that we deliver to the US. That is, we are not responsible for dealing with and paying upfront the duties involved, if any, in the delivery of parcels; nor do we intend to do so in the foreseeable future. As a result, as advised by our US Tariff Adviser, if we can continue our practice of not being the importer of record, we would not become the party directly responsible for the increased costs and duties that the United States would impose in the event that the de minimis exemption is severely restricted. Accordingly, the most likely potential impact on us would be related to any decrease in the frequency of such shipments into the United States by our customers, which could indirectly impact demand for our services.

The proposed changes to the De Minimis Exemption would impose additional fees and costs on to our customers. By extension, these increases could impact demand for our services. Our customers would be responsible under U.S. import laws for payment of the ordinary duties applicable to goods. Imports would also be subject to additional special duties, such as Section 301 Duties which range from 7.5% to 25%. In accordance with our US Tariff Legal Adviser, the specific rate of Section 301 Duties that apply to a product depends on its Harmonized Tariff Schedule ("HTS") classification. The rates will often differ even across products within the same category, but the vast majority of HTS classifications fall under the first three "tranches" of Section 301 Duties (colloquially known as Lists 1, 2, and 3) at the rate of 25%. However, clothing and footwear products were more heavily targeted by the fourth tranche (List 4) and are more likely to be subject to the 7.5% Section 301 Duty rate. According to F&S, the primary categories for exports from China to the United States in the cross-border e-commerce sector include electronics, home furnishings, clothing, and footwear. Accordingly, there may be a significant portion of our customers' exports of China-origin goods to the United States that would fall within the 7.5% duty range.

BUSINESS

The formal entry process is likely to have certain additional information and documentation requirements. As a result, our customers may see increased administrative costs as a result of any documentary requirements associated with the formal entry process and compliance costs to ensure the accuracy of such documentation. We may also see cost increases due to the time and resources needed to assist our customers or coordinate shipments under the new CBP requirements. However, we ourselves will not be directly responsible for compliance or cost increases given that it will not be serving as the importer of record into the United States. In addition, these increased costs would likely be similar across logistics providers importing China-origin goods.

Potential impacts on the industry

According to F&S, if the De Minimis Exemption are to be changed as advised by our US Tariff Advisor, Chinese e-commerce platforms may choose to pass on the costs to consumers, absorb the extra fees themselves, or combine the two options. Nevertheless, according to F&S, US consumers would still likely continue to purchase China-origin products that they purchase before such changes, as these products would still be of relatively low price even after the changes in the De Minimis Exemption as mentioned above.

According to F&S, increases in prices induces by the potential changes in the De Minimis Exemption are not likely to materially change US consumer's purchasing decisions. The vast majority of goods exported from China to the US are items that US consumers are relatively less price-sensitive to, meaning changes in prices of these items are not as likely to affect already-existed consumer behavior and decisions as the same in some other items. In addition, according to F&S, past increases in tariff indicated that increases in tariff had not historically materially affected the volume and value of exports China-origin goods to the US. In 2018, the U.S. government announced two plans to impose a 25% tariff on approximately US\$50 billion worth of Chinese goods and a 10% tariff on US\$200 billion worth of Chinese goods. Subsequently, the total value of goods exported from China to the US decreased from RMB3.2 trillion in 2018 to RMB2.9 trillion in 2019, and then rose from RMB3.1 trillion in 2020 to RMB3.7 trillion in 2021 and reached RMB3.9 trillion in 2022. Based on historical data, changes in tariff for goods exported from China to the US, albeit with limited impact on shipping volume, are not likely to have significant impact on shipping volume in the long run.

According to F&S, Chinese e-commerce companies and platforms continue to show significant growth in the US. A recent report by eCommerceDB indicates that the share of Chinese sellers in terms of gross Merchandise Volume (GMV) on Amazon grew from US\$48 billion in 2017, representing 18% of Amazon's total GMV, to US\$201 billion, representing 26% of the total Amazon's GMV in 2022. Similarly, China's cross-border e-commerce platforms, Temu and SHEIN, are the two of the most popular cross-border e-commerce platforms in the US. According to Sensor Tower, Temu's had 10 million transacting customers in January 2023, 90% of which came from the

BUSINESS

US; according to YipitData, Temu achieved a GMV of US\$190 million in January 2023, accumulating a total GMV of approximately \$500 million within its first five months since launch. On the other hand, according to Adjust's annual Mobile App Trends report, SHEIN's revenue reached \$22.7 billion, with a growth rate of 52.8% from 2021. Its GMV reached around \$30 billion in 2022, with a growth rate of 50% from 2021.

Our mitigating measures

As advised by our US Tariff Legal Adviser, if the current De Minimis Exemption rules change, our customers/buyers will be legally responsible under US import laws for payment of the ordinary duties applicable to the goods that we ship, as well as additional special duties, if applicable, to some of the items that we ship. In addition, the formal entry process will likely result in additional information and documentation requirements by the US customs, which would likely incur information and cost on our Group and/or our customers/buyers.

Currently, our arrangements with our customers who have goods shipped to the US generally provide that we are not responsible for the duties incurred during our services provided. However, in light of the above potential changes in the De Minimis Exemption, we plan to review our current pricing policies and arrangements with our customers engaging in the delivery of parcels to the US to determine how they currently handle duties and fees owed on shipments exceeding the De Minimis Exemption threshold. We intend to ensure that our arrangements with customers do not make us ultimately responsible for duties, fees, and taxes associated with the potential formal entries into the US and that our customers would ultimately be responsible for additional payment of the costs associated with a formal entry, such as including contractual language in our arrangements to request our customers to provide the customers' information for the formal entry itself. We also plan to communicate with our customers to ensure that they are contractually responsible for ensuring their products are in compliance compliant with US customs laws. As a result, our Directors believe that the potential changes in De Minimis Exemption would not affect our cost structure for shipments to the US materially.

BUSINESS

INTERNAL CONTROL AND RISK MANAGEMENT

In order to maintain sound and effective controls to safeguard our Shareholders’ interests and our Group’s assets, we engaged an independent internal control consultant (the “**Internal Control Consultant**”) to assist us to review our internal control procedures, systems and controls, as well as to put forward respective recommendations. We have adopted, or expect to adopt before the [REDACTED], a series of internal control policies and procedures designed to provide reasonable assurances for achieving objectives including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

- We have adopted comprehensive policies and procedures in connection with our financial reporting, financial controls and disclosure controls, including financial report management policies, budget management policies, cash and fund management policies, fixed asset management policies, financial statement preparation policies and customer and supplier pre-engagement management procedures. We provide ongoing training to employees in our finance department to ensure that such policies are observed and implemented;
- We have established an audit committee responsible for overseeing our financial records, internal control procedures and risk management systems. For a detailed description of the responsibility of our Audit Committee as well as the qualifications and experience of their members, please refer to the section headed “Directors and senior management” in this document;
- We have implemented measures to ensure better communication and human resources function in our Group. We have a whistleblowing and complaint handling process and all staff would be encouraged to report to and/or notify our management or Directors or the Audit Committee of our Group promptly of any non-compliance or potential non-compliance events. The adequacy and effectiveness of our complaint system will be reviewed regularly;
- We have internal control policies covering various aspects of human resource management such as recruiting, training, work ethics and legal compliance. Our employee handbook contains guidelines on work ethics and prevention of fraud and corruption and these guidelines will be reviewed and updated regularly to meet the requirements of the latest labour laws and regulations. It is also required that all employees will be provided these guidelines as part of their regular training;

BUSINESS

- We will continue to monitor our compliance with relevant laws and regulations and our senior management team will work closely with our employees to implement actions required to ensure our compliance with relevant laws and regulations. We will also continue to arrange ongoing training to be provided by Hong Kong legal advisers to our Directors, senior management and employees on the Listing Rules, including but not limited to aspects related to corporate governance and connected transactions, and by our PRC Legal Adviser on PRC laws and regulations. Our senior management, internal audit team and the Audit Committee together will monitor the implementation of our internal control system on an ongoing basis to ensure our policies and implementation are effective and sufficient.

After considering that (i) our Group has implemented (or, where applicable, will implement) the above measures and (ii) our Group has established a proper internal control system to prevent future non-compliance with the relevant laws and regulations, our Directors are of the view that, our internal control measures adopted are adequate and effective. Nothing has come to the attention of the Sole Sponsor to cause the Sole Sponsor to believe that the aforementioned measures are not adequate and effective.

Risk management policies and fostering a compliance culture

- To manage key risks, we have adopted stringent measures and procedures under our quality, safety and environmental management systems (for further details, please refer to the paragraphs headed “Environmental, social and governance” in this section).
- We strive to foster a strong compliance culture in our Group through: (i) a detailed employee handbook provided to each of them after recruitment; (ii) on-going training on various areas; and (iii) signs and posters placed on-site to provide day to day reminders of risks and best practices.
- We are committed to social responsibilities as disclosed in the paragraph headed “Environmental, social and governance” in this section, and consider environmental, social and governance (“ESG”) essential to our continuous development. We plan to set up metrics and targets for these ESG issues and to review our key ESG performance on a regular basis. Our Directors will actively participate in designing our ESG strategies and targets, and will evaluate, determine and address our ESG-related risk. We may from time to time engage independent professional third parties to help us to make necessary improvements. After the [REDACTED], we will publish an Environmental, Social and Governance Report each year pursuant to Appendix 27 of the Listing Rules to analyse and disclose important ESG matters, risk management and the accomplishment of performance and objectives.

BUSINESS

Anti-corruption and anti-bribery measures

As recommended by our Internal Control Consultants, we have formulated and adopted an anti- corruption and anti-bribery regime. Key anti-corruption and anti-bribery measures include the following:

- We provide anti-fraud and ethics training to our employees and distribute our anti-corruption and anti-bribery policy to all employees;
- Our administration department is responsible for identifying improper conduct of our employees and monitoring inter-department activities. The duties of our administration department also include providing anti-corruption and anti-bribery compliance advice, investigating potential corruption or fraudulent incidents, and initiating anti-fraud promotional activities with our Group; and
- We have a whistleblowing and complaint handling process and we will conduct investigations for any suspected cases of bribery, corruption or other related misconduct or fraudulent activities.

During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, there are no legal proceedings regarding corrupt or bribery practices brought against us or any of our directors and employees.

Key corporate governance measures

In order to continuously improve our Group's corporate governance in the future, our Group has adopted or will adopt the following measures recommended by the Internal Control Consultant:

1. On 24 February 2023, our Directors attended training sessions conducted by our Hong Kong Legal Advisers on the ongoing obligations and duties of a director of a company whose shares are listed on the Stock Exchange;
2. We have appointed Honestum International Limited as compliance adviser upon [REDACTED] to advise us on regulatory compliance with the Listing Rules;

BUSINESS

3. We have appointed Ms. Wong Hoi Ting, as the company secretary, to handle the secretarial matters and day-to-day compliance matters of our Group. She is also responsible for the timing and procedures for convening annual general meetings, including the time for sending notice of meeting and laying the respective financial statements;
4. On [•], we established the Audit Committee which will implement formal and transparent arrangements to apply financial reporting and internal control principals in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations, including timely preparation and laying of accounts. It will also periodically review our compliance status with the Hong Kong laws after [REDACTED]. The Audit Committee will exercise its oversight by:
 - (i) reviewing our internal control and legal compliance;
 - (ii) discussing the internal control systems with the management of our Group to ensure that the management has performed its duty to have an effective internal control system;
 - (iii) considering the major investigation findings on internal matters as delegated by the Board; and
5. Our Group will seek professional advice and assistance from independent internal control consultants, external legal advisers and/or other appropriate independent professional advisers with respect to matters related to our internal controls and compliance when necessary and appropriate.

View of our Directors

Based on the Internal Control Consultant's review and recommendations, our Group has duly adopted the measures and policies in order to improve our internal control systems and to ensure our compliance with the Listing Rules and relevant Hong Kong and the PRC laws. Furthermore, after the Internal Control Consultant had performed their follow-up review in February 2023, they did not identify any further issues and made no further recommendations in the respective areas covered in their reviews. Based on the results of the internal control reviews, our Directors are of the view that adequate and effective internal control procedures and policies have been put in place by our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS OF OUR COMPANY

Immediately following completion of the [REDACTED] and the [REDACTED], Zi Yue and Gensis FAR Holdings Limited (天遠控股有限公司) will be interested in approximately [REDACTED]% and [REDACTED]% of our total issued share capital respectively (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED]).

Zi Yue is an investment holding company and is wholly-owned by Mr. Wang. Gensis FAR Holdings Limited is a company wholly-owned by Hangzhou Aiyuan L.P., a limited partnership in which Mr. Wang is interested in approximately 37.88% of its equity interest.

Accordingly, immediately following completion of the [REDACTED] and the [REDACTED], Mr. Wang will be interested in approximately [REDACTED]% of our total issued share capital through Zi Yue and Gensis FAR Holdings Limited (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED]). For the purpose of the Listing Rules, Mr. Wang, Zi Yue, Gensis FAR Holdings Limited, Hangzhou Aiyuan L.P. are a group of Controlling Shareholders. Further details of Mr. Wang is set out in the section headed “Directors and Senior Management” in this document.

COMPETING INTEREST

As at the Latest Practicable Date, apart from the business of our Group, none of our Controlling Shareholders, our Directors, and their respective close associates has carried on, or has any interest in, any other business which competes or is likely to compete, directly or indirectly, with our business and would require disclosure under the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors believe that our Group is capable of carrying on our Group’s business after the [REDACTED] independently from our Controlling Shareholders and their close associates and/or companies controlled by them:

(i) Financial independence

Our Group has an independent financial system and makes financial decisions according to our own business needs. Our Group has sufficient capital to operate its business independently, and has adequate internal resources and independent access to third-party financing to support its daily operations.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

During the Track Record Period, our Group had certain amounts due to and/or from related parties including one of our Controlling Shareholders, Mr. Wang. All loans and advances from Mr. Wang are expected to be fully settled upon [REDACTED]. For details, please refer to note 22 to the Accountants’ Report set out in Appendix I to this document.

Our Directors are of the view that there has been sufficient cash flow to support the operation of our Group’s business. During the Track Record Period, our Group has relied principally on cash generated from operations and bank borrowings to carry on our businesses and this is expected to continue after the [REDACTED]. Our Directors also believe that our Group is capable of obtaining financing from Independent Third Parties, if necessary, without reliance on our Controlling Shareholders after the [REDACTED]. Therefore, the Group will be financially independent from our Controlling Shareholders after the [REDACTED].

(ii) Operational independence

Our Group has established our own organisational structure made of individual departments, each with specific areas of responsibilities. Our Group did not share our operational resources, such as contractors, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their close associates during the Track Record Period. Our Group has also established a set of internal controls to facilitate the effective operation of its business. Our Group’s customers and suppliers are all independent from our Controlling Shareholders. Our Group does not rely on our Controlling Shareholders or their close associates and has its independent access to customers and suppliers. Our Directors are of the view that our Group is able to operate independently from our Controlling Shareholders after the [REDACTED].

(iii) Management independence

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group’s business. The main function of the Board includes the approval of our overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Company. We have an independent management team, which is led by a team of senior management with substantial experience and expertise in our business, to implement our Group’s policies and strategies.

Our Board consists of nine Directors, comprising five executive Directors, one non-executive Director and three independent non-executive Directors. Notwithstanding this, our management and operational decisions are made by our executive Directors and senior management, most of whom have served our Group for a long time and have substantial experience in the industry in which we are engaged. The balance of power and authority is ensured by the operation of the senior management and our Board.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and any Director or his/her respective close associates, the interested Director shall abstain from voting at the relevant meetings of the Board in respect of such transactions and shall not be counted in the quorum. In addition, the senior management team of our Group is independent from our Controlling Shareholders. The three independent non-executive Directors will also bring independent judgment to the decision-making process of the Board. We have also adopted certain corporate governance measures for conflict situation. Please refer to the paragraph “Key corporate governance measures” in the business section for further details.

Most members of the senior management of our Group have, for all or substantially all of the Track Record Period, undertaken senior management supervisory responsibilities in the business of our Group. The responsibilities of the senior management team of our Group include dealing with operational and financial matters, making general capital expenditure decisions and the daily implementation of the business strategy of our Group. This ensures the independence of the daily management and operations of our Group. Further details of our senior management are set out in the section “Directors and Senior Management” in this document.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform the managerial role independently.

(iv) Independence of major suppliers

To the best of our Directors’ knowledge, information and belief, none of our Controlling Shareholders, our Directors and their respective close associates have any relationship with the top five suppliers of our Group in each year (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

(v) Independence of major customers

Save as disclosed in the section headed “Business — Our customers” and to the best of our Directors’ knowledge, information and belief, none of our Controlling Shareholders, our Directors and their respective close associates have any relationship with the top five customers of our Group in each year (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

NON-COMPETITION UNDERTAKINGS

In order to avoid any possible future competition among our Group, our Controlling Shareholders entered into the Deed of Non-competition on [•] in favour of our Company (for itself and for the benefit of each other member of our Group). Pursuant to the Deed of Non-competition, during the period that the Deed of Non-competition remains effective, our Controlling Shareholders irrevocably and unconditionally undertake to our Company (for itself and for the benefit of each other member of our Group) that they shall not, and shall procure their close associates (other than members of our Group) not to, directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the existing business activity of any member of our Group or any business activity to be conducted by any member of our Group from time to time after the [REDACTED], save for the holding of not more than 5% shareholding interests (individually or with their close associates) in any company listed on a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with their close associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of our Controlling Shareholders (individually or with their close associates).

Our Controlling Shareholders further undertake that if they or their close associates (other than any member of our Group) are offered or become aware of any business opportunity which may compete with the existing business activity of any member of our Group or any business activity to be conducted by any member of our Group from time to time after the [REDACTED], they shall (and they shall procure their close associates to) notify our Group in writing and our Group shall have a right of first refusal to take up such business opportunity. Our Group shall, within 30 days after receipt of the written notice (or such longer period if our Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify our Controlling Shareholders whether our Group will exercise the right of first refusal.

Our Group shall only exercise the right of first refusal upon the approval of all our independent non-executive Directors (who do not have any interest in such opportunities). Mr. Wang and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of our Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The Deed of Non-competition is conditional upon the [REDACTED] granting the approval for the [REDACTED] of, and permission to deal in, our Shares; and the conditions precedent under the [REDACTED] having been fulfilled (or where applicable waived) and the [REDACTED] not being terminated in accordance with their respective terms.

If any of such conditions is not fulfilled on or before the date agreed between the [REDACTED] and our Company or the [REDACTED] and our Company have agreed to terminate the [REDACTED] thereafter, the Deed of Non-competition shall become null and void and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

The Deed of Non-competition shall terminate when (i) Mr. Wang whether individually or taken together with his close associates, ceases to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company; or (ii) [REDACTED] on the Stock Exchange (except for [REDACTED] on the Stock Exchange due to any reason).

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board currently consists of nine (9) Directors, including five (5) executive Directors, one (1) non-executive Director and three (3) independent non-executive Directors. The following table provides certain information about our Directors:

Directors

The following table sets out the information regarding our Directors:

Name	Age	Position(s)	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Mr. Wang Quan (王泉)	46	Chairman of the Board and executive Director	August 2004	24 November 2022	Overall strategic planning and business direction of our Group	Nil
Ms. Zhang Min (張旻)	54	Executive Director, Chief Executive Officer and general manager	February 2021	24 February 2023	Overall management and business operation of our Group	Nil
Mr. Yang Zhilong (楊志龍) .	46	Executive Director and financial director	August 2008	24 February 2023	Overall financial management of our Group	Nil
Mr. Zhang Guangyang (張光陽)	44	Executive Director and deputy general manager	June 2017	24 February 2023	Overall management and business operation of our Group in South China	Nil
Mr. Zhu Jiong (朱炯)	49	Executive Director and secretary to the Board	June 2013	24 February 2023	Overall compliance and investment matters of our Group	Nil

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position(s)	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Mr. Wang Tiantian (王添天)	39	Non-executive Director	January 2021	24 February 2023	Participating in formulating the Group’s business strategies	Nil
Mr. Ye Xingyue (葉星月)	48	Independent Non-executive Director	[•]	[•]	Supervising and providing independent judgement to our Board	Nil
Mr. Ren Tiangan (任天千)	49	Independent Non-executive Director	[•]	[•]	Supervising and providing independent judgement to our Board	Nil
Mr. Sun Peng (孫鵬)	42	Independent Non-executive Director	July 2021	[•]	Supervising and providing independent judgement to our Board	Nil

Executive Directors

Mr. Wang Quan (王泉), aged 46, is our executive Director, Chairman of the Board and one of our Controlling Shareholders. Mr. Wang is the chairman of the Nomination Committee and a member of the Remuneration Committee. He was appointed as a Director on 24 November 2022 and redesignated as an executive Director and Chairman of the Board on 24 February 2023. He is responsible for overall strategic planning and business direction of our Group. Mr. Wang is also a director of Hangzhou FAR, Shenzhen Global Link, HK FAR Logistics Investments Limited, ZY Logistics Company Limited, and Global Link.

Mr. Wang has over 26 years of experience in cross-border logistics industry. Mr. Wang was a manager of Zhejiang Property International Freight Company Limited* (浙江物產國際貨運有限公司), a subsidiary of Zhejiang Materials Industry Group Corporation (a state-owned company in which its issued shares are listed on the Shanghai Stock Exchange (stock code: 600704.SH)) from July 1997 to December 2000. He was also a manager of Hangzhou Longhang Freight Forwarding Company Limited* (杭州龍航貨運代理有限公司), one of the founding members of FAR International Logistics Company Limited* (杭州泛遠國際物流有限公司) (the predecessor of Hangzhou FAR) from January 2001 to July 2004. Mr. Wang was the deputy general manager since the establishment of FAR International Logistics Company Limited*(杭州泛遠國際物流有限公司) (the predecessor of Hangzhou FAR) in August 2004 until he was promoted as the executive

DIRECTORS AND SENIOR MANAGEMENT

Director and general manager in May 2015. He was the chairman and general manager of Hangzhou FAR during the period from August 2015 to July 2021, and remains as the chairman of Hangzhou FAR since July 2021 up to the present date.

Mr. Wang obtained a Bachelor Degree in International Trade from Ningbo University, in June 1997.

Set out below are the companies which were dissolved during the period when Mr. Wang was the director:

Name of company	Place of incorporation	Nature of business before dissolution	Date of dissolution	Nature of dissolution proceeding
FAR Express Solution Ltd.	United States, Illinois	No business operation since incorporation	26 August 2022	Voluntary deregistration
Far-Weinberg Logistics & Distribution Limited	Hong Kong	No business operation since incorporation	16 December 2011	Voluntary deregistration
Winto Logistics Group Company Limited	Hong Kong	No business operation since incorporation	14 December 2012	Voluntary deregistration
Hangzhou Longhang Freight Forwarding Co., Ltd.* (杭州龍航貨運代理有限公司).	PRC	International freight forwarding	8 July 2009	Cancellation
Rizhao Lijiu Internet Technology Partnership (Limited Partnership)* (日照利久網絡科技合夥企業(有限合夥)).	PRC	Shareholding entity	21 September 2019	Cancellation
Zhejiang Zhenkuai Supply Chain Management Company Limited* (浙江臻快供應鏈管理有限公司).	PRC	Supply chain services	30 September 2017	Cancellation

DIRECTORS AND SENIOR MANAGEMENT

Name of company	Place of incorporation	Nature of business before dissolution	Date of dissolution	Nature of dissolution proceeding
Hangzhou Yangxi Electronic Commerce Co., Ltd. Shangcheng Branch* (杭州洋東 西電子商務有限公司上城分公 司)	PRC	Cross-border electronic commerce	9 January 2017	Cancellation

Ms. Zhang Min (張旻) (“Ms. Zhang”), aged 54, was appointed as an executive Director on 24 February 2023 and was redesignated as the Chief Executive Officer of our Company on 27 February 2023. She is primarily responsible for overall management and business operation of our Group. Ms. Zhang is also the general manager of our Group.

Ms. Zhang has more than 25 years of experience in international logistics industry. She was a deputy general manager of Sinotrans Air Transportation Development Company Limited East China Branch, a subsidiary of Sinotrans Limited (the issued shares of which are listed on the listed on the Main Board of the Stock Exchange (stock code: 598) and the Shanghai Stock Exchange (stock code: 601598.SH)) from July 1991 to July 2006. During the period from July 2006 to May 2017, she has been a senior manager of the Asia Pacific Headquarters and senior manager of the China District Marketing Department of United Parcel Service. She joined our Group in February 2021 as the general manager of Hangzhou FAR in February 2021 and appointed as a director of Hangzhou FAR in July 2021.

Ms. Zhang obtained a Bachelor Degree in History from Shanghai University in July 1991 and a Master Degree in Management from BI Norwegian School of Management in June 2005.

Mr. Yang Zhilong (楊志龍) (“Mr. Yang”), aged 46, was appointed as an executive Director on 24 February 2023. He is primarily responsible for overall financial management of our Group. Mr. Yang is also the financial director of our Group.

Mr. Yang has more than 24 years of experience in finance and accounting industry. He was an accountant and a financial supervisor of Hangzhou Tingzheng Packing Material Company Limited* (杭州頂正包材有限公司) from January 1999 to December 2001. He joined Hangzhou Wuzhou Sports Equipment Company Limited* (浙江環球控股集團有限公司) and Ningbo Division of Zhejiang Shangyuan Food and Beverage Company Limited* (浙江商源食品飲料有限公司) as a financial manager during the periods from January 2002 to September 2006 and from October 2006 to July 2008, respectively. Mr. Yang joined our Group in August 2008 as the financial director of Hangzhou FAR and was further appointed as a director of Hangzhou FAR in August 2015.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yang obtained a Diploma in Computerised Accounting from Zhejiang Institute of Economics and Trade in June 1997 and a Bachelor’s Degree in Accounting from Dongbei University of Finance and Economics in July 2009. Mr. Yang was conferred with an intermediate level specialty in Accounting by the Ministry of Finance of the People’s Republic of China in May 2005.

Set out below is the company which was dissolved during the period when Mr. Yang was the director:

Name of company	Place of incorporation	Nature of business before dissolution	Date of dissolution	Nature of dissolution proceeding
Rizhao Lijiu Internet Technology Partnership (Limited Partnership)* (日照利久網絡科技合夥企業 (有限合夥)).	PRC	Shareholding entity	21 September 2019	Cancellation

Mr. Zhu Jiong (朱炯) (“**Mr. Zhu**”), aged 49, was appointed as an executive Director on 24 February 2023. He is primarily responsible for overall compliance and investment matters of our Group. Mr. Zhu is a director and the secretary to the Board of Hangzhou FAR, a manager of Hangzhou FAR Import & Export Company Limited, a supervisor of Hangzhou Aiyuan Supply Chain Management Company Limited (杭州愛遠供應鏈管理有限公司), Shanghai Aiyuan Supply Chain Management Company Limited* (上海愛遠供應鏈管理有限公司) and Zhejiang Jingyuan Supply Chain Management Company Limited* (浙江競遠供應鏈管理有限公司), and executive director and legal representative of Shanghai Aiyuan Supply Chain Management Company Limited* (上海艾遠供應鏈管理有限公司).

Mr. Zhu has more than 20 years of experience serving in senior managerial roles in administrative, human resources, sales and operation, and public relations departments of several companies in the PRC. He has been an administrative director of Property Management Headquarters, Shanghai Urban Construction Investment and Development Corporation* (上海市城市建設投資開發總公司置業管理總部) from May 2003 to July 2004. He was the secretary of the board of directors, manager of administration and human resources department, and manager of marketing department of Shanghai Xinkai Real Estate Development Company Limited* (上海新凱房地產開發有限公司) from July 2004 to March 2006. During the period from March 2006 to May 2007, Mr. Zhu was the Human Resources Manager, secretary of Party Branch and secretary of the Youth League Committee of Shanghai Chengtou Land (Group) Company Limited* (上海城投置地(集團)有限公司). He was the executive director and general manager of Shanghai Zhuojiao Culture Development Company Limited* (上海卓驕文化發展有限公司) from May 2007 to August 2008. From August 2008 to May 2013, He was the deputy general manager of Shanghai Guma

DIRECTORS AND SENIOR MANAGEMENT

Information Technology Company Limited* (上海谷馬信息技術有限公司). Mr. Zhu joined our Group in June 2013 as the public relations director of FAR International Logistics Company Limited and was further appointed as a director of Hangzhou FAR in August 2015. Since May 2016, he was a director and the secretary of the board of the directors of Hangzhou FAR. Mr. Zhu was also a director of Shenzhen Full Speed Parcel Logistics Company Limited since August 2019.

Mr. Zhu obtained a Bachelor Degree in Education in Ideology and Politics from Fudan University in July 1997. He was the secretary general of the Communist Youth League, Fudan University Committee* (共青團復旦大學委員會) from June 1996 to May 1999. During the period from May 1999 to May 2003, he was the deputy director of Student Life Campus Office, Party Committee Student Work Department of Fudan University* (復旦大學黨委學生工作部學生生活園區辦公室).

Set out below are the companies which were dissolved during the period when Mr. Zhu was a director, supervisor and/or management:

Name of company	Place of incorporation	Nature of business prior to dissolution	Date of dissolution	Nature of dissolution
Shanghai Zhuojiao Culture Development Company Limited* (上海卓驕文化發展有 限公司)	PRC	Advertisement planning	25 May 2018	Cancellation
Shanghai Fugu Investment Management Center (Limited Partnership)* (上海復谷投資管 理中心(有限合夥))	PRC	Investment management	2 March 2022	Cancellation
Rizhao Lijiu Internet Technology Partnership (Limited Partnership)* (日照利久網絡科 技合夥企業(有限合夥)).	PRC	Shareholding entity	21 September 2019	Cancellation
Shanghai Fanrong Electronic Commerce Company Limited* (上海泛瑤電子商務有限公司) .	PRC	Electronic commerce	3 August 2020	Cancellation

DIRECTORS AND SENIOR MANAGEMENT

Name of company	Place of incorporation	Nature of business prior to dissolution	Date of dissolution	Nature of dissolution
Hangzhou FAR International Logistics Company Limited Dongguan Branch* (杭州泛遠 國際物流股份有限公司東莞分 公司)	PRC	Cross-border logistics	26 January 2018	Cancellation
Hangzhou FAR International Logistics Company Limited Wuhan Branch* (杭州泛遠國際 物流股份有限公司武漢分公司)	PRC	Cross-border logistics	17 November 2022	Cancellation
Shanghai Guma Information Technology Company Limited* (上海谷馬信息技術有限公司) .	PRC	Information technology	11 January 2022	Cancellation
Zhejiang Zhenkuai Supply Chain Management Company Limited* (浙江臻快供應鏈管理 有限公司)	PRC	Supply chain management	30 September 2017	Cancellation
Shanghai Jutian Software Technology Company Limited* (上海鉅添軟件科技有限公司) .	PRC	Software technology	10 September 2021	Cancellation
Tibet Aiyuan Trading Company Limited* (西藏愛遠貿易有限責 任公司)	PRC	Electronic commerce	15 January 2019	Cancellation

Mr. Zhang Guangyang (張光陽), aged 44, was appointed as an executive Director on 24 February 2023. He is primarily responsible for overall management and business operation of our Group in South China. Mr. Zhang Guangyang is a director and deputy general manager of our Group and the general manager of Shenzhen Global Link Logistics Services Limited* (深圳市匯通天下物流有限公司).

Mr. Zhang Guangyang has over 21 years of experience in cross-border logistics industry. He was a department manager of Fairwind Shipping Company Limited in Hong Kong from April 2002 to September 2006. Mr. Zhang was the deputy general manager of Fairwind Wharf & Godown Company from October 2006 to March 2014. From April 2014 to May 2017, Mr. Zhang was the executive vice president of Tongde Holdings Management Company Limited, mainly responsible

DIRECTORS AND SENIOR MANAGEMENT

for managing Shenzhen Tongde International Freight Forwarding Company Limited* (深圳市通德國際貨運代理有限公司) and Qingdao Tongde International Freight Forwarding Company Limited* (青島通德國際貨運代理有限公司). He served as a department manager of Shenzhen Global Link from June 2017 to October 2019. He was promoted as a deputy general manager of Shenzhen Global Link in October 2019. Mr. Zhang was further promoted as the general manager of Shenzhen Global Link in January 2021. Since July 2021, Mr. Zhang has been a director and the deputy general manager of Hangzhou FAR International Logistics Co., Ltd..

Mr. Zhang Guangyang obtained the Logistician Certificate issued by China Federation of Logistics and Purchasing in November 2008 and obtained a Bachelor Degree in Business Management from China University of Geosciences, Wuhan in July 2013.

Set out below are the company which were dissolved during the period when Mr. Zhang was the director:

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Nature of business before dissolution</u>	<u>Date of dissolution</u>	<u>Nature of dissolution proceeding</u>
Smooth Cooperation Logistics Company Limited (順合物流有限公司)	Hong Kong	No business operation since incorporation	6 March 2015	Voluntary deregistration
Weifang Mizhi Business Consulting Center* (濰坊市芊芷商務諮詢中心)	PRC	Business management	May 2019	Cancellation
Dongguan Yirun Freight Forwarding Company Limited* (東莞市壹潤貨運代理有限公司)	PRC	Cross-border logistics	31 January 2023	Cancellation

Non-executive Director

Mr. Wang Tiantian (王添天), aged 39, was appointed as a non-executive Director on 24 February 2023. He is primarily participating in formulating the Group’s business strategies. Mr. Wang Tiantian is a director of Hangzhou FAR.

Mr. Wang Tiantian has over 16 years of experience in cross-border and domestic business management. He was a merchandise planning manager of Tesco PLC from February 2007 to April 2010 responsible for global headquarters product planning and supply chain management. From April 2010 to April 2012, he was the Greater China Supply Chain Director of Staples Inc. Mr.

DIRECTORS AND SENIOR MANAGEMENT

Wang Tiantian was the senior business product manager of Amazon.com, Inc. during the period from April 2012 to April 2014. He was the operational vice president of DHgate (敦煌網) from April 2014 to April 2017. He joined Alibaba Group or its related companies in April 2017. He joined our Group in January 2021 as a director of Hangzhou FAR.

Mr. Wang Tiantian obtained a Bachelor Degree in Business Studies and Financial Management from University of Salford in July 2006. He also obtain a Master Degree in International Business and Management from University of Manchester in September 2007. Mr. Wang Tiantian completed his Doctoral Degree in Economics the Chinese Academy of Social Sciences in April 2016.

Independent non-executive Directors

Mr. Ye Xingyue (葉星月), aged 48, was appointed as an independent non-executive Director on [•]. Mr. Ye Xingyue is the chairman of the Audit Committee and a member of the Remuneration Committee. He is primarily responsible for supervising and providing independent advice on the operation and management to our Board.

Mr. Ye Xingyue has over 26 years’ experience in accounting and financial management. Mr. Ye Xingyue was the chief accountant at Zhejiang Material Industrial Zhongda Yuantong Group Company Limited from July 1997 to August 2000. Mr. Ye Xingyue was the financial and planning analysis manager at Xizi Otis Elevator Company Limited from September 2000 to January 2008. Mr. Ye Xingyue was consecutively the assistant financial manager, company subsidiary finance director, deputy executive of group finance, and vice president to the investments and new businesses department of Xizi Elevator Group Company Limited* (西子電梯集團有限公司) from January 2008 to December 2014. From January 2015 to April 2015, Mr. Ye Xingyue was the financial manager of Hangzhou Tailin Bioengineering Company Limited* (杭州泰林生物技術設備有限公司). Mr. Ye Xingyue joined Zhejiang Tailin Bioengineering Company Limited in January 2015 and is currently the secretary to the board of directors and financial manager.

Mr. Ye Xingyue obtained a Bachelor Degree in Accounting from Hangzhou Business School* (杭州商學院) in July 1997 and a Master Degree in Accounting from Xiamen University in December 2012. He was admitted as a Chinese Certified Public Accountant in December 2009 and a senior accountant in July 2015 by the Zhejiang Province Human Resources and Social Security Department.

Mr. Ren Tiangan (任天干) (“Mr. Ren”), aged 49, was appointed as an independent non-executive Director on [•]. Mr. Ren is the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee. He is primarily responsible for supervising and providing independent advice on the operation and management to our Board.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ren has over 22 years’ experience in legal industry. Mr. Ren was as an assistant to general manager at Ningbo Development Zone Import and Export Company* (寧波開發區進出口公司) from July 1997 to May 1998. He joined Ningbo Sanhe Law Firm* (寧波三和律師事務所) as a lawyer from May 1998 to August 2000. Mr. Ren was enrolled as a postgraduate student at the Shanghai Maritime University from September 2000 to June 2003. He was a government lawyer at Shanghai Waigaoqiao Free Trade Zone Management Committee from May 2003 to May 2009. Mr. Ren was the head of the legal compliance department of Alltrust Property Insurance Company Limited during May 2009 to May 2010. From May 2010 to May 2019, he was a partner at RICC & Co. He was a partner at Horizon Law Office from May 2019 to April 2020. During April 2020 to February 2022, Mr. Ren was a partner at MHP Law Firm. Since February 2022, Mr. Ren has been the senior partner at Beijing Weiheng (Shanghai) Law Firm.

Mr. Ren obtained a Bachelor Degree in Laws from Ningbo University in July 1997 and a Master Degree in International Laws from Shanghai Maritime University in May 2003. He was admitted as a practicing lawyer in the PRC in August 1998.

Mr. Sun Peng (孫鵬) (“**Mr. Sun**”), aged 42, was appointed as an independent non-executive Director on [•]. Mr. Sun is a member of each of the Audit Committee and Nomination Committee. He is primarily responsible for supervising and providing independent advice on the operation and management to our Board. Mr. Sun has been an independent director of Hangzhou FAR since July 2021.

Mr. Sun has over 19 years of experience in the financial industry. He was a general manager of investment banking at Corstone Capital Group from February 2004 to December 2007. He was the director and vice president of Beijing Ruisheng Hexin Investment Consulting Company Limited* (北京瑞盛和信投資諮詢有限公司) from October 2008 to September 2011. He was a deputy general manager of investment banking department of Dongzhao Changtai Group Company Limited* (東兆長泰集團有限公司) from October 2011 to October 2012. Mr. Sun was a deputy general manager of institutional management department of Tomorrow Holdings Company Limited* (明天控股有限公司) from November 2012 to November 2013. He was the deputy general manager of Beijing Shiji Lihong Computer Software Technology Co., Ltd.* (北京世紀力宏計算機軟件科技有限公司) from November 2013 to March 2017. During the period from April 2017 to April 2020, he was a general manager of Securities Investment Department of Xinhua Trust Company Limited* (新華信託股份有限公司). Mr. Sun was a partner of Yude Asset Management (Beijing) Co., Ltd.* (育德資產管理(北京)有限公司) from April 2020 to October 2021. Since May 2020, he has been the founding partner and investment director of Beijing Yitao Asset Management Co., Ltd.* (北京屹濤資產管理有限公司).

DIRECTORS AND SENIOR MANAGEMENT

Mr. Sun obtained a Bachelor Degree of Education in Ideology and Politics from China Youth University of Political Studies in July 2004. He obtained a Master Degree in Finance from Renmin University of China in June 2009.

Set out below is the company which was dissolved during the period when Mr. Sun was the director:

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Nature of business before dissolution</u>	<u>Date of dissolution</u>	<u>Nature of dissolution proceeding</u>
Guangxi Yude Kuncheng Asset Management Company Limited* (廣西育德坤成資產管理有限責任公司)	PRC	Asset management	5 February 2021	Cancellation

To the best of the knowledge, information and belief of our Directors, having made all reasonable enquires, save as disclosed above, none of our Directors has any other directorships in listed companies during the three years immediately prior to the date of this document, and there is no information of each of the Directors which needs to be disclosed pursuant to the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there are no other matters that need to be brought to the attention of the Shareholders under Rule 13.51(2) of the Listing Rules in connection with his/her appointment as a Director.

SENIOR MANAGEMENT

Our executive Directors and senior management are responsible for the day-to-day management of our business. For the biographical details of our executive Directors, please refer to the paragraph headed “Board of Directors — Executive Directors” above in this section.

Ms. Zhang Min (張旻) is our executive Director and general manager. For further biographic details of Ms. Zhang, please refer to the paragraph headed “Board of Directors — Executive Directors” in this section.

Mr. Zhu Jiong (朱炯) is our executive Director and secretary to the Board. For further biographic details of Mr. Zhu, please refer to the paragraph headed “Board of Directors — Executive Directors” in this section.

Mr. Yang Zhilong (楊志龍) is our executive Director and financial director. For further biographic details of Mr. Yang, please refer to the paragraph headed “Board of Directors — Executive Directors” in this section.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang Guangyang (張光陽) is our executive Director and deputy general manager. For further biographic details of Mr. Zhang, please refer to the paragraph headed “Board of Directors — Executive Directors” in this section.

COMPANY SECRETARY

Ms. Wong Hoi Ting (黃凱婷) (“Ms. Wong”), aged 35, was appointed as the company secretary of our Company on [•]. Ms. Wong is an assistant manager of the listing services department of TMF Hong Kong Limited. She has over 10 years of experience in the corporate secretarial field.

Ms. Wong obtained a Bachelor Degree in Social Sciences from Lingnan University in October 2009 and a Master Degree of Science in Professional Accounting and Corporate Governance from City University of Hong Kong in July 2014. Ms. Wong is an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

REMUNERATION POLICY

The Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonus with reference to salaries paid by comparable companies, time commitment and the performance of our Group. Our Group reviews regularly and determines the remuneration and compensation package of our Directors and senior management by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of the Directors and senior management and the performance of our Group.

After [REDACTED], our remuneration committee will review and determine the remuneration and compensation packages of our Directors with reference to their responsibilities, workload and the time devoted to our Group and the performance of our Group.

REMUNERATIONS OF DIRECTORS AND SENIOR MANAGEMENT

An aggregate sum of approximately RMB2,029,000, RMB3,077,000 and RMB[3,013,000] was paid to our Directors as remuneration for the three years ended 31 December 2022, respectively.

DIRECTORS AND SENIOR MANAGEMENT

Under the arrangements currently proposed, conditional upon the [REDACTED], the basic annual remuneration (excluding payment of any discretionary benefits or bonus or other fringe benefits) payable by our group to each of our Directors will be as follows:

Executive Directors

Mr. Wang Quan	RMB408,000
Ms. Zhang Min	RMB600,000
Mr. Yang Zhilong	RMB258,000
Mr. Zhang Guangyang	RMB360,000
Mr. Zhu Jiong	RMB258,000

Non-executive Director

Mr. Wang Tiantian	Nil
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Independent non-executive Directors

Mr. Ye Xingyue	RMB80,000
Mr. Ren Tiangan	RMB80,000
Mr. Sun Peng	RMB80,000

An aggregate sum of approximately RMB2,124,000 will be paid to our Directors as remuneration for the year ending 31 December 2023 under the arrangements in force at the date of this document excluding contribution to pension scheme, commissions and discretionary bonus.

An aggregate sum of approximately RMB1,542,000, RMB1,111,000 and RMB1,270,000 was paid to our five highest paid individuals as remuneration for the three years ended 31 December 2022, respectively. Further information is set out in note 13 to the Accountants' Report of our Group set out in Appendix I to this document.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors or the five highest paid individuals for each of the years during the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments in each of the three years ended 31 December 2022.

Save as disclosed above, no other payment has been made or are payable in respect of each of the three years ended 31 December 2022 by any member of our Group to any of our Directors.

DIRECTORS AND SENIOR MANAGEMENT

Further information in respect of our Directors’ remuneration as well as information on the five highest paid individuals are set out in notes 12 and 13 to the Accountants’ Report of our Group set out in Appendix I to this document.

BOARD DIVERSITY POLICY

Our Company will adopt a board diversity policy (the “**Board Diversity Policy**”) upon [REDACTED], which sets out its approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board. Our Company recognises and embraces the benefits of the Board diversity to enhance the quality of this performance and endeavours to ensure that the Board has appropriate balance and level of skills, experiences and perspectives required to support the execution of its business strategies. Our Company seeks to achieve Board diversity by selection of candidates for the Board through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, professional experience, skills, knowledge and length of service. Our Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board. All Board appointments will be based on meritocracy having due regard for the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Our Board comprises of nine members, including one female Director. Our Directors also have a balance mix of knowledge and experience in the areas of strategic development, production, administration, finance and accounting. We have three independent non-executive Directors with different industry backgrounds, representing one-third of the members of our Board.

We will review the objectives of the Board Diversity Policy from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. After [REDACTED], the Nomination Committee will review the Board Diversity Policy and monitor its implementation. The Nomination Committee will report annually to shareholders in the corporate governance section of the annual report of our Company on the process adopted in relation to the Board appointments and the consideration given to the diversity on the Board.

BOARD COMMITTEES

Audit Committee

Our Company established the Audit Committee on [•] with its written terms of reference in compliance with the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are, among other things, to review and supervise our financial reporting process and internal control and risk

DIRECTORS AND SENIOR MANAGEMENT

management system, nominate and monitor external auditors, provide advice and comments to the Board on matters related to corporate governance and perform other duties and responsibilities as assigned by the Board.

The Audit Committee consists of three members, being Mr. Ye Xingyue, Mr. Sun Peng and Mr. Ren Tiangan. Mr. Ye Xingyue currently serves as the chairman of the Audit Committee.

Remuneration Committee

Our Company established the Remuneration Committee on [•] with its written terms of reference in compliance with the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are, among other things, to make recommendations to the Board on our Company’s policy for human resource management as well as establish and review policies and structure in relation to remuneration for our directors and senior management.

The Remuneration Committee consists of three members, being Mr. Ren Tiangan, Mr. Wang Quan and Mr. Ye Xingyue. Mr. Ren Tiangan currently serves as the chairman of the Remuneration Committee.

Nomination Committee

Our Company established the Nomination Committee on [•] with its written terms of reference in compliance with the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are, among other things, to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management.

The Nomination Committee consists of three members, being Mr. Wang Quan, Mr. Ren Tiangan and Mr. Sun Peng. Mr. Wang Quan currently serves as the chairman of the Nomination Committee.

CORPORATE GOVERNANCE CODE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interest of the Shareholders. To accomplish this, our Company intends to comply with the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 to the Listing Rules after [REDACTED].

DIRECTORS AND SENIOR MANAGEMENT

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance report which will be included in our annual reports upon [REDACTED].

COMPLIANCE ADVISER

We have agreed to appoint Honestum International Limited to be our compliance adviser upon [REDACTED] on the Stock Exchange in compliance with Rule 3A.19 of the Listing Rules. We have entered into a compliance adviser’s agreement with Honestum International Limited prior to the [REDACTED], the material terms of which are as follows:

- (a) the term of appointment of the compliance adviser will commence on the [REDACTED] of our Company and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the [REDACTED], or until the agreement is terminated, whichever is earlier;
- (b) the [REDACTED] will provide us with certain services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines and advice on the continuing requirements under the Listing Rules and applicable laws and regulations;
- (c) our Company will consult with and, if necessary, seek advice from Honestum International Limited as our compliance adviser in the following circumstances:
 - (i) before the publication of any regulatory announcement, circular or financial report;
 - (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
 - (iii) where our Company proposes to use the net [REDACTED] from the [REDACTED] in a manner different from that detailed in this document or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this document; and
 - (iv) where the Stock Exchange makes any enquiry to our Company under Rule 13.10 of the Listing Rules.
- (d) the compliance adviser will serve as a channel of communication with the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED]), the following persons will have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

LONG POSITION IN THE SHARES

Name	Capacity/nature of interest	Number of Shares held/ interested in after completion of the [REDACTED] and [REDACTED]	Approximate Percentage of shareholding after completion of the [REDACTED] and the [REDACTED]
Zi Yue Holdings Limited	Beneficial Owner ¹	[REDACTED]	[REDACTED]
Wang Quan	Interest in a controlled corporation ¹	[REDACTED]	[REDACTED]
Lao Minzhong.	Interest of spouse ²	[REDACTED]	[REDACTED]
Taobao China	Beneficial Owner ³	[REDACTED]	[REDACTED]
Taobao Holding Limited.	Interest in a controlled corporation ³	[REDACTED]	[REDACTED]
Alibaba Holding	Interest in a controlled corporation ³	[REDACTED]	[REDACTED]
Ye Jianrong (葉建榮)	Interest in a controlled corporation ⁴	[REDACTED]	[REDACTED]
Hangzhou Gongshu State-owned Innovation Development Co., Ltd. (杭州拱墅國投創新發展有限公司).	Interest in a controlled corporation ⁵	[REDACTED]	[REDACTED]
Hangzhou City Gongshu District State-owned Investment Holding Group Co., Ltd. (杭州市拱墅區國有投資控股集團有限公司).	Interest in a controlled corporation ⁵	[REDACTED]	[REDACTED]

SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) Zi Yue Holdings Limited is entirely owned by Mr. Wang Quan. Therefore, Mr. Wang Quan is deemed to be interested in the Shares by Zi Yue Holdings Limited by virtue of the SFO. Gensis FAR Holdings Limited (天遠控股有限公司) shall be interested in approximately [REDACTED] shareholding of our Company immediately following completion of the [REDACTED] and [REDACTED]. Gensis FAR Holdings Limited is wholly-owned by Hangzhou Aiyuan L.P.. Mr. Wang Quan is interested in approximately 37.88% of the equity interest in Hangzhou Aiyuan L.P.. Therefore, Mr. Wang Quan is deemed to be interested in the Shares held by Gensis FAR Holdings Limited by virtue of the SFO.
- (2) Ms. Lao Minzhong is the spouse of Mr. Wang Quan. Accordingly, for the purpose of the SFO, Ms. Lao Minzhong is deemed, or taken to be, interested in the Shares in which Mr. Wang Quan is interested.
- (3) Taobao China is 100% owned by Taobao Holding Limited, which is in turn 100% owned by Alibaba Holding.
- (4) Coast Harvest Holdings Limited (岸城控股有限公司) shall be interested in approximately [REDACTED]% shareholding of our Company immediately following completion of the [REDACTED] and [REDACTED]. Mr. Ye Jianrong is interested in 85% of the shareholding in Coast Harvest Holdings Limited. Therefore, Mr. Ye Jianrong is deemed to be interested in the Shares held by Coast Harvest Holdings Limited by virtue of the SFO. Skill Lead Holdings Limited (藝領控股有限公司) shall be interested in approximately [REDACTED] shareholding of our Company immediately following completion of the [REDACTED] and [REDACTED]. Skill Lead Holdings Limited is entirely owned by Mr. Ye Jianrong. Therefore, Mr. Ye Jianrong is deemed to be interested in the Shares held by Skill Lead Holdings Limited by virtue of the SFO.
- (5) Summit Acute Holdings Limited (峰銳控股有限公司) shall be interested in approximately [REDACTED] shareholding of our Company immediately following completion of the [REDACTED] and [REDACTED]. Summit Charm Holdings Limited (峰魅控股有限公司) shall be interested in approximately [REDACTED] shareholding of our Company immediately following completion of the [REDACTED] and [REDACTED]. Both companies are indirectly and wholly-owned by Hangzhou Gongshu State-owned Innovation Development Co., Ltd. (杭州拱墅國投創新發展有限公司), which is in turn wholly-owned by Hangzhou City Gongshu District State-owned Investment Holding Group Co., Ltd. (杭州市拱墅區國有投資控股集團有限公司), a wholly state-owned company established in accordance with the PRC Company Law on 10 June 2008. Therefore, each of Hangzhou Gongshu State-owned Innovation Development Co., Ltd. and Hangzhou City Gongshu District State-owned Investment Holding Group Co., Ltd. is deemed to be interested in the Shares held by Summit Acute Holdings Limited and Summit Charm Holdings Limited by virtue of the SFO.

For details of our Director’s interests in Shares immediately following the completion of the [REDACTED], please refer to the section headed “Statutory and general information — C. Further information about Substantial Shareholders, Directors and experts” in Appendix IV to the document.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED]), have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any of its subsidiaries.

SHARE CAPITAL

SHARE CAPITAL

The share capital of our Company immediately following the [REDACTED] and the [REDACTED] will be as follows:

Authorised share capital

	<i>HK\$</i>
[2,000,000,000] Shares	[20,000,000]

Issued share capital

Issued and to be issued, fully paid or credited as fully paid upon completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised):

	<i>HK\$</i>
1 Share in issue at the date of this document	0.01
[45,740,411] Shares issued in the Reorganisation	[457,404.11]
[REDACTED] Shares issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED] Shares to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED] Total	[REDACTED]

Assuming the [REDACTED] is exercised in full, issued and to be issued, fully paid or credited as fully paid upon completion of the [REDACTED] and the [REDACTED]:

	<i>HK\$</i>
1 Share in issue at the date of this document	0.01
[45,740,411] Share issued in the Reorganisation	[457,404.11]
[REDACTED] Shares issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED] Shares to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED] Shares to be issued upon full exercise of the [REDACTED]	[REDACTED]
[REDACTED] Total	[REDACTED]

SHARE CAPITAL

ASSUMPTIONS

The above table assumes that the [REDACTED] becomes unconditional and the issue of Shares pursuant thereto are made as described herein. The above table takes no account of any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate given to our Directors to allot and issue or repurchase Shares as described below.

The minimum level of public float to be maintained by our Company after the [REDACTED] is 25% of the issued share capital of our Company.

RANKING

The [REDACTED] will rank pari passu in all respects with all other existing Shares in issue or to be issued as mentioned in this document, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of [REDACTED] other than participation in the [REDACTED].

[REDACTED]

Pursuant to the resolutions of our Shareholders passed on [•], subject to the share premium account of our Company being credited as a result of the [REDACTED], our Directors are authorised to allot and issue a total of [REDACTED] Shares credited as fully paid at par to the holders of the Shares on the register of members of our Company at the close of business on [•] in proportion to their shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of [REDACTED] of the sum of HK\$[REDACTED] standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Shares.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the paragraph headed “Structure and Conditions of the [REDACTED] — Conditions of the [REDACTED]” in this document, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate number of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 10% of the total number of Shares in issue immediately following the completion of the [REDACTED] and the [REDACTED]; and
- (b) the total number of Shares repurchased pursuant to the authority granted to our Directors referred to in the paragraph headed “General Mandate to Repurchase Shares” in this section.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue. This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company; or
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or the Companies Act or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

For further details of this general mandate, please refer to the section headed “Statutory and general information — A. Further information about our Company — 3. Written resolutions of our Shareholders dated [•]” set out in Appendix IV to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the paragraph headed “Structure and Conditions of the [REDACTED] — Conditions of the [REDACTED]” in this document, our Directors have been granted a general unconditional mandate to exercise all powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the

SHARE CAPITAL

SFC and the Stock Exchange for this purpose) with an aggregate number of not more than 10% of the total number of Shares in issue immediately following the completion of the [REDACTED] and the [REDACTED].

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “Statutory and General Information — A. Further information about our Company — 6. Repurchase of our Shares by our Company” in Appendix IV to this document.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company; or
- (b) the expiration of the period within which the next annual general meeting is required by the Articles or the Companies Act or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the section headed “Statutory and general information — A. Further information about our Company — 3. Written resolutions of our Shareholders dated [•]” and “Statutory and general information — A. Further information about our Company — Repurchase of our Shares by our Company” set out in Appendix IV to this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETINGS ARE REQUIRED

As a matter of the Companies Act, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, we will hold general meetings as prescribed for under our Articles, a summary of which is set out in the section headed “Summary of the constitution of our Company and Cayman Islands Company Law” in Appendix III to this document.

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 ⁽¹⁾	673,479	44.5	609,967	45.1	767,012	61.2	378,754	62.1	341,758	50.7
— Standard delivery ⁽²⁾	379,153	25.1	415,516	30.7	177,468	14.2	99,336	16.3	233,367	34.6
— Economic delivery ⁽³⁾	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
Total	<u>1,512,148</u>	<u>100.0</u>	<u>1,353,686</u>	<u>100.0</u>	<u>1,251,983</u>	<u>100.0</u>	<u>609,741</u>	<u>100.0</u>	<u>673,910</u>	<u>100.0</u>

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

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)

FINANCIAL INFORMATION

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)

FINANCIAL INFORMATION

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)

FINANCIAL INFORMATION

Hypothetical fluctuations 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
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Percentage increase/(decrease) in average selling price of economic delivery service										
							(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;

FINANCIAL INFORMATION

- 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>
End-to-end cross border delivery					
— 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
Total	17,218	19,362	70.0	78.1	1.1

	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>
End-to-end cross border delivery					
— 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
Total	7,311	16,095	66.9	147.3	2.2

FINANCIAL INFORMATION

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>
End-to-end cross					
border delivery					
— 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
Total	2,809	17,161	57.1	349.0	6.1
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>
End-to-end cross					
border delivery					
— 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
Total	1,437	8,575	57.9	345.7	6.0
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>
End-to-end cross					
border delivery					
— 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
Total	3,544	9,788	60.3	166.5	2.8

Notes:

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

FINANCIAL INFORMATION

- (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

FINANCIAL INFORMATION

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

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

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

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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)	
Revenue	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>
Profit before tax	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>
Profit for the year/period	52,695	36,892	26,903	14,095	11,744
Profit (loss) attributable to:					
— 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>

FINANCIAL INFORMATION

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 ⁽¹⁾	673,479	44.5	609,967	45.1	767,012	61.2	378,754	62.1	341,758	50.7
— Standard delivery ⁽²⁾	379,153	25.1	415,516	30.7	177,468	14.2	99,336	16.3	233,367	34.6
— Economic delivery ⁽³⁾	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 ⁽⁴⁾	58,070	3.9	51,049	3.7	68,519	5.5	24,729	4.0	43,525	6.5
Total	<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.

FINANCIAL INFORMATION

- (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 ^(Note)	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
Total	1,512,148	123,224	8.2	1,353,686	99,856	7.4	1,251,983	104,665	8.4	609,741	49,009	8.0	673,910	54,455	8.1

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

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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		Gross profit margin	Gross		Gross profit margin	Gross		Gross profit margin	Gross		Gross profit margin	Gross		Gross profit 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)															
End-to-end cross-border delivery															
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 ^(Note)	1,039	36	3.5	30	8	26.7	155	12	7.7	127	18	14.0	419	38	9.0
Total	1,355,220	95,052	7.0	1,076,932	60,279	5.6	980,436	80,565	8.2	498,827	40,210	8.1	589,909	44,261	7.5

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

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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)									
Cost of sales										
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 ^(Note)	15,071	1.0	20,163	1.6	14,269	1.2	5,209	0.9	6,046	1.0
Total	1,388,924	100.0	1,253,830	100.0	1,147,318	100.0	560,732	100.0	619,455	100.0

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

FINANCIAL INFORMATION

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)									
Logistics cost										
<i>End-to-end cross-border delivery</i>										
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
<i>Freight forwarding</i>										
— 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
Total	1,340,235	100.0	1,190,416	100.0	1,094,732	100.0	537,136	100.0	593,158	100.0

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

RMB19.0 million, representing nil, approximately 9.8%, 10.1% and 3.2% of our total logistics costs, respectively. The decrease in such cost during 6M2023 was mainly attributable to the expiry of one block space agreement at the end of 2022.

For details of the fluctuations in our logistics costs, please refer to the paragraph headed “Comparison of results of operations” in this section.

Gross profit/(loss) and gross profit/(loss) margin

The table below sets forth a breakdown of our gross profit and gross profit margin during the Track Record Period by business line:

	FY2020		FY2021		FY2022		6M2022		6M2023	
	<i>Gross</i>	<i>Gross</i>	<i>Gross</i>	<i>Gross</i>	<i>Gross</i>	<i>Gross</i>	<i>Gross</i>	<i>Gross</i>	<i>Gross</i>	<i>Gross</i>
	<i>profit</i>	<i>profit</i>	<i>profit/(loss)</i>	<i>profit/(loss)</i>	<i>profit/(loss)</i>	<i>profit/(loss)</i>	<i>profit/(loss)</i>	<i>profit/(loss)</i>	<i>profit/(loss)</i>	<i>profit/(loss)</i>
	<i>margin</i>	<i>margin</i>	<i>margin</i>	<i>margin</i>	<i>margin</i>	<i>margin</i>	<i>margin</i>	<i>margin</i>	<i>margin</i>	<i>margin</i>
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
	(unaudited)									
End-to-end cross-border delivery										
— Express delivery	77,159	11.5	79,676	13.1	66,208	8.6	30,526	8.1	17,081	5.0
— Standard delivery	944	0.3	(19,527)	(4.7)	10,821	6.1	8,432	8.5	23,785	10.2
— Economic delivery	16,949	5.6	130	0.3	3,536	9.8	1,252	6.7	3,395	23.0
	95,052	7.0	60,279	5.6	80,565	8.2	40,210	8.1	44,261	7.5
Freight forwarding										
— Airborne	2,094	7.0	2,796	4.6	(3,373)	(3.9)	(3,488)	(8.9)	(904)	(15.3)
— Seaborne	2,181	3.9	16,949	11.5	3,769	5.0	2,023	4.9	1,706	17.8
— Ground transportation	839	6.8	1,577	9.2	3,936	9.9	645	8.2	1,875	7.5
	5,114	5.2	21,322	9.4	4,332	2.1	(820)	(0.9)	2,677	6.6
Other logistics service	23,058	39.7	18,255	35.8	19,768	28.9	9,619	38.9	7,517	17.3
Total	123,224	8.2	99,856	7.4	104,665	8.4	49,009	8.0	54,455	8.1

Our overall gross profit was approximately RMB123.2 million, RMB99.9 million, RMB104.7 million, RMB49.0 million and RMB54.5 million for FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. Our overall gross profit margin was approximately 8.2%, 7.4%, 8.4%, 8.0% and 8.1% for FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. Our gross profit margin for our end-to-end cross-border delivery services decreased from approximately 7.0% for FY2020 to approximately 5.6% for FY2021, and increased to approximately 8.2% for FY2022 but decreased from approximately 8.1% for 6M2022 to approximately 7.5% for 6M2023. Our gross profit margin for our freight forwarding services increased from approximately 5.2% for

FINANCIAL INFORMATION

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
Total	<u>5,311</u>	<u>4,927</u>	<u>4,764</u>	<u>2,013</u>	<u>2,838</u>

FINANCIAL INFORMATION

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:

	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)	
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
Total	2,894	5,750	7,218	3,384	4,149

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.

FINANCIAL INFORMATION

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
Total	<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.

FINANCIAL INFORMATION

(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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

(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.

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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>RMB'000</i>	<i>RMB'000</i>
					<i>(unaudited)</i>
Current Assets					
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>
Current Liabilities					
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>
Net current assets	<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

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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>

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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

	Impairment loss of trade receivables
	<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:

	FY2020	FY2021	FY2022	6M2023
Trade receivables turnover days ^(Note) .	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

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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 ^(Note) . . .	<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.

FINANCIAL INFORMATION

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>
Non-current					
Lease liabilities	3,901	11,417	7,518	3,485	5,553
Current					
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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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
Total	37,088	1,585	4.3	218,580	(20,370)	(9.3)	153,347	10,189	6.6	86,941	6,886	7.9	85,548	8,272	9.7

(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.

FINANCIAL INFORMATION

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 ^(Note 9)
Return on equity	7	14.0%	6.7%	5.2%	N/A ^(Note 9)
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%.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

[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.

FINANCIAL INFORMATION

	Audited	Estimated net	Unaudited [REDACTED]	adjusted	
consolidated net tangible assets of our Group attributable to the owners of the Company as at consolidated 30 June 2023	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	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.

FINANCIAL INFORMATION

- (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.

FUTURE PLANS AND [REDACTED]

BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the section headed “Business — Business strategies” in this document for a detailed description of our business objectives and strategies.

[REDACTED]

We estimate that we will receive net [REDACTED] from the [REDACTED] of approximately RMB[REDACTED] million (equivalent to approximately HK\$[REDACTED] million) after deducting [REDACTED] and other estimated expense paid and payable by us in relation to the [REDACTED] without deducting any additional discretionary [REDACTED] assuming an [REDACTED] of HK\$[REDACTED] per Share, being the [REDACTED] of the indicative [REDACTED] range between HK\$[REDACTED] and HK\$[REDACTED] per Share. We intend to use the net [REDACTED] from the [REDACTED] for the following purposes and in the amounts set out below:

- (a) approximately RMB[REDACTED] million (equivalent to approximately HK\$[REDACTED] million), representing approximately [REDACTED]% of the net [REDACTED] from the [REDACTED], together with our internal resources is expected to be used for achieving greater scale and capacity and furthering our reach. The intended application of this portion of the net [REDACTED] is primarily as follows:
 - (i) approximately RMB[REDACTED] million (equivalent to approximately HK\$[REDACTED] million), representing approximately [REDACTED]% of the net [REDACTED] from the [REDACTED], together with our internal resources is expected to be used for setting up new service outlets in the PRC;
 - approximately RMB[REDACTED] million (equivalent to approximately HK\$[REDACTED] million), representing approximately [REDACTED]% of the net [REDACTED] from the [REDACTED], is expected to be used for purchasing equipment and office utilities. Such equipment includes automatic weighing and dimension measurement systems, automatic sorting systems, security check and scanning machines and transportation machines and vehicles;
 - approximately RMB[REDACTED] million (equivalent to approximately HK\$[REDACTED] million), representing approximately [REDACTED]% of the net [REDACTED] from the [REDACTED], is expected to be used for leasing service outlet premises and renovation; and

FUTURE PLANS AND [REDACTED]

- approximately RMB[REDACTED] million (equivalent to approximately HK\$[REDACTED] million), representing approximately [REDACTED]% of the net [REDACTED] from the [REDACTED], is expected to be used for hiring staff including service outlet managers, operational staff and delivery staff;
- (ii) approximately RMB[REDACTED] million (equivalent to approximately HK\$[REDACTED] million), representing approximately [REDACTED]% of the net [REDACTED] from the [REDACTED], is expected to be used for expanding and upgrading our existing service outlets in the PRC;
- approximately RMB[REDACTED] million (equivalent to approximately HK\$[REDACTED] million), representing approximately [REDACTED]% of the net [REDACTED] from the [REDACTED], is expected to be used for purchasing additional/replacing existing equipment and office utilities. Such equipment includes automatic weighing and dimension measurement systems, automatic sorting systems, security check and scanning machines and transportation machines and vehicles;
 - approximately RMB[REDACTED] million (equivalent to approximately HK\$[REDACTED] million), representing approximately [REDACTED]% of the net [REDACTED] from the [REDACTED], is expected to be used for leasing additional workspace and renovation; and
 - approximately RMB[REDACTED] million (equivalent to approximately HK\$[REDACTED] million), representing approximately [REDACTED]% of the net [REDACTED] from the [REDACTED], is expected to be used for hiring additional staff including service outlet managers, operational staff and delivery staff;
- (b) approximately RMB[REDACTED] million (equivalent to approximately HK\$[REDACTED] million), representing approximately [REDACTED]% of the net [REDACTED] from the [REDACTED], is expected to be used for investing in and upgrading our information technology systems; and
- (i) approximately RMB[REDACTED] million (equivalent to approximately HK\$[REDACTED] million), representing approximately [REDACTED]% of the net [REDACTED] from the [REDACTED], is expected to be used for developing an integrated information technology systems that serves the entire operation line and value chain of the operation of our Group. The system links all work processes from parcel acceptance, domestic

FUTURE PLANS AND [REDACTED]

transshipment, international linehaul to last-mile delivery. It will integrate the financial system, the operation system and customer service system to enhance efficiency of our Group’s operation;

(ii) approximately RMB[REDACTED] million (equivalent to approximately HK\$[REDACTED] million), representing approximately [REDACTED]% of the net [REDACTED] from the [REDACTED], is expected to be used for hiring staff including information technology manager, system development staff and system maintenance staff;

(c) approximately RMB[REDACTED] million (equivalent to approximately HK\$[REDACTED] million), representing approximately [REDACTED]% of the net [REDACTED] from the [REDACTED], is expected to be used as working capital and general corporate purposes.

For the period from the Latest Practicable Date to 30 June 2025, our Group’s net [REDACTED] under the [REDACTED] of approximately RMB[REDACTED] million (equivalent to approximately HK\$[REDACTED] million) based on an [REDACTED] of HK\$[REDACTED] per Share (being the [REDACTED] of the indicative [REDACTED] range between HK\$[REDACTED] and HK\$[REDACTED] per Share), assuming that the [REDACTED] is not exercised, will be used as follows:

	For the six months ending			Total	Approximate
	30 June 2024	31 December 2024	30 June 2025		percentage of the
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	total net
					[REDACTED]
					%
Achieving greater scale and further our reach					
— Setting up new service outlets in the PRC . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
— Expanding and upgrading our existing service outlets in the PRC . . .	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Invest in and upgrade our information technology systems	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Working capital and general corporate purposes	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

FUTURE PLANS AND [REDACTED]

If the final [REDACTED] is set at the highest or lowest point of the indicative [REDACTED] range, the net [REDACTED] to be received by us from the [REDACTED] will increase or decrease by approximately RMB[REDACTED] million (equivalent to approximately HK\$[REDACTED] million), respectively. In such event, the net [REDACTED] will be used in the same proportions as disclosed above irrespective of whether the [REDACTED] is determined at the highest or lowest of the indicative [REDACTED] range.

Should our Directors decide to re-allocate the intended [REDACTED] to other business plans and/or new project of our Group to a material extent and/or there is to be any material modification to the [REDACTED] as described above, our Group will disclose such changes in our annual report in accordance with the Listing Rules and will issue an announcement where the changes constitute inside information.

To the extent that the net [REDACTED] from the [REDACTED] are not immediately required for the above purposes and to the extent permitted by applicable laws and regulations, if we are unable to effect any part of our future plans as intended, we will only deposit such net [REDACTED] in short-term interest-bearing deposits with licensed commercial banks or authorised financial institutions (as defined under the SFO). In such event, we will also comply with the appropriate disclosure requirements under the Listing Rules. In the event that we would require additional financing apart from the net [REDACTED] from the [REDACTED] for our future plans, the shortfall will be financed by our internal resources and/or bank financing, as appropriate.

IMPLEMENTATION PLAN

	For the six months ending		
	30 June 2024	31 December 2024	30 June 2025
Setting up new service outlets in the PRC	Utilising RMB[REDACTED] million from the net [REDACTED] and/or our internal resources for the setting up of 3 service outlets in each of Shenzhen, Chengdu and Chongqing. Expenses include equipment, renovation, rental and the staff costs to hire 60 staff, which comprise one managerial staff (for overseeing the operations of the service outlet), and 59 operational staff (for parcel operation and customs clearance)	Utilising RMB[REDACTED] million from the net [REDACTED] for (a) supporting the newly set up service outlets for recurring rental costs and staff costs, and (b) the setting up of 4 service outlets in each of Wenzhou, Dongguan, Guangzhou and Shenzhen. Expenses include equipment, renovation, rental and the staff cost to hire 53 staff, which comprise eight managerial staff, 32 operational staff and 13 delivery staff (for parcel acceptance)	Utilising RMB[REDACTED] million from the net [REDACTED] for (a) supporting the newly set up service outlets for recurring rental costs and staff costs, and (b) the setting up of 2 service outlets in each of Shanghai and Suzhou/Kunshan. Expenses include equipment, renovation, rental and the staff cost to hire 20 staff, which comprise four managerial staff, six operational staff and 10 delivery staff

FUTURE PLANS AND [REDACTED]

	For the six months ending		
	30 June 2024	31 December 2024	30 June 2025
Expanding and upgrading our existing service outlets in the PRC	Utilising RMB[REDACTED] million from the net [REDACTED] for the expansion and upgrade of 5 service outlets located in Shenzhen (Baoan), Guangzhou, Dongguan, Shenzhen (Bantian) and Hong Kong. Expenses include additional equipment, renovation, rental and the staff cost to hire 33 staff, which comprise six managerial staff, 20 operational staff and seven delivery staff	Utilising RMB[REDACTED] million from the net [REDACTED] for (a) supporting the expanded and upgraded service outlets for recurring additional rental costs and staff costs, and (b) the expansion and upgrade of 5 service outlets located in Jiashan, Yongkang, Yuyao, Fenghua and Fuyang. Expenses include additional equipment, renovation, rental and the staff cost to hire 22 staff, which comprise five managerial staff, seven operational staff and 10 delivery staff	Utilising RMB[REDACTED] million from the net [REDACTED] for (a) supporting the expanded and upgraded service outlets for recurring additional rental costs and staff costs, and (b) the expansion and upgrade of 3 service outlets located in Yiwu, Jinhua and Chengdu. Expenses include additional equipment, renovation, rental and the staff cost to hire 15 staff, which comprise three managerial staff, six operational staff and six delivery staff
Invest in and upgrade our information technology systems	Utilising RMB[REDACTED] million from the net [REDACTED] for the upgrade of the parcel pick-up system. Expenses include computer, server, database ^(Note) and the staff cost to hire 4 staff, which comprise managerial staff (for overseeing the operation of the system), senior and junior developers (for system development and upgrade) and test engineers (for testing and monitoring of the system)	Utilising RMB[REDACTED] million from the net [REDACTED] for the upgrade in the air freight management system. Expenses include computer, server, database ^(Note) and the staff cost to hire 6 staff, which comprise managerial staff, senior and junior developers and test engineers	Utilising RMB[REDACTED] million from the net [REDACTED] for the upgrade in the business and financial integration system, transportation management and unified service platform system. Expenses include computer, server, database ^(Note) and staff cost to hire 21 staff, which comprise managerial staff, senior and junior developers and test engineers

Note: The computer expenses are estimated based on quotations obtained for one desktop computer of approximately RMB12,500, and computer and software maintenance fee of approximately RMB100,000 per year. The server expenses are estimated based on quotations obtained for one server system of approximately RMB50,000, and the server maintenance fee of approximately RMB50,000 per year. The database expenses are estimate based on quotations obtained for one database system of approximately RMB20,000.

BASES AND ASSUMPTIONS

Potential investors should note that the attainability of our Group’s business objectives and strategies depends on a number of bases and assumptions, in particular:

- our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;

FUTURE PLANS AND [REDACTED]

- there will be no material change in the funding requirement for each of our Group’s future plans described in this document from the amount as estimated by our Directors;
- there will be no material change in existing laws and regulations, or other governmental policies relating to our Group, or in the economic or market conditions in which our Group operates;
- there will be no material change in the bases or rates of taxation applicable to the activities of our Group;
- there will be no significant changes in our Group’s business relationship with its existing strategic and business partners;
- there will be no changes in our Group’s business relationship with its major customers and suppliers;
- there will be no change in the effectiveness of the licences, permits and qualifications obtained by our Group;
- there will be no disasters, natural, or otherwise, which would materially disrupt the businesses or operations of our Group; and
- our Group will not be materially affected by the risk factors as set out under the section headed “Risk factors” in this document.

REASONS FOR THE [REDACTED]

Our Directors believe that our Group has strong reasons to pursue for [REDACTED] and raise capital from equity market to fund and support our business expansion:

1. Strengthening our corporate profile, credibility and competitiveness amongst existing and potential customers, suppliers and employees

Our Directors believe that the [REDACTED] could help strengthening our corporate profile, credibility and competitiveness, because, following the [REDACTED], with our enhanced internal control and corporate governance practise and greater transparency on our Group’s financial and operational information, we could generate reassurance to our existing customers, freight forwarder business partners and suppliers, and strengthen our competitiveness among other logistics solutions providers.

FUTURE PLANS AND [REDACTED]

We strive to achieve high standards of corporate governance and to promote transparency when our Company is [REDACTED] on the Stock Exchange. With more exposure, higher corporate transparency and higher level of public scrutiny, we believe our Group can deliver greater assurance and credibility to all our existing and potential customers, and suppliers, hence become more competitive in the industry in attracting more business opportunities.

In addition, we believe that a [REDACTED] status will create a higher level of job security for our employees, hence strengthening their morale at work and our ability to retain our staff. We believe that a loyal team of well-trained and experienced workforce will improve efficiency of our day-to-day operations to the benefit of our long-term development and competitiveness. Moreover, we believe that a [REDACTED] status will increase our ability to attract committed and experienced personnel to join our Group, which is favourable to our future expansion.

2. Providing sufficient funds for the implementation of our future plans

The net [REDACTED] from the [REDACTED] will provide financial resources for our Group to facilitate the implementation of our business strategies and future plans as set out in the section headed “Business — Business strategies” in this document. Our Directors consider that the capital raised through the [REDACTED] would strengthen our Group’s cash flow position, which in turn will enable our Group to cope with future business expansion.

3. Access to the capital market

External funding including equity and debt financing is essential in achieving sustainable growth of our business and the implementation of our business strategies and future plans. Whilst our Group was able to expand our business using funds generated from operations and borrowings during the Track Record Period and had been able to repay loans when they fell due in the past, the [REDACTED] will provide a fund-raising platform for our Group, thereby enabling us to raise the capital required to finance our future growth and expansion. Our Directors are of the view that the [REDACTED] represents a good opportunity for our Group to tap into the capital market which provides a more cost effective fund-raising platform to assist our actual and practical needs for our future business development plan and further strengthen our competitiveness.

4. Retain our experienced talents and attract new talents

Our Directors believe that a [REDACTED] status allows our Group to better attract talented and experienced management, technical professionals and reputable content creators to join or collaborate with our Group and further improve the competitiveness of our Group through the knowledge, experience and high quality contents that these professionals bring along.

FUTURE PLANS AND [REDACTED]

5. Diversifying shareholder base and enhancing liquidity in trading of our Shares

The [REDACTED] will provide liquidity to and create a market for the trading of our Shares which will be freely traded on the Stock Exchange when compared to the limited liquidity of shares that are privately held before the [REDACTED]. The highly liquid Hong Kong stock market allows us to expand and diversify our capital base and shareholders base as institutional funds and retail investors in Hong Kong can participate in the equity of our Company, through which the true value of our Group can also be reflected.

[REDACTED]

[REDACTED]

[REDACTED]

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STRUCTURE AND CONDITIONS OF THE [REDACTED]

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APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report set out on pages I-1 to I-[•], received from the Company’s reporting accountant, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200 Accountants’ Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

ACCOUNTANTS’ REPORT ON THE HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF FAR INTERNATIONAL HOLDINGS GROUP COMPANY LIMITED AND GRAND MOORE CAPITAL LIMITED

INTRODUCTION

We report on the historical financial information of FAR International Holdings Group Company Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-[•] to I-[•], which comprises the consolidated statements of financial position of the Group as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, the statement of financial position of the Company as at 31 December 2022 and 30 June 2023, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2022 and six months ended 30 June 2023 (the “**Track Record Period**”) and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-[•] to I-[•] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [•] (the “**Document**”) in connection with the initial [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

DIRECTORS’ RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

APPENDIX I

ACCOUNTANTS’ REPORT

REPORTING ACCOUNTANTS’ RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Report on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion the Historical Financial Information gives, for the purpose of the accountants’ report, a true and fair view of the Group’s financial position as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, of the Company’s financial position as at 31 December 2022 and 30 June 2023 and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

REVIEW OF STUB PERIOD COMPARATIVE FINANCIAL INFORMATION

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2022 and other explanatory information (the “**Stub Period Comparative Financial Information**”). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

APPENDIX I

ACCOUNTANTS' REPORT

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE MAIN BOARD OF THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[5] have been made.

Dividends

We refer to Note 14 to the Historical Financial Information which states that no dividends have been paid or declared by the Company and its subsidiaries in respect of the Track Record Period.

No financial statements for the Company

No financial statements have been prepared for the Company since its date of incorporation.

[•]

Certified Public Accountants

[•]

Practicing Certificate Number: [•]

Hong Kong

[•]

APPENDIX I

ACCOUNTANTS’ REPORT

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by SHINEWING (HK) CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “**Underlying Financial Statements**”).

The Historical Financial Information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Six months ended 30 June	
		2020	2021	2022	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	6	1,512,148	1,353,686	1,251,983	609,741	673,910
Cost of sales		(1,388,924)	(1,253,830)	(1,147,318)	(560,732)	(619,455)
Gross profit		123,224	99,856	104,665	49,009	54,455
Other income, gains and losses, net	8	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	—	(1,245)
Finance costs	9	(3,266)	(843)	(913)	(464)	(1,286)
Profit before tax		70,980	48,028	37,000	17,993	14,872
Income tax expenses	10	(18,285)	(11,136)	(10,097)	(3,898)	(3,128)
Profit for the year/period	11	<u>52,695</u>	<u>36,892</u>	<u>26,903</u>	<u>14,095</u>	<u>11,744</u>
Other comprehensive (expense) income for the year: <i>Item that may be reclassified subsequently to profit or loss</i> Exchange difference arising on translating foreign operations		(246)	(282)	3,186	1,013	5,299
Total comprehensive income for the year		<u>52,449</u>	<u>36,610</u>	<u>30,089</u>	<u>15,108</u>	<u>17,043</u>
Profit (loss) attributable to: — Owners of the Company — Non-controlling interests		52,715 (20)	36,932 (40)	26,872 31	14,050 45	12,169 (425)
		<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 the Company — Non-controlling interests		52,469 (20)	36,650 (40)	30,058 31	15,063 45	17,468 (425)
		<u>52,449</u>	<u>36,610</u>	<u>30,089</u>	<u>15,108</u>	<u>17,043</u>
Earnings per share Basic and diluted (<i>RMB cents</i>)	15	<u>377</u>	<u>63</u>	<u>54</u>	<u>24</u>	<u>31</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		The Group			
		As at 31 December			As at 30 June
		2020	2021	2022	2023
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets					
Property, plant and equipment	16	17,052	15,330	23,932	22,857
Right-of-use assets	17	19,585	17,748	14,475	10,931
Goodwill	18	144,680	144,680	144,680	144,680
Deferred tax assets	29	2,802	4,373	4,293	4,011
		<u>184,119</u>	<u>182,131</u>	<u>187,380</u>	<u>182,479</u>
Current assets					
Trade receivables	19	124,094	122,835	103,956	200,818
Deposits, prepayments and other receivables	21	44,909	66,155	84,519	93,896
Financial assets at fair value through profit or loss	20	24,781	86,957	35	—
Time deposit	23	—	—	—	4,702
Bank balances and cash	23	151,433	216,514	239,499	231,448
		<u>345,217</u>	<u>492,461</u>	<u>428,009</u>	<u>530,864</u>
Current liabilities					
Trade payables	24	62,178	52,773	30,456	64,048
Accruals and other payables	25	21,110	26,404	33,754	29,196
Contract liabilities	26	15,595	18,213	13,271	11,951
Amount due to a director	22	25,016	42	42	42
Income tax payables		17,451	7,762	7,886	2,558
Lease liabilities	17	4,215	7,159	8,084	7,411
Borrowings	27	400	300	4,429	54,400
		<u>145,965</u>	<u>112,653</u>	<u>97,922</u>	<u>169,606</u>
Net current assets		<u>199,252</u>	<u>379,808</u>	<u>330,087</u>	<u>361,258</u>
Total assets less current liabilities		<u>383,371</u>	<u>561,939</u>	<u>517,467</u>	<u>543,737</u>
Non-current liabilities					
Deferred tax liabilities	29	2,852	47	38	38
Lease liabilities	17	3,901	11,417	7,518	3,485
		<u>6,753</u>	<u>11,464</u>	<u>7,556</u>	<u>3,523</u>
Net assets		<u>376,618</u>	<u>550,475</u>	<u>509,911</u>	<u>540,214</u>
Capital and reserves					
Paid-in capital/share capital	30	43,123	47,914	45,283	404
Reserves	31	333,441	502,547	464,583	540,190
		<u>376,564</u>	<u>550,461</u>	<u>509,866</u>	<u>540,594</u>
Non-controlling interests	32	54	14	45	(380)
		<u>376,618</u>	<u>550,475</u>	<u>509,911</u>	<u>540,214</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Statement of financial position of the Company

		As at 31 December 2022	As at 30 June 2023
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current asset			
Investment in a subsidiary		—*	141,409
Current assets			
Prepayments and deferred issue costs.		9,903	62,864
Cash and cash equivalents		—*	2
		<u>9,903</u>	<u>62,866</u>
Current liabilities			
Accruals		1,306	3,264
Amount due to a subsidiary	38	20,720	27,722
		<u>22,026</u>	<u>30,986</u>
Net current (liabilities) assets		<u>(12,123)</u>	<u>31,880</u>
Net (liabilities) assets		<u>(12,123)</u>	<u>173,289</u>
Capital and reserves			
Share capital	30	—*	404
Reserves	31 (iii)	(12,123)	172,885
Total (deficiency) equity		<u>(12,123)</u>	<u>173,289</u>

* The balances represent amount less than RMB1,000.

No statement of financial position as at 31 December 2020 and 2021 is presented as the Company has not been incorporated at that time.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Paid-in capital/share capital	Other reserves	Statutory surplus reserves	Translation reserve	Retained earnings	Non-controlling		Total
	RMB’000 (Note 30)	RMB’000 (Note 31 (i))	RMB’000 (Note 31 (ii))	RMB’000	RMB’000	Sub total RMB’000	interests RMB’000 (Note 32)	RMB’000
At 1 January 2020	43,123	184,596	30,361	(1,752)	67,767	324,095	74	324,169
Profit (loss) for the year	—	—	—	—	52,715	52,715	(20)	52,695
Exchange difference arising on translating foreign operations . . .	—	—	—	(246)	—	(246)	—	(246)
Total comprehensive (expenses) income for the year	—	—	—	(246)	52,715	52,469	(20)	52,449
At 31 December 2020 and 1 January 2021.	43,123	184,596	30,361	(1,998)	120,482	376,564	54	376,618
Profit (loss) for the year	—	—	—	—	36,932	36,932	(40)	36,892
Exchange difference arising on translating foreign operations . . .	—	—	—	(282)	—	(282)	—	(282)
Total comprehensive (expenses) income for the year	—	—	—	(282)	36,932	36,650	(40)	36,610
Appropriations	—	—	1,762	—	(1,762)	—	—	—
Issue of shares (Note 30)	4,791	132,456	—	—	—	137,247	—	137,247
At 31 December 2021 and 1 January 2022	47,914	317,052	32,123	(2,280)	155,652	550,461	14	550,475
Profit for the year	—	—	—	—	26,872	26,872	31	26,903
Exchange difference arising on translating foreign operations . . .	—	—	—	3,186	—	3,186	—	3,186
Total comprehensive income for the year	—	—	—	3,186	26,872	30,058	31	30,089
Shares repurchased and cancelled (Note 30).	(2,631)	(68,022)	—	—	—	(70,653)	—	(70,653)
At 31 December 2022 and 1 January 2023.	45,283	249,030	32,123	906	182,524	509,866	45	509,911

APPENDIX I

ACCOUNTANTS’ REPORT

	Paid-in capital/share capital	Other reserves	Statutory surplus reserves	Translation reserve	Retained earnings	Non-controlling Sub total interests		Total
	RMB'000 (Note 30)	RMB'000 (Note 31 (i))	RMB'000 (Note 31 (ii))	RMB'000	RMB'000	RMB'000	RMB'000 (Note 32)	RMB'000
At 31 December 2022 and								
1 January 2023	45,283	249,030	32,123	906	182,524	509,866	45	509,911
Profit (loss) for the period	—	—	—	—	12,169	12,169	(425)	11,744
Exchange difference arising on translating foreign operations . . .	—	—	—	5,299	—	5,299	—	5,299
Total comprehensive income (expenses) for the period	—	—	—	5,299	12,169	17,468	(425)	17,043
Capital injection from the [REDACTED]	457	12,803	—	—	—	13,260	—	13,260
Arising from Recognition (Note 30).	(45,336)	45,336	—	—	—	—	—	—
At 30 June 2023	<u>404</u>	<u>307,169</u>	<u>32,123</u>	<u>6,205</u>	<u>194,693</u>	<u>540,594</u>	<u>(380)</u>	<u>540,214</u>
At 1 January 2022	47,914	317,052	32,123	(2,280)	155,652	550,461	14	550,475
Profit for the period	—	—	—	—	14,050	14,050	45	14,095
Exchange difference arising on translating foreign operations . . .	—	—	—	1,013	—	1,013	—	1,013
Total comprehensive income for the period	—	—	—	1,013	14,050	15,063	45	15,108
At 30 June 2022 (unaudited).	<u>47,914</u>	<u>317,052</u>	<u>32,123</u>	<u>(1,267)</u>	<u>169,702</u>	<u>565,524</u>	<u>59</u>	<u>565,583</u>

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
OPERATING ACTIVITIES					
Profit before tax	70,980	48,028	37,000	17,993	14,872
Adjustments for:					
Depreciation of property, plant and equipment (“PPE”)	3,795	5,053	4,603	2,438	2,131
(Gain) loss on disposal of PPE	(155)	(125)	298	333	56
Net gain on compensation of land resumption.	—	(2,498)	—	—	—
Finance costs.	3,266	843	913	464	1,286
Depreciation of right-of-use assets	7,791	7,439	9,408	4,768	4,302
Impairment loss (reversal of impairment loss) on trade and other receivables.	3,617	(1,424)	(622)	—	1,245
(Gain) loss arising from change in fair value of financial assets at fair value through profit or loss	(859)	(2,839)	(2,635)	(1,360)	10
Bank interest income	(1,409)	(1,918)	(1,702)	(1,148)	(2,216)
Operating cash flows before working capital changes	87,026	52,559	47,263	23,488	21,686
Decrease (increase) in trade receivables	74,667	2,695	19,501	12,737	(98,153)
Decrease (increase) in deposits, prepayments and other receivables	8,628	(19,849)	(13,516)	(10,877)	(971)
Increase (decrease) in contract liabilities	74	2,618	(4,942)	(4,578)	(1,320)
(Decrease) increase in trade payables.	(55,540)	(9,425)	(22,317)	(19,036)	33,592
Increase (decrease) in accruals and other payables	748	5,290	7,350	(1,905)	(4,734)
Cash generated from (used in) 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 (USED IN) OPERATING ACTIVITIES	102,700	8,687	23,437	(10,035)	(58,074)

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
INVESTING ACTIVITIES					
Payments for purchase of PPE	(4,989)	(6,278)	(15,053)	(52)	(1,154)
Proceeds from disposal of PPE	313	1,694	1,550	153	42
Proceeds from disposal of financial assets at FVTPL	349,625	954,542	694,712	479,146	25
Purchase of financial assets at FVTPL	(361,887)	(1,013,879)	(605,155)	(436,866)	—
Advance to a director	—	—	(1,276)	—	—
Repayment from a director	—	—	1,276	—	—
Proceed from land resumption	—	15,594	—	—	—
Placement of unpledged time deposit	—	—	—	—	(4,702)
Bank interest income received	1,409	1,918	1,702	1,148	2,216
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(15,529)	(46,409)	77,756	43,529	(3,573)
FINANCING ACTIVITIES					
Repayment of bank loans	(86,900)	(7,400)	(300)	—	(159,429)
New bank borrowings raised	70,200	7,300	4,429	600	209,400
Proceed from issue of share	—	138,889	—	—	—
Payments on repurchase of shares	—	—	(70,653)	—	—
Expenses paid for the issuance of share	—	(1,642)	—	—	—
Capital injection from the [REDACTED]	—	—	—	—	13,260
Issue cost paid	—	(1,397)	(2,526)	(469)	(3,298)
Interest paid	(3,266)	(843)	(913)	(464)	(1,286)
Repayment of lease liabilities	(7,430)	(6,860)	(9,109)	(5,665)	(5,464)
Repayment to a director	(30,141)	(24,974)	—	(26)	—
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(57,537)	103,073	(79,072)	(6,024)	53,183
Net increase (decrease) in cash and cash equivalents	29,634	65,351	22,121	27,470	(8,464)
Cash and cash equivalents at beginning of the year	122,361	151,433	216,514	216,514	239,499
Effect of changes in exchange rate	(562)	(270)	864	348	413
Cash and cash equivalents at the end of the year	<u>151,433</u>	<u>216,514</u>	<u>239,499</u>	<u>244,332</u>	<u>231,448</u>

APPENDIX I

ACCOUNTANTS’ REPORT

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Act (as revised) of the Cayman Islands as an exempted company with limited liability on 24 November 2022 in preparation for the [REDACTED] of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its immediate and ultimate holding company is Zi Yue Holdings Limited (“**Zi Yue**”), a company with limited liability incorporated in the British Virgins Islands. Zi Yue is wholly and directly owned by Wang Quan (“**Mr. Wang**”), who is also a director of the Company (the “**Controlling Shareholder**”).

The address of the registered office and the principal place of business of the Company are disclosed in the “Corporate Information” section of the Document.

The Company is an investment holding company and has not carried on any business since the date of its incorporation, save for the reorganisation described below. The Company and its subsidiaries (together referred to as the “**Group**”) are principally engaged in the provision of delivery services, supply chain solutions and other services. The principal activities of its subsidiaries are set out in Note 36.

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company.

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

In preparing for the [REDACTED] of the Company on the Stock Exchange, the companies comprising the Group underwent a group reorganisation (the “**Reorganisation**”) as detailed in the section headed [“History, development and reorganisation”] in the Document.

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 16 May 2023.

As the Reorganisation only involved inserting new holding companies and has not resulted in any change of economic substance, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Track Record Period have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation/establishment of the relevant companies now comprising the Group where this is a

APPENDIX I

ACCOUNTANTS’ REPORT

shorter period and the Company had always been the holding company of the Group. The consolidated statements of financial position of the Group as at 31 December 2020, 31 December 2021 and 31 December 2022 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure were in existence at those dates.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

For the purpose of preparing and presenting the Historical Financial Information, the Group has consistently applied the accounting policies which conformed with the HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“HKASs”), and amendments and interpretations issued by the HKICPA which are effective for the Group’s accounting period beginning on 1 January 2023 throughout the Track Record Period.

Amendments to HKFRSs issued but not yet effective

At the date of this report, the following amendments to HKFRSs and HKASs have been issued but are not yet effective. The Group has not early applied these amendments to HKFRSs and HKASs:

Amendments to HKFRS 16	Lease Liability in a Sales and Leaseback ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ¹
Amendments to HKAS 1	Non-Current Liabilities with Covenants ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that, the application of the above amendments to HKFRSs and HKASs will have no material impact on the financial performance and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the accounting policies set out below which conform to HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instrument that is measured at fair value as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial information of the Company and entities controlled by the Company upon the Reorganisation.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group’s returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

APPENDIX I

ACCOUNTANTS' REPORT

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and non-controlling interest.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group and any unrealised profits arising from intra-group transactions are eliminated in full on consolidation.

Where necessary, adjustments are made to the financial statements of subsidiaries in preparing the Historical Financial Information to bring their accounting policies in line with the Group's accounting policies.

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or groups of cash generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit (or groups of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investment in a subsidiary

Investment in a subsidiary is stated in the statement of financial position of the Company at cost less any identified impairment loss.

APPENDIX I

ACCOUNTANTS’ REPORT

Revenue from contracts with customers

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. Specifically, the Group uses a five-step approach to recognise revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

APPENDIX I

ACCOUNTANTS’ REPORT

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.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer. The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

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

The Group provides delivery services to both corporate and individual customers. 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. The Group recognises revenue from 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.

APPENDIX I

ACCOUNTANTS’ REPORT

Provision of freight forwarding and other logistic service

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

Contract liabilities

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

The Group recognised revenue from the following major sources:

- provision of end-to-end cross-border delivery services, freight forwarding and other logistic services

Foreign currencies

In preparing the financial statements of individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group’s foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

APPENDIX I

ACCOUNTANTS’ REPORT

Government grants

Government grants related to income are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Retirement benefits costs

Payments to the state-managed retirement benefit scheme in the People’s Republic of China and the Mandatory Provident Fund Scheme (the “**MPF Scheme**”) in Hong Kong are recognised as an expense when employees have rendered service entitling them to the contributions.

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. 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 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. The 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.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable

APPENDIX I

ACCOUNTANTS' REPORT

temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on the tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

Current and deferred tax are recognised in profit or loss.

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.

APPENDIX I

ACCOUNTANTS' REPORT

Ownership interests in leasehold land and buildings

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives 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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on the disposal or retirement of an item of property, 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.

Impairment losses on plant and equipment and right-of-use assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its plant and equipment and right-of-use assets and other than goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

APPENDIX I

ACCOUNTANTS' REPORT

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

In the consolidated statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash at banks and on hand, as defined above.

Lease

Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract or acquisition date. The 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

APPENDIX I

ACCOUNTANTS' REPORT

purchase option) and leases of low value assets. For these leases, the 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.

Lease liabilities

At the commencement date of a lease, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liabilities are presented as a separate line in the consolidated statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a

APPENDIX I

ACCOUNTANTS’ REPORT

leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under HKAS 37 “Provision, Contingent Liabilities and Contingent Assets”. The costs are included in the related right-of-use asset.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line in the consolidated statements of financial position.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment losses as described in the “Impairment losses on plant and equipment and right-of-use assets and other than goodwill” policy as stated above.

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.

Financial Assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

APPENDIX I

ACCOUNTANTS’ REPORT

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. The Group’s financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss (“FVTPL”).

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

APPENDIX I

ACCOUNTANTS’ REPORT

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.

Interest income is recognised in profit or loss and is included in the “other income, gains and losses, net” line item (Note 8).

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income (“FVTOCI”) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognition in profit or loss.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (“ECL”) on debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on this financial assets is estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-months ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group’s debtors operate as well as consideration of various external sources of actual and forecast economic information that relate to the Group’s operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;

APPENDIX I

ACCOUNTANTS' REPORT

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet the following criteria are generally not recoverable:

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

APPENDIX I

ACCOUNTANTS’ REPORT

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of accounts receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets’ gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

APPENDIX I

ACCOUNTANTS' REPORT

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade payables, accruals and other payables, borrowings and amount due to a director, are subsequently measured at amortised cost, using the effective interest method.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

APPENDIX I

ACCOUNTANTS’ REPORT

Fair value measurement

When measuring fair value, expect for the value in use of assets for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the each reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the Historical Financial Information. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

APPENDIX I

ACCOUNTANTS’ REPORT

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Impairment losses recognised in respect of trade and other receivables

The impairment provisions for trade receivables are measured using ECL model which requires the Group to use judgement in making assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Group’s historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment loss in profit or loss. As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, the carrying amounts of trade receivables were approximately RMB124,094,000, RMB122,835,000, RMB103,956,000 and RMB200,818,000 respectively net of allowance for impairment loss of approximately RMB19,133,000, RMB17,660,000, RMB17,038,000 and RMB18,329,000 respectively. As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, the carrying amounts of other receivables were approximately RMB3,645,000, RMB5,133,000, RMB2,795,000 and RMB2,691,000 respectively net of allowance for impairment loss of approximately RMB326,000, RMB329,000, RMB329,000 and RMB283,000 respectively.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, the carrying amount of goodwill were approximately RMB144,680,000, RMB144,680,000, RMB144,680,000 and RMB144,680,000 respectively with no accumulated impairment loss. Details of the recoverable amount calculation are disclosed in Note 18 to the Historical Financial Information.

The directors of the Company believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of these financial instruments.

APPENDIX I

ACCOUNTANTS' REPORT

Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs.

The future cash flow is estimated based on past performance and expectation for market development, including but not limited to the impacts of COVID-19 pandemic. As the current environment is uncertain, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainty. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts. The carrying amounts of property, plant and equipment and right-of-use assets as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023 are set out in Notes 16 and 17 to the Historical Financial Information respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

6. REVENUE

Revenue mainly represents revenue arising from end-to-end cross-border delivery service, freight forwarding and other logistics services for the Track Record Period. An analysis of the Group’s revenue is as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
					(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15					
Disaggregated by major services lines					
End-to-end cross-border delivery service	1,355,220	1,076,932	980,436	496,827	589,909
Freight forwarding service	98,858	225,705	203,028	88,185	40,476
Other logistics service	58,070	51,049	68,519	24,729	43,525
	<u>1,512,148</u>	<u>1,353,686</u>	<u>1,251,983</u>	<u>609,741</u>	<u>673,910</u>

Disaggregation of revenue from contracts with customers by timing of recognition

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
					(Unaudited)
Timing of revenue recognition					
Overtime	1,355,220	1,076,932	980,436	496,827	589,909
A point in time.	156,928	276,754	271,547	112,914	84,001
	<u>1,512,148</u>	<u>1,353,686</u>	<u>1,251,983</u>	<u>609,741</u>	<u>673,910</u>

Transaction price allocated to the remaining performance obligations

The sales contracts are with an original expected duration of less than one year. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price for the performance obligation that is unsatisfied as of the end of respective reporting period.

APPENDIX I

ACCOUNTANTS’ REPORT

7. SEGMENT INFORMATION

The directors of the Company, being the chief operating decision makers, review the Group’s internal reporting in order to assess performance and allocate resource. The Group is principally engaged in the provision of delivery services, supply chain solutions and other services. Information reported to the chief operating decision makers, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group’s resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

The following table sets out information about the geographical location of the Group’s revenue from external customers. The geographical location of revenue from external customers is based on the location of the orders placed as follows:

Revenue from external customers:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				(Unaudited)	
Mainland China	1,255,710	1,186,993	1,091,668	535,777	586,726
Hong Kong	141,712	74,203	112,541	52,225	81,771
The United States	75,644	13,386	4,653	994	3,205
The United Kingdom	33,974	67,697	41,253	19,328	36
Other countries and regions	5,108	11,407	1,868	1,417	2,172
	<u>1,512,148</u>	<u>1,353,686</u>	<u>1,251,983</u>	<u>609,741</u>	<u>673,910</u>

As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, all of the Group’s non-current assets excluding goodwill and deferred tax assets were located in the PRC.

APPENDIX I

ACCOUNTANTS’ REPORT

Information about major customers

Revenue from customers contributed over 10% of the total revenue of the Group during the Track Record Period are as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Shenzhen Yidatong Supply Chain Service Co., Ltd.* (深圳市一達通供應鏈服務有限公司)					
(“Yidatong”)**.....	N/A [#]	218,580	153,347	86,941	85,548
Shanghai Yucan Information Technology Co., Ltd.* (上海禹璨信息技術有限公司)**.....	N/A [#]	N/A [#]	N/A [#]	N/A [#]	150,688

* for identification purpose only

** Revenue from end-to-end cross-border delivery service rendered.

The corresponding revenue did not contribute over 10% of the total revenue of the Group.

APPENDIX I

ACCOUNTANTS’ REPORT

8. OTHER INCOME, GAINS AND LOSSES, NET

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Bank interest income	1,409	1,918	1,702	1,148	2,216
Government grants (<i>notes (i)</i>).	3,011	278	811	120	383
Gain (loss) arising from change in fair value of financial assets at FVTPL	859	2,839	2,635	1,360	(10)
Net gain on compensation of land resumption (<i>notes (ii)</i>)	—	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
	<u>5,311</u>	<u>4,927</u>	<u>4,764</u>	<u>2,013</u>	<u>2,838</u>

Notes:

- (i) The government grants were mainly incentives provided by local government authorities in the PRC for various forms of government financial incentives to reward the Group’s support and contribution for the development of local economies. As of 31 December 2020, 31 December 2021, 31 December 2022, 30 June 2022 and 30 June 2023, there were no unfulfilled conditions or contingencies relating to these government grants.
- (ii) On 24 December 2020, the Beiyuan Street Office of Yiwu City, Zhejiang (“**Beiyuan Street**”) and Yiwu Yiyun Supply Chain Management Co., Limited* (義烏易雲供應鏈管理有限公司) (“**Yiwu Yiyun**”), a wholly owned subsidiary of the Company, entered into a land resumption agreement (“**Land Resumption Agreement**”) that Beiyuan Street would resume a piece of land owned by Yiwu Yiyun which was located at Yiwu City, Zhejiang (“**Yiwu Land**”) according to the evaluation results. Accordingly, Beiyuan Street shall pay Yiwu Yiyun a land compensation fee of approximately RMB15,594,000. Yiwu Yiyun returned the Yiwu Land to Beiyuan Street on 12 March 2021 and thus, the corresponding right of use assets and property, plant and equipment amounting to approximately RMB11,718,000 and RMB1,378,000 respectively, were disposed during the year ended 31 March 2021.

* for identification purpose only

APPENDIX I

ACCOUNTANTS’ REPORT

9. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	<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
Amount due to a director	1,934	125	—	—	—
	<u>3,266</u>	<u>843</u>	<u>913</u>	<u>464</u>	<u>1,286</u>

10. INCOME TAX EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
					(Unaudited)
Current income tax:					
— Hong Kong Profits Tax	1,080	778	1,624	504	17
— Corporate Income Tax	17,469	14,734	8,402	3,285	2,829
Deferred taxation (<i>Note 29</i>)	(264)	(4,376)	71	109	282
	<u>18,285</u>	<u>11,136</u>	<u>10,097</u>	<u>3,898</u>	<u>3,128</u>

- (i) Pursuant to the rules and regulation of the British Virgin Islands and the Cayman Islands, the Group is not subject to any income tax in these jurisdictions.

APPENDIX I

ACCOUNTANTS’ REPORT

- (ii) 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 the years ended 31 December 2020, 31 December 2021 and 31 December 2022 and six months ended 30 June 2022 and 30 June 2023, 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%.

- (iii) 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 the Company’s PRC subsidiaries are qualified for (i) 75% additional deduction for tax purpose for the year ended 31 December 2020; and (ii) for 100% additional deduction for tax purpose for the years ended 31 December 2021 and 31 December 2022 and the six months ended 30 June 2022 and 30 June 2023.

- (iv) 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.

APPENDIX I

ACCOUNTANTS’ REPORT

The income tax expenses for the years/periods ended 31 December 2020, 31 December 2021 and 31 December 2022 and six months ended 30 June 2022 and 30 June 2023 can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Profit before tax	<u>70,980</u>	<u>48,028</u>	<u>37,000</u>	<u>17,993</u>	<u>14,872</u>
Tax at the applicable domestic income tax rates	17,745	12,007	9,250	4,498	3,718
Tax effect of expenses not deductible for tax purpose	3,027	946	3,061	1,099	2,820
Tax effect of income not taxable for tax purpose	(24)	(22)	(67)	(26)	(38)
Utilisation of tax losses previously not recognized	—	—	—	—	(905)
Tax effect of tax losses not recognised	388	242	1,307	459	591
Tax effect of different tax rates of subsidiaries	(580)	(336)	(1,342)	(901)	(1,778)
Additional deduction for qualified research and development costs . .	(2,261)	(1,691)	(2,106)	(1,225)	(1,274)
Hong Kong Profits Tax concession . .	<u>(10)</u>	<u>(10)</u>	<u>(6)</u>	<u>(6)</u>	<u>(6)</u>
Income tax expenses for the year/period	<u>18,285</u>	<u>11,136</u>	<u>10,097</u>	<u>3,898</u>	<u>3,128</u>

APPENDIX I

ACCOUNTANTS’ REPORT

11. PROFIT FOR THE YEAR/PERIOD

Profit for the year/period has been arrived at after charging (crediting):

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Directors’ emoluments (<i>Note 12</i>) . . .	2,029	3,077	3,013	1,505	1,493
Salaries, allowances and other benefits (excluding directors’ emoluments)	52,946	59,286	56,781	28,606	30,344
Contributions to retirement benefits scheme (excluding directors’ emoluments)	2,214	5,482	6,366	3,205	2,953
Total staff costs	57,189	67,845	66,160	33,316	34,790
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Research and development cost (<i>note</i>)	829	649	1,191	693	472
Impairment losses (reversal of impairment losses) on:					
— trade receivables	3,617	(1,427)	(622)	—	1,291
— other receivables	—	3	—	—	(46)
	3,617	(1,424)	(622)	—	1,245
Depreciation of plant and equipment	3,795	5,053	4,603	2,438	2,131
Depreciation of right-of-use assets . .	7,791	7,439	9,408	4,768	4,302

Note: The item does not include depreciation and employee benefits and related expenses related to research and development.

APPENDIX I

ACCOUNTANTS’ REPORT

12. DIRECTORS’ EMOLUMENTS

Details of directors’ emoluments are as follows:

	Fees	Salaries, allowances and other benefits	Contributions to retirement benefits scheme	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Year ended 31 December 2020				
<i>Executive directors (Note i)</i>				
Mr. Wang (王泉) (Note ii)	—	545	10	555
Ms. Zhang Min (“ Ms. Zhang ”) (張旻) (Note iii)	—	—	—	—
Mr. Yang Zhilong (“ Mr. Yang ”) (楊志龍)	—	313	24	337
Mr. Zhang Guangyang (“ Mr. Zhang ”) (張光陽)	—	794	7	801
Mr. Zhu Jiong (“ Mr. Zhu ”) (朱炯)	—	325	11	336
<i>Non-executive director</i>				
Mr. Wang Tiantian (王添天) (Note iv)	—	—	—	—
<i>Independent non-executive directors</i>				
Mr. Sun Peng (“ Mr. Sun ”) (孫鵬) (Note v)	—	—	—	—
Mr. Ye Xingyue (“ Mr. Ye ”) (葉星月) (Note vi)	—	—	—	—
Mr. Ren Tiangan (“ Mr. Ren ”) (任天干) (Note vi)	—	—	—	—
	—	1,977	52	2,029

APPENDIX I

ACCOUNTANTS’ REPORT

	Fees	Salaries, allowances and other benefits	Contributions to retirement benefits scheme	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2021				
<i>Executive directors (Note i)</i>				
Mr. Wang (王泉) (Note ii)	—	542	22	564
Ms. Zhang (張旻)	—	694	114	808
Mr. Yang (楊志龍)	—	355	33	388
Mr. Zhang (張光陽).	—	919	19	938
Mr. Zhu (朱炯)	—	357	22	379
 <i>Non-executive director</i>				
Mr. Wang Tiantian (王添天) (Note iv)	—	—	—	—
 <i>Independent non-executive directors</i>				
Mr. Sun (孫鵬) (Note v)	—	—	—	—
Mr. Ye (葉星月) (Note vi)	—	—	—	—
Mr. Ren (任天干) (Note vi)	—	—	—	—
	—	2,867	210	3,077
 Year ended 31 December 2022				
<i>Executive directors (Note i)</i>				
Mr. Wang (王泉) (Note ii)	—	479	22	501
Ms. Zhang (張旻)	—	807	116	923
Mr. Yang (楊志龍)	—	385	22	407
Mr. Zhang (張光陽).	—	666	20	686
Mr. Zhu (朱炯)	—	394	22	416
 <i>Non-executive director</i>				
Mr. Wang Tiantian (王添天) (Note iv)	—	—	—	—
 <i>Independent non-executive directors</i>				
Mr. Sun (孫鵬) (Note v)	80	—	—	80
Mr. Ye (葉星月) (Note vi)	—	—	—	—
Mr. Ren (任天干) (Note vi)	—	—	—	—
	80	2,731	202	3,013

APPENDIX I

ACCOUNTANTS’ REPORT

	Fees	Salaries, allowances and other benefits	Contributions to retirement benefits scheme	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Six months ended 30 June 2022				
(Unaudited)				
<i>Executive directors (Note i)</i>				
Mr. Wang (王泉) (Note ii)	—	239	11	250
Ms. Zhang (張旻)	—	403	58	461
Mr. Yang (楊志龍)	—	192	11	203
Mr. Zhang (張光陽).	—	333	10	343
Mr. Zhu (朱炯)	—	197	11	208
 <i>Non-executive director</i>				
Mr. Wang Tiantian (王添天) (Note iv) .	—	—	—	—
 <i>Independent non-executive directors</i>				
Mr. Sun (孫鵬) (Note v)	40	—	—	40
Mr. Ye (葉星月) (Note vi)	—	—	—	—
Mr. Ren (任天干) (Note vi)	—	—	—	—
	<u>40</u>	<u>1,364</u>	<u>101</u>	<u>1,505</u>
 Six months ended 30 June 2023				
<i>Executive directors (Note i)</i>				
Mr. Wang (王泉) (Note ii)	—	239	11	250
Ms. Zhang (張旻)	—	403	58	461
Mr. Yang (楊志龍)	—	192	11	203
Mr. Zhang (張光陽).	—	334	10	344
Mr. Zhu (朱炯)	—	197	11	208
 <i>Non-executive director</i>				
Mr. Wang Tiantian (王添天) (Note iv) .	—	—	—	—
 <i>Independent non-executive directors</i>				
Mr. Sun (孫鵬) (Note v)	27	—	—	27
Mr. Ye (葉星月) (Note vi)	—	—	—	—
Mr. Ren (任天干) (Note vi)	—	—	—	—
	<u>27</u>	<u>1,365</u>	<u>101</u>	<u>1,493</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Notes:

- (i) No chief executive was appointed during the years ended 31 December 2020, 31 December 2021 and 31 December 2022 and six months ended 30 June 2022 and 30 June 2023. Ms. Zhang, Mr. Yang, Mr. Zhang and Mr. Zhu were appointed as executive directors of the Company on 24 February 2023.
- (ii) Mr. Wang was appointed as a director of the Company on 24 November 2022 and was redesignated as an executive director of the Company on 24 February 2023.
- (iii) Ms. Zhang joined a subsidiary now comprising the Group as the general manager on 1 February 2021 and therefore no remuneration was paid or payable during the year ended 31 December 2020.
- (iv) Mr. Wang Tiantian joined a subsidiary now comprising the Group as a director on 8 August 2021 and he was not entitled to receive any remuneration and was appointed as a non-executive director of the Company on 24 February 2023.
- (v) Mr. Sun joined a subsidiary now comprising the Group as an independent non-executive director on 26 July 2021 and started to receive remuneration commencing from 1 January 2022. Therefore, no remuneration was paid or payable during the years ended 31 December 2020 and 31 December 2021.
- (vi) Mr. Ye and Mr. Ren were appointed as independent non-executive directors of the Company on [•] and therefore no remuneration was paid or payable during the years ended 31 December 2020, 31 December 2021 and 31 December 2022 and six months ended 30 June 2022 and 30 June 2023.

None of the directors of the subsidiaries now comprising the Group and the Company waived or agreed to waive any emoluments paid by the Group during the Track Record Period.

No emoluments were paid by the Group to any of the directors of the subsidiaries now comprising the Group and the Company as an incentive payment for joining the Group or as compensation for loss of office during the Track Record Period.

During the Track Record Period, executive directors of the Company received remuneration from the subsidiaries now comprising the Group for services in connection with the management of affairs of the Group prior to becoming the directors of the Company.

APPENDIX I

ACCOUNTANTS’ REPORT

13. EMPLOYEES’ EMOLUMENTS

The five individuals with the highest emoluments in the Group included two, three, three, two and three directors of the Company for the years ended 31 December 2020, 31 December 2021 and 31 December 2022 and six months ended 30 June 2022 and 30 June 2023 respectively, whose emoluments are set out in Note 12 above. The emoluments of the remaining three, two, two, three and two highest paid individuals for the years ended 31 December 2020, 31 December 2021 and 31 December 2022 and six months ended 30 June 2022 and 30 June 2023 were as follows:

	<u>Year ended 31 December</u>			<u>Six months ended 30 June</u>	
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>	<u>2023</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				(Unaudited)	
Salaries, allowances and other benefits	1,521	1,059	1,118	842	559
Contributions to retirement benefits scheme	21	52	152	85	76
	<u>1,542</u>	<u>1,111</u>	<u>1,270</u>	<u>927</u>	<u>635</u>

Their emoluments were within the following band:

	<u>Year ended 31 December</u>			<u>Six months ended 30 June</u>	
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>	<u>2023</u>
	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>	<i>Number of individuals</i>
				(Unaudited)	
Nil to RMB1,000,000	<u>3</u>	<u>2</u>	<u>2</u>	<u>3</u>	<u>2</u>

No emoluments were paid by the Group to any of the five highest paid individuals of the Group including the directors of the Company as an incentive payment for joining the Group or as compensation for loss of office during the Track Record Period.

14. 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.

APPENDIX I

ACCOUNTANTS’ REPORT

15. EARNINGS PER SHARE

The calculation of the basic earnings per share during the Track Record Period is based on the profit attributable to the owners of the Company and the weighted average number of ordinary shares in issue.

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Earnings for the purpose of basic earnings per share (profit for the year/ period attributable to owners of the Company)	<u>52,715</u>	<u>36,932</u>	<u>26,872</u>	<u>14,050</u>	<u>12,169</u>
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>13,966</u>	<u>58,576</u>	<u>50,025</u>	<u>58,946</u>	<u>38,982</u>

The weighted average number of ordinary shares for the purpose of basic earnings per share during the Track Record Period has been determined based on the number of shares in issue and deemed to be in issue (assuming the paid-in capital of the subsidiaries had been fully represented as share capital of the Company), adjusted by the capital injection or share capital issued during the respective year, multiplied by a time-weighting factor, on the assumption that the Reorganisation as detailed in Note 2 and [REDACTED] as detailed in the section headed “Share Capital” to the Document have been effective on 1 January 2020.

Diluted earnings per share

Diluted earnings per share is same as basic earnings per share as there were no dilutive potential ordinary shares outstanding during the Track Record Period.

APPENDIX I

ACCOUNTANTS’ REPORT

16. PROPERTY, PLANT AND EQUIPMENT

	Ownership interests in building	Computer and office equipment	Furniture and fittings	Motor vehicles	Leasehold improvement	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST						
At 1 January 2020.	7,731	2,060	4,769	14,306	1,522	30,388
Additions	—	755	372	2,336	1,526	4,989
Disposals	—	(204)	(460)	(1,769)	—	(2,433)
At 31 December 2020 and						
1 January 2021	7,731	2,611	4,681	14,873	3,048	32,944
Additions	—	661	1,066	1,351	3,200	6,278
Disposals	(3,923)	(22)	(21)	(1,470)	—	(5,436)
At 31 December 2021 and						
1 January 2022	3,808	3,250	5,726	14,754	6,248	33,786
Additions	12,012	1,701	52	1,169	119	15,053
Disposals	—	(489)	(783)	(1,811)	—	(3,083)
At 31 December 2022 and						
1 January 2023	15,820	4,462	4,995	14,112	6,367	45,756
Additions	—	307	566	211	70	1,154
Disposals	—	—	(246)	(710)	—	(956)
At 30 June 2023.	<u>15,820</u>	<u>4,769</u>	<u>5,315</u>	<u>13,613</u>	<u>6,437</u>	<u>45,954</u>
ACCUMULATED DEPRECIATION						
At 1 January 2020.	1,446	1,324	2,231	8,840	531	14,372
Provided for the year	305	417	633	1,646	794	3,795
Disposals	—	(185)	(435)	(1,655)	—	(2,275)
At 31 December 2020 and						
1 January 2021	1,751	1,556	2,429	8,831	1,325	15,892
Provided for the year	187	523	627	1,872	1,844	5,053
Disposals	(1,064)	(18)	(19)	(1,388)	—	(2,489)
At 31 December 2021 and						
1 January 2022	874	2,061	3,037	9,315	3,169	18,456
Provided for the year	246	575	628	1,838	1,316	4,603
Disposals	—	(192)	(269)	(774)	—	(1,235)
At 31 December 2022 and						
1 January 2023	1,120	2,444	3,396	10,379	4,485	21,824
Provided for the period.	177	467	671	263	553	2,131
Disposals	—	—	(184)	(674)	—	(858)
At 30 June 2023.	<u>1,297</u>	<u>2,911</u>	<u>3,883</u>	<u>9,968</u>	<u>5,038</u>	<u>23,097</u>
NET CARRYING AMOUNTS						
At 31 December 2020	<u>5,980</u>	<u>1,055</u>	<u>2,252</u>	<u>6,042</u>	<u>1,723</u>	<u>17,052</u>
At 31 December 2021	<u>2,934</u>	<u>1,189</u>	<u>2,689</u>	<u>5,439</u>	<u>3,079</u>	<u>15,330</u>
At 31 December 2022	<u>14,700</u>	<u>2,018</u>	<u>1,599</u>	<u>3,733</u>	<u>1,882</u>	<u>23,932</u>
At 30 June 2023.	<u>14,523</u>	<u>1,858</u>	<u>1,432</u>	<u>3,645</u>	<u>1,399</u>	<u>22,857</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The above items of plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, as follows:

Building	Over the terms of the leases
Computer and office equipment	3–10 years
Furniture and fittings	3–10 years
Motor vehicles	3–5 years
Leasehold improvements	5 years or over lease term whichever is shorter

During the year ended 31 December 2021, approximately RMB1,378,000 was disposed due to the Land Resumption Agreement entered into by the Group. Further details of the Land Resumption Agreement are set out in Note 8.

17. RIGHT OF USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

Breakdown of balances as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023:

	<u>At 31 December</u>			<u>As at 30 June</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Buildings.	7,867	17,748	14,475	10,931
Land use right.	11,718	—	—	—
	<u>19,585</u>	<u>17,748</u>	<u>14,475</u>	<u>10,931</u>

At 31 December 2020, right-of-use assets of approximately RMB11,718,000 represent land use rights located in the PRC.

Additions of the right-of-use assets for the years ended of 31 December 2020, 31 December 2021, 31 December 2022 and six months ended 30 June 2023 amounted to approximately RMB3,949,000, RMB17,320,000, RMB6,135,000 and RMB758,000 respectively through renewal of existing leases and new leases of buildings.

At 31 December 2020, right-of-use assets of approximately RMB11,718,000 represents land use right located in the Yiwu City, Zhejiang and was disposed due to the Land Resumption Agreement entered into by the Group during the year ended 31 December 2021. Further details of the Land Resumption Agreement are set out in Note 8.

APPENDIX I

ACCOUNTANTS’ REPORT

(ii) Lease liabilities

	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>
Current	4,215	7,159	8,084	7,411
Non-current	3,901	11,417	7,518	3,485
	<u>8,116</u>	<u>18,576</u>	<u>15,602</u>	<u>10,896</u>

	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>
Amount payable under lease liabilities:				
Within one year	4,215	7,159	8,084	7,411
After one year but within two years . .	2,218	6,035	6,698	3,446
After two years but within five years .	1,683	5,382	820	39
	<u>8,116</u>	<u>18,576</u>	<u>15,602</u>	<u>10,896</u>

During the years ended 31 December 2020, 31 December 2021, 31 December 2022 and six months ended 30 June 2023, the Group entered into renewal of existing and new lease agreements in respect of buildings and recognised lease liabilities of approximately RMB3,949,000, RMB17,320,000, RMB6,135,000 and RMB758,000 respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

(iii) Amounts recognised in profit or loss

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Depreciation expenses on right-of-use assets	7,791	7,439	9,408	4,768	4,302
Interest expenses on lease liabilities (included in finance costs)	579	677	834	451	275
Expenses relating to short-term leases (included in administrative and other expenses)	316	—	—	—	401
Expense relating to leases of low value assets (included in administrative and other expenses)	31	13	15	11	17

The Group had no expenses relating to variable lease payments not included in the measurement of the lease liability during the Track Record Period. All leases payments are fixed payments.

(iv) Others

During the years ended 31 December 2020, 31 December 2021, 31 December 2022 and six months ended 30 June 2022 and 30 June 2023, total cash outflow for leases amounted to approximately RMB8,356,000, RMB7,550,000, RMB9,958,000, RMB6,127,000 and RMB6,157,000 respectively.

18. GOODWILL

	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>
At the beginning and end of the year/period.	144,680	144,680	144,680	144,680

Note: During the year ended 31 December 2017, the Group acquired 深圳市滙通天下物流有限公司 (Global Link Logistics Services Limited* (“Shenzhen Global Link”)) which is engaged in supply chain management in Shenzhen, the PRC.

* for identification purpose only

APPENDIX I

ACCOUNTANTS’ REPORT

Goodwill resulting from the business combinations has been allocated to Shenzhen Global Link as a single cash-generating unit (“CGU”) (“CGU Shenzhen Global Link”). The management of the Group assessed the impairment on goodwill at the CGU Shenzhen Global Link, which represents the lowest level within the 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 have been determined based on value-in-use calculations. The impairment assessment of goodwill is performed by the management of the 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 based on financial budgets approved by the management of the 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. Management believes that any reasonably possible changes in these assumptions and inputs would not result in the carrying amount of the CGU Shenzhen Global Link exceeding its recoverable amount as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023.

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, 31 December 2021, 31 December 2022 and 30 June 2023, which are based on either the past experience or 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 and RMB61,955,000 and RMB76,408,000 at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, respectively.

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

APPENDIX I

ACCOUNTANTS’ REPORT

In addition, the management of the Group performed the sensitivity analysis based on changes of the 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, as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023 would decrease to the amounts set out as below:

	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

19. TRADE RECEIVABLES

	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>

As at 30 June 2023, trade receivables with approximately RMB98,609,000 were pledged to secure the bank borrowings granted to the Group.

APPENDIX I

ACCOUNTANTS’ REPORT

The gross carrying amount of the Group’s trade receivables dominated in currencies other the functional currencies of the relevant group entities are set out below:

	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>
USD	34,442	20,927	14,339	8,599
HK\$	997	—	749	1,062
GBP	4,543	1,853	277	14
EUR	9	5	5	194

The Group allows credit period of 0 to 90 days to its trade customers depending on creditability of the customers. The Group does not hold any collateral over its trade receivables.

The following is an aged 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 period.

	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>
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
	124,094	122,835	103,956	200,818

Before accepting any new customers, the Group uses internal credit approval procedures to assess the potential customer’s credit quality and defines credit limits for each customer.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime 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.

APPENDIX I

ACCOUNTANTS’ REPORT

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 the Group to assess both the current as well as the forecast direction of conditions at the reporting date.

The Group recognised lifetime ECL for trade receivables with gross carrying amount of approximately RMB143,227,000, RMB140,495,000, RMB120,994,000 and RMB219,147,000 as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, collectively by applying expected credit loss rates ranging from 8.4% to 14.1%. Impairment losses of approximately RMB3,617,000 and RMB1,291,000 were recognised during the year ended 31 December 2020 and six months ended 30 June 2023 respectively and reversal of impairment losses of approximately RMB1,427,000 and RMB622,000 was recognised during the years ended 31 December 2021 and 31 December 2022 respectively.

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

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

There has been no change in the estimation techniques or significant assumptions made throughout the Track Record Period in assessing the loss allowance for trade receivables.

APPENDIX I

ACCOUNTANTS’ REPORT

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 December			At 30 June
	2020	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Structured deposits (<i>Note i</i>).	—	20,000	—	—
Wealth management products (<i>Note ii</i>).	24,781	66,957	35	—
	<u>24,781</u>	<u>86,957</u>	<u>35</u>	<u>—</u>

The financial assets at FVTPL as at 31 December 2020, 31 December 2021 and 31 December 2022 represented contracts of 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.

Notes:

- (i) Pursuant to the relevant agreements, these structured deposits carry interest at a variable rate per annum with reference to the performance of foreign currency or interest rate during the investment period and the principal sums are denominated in RMB. The directors of the Company consider the fair values of the structured deposits, which are based on the prices provided by the counterparty banks representing the prices they would pay to redeem the deposits at 31 December 2020, 31 December 2021 and 31 December 2022 approximate to their carrying values on the same day.
- (ii) The returns of wealth management products are determined by reference to the performance of investment portfolio of mainly debt securities and the investment performance is managed by the issuing banks.

APPENDIX I

ACCOUNTANTS’ REPORT

21. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	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>
Deposits paid to suppliers	5,825	13,880	27,581	26,075
Other deposits paid	2,102	1,299	1,346	904
Prepayments	33,400	44,711	48,541	56,406
Deferred issue costs	—	1,397	3,923	7,221
Value added Tax (“VAT”) recoverable .	263	64	662	882
Other receivables	3,645	5,133	2,795	2,691
	<u>45,235</u>	<u>66,484</u>	<u>84,848</u>	<u>94,179</u>
Less: Impairment losses of other receivables	(326)	(329)	(329)	(283)
	<u>44,909</u>	<u>66,155</u>	<u>84,519</u>	<u>93,896</u>

The Group measures the impairment for other receivables based on 12-month ECL.

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

	Impairment loss of other receivables
	<i>RMB’000</i>
Balance as at 1 January 2020, 31 December 2020 and 1 January 2021	326
Impairment losses recognised	<u>3</u>
Balance as at 31 December 2021, 1 January 2022 and 31 December 2022	329
Reversal of impairment losses	<u>(46)</u>
Balance as at 30 June 2023	<u>283</u>

22. AMOUNT DUE TO A DIRECTOR

	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>
Amount due to a director:				
Mr. Wang (王泉)	25,016	42	42	42
	<u>25,016</u>	<u>42</u>	<u>42</u>	<u>42</u>

APPENDIX I

ACCOUNTANTS’ REPORT

As at 31 December 2020, the amount due to a director of approximately RMB25,016,000 carried floating interest rate of People’s Bank of China’s Benchmark Lending Rate per annum and was repayable within 12 months. The amount was fully settled during the year ended 31 December 2021.

As at 31 December 2021, 31 December 2022 and 30 June 2023, the amount due to a director is non-interest bearing, unsecured, repayable on demand and non-trade in nature. In the opinion of the directors of the Company, the amount will be settled before the [REDACTED] of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited.

23. TIME DEPOSIT/ BANK BALANCES AND CASH

(i) Time deposit

	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>
Current:				
Time deposit with original maturity over three months.	—	—	—	4,702

The time deposit is denominated in HK\$.

(ii) Bank balances and cash

Cash and bank balances included demand deposits and short-term bank deposits for the purpose of meeting the Group’s short term cash commitment. Cash at bank earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

APPENDIX I

ACCOUNTANTS' REPORT

Included in the bank balances and cash is the following amounts denominated in currencies other than the functional currency of relevant group entities:

	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>
USD	19,869	5,258	12,337	4,317
HKD	3,570	8,334	1,438	6,717
GBP	69	507	44	650
EUR	67	804	454	422
AUD	1	1	1	1

24. TRADE PAYABLES

	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 payables	62,178	52,773	30,456	64,048

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

	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>
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
Total	62,178	52,773	30,456	64,048

APPENDIX I

ACCOUNTANTS’ REPORT

The average credit period on purchases of goods is up to 90 days. The Group has financial risk management policies or plans for its payables with respect to the credit timeframe.

The gross carrying amount of the Group’s trade payables is dominated in currencies other the functional currency of the relevant group entity is set out below:

	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>
USD	43,217	6,895	4,352	19,679
HK\$	10,186	11,778	3,514	15,083
GBP	4,014	2,136	46	329
EUR	96	84	122	254
AUD.....	201	160	99	27
JPY.....	46	73	86	31

25. ACCRUALS AND OTHER PAYABLES

	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>
Salaries payable	13,786	19,063	22,078	19,473
Accrued expenses	309	7	7	—
Other payables	6,870	7,146	11,536	9,649
Other tax payables	145	188	133	74
	<u>21,110</u>	<u>26,404</u>	<u>33,754</u>	<u>29,196</u>

26. CONTRACT LIABILITIES

	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>
Contract liabilities.....	<u>15,595</u>	<u>18,213</u>	<u>13,271</u>	<u>11,951</u>

Contract liabilities represent advances received from customers related to delivery services.

APPENDIX I

ACCOUNTANTS’ REPORT

Revenue recognised during the years ended 31 December 2020, 31 December 2021 and 31 December 2022 and the six months ended 30 June 2023 were included in the contract liabilities at the beginning of the years are approximately RMB15,521,000, RMB15,595,000, RMB18,213,000 and RMB13,271,000 respectively in respect of delivery services. There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

27. BORROWINGS

	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>
Bank borrowings:				
Secured	—	—	—	30,000
Unsecured	400	300	4,429	24,400
	<u>400</u>	<u>300</u>	<u>4,429</u>	<u>54,400</u>

As at 30 June 2023, secured bank borrowings with carrying amount of approximately RMB30,000,000 was pledged by trade receivables with carrying amount of approximately RMB98,609,000.

As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, bank borrowings of approximately RMB400,000, RMB300,000, RMB4,429,000 and RMB54,400,000 respectively, carried fixed interest at 4.15% per annum, 4.55% per annum, from 4.25% to 5.00% per annum and from 3.70% to 4.50% per annum respectively.

The bank borrowings are all repayable within one year based on scheduled repayment dates set out in the loan agreements and contain no repayable on demand clause.

28. RETIREMENT BENEFITS PLAN

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs, capped at HK\$1,500 per month, to the MPF Scheme, in which the contribution is matched by the Company’s directors and employees. No forfeited contribution is available to reduce the contribution payable in the future years.

APPENDIX I

ACCOUNTANTS’ REPORT

The employees of the Group in Mainland China are members of stated-managed retirement benefit schemes operated by the relevant governments. The Group is required to contribute a certain percentage of payroll costs to these schemes to fund the benefits. The only obligation of the Group with respect to these schemes is make the specified contributions. The assets of the schemes are held separately from those of the Group in funds under the control of trustees.

The total cost charged to consolidated statements of profit or loss and other comprehensive income of approximately RMB2,266,000, RMB5,692,000, RMB6,568,000, RMB3,306,000 and RMB3,054,000 represents contributions payable to these schemes by the Group for the years ended 31 December 2020, 31 December 2021 and 31 December 2022 and six months ended 30 June 2022 and 30 June 2023, respectively.

29. DEFERRED TAXATION

The following is the analysis of the deferred tax asset (liabilities), after set off certain deferred tax assets against deferred tax liabilities of the same taxable entity, for financial reporting purposes:

	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>
Deferred tax assets	2,802	4,373	4,293	4,011
Deferred tax liabilities.	(2,852)	(47)	(38)	(38)
	<u>(50)</u>	<u>4,326</u>	<u>4,255</u>	<u>3,973</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The followings are the major deferred tax assets (liabilities) recognised and movements thereon during the Track Record Period:

	Impairment loss on trade and other receivables	Tax losses	Land use right	Property, plant and equipment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2020	2,547	—	(2,796)	(65)	(314)
Credited to profit or loss	255	—	—	9	264
At 31 December 2020 and 1 January 2021 . .	2,802	—	(2,796)	(56)	(50)
(Charged) credited to profit or loss	(261)	1,832	2,796	9	4,376
At 31 December 2021 and 1 January 2022 . .	2,541	1,832	—	(47)	4,326
(Charged) credited to profit or loss	(80)	—	—	9	(71)
At 31 December 2022 and 1 January 2023 . .	2,461	1,832	—	(38)	4,255
Charged to profit or loss	[(282)]	—	—	—	(282)
At 30 June 2023	<u>2,179</u>	<u>1,832</u>	<u>—</u>	<u>(38)</u>	<u>3,973</u>

As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, the Group had estimated unused tax losses of approximately RMB3,510,000, RMB16,690,000, RMB21,918,000 and RMB20,662,000, respectively, available for offset against future profits, among which nil, RMB12,213,000, RMB12,213,000 and RMB12,213,000 of unused tax losses were recognised as deferred tax assets. No deferred tax asset has been recognised in relation to the remaining tax losses amounting to RMB3,510,000, RMB4,477,000, RMB9,705,000 and RMB8,449,000 as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, respectively, due to the unpredictability of future profit streams. As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, tax losses incurred by subsidiaries in the PRC of RMB3,510,000, RMB16,690,000, RMB21,918,000 and RMB20,662,000 will expire in the next five years.

30. PAID-IN CAPITAL/SHARE CAPITAL

The Group

For the purpose of the presentation of the Historical Financial Information, the balance of paid-in capital/share capital of the Group at 1 January 2020, 31 December 2020, 31 December 2021 and 31 December 2022 represented the aggregate of paid-in capital/share capital of companies comprising the Group after elimination of inter-company investments prior to the completion of the Reorganisation.

During the year ended 31 December 2021, paid-in capital of approximately RMB4,791,000 was increased due to the contributions from a shareholder with the total consideration of approximately RMB138,889,000. Incremental costs directly attributable to the capital contribution of approximately RMB1,642,000 was treated as a deduction against other reserve.

On 8 August 2022, Hangzhou FAR International Logistics Co., Ltd.* (杭州泛遠國際物流股份有限公司) (“**Hangzhou FAR**”) (subsequently renamed as “杭州泛遠國際物流有限公司” in January 2023), the subsidiary now comprising the Group, entered into a share repurchase agreement with Zhongtai Venture Capital (Shanghai) Company Limited* (中泰創業投資(上海)有限公司) (previously known as Zhongtai Venture Capital (Shenzhen) Company Limited* (中泰創業投資(深圳)有限公司)) (“**Zhongtai**”) pursuant to which Zhongtai has agreed to sell, and Hangzhou FAR has agreed to repurchase for cancellation, of 1,161,166 shares at a total consideration of approximately RMB33,327,000.

On 15 August 2022, Hangzhou FAR, the subsidiary now comprising the Group, entered into a share repurchase agreement with Anhui Guoyuan Venture Capital Company Limited* (安徽國元創投有限責任公司) (“**Anhui Guoyuan**”) pursuant to which Anhui Guoyuan had agreed to sell, and Hangzhou FAR has agreed to repurchase for cancellation, of 1,470,097 shares at a total consideration of approximately RMB37,326,000.

The above share repurchases were completed in November 2022.

On 7 November 2022, Easygo Holdings Limited (“**Easygo HK**”) subscribed 457,404 shares of Hangzhou FAR at a consideration of approximately RMB13,260,000. Immediately after the capital injection, Easygo HK held 1% of equity interests of Hangzhou FAR. Hangzhou FAR would become an indirect wholly-owned subsidiary immediately upon completion of the Reorganization. The consideration was paid by Easygo HK on 28 February 2023.

APPENDIX I

ACCOUNTANTS’ REPORT

With the completion of the Reorganisation on 16 May 2023, the Company became the holding company of the Group. For further details, please refer to the section headed [“History, Development and Reorganisation”] in the Document.

The Company

The Company was incorporated in the Cayman Islands on 24 November 2022 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with a par value of HK\$0.01 each. On the same date of incorporation, one ordinary share of HK\$0.01 was allotted and issued to the initial subscriber, an independent third party, at par which was then transferred to Zi Yue on the same date.

On 9 May 2023, the Company’s authorised ordinary shares was further increased to 780,000,000 ordinary shares with a par value of HK\$0.01 each, and 40,491,580 ordinary shares were allotted and issued to various shareholders pursuant to the Reorganisation.

On 11 May 2023, a class of preferred shares was set up, and authorised share capital of the Company was re-designated from HK\$7,800,000 divided by 780,000,000 ordinary shares of HK\$0.01 each to HK\$7,800,000 divided by 775,000,000 ordinary shares of HK\$0.01 each and 5,000,000 preferred shares of HK\$0.01 each. On the same date, 4,791,427 preferred shares of HK\$47,914 was allotted (the “**Preferred Shares**”) and issued to Taobao China Holding Limited pursuant to the Reorganisation.

The Preferred Shares contain same voting right, right to dividend and right to share of net assets at liquidation as holders of ordinary shares except for preference at liquidation. The Preferred Shares, in whole or in part, can be converted into ordinary shares on a one-for-one basis and are convertible at any time after the date of issuance of the shares. Each Preferred Share shall be automatically redesignated into ordinary shares of the Company upon [REDACTED] of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited. Details of the Preferred Shares are set out in the section headed “History, Development and Reorganisation — [REDACTED] — (i) Alibaba China/Taobao China” in this document.

On 16 May 2023, 457,404 ordinary shares of HK\$4,574 were allotted and issued to Easygo Warehouse Services Corporation pursuant to the Reorganisation.

Further details are set out in the section headed “Statutory and General Information” in Appendix [IV] to the Document.

APPENDIX I

ACCOUNTANTS’ REPORT

Share capital of the Company

	Number of shares	Amount <i>HKD</i>	Amount <i>RMB</i>	Shown in Historical Financial Information as <i>RMB’000</i>
Authorised ordinary shares at HKD0.01 per share:				
At 24 November 2022 (date of incorporation) and 31 December 2022.	38,000,000	380,000	335,288	335
Increase in authorised ordinary shares on 9 May 2023	742,000,000	7,420,000	6,546,944	6,547
Re-designate the authorised share capital on 11 May 2023	(5,000,000)	(50,000)	(44,117)	(44)
At 30 June 2023	<u>775,000,000</u>	<u>7,750,000</u>	<u>6,838,115</u>	<u>6,838</u>
Issued and fully paid ordinary shares at HK\$0.01 per share:				
At 24 November 2022 (date of incorporation) 31 December 2022.	1	—**	—**	—***
Issue of new ordinary shares on 9 May 2023	40,491,580	404,916	357,273	358
Issue of new ordinary shares on 16 May 2023	457,404	4,574	4,036	4
At 30 June 2023	<u>40,948,985</u>	<u>409,490</u>	<u>361,309</u>	<u>362</u>
Authorised preferred shares at HKD0.01 per share:				
At 24 November 2022 (date of incorporation) and 31 December 2022.	—	—	—	—
Re-designate the authorised share capital on 11 May 2023	5,000,000	50,000	44,117	44
At 30 June 2023	<u>5,000,000</u>	<u>50,000</u>	<u>44,117</u>	<u>44</u>
Issued and fully paid preferred shares at HK\$0.01 per share:				
At 24 November 2022 (date of incorporation) and 31 December 2022.	—	—	—	—
Issue of new preferred shares on 11 May 2023	4,791,427	47,914	42,276	42
At 30 June 2023	<u>4,791,427</u>	<u>47,914</u>	<u>42,276</u>	<u>42</u>

* for identification purpose only

** Less than RMB1

*** Less than RMB1,000

APPENDIX I**ACCOUNTANTS' REPORT**

31. RESERVES**(i) Other reserves**

The other reserves of the Group arose as a result of (i) the acquisition of subsidiaries under common control and represented the difference between the consideration paid for the acquisition and the amount of share capital of subsidiaries; and (ii) the capital contribution paid by the pre-IPO investors of the subsidiary in excess of its paid-in capital prior to the Reorganisation.

On 16 May 2023, the Group has completed the Reorganisation and the difference between the cost of investment in Hangzhou FAR pursuant to the Reorganisation over the paid-in capital of RMB45,336,000 was transferred to the other reserves.

(ii) Statutory surplus reserves

According to the PRC Company Law, the subsidiary in the PRC is required to transfer 10% of their respective after-tax profits, calculated in accordance with the relevant accounting principles and financial regulations applicable to entities established in the PRC, to the statutory surplus reserves until the reserves balance reaches 50% of the registered capital. The statutory surplus reserves can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of these companies, provided that such fund is maintained at a minimum of 25% of the registered capital. The statutory surplus reserves are not distributable as cash dividends and must be made before distribution of dividend to equity owners.

APPENDIX I

ACCOUNTANTS’ REPORT

(iii) Reserves of the Company

	<u>Other reserves</u>	<u>Translation reserve</u>	<u>Accumulated losses</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 24 November 2022 (date of incorporation)	—	—	—	—
Loss and total comprehensive expenses for the period	—	—	(12,124)	(12,124)
At 31 December 2022 and 1 January 2023	—	—	(12,124)	(12,124)
Acquisition of subsidiaries under common control pursuant to the Reorganisation	192,237	—	—	192,237
Profit (loss) and total comprehensive income (expenses) for the period	—	2,453	(9,681)	(7,228)
At 30 June 2023	<u>192,237</u>	<u>2,453</u>	<u>(21,805)</u>	<u>172,885</u>

32. NON-CONTROLLING INTERESTS

	<u>Share of net assets of subsidiaries</u>			
	<u>At 31 December</u>			<u>At 30 June</u>
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year/period	74	54	14	45
Share of (loss) profit for the year/period	(20)	(40)	31	(425)
At the end of year/period	<u>54</u>	<u>14</u>	<u>45</u>	<u>(380)</u>

None of the subsidiaries have non-controlling interests that are material to the Group during the Track Record Period.

APPENDIX I

ACCOUNTANTS’ REPORT

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group’s overall strategy remained unchanged during the Track Record Period.

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in Note 27, net of cash and cash equivalents disclosed in Note 23 and equity attributable to owners of the Company, comprising paid-in capital/issued share capital and reserves.

The directors of the Company regularly review and manage the Group’s capital structure. As part of this review, the directors of the Company consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through new share issues as well as the raise of additional borrowings as additional finance or the redemption of existing borrowings.

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At 31 December			At 30 June
	2020	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial assets				
Financial asset at amortised cost (including cash and cash equivalents)	286,773	359,332	374,848	466,355
Financial asset at FVTPL	24,781	86,957	35	—
	311,554	446,289	374,883	466,355
Financial liabilities				
Financial liabilities at amortised cost .	108,704	79,519	68,681	147,686

(b) Financial risk management objectives and policies

The Group’s major financial instruments include financial assets at FVTPL, trade receivables, deposits and other receivables, cash and cash equivalents, trade payables, accruals and other payables, amount due to a director and borrowings.

APPENDIX I

ACCOUNTANTS' REPORT

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included credit risk, market risk (i.e. currency risk and interest rate risk) and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The management considers the Group is not exposed to significant foreign currency risk as majority of its operations and transactions are denominated in the functional currency of the Company and its subsidiaries. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in related to certain fixed rate borrowings (Note 27). The Group currently does not have an interest rate hedging policy. However, the management monitor interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is exposed to cash flow interest rate risk in relation to certain bank balances (Note 23). The management considers the Group's exposure of the bank balances to cash flow interest rate risk is not significant as the management does not anticipate significant fluctuation in interest rate on bank balances due to their short-term maturities. Hence, no sensitivity analysis is presented.

Credit risk

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

APPENDIX I

ACCOUNTANTS’ REPORT

The credit risk of the Group mainly arises from trade receivables, deposits and other receivables and cash and cash equivalents. The carrying amounts of these balances represent our Group’s maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

In determining the ECL for trade receivables, the management of the Group has taken into account the historical default experience and forward-looking information. In this regard, the directors of the Company consider that the Group’s credit risk is significantly reduced.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL collectively by using a provision matrix with appropriate grouping based on shared credit risk characteristics, estimated reference to historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group’s credit risk is significantly reduced.

In order to minimise the credit risk of other financial assets, the Group has assessed that the expected credit loss rates for these receivables based on past experience. In addition, the Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group’s credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk as 16%, 12%, 13% and 45% of the total trade receivables was due from the Group’s largest customer as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, respectively. 43%, 41%, 34% and 57% of the total trade receivables was due from the Group’s five largest customers as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

The Group’s exposure to credit risk

In order to minimise credit risk, the Group has tasked its management to develop and maintain the Group’s credit risk grading to categories exposures according to their degree of risk of default. The management uses the Group’s own trading records to rate its major customers and other debtors. The Group’s exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group’s current credit risk grading framework comprises the following categories:

<u>Category</u>	<u>Description</u>	<u>Basis for recognising ECL</u>
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL — not credit impaired

APPENDIX I

ACCOUNTANTS’ REPORT

Category	Description	Basis for recognising ECL
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL — credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written-off

The tables below detail the credit quality of the Group’s financial assets as well as the Group’s maximum exposure to credit risk by credit risk rating grades:

At 31 December 2020						
	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net Carrying amount
Trade receivables	19	(i)	Lifetime ECLs (not credit impaired) and simplified approach	143,227	(19,133)	124,094
Financial assets included in deposits and other receivables	21	Performing	12-month ECL	11,572	(326)	11,246
Cash and cash equivalents	23	Performing	12-month ECL	151,433	—	151,433

At 31 December 2021						
	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net Carrying amount
Trade receivables	19	(i)	Lifetime ECLs (not credit impaired) and simplified approach	140,495	(17,660)	122,835
Financial assets included in deposits and other receivables	21	Performing	12-month ECL	20,312	(329)	19,983
Cash and cash equivalents	23	Performing	12-month ECL	216,514	—	216,514

APPENDIX I

ACCOUNTANTS’ REPORT

	Notes	Internal credit rating	12-month or lifetime ECL	At 31 December 2022		
				Gross carrying amount	Loss allowance	Net Carrying amount
Trade receivables	19	(i)	Lifetime ECLs (not credit impaired) and simplified approach	120,994	(17,038)	103,956
Financial assets included in deposits and other receivables	21	Performing	12-month ECL	31,722	(329)	31,393
Cash and cash equivalents	23	Performing	12-month ECL	239,499	—	239,499

	Notes	Internal credit rating	12-month or lifetime ECL	At 30 June 2023		
				Gross carrying amount	Loss allowance	Net Carrying amount
Trade receivables	19	(i)	Lifetime ECLs (not credit impaired) and simplified approach	219,147	(18,329)	200,818
Financial assets included in deposits and other receivables	21	Performing	12-month ECL	29,670	(283)	29,387
Time deposit and cash and cash equivalents	23	Performing	12-month ECL	236,150	—	236,150

Note:

- (i) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECLs on these items by using a provision matrix, for debtors grouped by internal credit rating, which is estimated based on historical credit loss experience and the past due status of the debtors collectively, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Further details on the loss allowance for these assets are set out in note 19.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group’s operations and mitigate the effects of fluctuations in cash flows. In addition, the Group relies on bank and other borrowings as a significant source of liquidity and the management monitors the utilisation of bank and other borrowings.

APPENDIX I

ACCOUNTANTS’ REPORT

At 31 December 2022

	Less than 1 year or on demand	One to five years	Total undiscounted cash flows	Carrying Amount
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Non-derivative financial liabilities</i>				
Trade payables	30,228	228	30,456	30,456
Accruals and other payables	33,754	—	33,754	33,754
Amount due to a director	42	—	42	42
Borrowings	4,429	—	4,429	4,429
	<u>68,453</u>	<u>228</u>	<u>68,681</u>	<u>68,681</u>
Lease liabilities	<u>9,638</u>	<u>7,442</u>	<u>17,080</u>	<u>15,602</u>

At 30 June 2023

	Less than 1 year or on demand	One to five years	Total undiscounted cash flows	Carrying Amount
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Non-derivative financial liabilities</i>				
Trade payables	62,389	1,659	64,048	64,048
Accruals and other payables	29,196	—	29,196	29,196
Amount due to a director	42	—	42	42
Borrowings	54,400	—	54,400	54,400
	<u>146,027</u>	<u>1,659</u>	<u>147,686</u>	<u>147,686</u>
Lease liabilities	<u>7,733</u>	<u>3,553</u>	<u>11,286</u>	<u>10,896</u>

(c) Fair values of financial instruments

The Group’s finance department headed by the financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance manager analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the financial controller.

The directors of the Company consider that the carrying amounts of current financial assets and current financial liabilities recorded at amortised costs in the Historical Financial Information approximate their fair values due to their short-term maturities or due to insignificant impact of discounting.

APPENDIX I

ACCOUNTANTS’ REPORT

Some of the Group’s financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined.

Financial instruments	Fair value as at				Fair value hierarchy	Valuation technique and key input	Significant unobservable input(s)	Relationship of key inputs and significant unobservable input to fair value
	31 December 2020	31 December 2021	31 December 2022	30 June 2023				
	RMB’000	RMB’000	RMB’000	RMB’000				
Financial assets at FVTPL								
Wealth management products	24,781	66,957	35	—	2	Market approach/ quote bid price	N/A	N/A
Structured deposits	—	20,000	—	—	2	Market approach/ quote bid price	N/A	N/A

The Group’s financial asset measured at FVTPL categorised within Level 2 of the fair value hierarchy as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023 amounted to approximately RMB24,781,000, RMB86,957,000, RMB35,000 and nil, respectively.

During the Track Record Period, the fair value change arose from the financial assets at FVTPL was insignificant. The directors of the Company consider that any reasonable changes in the key assumptions as disclosed above would not result in a significant change in the Group’s results. Accordingly, no sensitivity analysis is presented.

35. RELATED PARTY TRANSACTIONS

During the Track Record Period, the Group has entered into the following transactions with related parties.

(a) Compensation of key management personnel

Compensation of key management personnel represents the remuneration of the directors of the Company in respect of the management of the Group prior to becoming the directors of the Company during the Track Record Period, which is disclosed in Note 12.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) During the Track Record Period, the Group entered into transactions with related parties are as follows:

Names	Nature of transactions	Year ended 31 December			Six months ended 30 June	
		2020	2021	2022	2022	2023
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)						
Related parties:						
Mr. Wang (王泉) . .	Interests on the amount due to a director	1,934	125	—	—	—
Yidatong (Note) . . .	Delivery services rendered	—	218,580	153,347	86,941	85,548

Note: Since January 2021, Alibaba (China) Network Technology Co., Ltd., which is a subsidiary of Alibaba Group Holding Limited (“Alibaba Holding”), subscribed shares of the subsidiary now comprising the Group and becomes a shareholder of that subsidiary and appointed Mr. Wang Tiantian, to act as the director of that subsidiary. Yidatong is a subsidiary of Alibaba Holding and then becomes a related party of the Group.

(c) As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, the balances with related parties are as follows:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables from a related party:				
Yidatong	—	18,285	13,216	21,583
Non-trade payable to a related party:				
Mr. Wang (Note 22).	25,016	42	42	42

The non-trade balance payable to the director, Mr. Wang, as at 30 June 2023 is expected to be fully settled before the [REDACTED] of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited.

APPENDIX I

ACCOUNTANTS’ REPORT

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

At the date of the report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of the principal subsidiaries are set out below:

Name of subsidiaries	Notes	Place and date of incorporation/ establishment	Paid-up capital/issued and registered ordinary share capital				Percentage of effective equity interest attributable to the Group				Principal activities
			31 December 2020	31 December 2021	31 December 2022	30 June 2023	31 December 2020	31 December 2021	31 December 2022	30 June 2023	
Indirectly held:											
Hangzhou FAR*	(i)	The PRC 26 August 2004	RMB43,122,844	RMB47,914,271	RMB47,914,271	RMB45,740,412	100%	100%	100%	100%	Investment holdings and delivery services
浙江竟遠供應鏈管理有限公司 (Zhejiang Jingyuan Supply Chain Management Co., Ltd.)*	(i)	The PRC 22 February 2017	RMB10,000,000	RMB10,000,000	RMB10,000,000	RMB10,000,000	100%	100%	100%	100%	Investment holdings and delivery services
杭州愛遠供應鏈管理有限公司 (Hangzhou Aiyuan Supply Chain Management Co., Ltd.)*	(i)	The PRC 7 August 2015	RMB1,000,000	RMB1,000,000	RMB1,000,000	RMB1,000,000	100%	100%	100%	100%	Investment holdings and delivery services
杭州泛遠進出口有限公司 (Hangzhou FAR Import & Export Co., Ltd.)*	(i)	The PRC 13 October 2008	RMB4,000,000	RMB4,000,000	RMB4,000,000	RMB4,000,000	100%	100%	100%	100%	Delivery services
杭州勤添科技發展有限公司 (HangZhou Qintian Technology Development Co., Ltd.)*	(i)	The PRC 13 August 2009	RMB3,000,000	RMB3,000,000	RMB3,000,000	RMB3,000,000	100%	100%	100%	100%	Delivery services
四川匯通天下物流有限公司 (Sichuan Global Link Logistics Co., Ltd.)*	(i)	The PRC 30 October 2017	RMB2,050,000	RMB2,050,000	RMB2,050,000	RMB5,000,000	100%	100%	100%	100%	Delivery services

APPENDIX I

ACCOUNTANTS’ REPORT

Name of subsidiaries	Notes	Place and date of incorporation/ establishment	Paid-up capital/issued and registered ordinary share capital				Percentage of effective equity interest attributable to the Group				Principal activities
			31 December 2020	31 December 2021	31 December 2022	30 June 2023	31 December 2020	31 December 2021	31 December 2022	30 June 2023	
深圳市遷通天下物流有限公司 (Global Link Logistics Services Limited)*	(i)	The PRC 27 June 2016	RMB17,600,000	RMB17,600,000	RMB17,600,000	RMB20,000,000	100%	100%	100%	100%	Investment holdings and delivery services
浙江蔓草電子商務有限公司 (Zhejiang Mancao E-commerce Co., Ltd.)*	(i)	The PRC 28 March 2019	RMB10,000	RMB10,000	RMB10,000	RMB10,000	100%	100%	100%	100%	Delivery services
Global Link Logistics Services Limited (“Global Link HK”)	(ii)	Hong Kong 20 June 2016	HK\$10,000	HK\$10,000	HK\$10,000	HK\$10,000	100%	100%	100%	100%	Delivery services
ZY Logistics Company Limited (“ZY Logistics”)	(ii)	Hong Kong 10 November 2017	USD100,000	USD100,000	USD100,000	USD100,000	100%	100%	100%	100%	Investment holdings

* for identification purpose only

Notes:

- (i) No audited financial statements have been prepared since their respective dates of establishment as they were incorporated in jurisdictions where there are no statutory audit requirements.
- (ii) The statutory financial statements of these entities for the years ended 31 December 2020, 31 December 2021 and 31 December 2022 were prepared in accordance with HKFRSs issued by the HKICPA and they were audited by Rich Moral CPA Limited, a Certified Public Accountant registered in Hong Kong, for the years ended 31 December 2020, 31 December 2021 and 31 December 2022.
- (iii) All subsidiaries now comprising the Group are limited liability companies and have adopted 31 December as their financial year end date.

APPENDIX I

ACCOUNTANTS’ REPORT

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

(a) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group’s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for what cash flow were, or future cash flow will be, classified in the consolidated statements of cash flow as cash flow from financing activities.

	Lease liabilities	Borrowings	Amount due to a director	Interest payables	Total
	<i>RMB’000</i> <i>(Note 17)</i>	<i>RMB’000</i> <i>(Note 27)</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2020	11,597	17,100	55,157	—	83,854
Cash flows in	—	70,200	—	—	70,200
Cash flows out	(8,009)	(86,900)	(30,141)	(2,687)	(127,737)
Finance costs incurred <i>(Note 9)</i>	579	—	—	2,687	3,266
Non-cash movement . . .	3,949	—	—	—	3,949
At 31 December 2020 .	<u>8,116</u>	<u>400</u>	<u>25,016</u>	<u>—</u>	<u>33,532</u>
At 1 January 2021	8,116	400	25,016	—	33,532
Cash flows in	—	7,300	—	—	7,300
Cash flows out	(7,537)	(7,400)	(24,974)	(166)	(40,077)
Finance costs incurred <i>(Note 9)</i>	677	—	—	166	843
Non-cash movement . . .	17,320	—	—	—	17,320
At 31 December 2021 .	<u>18,576</u>	<u>300</u>	<u>42</u>	<u>—</u>	<u>18,918</u>
At 1 January 2022	18,576	300	42	—	18,918
Cash flows in	—	4,429	—	—	4,429
Cash flows out	(9,943)	(300)	—	(79)	(10,322)
Finance costs incurred <i>(Note 9)</i>	834	—	—	79	913
Non-cash movement . . .	6,135	—	—	—	6,135
At 31 December 2022 .	<u>15,602</u>	<u>4,429</u>	<u>42</u>	<u>—</u>	<u>20,073</u>
At 1 January 2023	15,602	4,429	42	—	20,073
Cash flows in	—	209,400	—	—	209,400
Cash flows out	(5,739)	(159,429)	—	(1,011)	(166,179)
Finance costs incurred <i>(Note 9)</i>	275	—	—	1,011	1,286
Non-cash movement . . .	758	—	—	—	758
As at 30 June 2023 . . .	<u>10,896</u>	<u>54,400</u>	<u>42</u>	<u>—</u>	<u>65,338</u>

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(Unaudited)	
Within operating cash flows	347	13	15	11	418
Within financing cash flows	8,009	7,537	9,943	6,116	5,739
	<u>8,356</u>	<u>7,550</u>	<u>9,958</u>	<u>6,127</u>	<u>6,157</u>
The amounts relate to lease rental paid	<u>8,356</u>	<u>7,550</u>	<u>9,958</u>	<u>6,127</u>	<u>6,157</u>

38. AMOUNT DUE TO A SUBSIDIARY

Amount due to a subsidiary was non-trade related, unsecured, interest free and repayable on demand.

39. MAJOR NON-CASH TRANSACTION

Save as disclosed in Notes 17 and 36, the Group had no other non-cash transactions incurred during the years ended 31 December 2020, 31 December 2021 and 31 December 2022 and six months ended 30 June 2022 and 30 June 2023.

40. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 30 June 2023.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

UNAUDITED [REDACTED] FINANCIAL INFORMATION

The information set out in this appendix does not form part of the Accountants’ Report on the financial information of the Group for the three years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2023 (the “**Accountants’ Report**”) issued by the reporting accountants of the Company, SHINEWING (HK) CPA Limited, as set out in Appendix I to this document, and is included herein for illustrative purposes only.

The unaudited [REDACTED] financial information should be read in conjunction with the section headed “Financial Information” in this document and the Accountants’ Report as set out in Appendix I to this document.

A. STATEMENT OF UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following statement of unaudited [REDACTED] adjusted consolidated net tangible assets of the Company and its subsidiaries, (hereinafter collectively referred to as the “**Group**”) attributable to the owners of the Company prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 proposed [REDACTED] of the Company’s shares (the “[REDACTED]”) on the combined net tangible assets of the 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 the directors of the Company, and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the 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 the 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.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2023	Estimated net [REDACTED] from the [REDACTED]	Unaudited [REDACTED] adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2023	Unaudited [REDACTED] adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share as at 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 the Group attributable to the owners of the Company as at 30 June 2023 amounting to RMB395,914,000 is based on the audited consolidated net assets of the Group attributable to the owners of the Company of approximately RMB540,594,000 as at 30 June 2023, as extracted from the Accountants’ Report of the 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 issued upon the exercise of any options granted.

The estimated net [REDACTED] from the [REDACTED] is converted from Hong Kong dollars (“HK\$”) into Renminbi (“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 the Group attributable to the owners of the Company per share is calculated based on [REDACTED] shares in issue.
- (4) No adjustments have been made to the unaudited [REDACTED] consolidated net tangible assets of the Group attributable to the owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2023.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED [REDACTED] FINANCIAL INFORMATION**

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 24 November 2022 under the Companies Act. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on [DATE]. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a member being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) Transfer of shares

Subject to the Companies Act and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first annual general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the members before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by an ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resigns;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by an ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities,

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board goes beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

(viii) Financial assistance to purchase Shares

Subject to the Companies Act, or any other law or so far as not prohibited by any law and subject to any rights conferred on the holders of any class of Shares, the Company shall have the power to give, directly or indirectly, by means of a loan, a guarantee, an indemnity, the provision of security or otherwise howsoever, financial assistance for the purpose of or in connection with a purchase or other acquisition made or to be made by any person of any Shares or warrants or other securities in the Company or any company which is a holding company of the Company.

(ix) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefit received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefit scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

(x) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote and the right to speak.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each financial year other than the financial year of the Company's adoption of the Articles. Such annual general meeting must be held within six (6) months after the end of our Company's financial year (unless a longer period would not infringe the Listing Rules, if any) and shall be held in the Relevant Territory or elsewhere as may be determined by our Board and at such time and place as our Board shall appoint.

(iv) Requisition of general meetings

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(v) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Act and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(vii) Right to Speak

All members have the right to (a) speak at a general meeting; and (b) vote at a general meeting except where a member is required, by the Listing Rules, to abstain from voting to approve the matter under consideration.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Act (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those members that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The members may by an ordinary resolution appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the members in general meeting by an ordinary resolution or in such manner as the members may determine.

The members may, at a general meeting remove the auditor(s) by an ordinary resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by an ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is [REDACTED] on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 24 November 2022 subject to the Companies Act. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Act and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Act;
- (iv) writing-off the preliminary expenses of the company; and

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Act (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (2018 Revision).

The undertaking for the Company is for a period of 30 years from 19 December 2022.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by (i) 75% in value of the members or class of members or (ii) a majority in number representing 75% in value of the creditors or class of creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available on display as referred to in the paragraph headed "Documents Available on Display" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 24 November 2022. Our Company established a principal place of business in Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 3 February 2023 and our principal place of business in Hong Kong is at Room 1603, 16/F, China Building, 29 Queen’s Road Central, Central, Hong Kong. Loong & Yeung of Room 1603, 16/F, China Building, 29 Queen’s Road Central, Central, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, our Company is subject to the relevant laws of the Cayman Islands and the constitution which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Companies Act and certain provisions of our constitution is set out in Appendix III to this document.

2. Changes in share capital of our Company

- (a) As at the date of incorporation of our Company, the authorised share capital was HK\$380,000 divided into 38,000,000 Shares. One fully-paid Share was allotted and issued to the initial subscriber, which was then transferred to Zi Yue.
- (b) On 9 May 2023, our sole shareholder, Zi Yue, resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$7,800,000 by the creation of 742,000,000 additional Ordinary Shares, each ranking pari passu with the Ordinary Shares then in issue in all respects.
- (c) Pursuant to step 4 of the Reorganisation, on 9 May 2023, an aggregate of 40,491,580 Ordinary Shares were allotted and issued to the allottees as set out in the paragraph headed “History, Development and Reorganisation — Reorganisation — Step 4: Subscription of new shares by the BVI companies set up by the Original Owners”.
- (d) On 11 May 2023, our Shareholders resolved to set up a class of Preferred Shares and re-designate the authorised share capital of our Company from HK\$7,800,000 divided by 780,000,000 Ordinary Shares of HK\$0.01 each to HK\$7,800,000 divided by of 775,000,000 Ordinary Shares of HK\$0.01 each and 5,000,000 Preferred Shares of HK\$0.01 each.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (e) Pursuant to step 6 of the Reorganisation, on 16 May 2023, 4,791,427 Preferred Shares were allotted and issued to Taobao China.
- (f) Pursuant to step 7 of the Reorganisation, on 16 May 2023, 457,404 Ordinary Shares were allotted and issued to Easygo.

Save as disclosed above and in the paragraph headed “Written resolutions of our Shareholders dated [•]” below, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this document. Upon the [REDACTED] and pursuant to the Memorandum and Articles of Association, all Preferred Shares will be converted into Ordinary Shares on a one-to-one basis by way of re-designation to Ordinary Shares on the [REDACTED].

3. Written resolutions of our Shareholders dated [•]

Pursuant to the written resolutions of our Shareholders entitled to vote at general meetings of our Company, which were passed on [•]:

- (a) our Company conditionally approved and adopted the amended and restated Memorandum and Articles of Association to take effect from the [REDACTED];
- (b) the authorised share capital of our Company was increased from HK\$[7,800,000] divided by [775,000,000] Ordinary Shares of HK\$0.01 each and [5,000,000] Preferred Shares of HK\$0.01 each to HK\$[20,000,000] divided by [1,920,000,000] Ordinary Shares of HK\$0.01 each and [80,000,000] Preferred Shares of HK\$0.01 each by the creation of [1,145,000] additional Ordinary Shares and [75,000,000] additional Preferred Shares, each ranking *pari passu* with the respective class of Shares then in issue in all respects;
- (c) [REDACTED]

[REDACTED]

- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Memorandum and the Articles or pursuant to a specific authority granted by our Shareholders in general meeting or pursuant to the [REDACTED] and the [REDACTED], Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require the exercise of such power, with such number of Shares not exceeding 20% of the total number of the Shares in issue immediately following completion of the [REDACTED] and the [REDACTED], and such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Act or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be [REDACTED] and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the total number of the Shares in issue immediately following completion of the [REDACTED] and the [REDACTED], and such mandate to remain in effect until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Act or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
- (f) the general unconditional mandate mentioned in sub-paragraph (c) above was extended by the addition to the number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the total number of the Shares in issue immediately following completion of the [REDACTED] and the [REDACTED].

4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the [REDACTED], details of which are set out in the section headed “History, Development and Reorganisation — Reorganisation” in this document. Following the Reorganisation, our Company became the holding company of our Group.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountants’ Report, the text of which is set forth in Appendix I to this document. The following alteration in the share or registered capital of our subsidiaries have taken place within two years immediately preceding the date of this document:

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Hangzhou FAR

On 31 October 2022, the registered capital of Hangzhou FAR was decreased from RMB47,914,271 to RMB45,283,008.

On 30 November 2022, the registered capital of Hangzhou FAR was increased from RMB45,283,008 to RMB45,740,412.

Save as disclosed above and in the section headed “History, development and reorganisation — Reorganisation”, there have been no alterations in the capital of our subsidiaries within the two years immediately preceding the date of this document.

6. Repurchase of the Shares by our Company

This section includes information required by the Stock Exchange to be included in the document concerning the repurchase of our Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) Shareholders’ approval

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our Shareholders passed on [•], a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors authorising our Directors to exercise all powers of our Company to purchase on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares representing up to 10% of the total number of Shares in issue immediately following completion of the [REDACTED] and the [REDACTED], and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Act or any other applicable laws of the Cayman Islands to be held, or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(ii) Source of funds

Any repurchase must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the Listing Rules. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time our Shares are repurchased or, if authorised by the Articles and subject to the Companies Act, out of capital.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a "core connected person" (as defined in the Listing Rules), which includes a director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of [•] Shares in issue after completion of the [REDACTED] and the [REDACTED], could accordingly result in up to [•] Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchased Mandate must be fully paid up.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(d) Funding of repurchase

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles and the applicable laws from time to time in force in the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence which may arise under the Takeovers Code as a result of a repurchase of Shares if made immediately after the [REDACTED] pursuant to the Repurchase Mandate. At present, so far as is known to our Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that the Directors exercise the power in full to repurchase the Shares pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules). No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this document and are or may be material:

- (a) Zhongtai Repurchase Agreement;
- (b) Anhui Guoyuan Repurchase Agreement;
- (c) Easygo HK Agreement;
- (d) Original Owners Subscription Agreement;
- (e) Original Owners Acquisition Agreement;
- (f) Alibaba Acquisition Agreement;
- (g) Taobao Subscription Agreement;
- (h) New Shareholders Agreement;
- (i) Easygo Share Swap Agreement;
- (j) Deed of Non-Competition;
- (k) Deed of Indemnity; and
- (l) **[REDACTED]**.








APPENDIX IV

STATUTORY AND GENERAL INFORMATION

2. Intellectual property rights of our Group



(a) Trademarks

(i) As at the Latest Practicable Date, our Group had registered the following trademarks, which are material in relation to our business:




No.	Trademark	Registered owner	Place of registration	Class	Registration number	Expiry date
1.		Hangzhou FAR	PRC	39	4444539	20 August 2028
2.		Hangzhou FAR	PRC	39	6629792	6 July 2032
3.		Hangzhou FAR	PRC	39	9676191	20 August 2032
4.		Hangzhou FAR	PRC	42	8670846	6 November 2031
5.		Hangzhou FAR	PRC	39	9676208	6 August 2032
6.		Hangzhou FAR	PRC	31	40233238	27 August 2030
7.		Hangzhou FAR	PRC	39	40225900	27 August 2030
8.		Hangzhou FAR	PRC	44	40213162	20 October 2030
9.		Hangzhou FAR	PRC	9	10136050	27 December 2032
10.		Hangzhou FAR	PRC	42	10136087	6 January 2033
11.		Hangzhou FAR	PRC	35	10136062	6 January 2033
12.		Hangzhou FAR	PRC	35	65885615	6 January 2033
13.		Hangzhou FAR	PRC	39	65879668	6 January 2033
14.		Hangzhou FAR	Hong Kong	39	306132366	14 December 2032

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Trademark	Registered owner	Place of registration	Class	Registration number	Expiry date
15.		Hangzhou FAR	PRC	35	65874058	6 March 2033
16.	 JINGYUAN SUPPLY CHAIN	Hangzhou FAR	PRC	39	65882630	6 March 2033

(ii) As at the Latest Practicable Date, our Group had applied for registration of the following trademarks, the registration of which has not yet been granted:

No.	Trademark	Applicant	Place of Application	Class	Application number	Application date
1.	 FAR INTERNATIONAL LOGISTICS	Hangzhou FAR	PRC	35	68947574	21 December 2022
2.		HK FAR	Hong Kong	39	306132375	15 December 2022
3.	 泛远国际控股 泛远国际控股 FAR INTERNATIONAL LOGISTICS FAR INTERNATIONAL LOGISTICS	HK FAR	Hong Kong	39	306154551	19 January 2023

(b) Patents

As at the Latest Practicable Date, we have registered the following patents which, in the opinion of our Directors, are material to our business:

No.	Patent Name	Registered Owner	Place of Registration	Patent Number	Patent Type	Application Date	Expiry Date
1.	Self-identifying cargo loading carrier*	Hangzhou FAR	PRC	ZL201721582753.3	Utility Model	23 November 2017	22 November 2027
2.	Logistics transportation device for user self-service pick-up*	Hangzhou FAR	PRC	ZL201721583621.2	Utility Model	23 November 2017	22 November 2027

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Patent Name	Registered	Place of	Patent Number	Patent Type	Application	
		Owner	Registration			Date	Expiry Date
3	Self-guiding cargo transport vehicle*	Hangzhou FAR	PRC	ZL201721583390.5	Utility Model	23 November 2017	22 November 2027

(c) Domain names

As at the Latest Practicable Date, the Group has the following material registered domain names:

Domain name	Registrant	Date of registration	Date of expiry
<i>colt-uk.com</i>	Hangzhou FAR	17 July 2017	17 July 2024
<i>coomao.com</i>	Hangzhou FAR	14 August 2008	14 August 2024
<i>far800.com</i>	Hangzhou FAR	28 September 2014	28 September 2024
<i>far900.com</i>	Hangzhou FAR	18 June 2020	18 June 2024
<i>farlogistics.com</i>	Hangzhou FAR	28 April 2004	28 April 2024
<i>farlogistics.cn</i>	Hangzhou FAR	28 April 2004	28 April 2024
<i>szunicon.com</i>	Shenzhen Global Link	12 June 2009	12 June 2025
<i>httx56.com</i>	Shenzhen Global Link	24 August 2012	24 August 2025

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

C. FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS

1. Disclosure of interests

(a) Interests and short positions of the Directors and the chief executives of our Company in the shares, underlying shares and debentures of our Company and our associated corporations

As at the Latest Practicable Date and immediately following completion of the [REDACTED] and the [REDACTED] and taking no account of any Shares which may be allotted and [REDACTED] pursuant to the exercise of the [REDACTED], the interests or short positions of our Directors and the chief executive of our Company in our Shares, underlying Shares and debentures of our associated corporations, within the meaning of Part XV of the SFO which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of [REDACTED] Companies contained in the Listing Rules, will be as follows:

Name	Capacity/nature of interest	Number of Shares held/ interested in after completion of the [REDACTED] and [REDACTED]	Approximate Percentage of shareholding after completion of the [REDACTED] and the [REDACTED]
Wang Quan (<i>Note 1</i>)	Interest in a controlled corporation ¹	[REDACTED]	[REDACTED]
Yang Zhilong (<i>Note 2</i>).	Interest in a controlled corporation ¹	[REDACTED]	[REDACTED]
Zhu Jiong (<i>Note 3</i>).	Interest in a controlled corporation ¹	[REDACTED]	[REDACTED]

Notes:

(1) Immediately following the completion of the [REDACTED] and the [REDACTED], Zi Yue Holdings Limited and Gensis FAR Holdings Limited will hold [REDACTED] and [REDACTED] Shares, representing approximately [REDACTED] and [REDACTED] of the entire issued share capital of our Company, respectively. Zi Yue Holdings Limited is entirely owned by Mr. Wang Quan. Therefore, Mr. Wang Quan is deemed to be interested in the Shares held by Zi Yue Holdings Limited by virtue of the SFO. Gensis FAR Holdings Limited is wholly-owned by

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Hangzhou Aiyuan L.P. Mr. Wang Quan is interested in approximately 37.88% of the equity interest in Hangzhou Aiyuan L.P. Therefore, Mr. Wang Quan is deemed to be interested in the Shares held by Gensis FAR Holdings Limited by virtue of the SFO.

- (2) Immediately following the completion of the [REDACTED] and the [REDACTED], Ren He International Holdings Limited will hold [REDACTED] Shares, representing approximately [REDACTED] of the entire issued share capital of our Company. Ren He International Holdings Limited is entirely owned by Mr. Yang Zhilong. Therefore, Mr. Yang Zhilong is deemed to be interested in the Shares held by Ren He International Holdings Limited by virtue of the SFO.
- (3) Immediately following the completion of the [REDACTED] and the [REDACTED], Seven Big Dipper Holdings Limited will hold [REDACTED] Shares, representing approximately [REDACTED] of the entire issued share capital of our Company. Seven Big Dipper Holdings Limited is entirely owned by Mr. Zhu Jiong. Therefore, Mr. Zhu Jiong is deemed to be interested in the Shares held by Seven Big Dipper Holdings Limited by virtue of the SFO.

(b) Interests and short positions of substantial shareholders in the Shares and underlying Shares of our Company

So far as is known to our Directors and taking no account of any Shares which may be taken up under the [REDACTED], and Shares to be issued pursuant to the exercise of the [REDACTED], the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the [REDACTED] and the [REDACTED], have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the [REDACTED] voting shares of any other member of our Group:

Long Position in the Shares

Name	Capacity/nature of interest	Number of Shares held/ interested in after completion of the [REDACTED] and [REDACTED]	Approximate Percentage of shareholding after completion of the [REDACTED] and the [REDACTED]
Zi Yue Holdings Limited	Beneficial Owner ¹	[REDACTED]	[REDACTED]
Lao Minzhong.	Interest of spouse ²	[REDACTED]	[REDACTED]
Taobao China ³	Beneficial Owner	[REDACTED]	[REDACTED]
Taobao Holding Limited.	Interest in a controlled corporation	[REDACTED]	[REDACTED]

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Name	Capacity/nature of interest	Number of Shares held/ interested in after completion of the [REDACTED] and [REDACTED]	Approximate Percentage of shareholding after completion of the [REDACTED] and the [REDACTED]
Alibaba Holding	Interest in a controlled corporation	[REDACTED]	[REDACTED]
Ye Jianrong (葉建榮)	Interest in a controlled corporation ⁴	[REDACTED]	[REDACTED]
Hangzhou Gongshu State-owned Innovation Development Co., Ltd. (杭州拱墅國投創新發展有限公司)	Interest in a controlled corporation ⁵	[REDACTED]	[REDACTED]
Hangzhou City Gongshu District State-owned Investment Holding Group Co., Ltd. (杭州市拱墅區國有投資控股集團有限公司)	Interest in a controlled corporation ⁵	[REDACTED]	[REDACTED]

Notes:

- (1) Zi Yue Holdings Limited is entirely owned by Mr. Wang Quan. Therefore, Mr. Wang Quan is deemed to be interested in the Shares held by Zi Yue Holdings Limited by virtue of the SFO. Gensis FAR Holdings Limited (天遠控股有限公司) shall be interested in approximately [REDACTED] shareholding of our Company immediately following completion of the [REDACTED] and [REDACTED]. Gensis FAR Holdings Limited is wholly-owned by Hangzhou Aiyuan L.P. Mr. Wang Quan is interested in approximately 37.88% of the equity interest in Hangzhou Aiyuan L.P. Therefore, Mr. Wang Quan is deemed to be interested in the Shares held by Gensis FAR Holdings Limited by virtue of the SFO.
- (2) Ms. Lao Minzhong is the spouse of Mr. Wang Quan. Accordingly, for the purpose of the SFO, Ms. Lao Minzhong is deemed, or taken to be, interested in the Shares in which Mr. Wang Quan is interested.
- (3) Taobao China is 100% owned by Taobao Holding Limited, which is in turn 100% owned by Alibaba Holding.
- (4) Coast Harvest Holdings Limited (岸城控股有限公司) shall be interested in approximately [REDACTED] shareholding of our Company immediately following completion of the [REDACTED] and [REDACTED]. Mr. Ye Jianrong is interested in 85% of the shareholding in Coast Harvest Holdings Limited. Therefore, Mr. Ye Jianrong is deemed to be interested in the Shares held by Coast Harvest Holdings Limited by virtue of the SFO. Skill Lead Holdings Limited (藝領控股有限公司) shall be interested in approximately [REDACTED] shareholding of our Company immediately following completion of the [REDACTED] and [REDACTED]. Skill Lead Holdings Limited is entirely owned by Mr. Ye Jianrong. Therefore, Mr. Ye Jianrong is deemed to be interested in the Shares held by Zi Yue Holdings Limited by virtue of the SFO.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (5) Summit Acute Holdings Limited (峰銳控股有限公司) shall be interested in approximately [REDACTED] shareholding of our Company immediately following completion of the [REDACTED] and [REDACTED]. Summit Charm Holdings Limited (峰魅控股有限公司) shall be interested in approximately [REDACTED] shareholding of our Company immediately following completion of the [REDACTED] and [REDACTED]. Both companies are indirectly and wholly-owned by Hangzhou Gongshu State-owned Innovation Development Co., Ltd. (杭州拱墅國投創新發展有限公司), which is in turn wholly-owned by Hangzhou City Gongshu District State-owned Investment Holding Group Co., Ltd. (杭州市拱墅區國有投資控股集團有限公司), a wholly state-owned company established in accordance with the PRC Company Law on 10 June 2008. Therefore, each of Hangzhou Gongshu State-owned Innovation Development Co., Ltd. and Hangzhou City Gongshu District State-owned Investment Holding Group Co., Ltd. is deemed to be interested in the Shares held by Summit Acute Holdings Limited and Summit Charm Holdings Limited by virtue of the SFO.

2. Particulars of service contracts

No Director has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Remuneration of Directors

- (a) The aggregate amount of remuneration paid to our Directors by our Group in respect of the three years ended 31 December 2022 and the six months ended 30 June 2023 were approximately RMB2,029,000, RMB3,077,000, RMB3,013,000 and RMB1,493,000, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2023 will be approximately RMB2,124,000.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (c) Under the arrangements currently proposed, conditional upon the [REDACTED], the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

Executive Directors	<i>RMB</i>
Mr. Wang Quan	408,000
Ms. Zhang Min	600,000
Mr. Yang Zhilong	258,000
Mr. Zhang Guangyang	360,000
Mr. Zhu Jiong	258,000
Non-executive Director	
Mr. Wang Tiantian	Nil
Independent non-executive Directors	
Mr. Ye Xingyue	80,000
Mr. Ren Tiangan	80,000
Mr. Sun Peng	80,000

4. Disclaimers

1. Fees or commission received

Save as disclosed in the section headed “[REDACTED]” in this document, none of our Directors or the experts named in the paragraph headed “E. Other information — 7. Consents of experts” in this Appendix had received any agency fee or commissions from our Group within the two years preceding the date of this document.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

2. *Related party transactions*

Details of the related party transactions are set out under Note 34 to the Accountants' Report set out in Appendix I to this document.

3. *Disclaimers*

Save as otherwise disclosed in this section:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;
- (b) none of our Directors or the experts named in the paragraph headed "E. Other information — 6. Qualifications of experts" in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors or the experts named in the paragraph headed "E. Other information — 7. Consents of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors or the experts named in the paragraph headed "E. Other information — 7. Consents of experts" in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (e) none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the [REDACTED] and the [REDACTED], have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (f) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of the associated corporations (within the meaning of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, to be notified to our Company and the Stock Exchange;
- (g) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the top five customers or the top five suppliers of our Group in each year during the Track Record Period; and
- (h) no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

D. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholders have, under the Deed of Indemnity as referred to in the paragraph headed "B. Further information about the business of our Company — Summary of material contracts" in this Appendix, given joint and several indemnities to our Company for itself and as trustee for and on behalf of its subsidiaries in connection with, among other things:

- (a) any liability for Hong Kong estate duty which might be payable by any member of our Group under or by virtue of the provisions of section 35 and/or section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any other similar legislation in any relevant jurisdiction outside Hong Kong arising on the death of any person at any time by reason of any transfer of any property to any member of our Group on or before the date on which the [REDACTED] becomes unconditional;

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (b) any taxation which might be payable by any member of our Group (i) in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which [REDACTED] becomes unconditional; or (ii) in respect of or in consequence of any act, omission, transaction, matter, thing or event occurring or deemed to occur on or before the date on which the [REDACTED] becomes unconditional, but the Indemnifiers will, however, not be liable under the Deed of Indemnity for taxation to the extent that, among others:
- (i) specific provision, reserve or allowance has been made for such taxation liability or taxation claim in the audited combined financial statements of any member of our Group for the Track Record Period; or
 - (ii) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the [REDACTED] becomes unconditional; or
 - (iii) the taxation liability arises in the ordinary course of business of our Group after 30 September 2022 up to and including the date on which the [REDACTED] becomes unconditional.
- (c) any penalty, claims, actions, demands, proceedings, actions, judgments, losses, liabilities, damages, costs, administrative or other charges, fees, expenses and fines of whatever nature (which shall include legal fees and costs) which may be imposed on, suffered or incurred by any member of our Group as a result of or in connection with (i) any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings (whether criminal, administrative, contractual, tortious or otherwise), instituted by or against any member of our Group in relation to any act, non-performance, omission, events or otherwise occurred on or before the date on which the [REDACTED] becomes unconditional; (ii) the implementation of the Reorganisation undergone by our Group in preparation for the [REDACTED] and/or disposal or acquisition of the equity interest in any member of our Group since the date of incorporation of each member of our Group and up to the date on which the [REDACTED] becomes unconditional; and (iii) any non-compliance with the applicable laws, rules or regulations by any member of our Group on or before the date on which the [REDACTED] becomes unconditional except that provision, reserve or allowance has been made for such liabilities in the audited combined financial statements of our Company or any other member of our Group for the Track Record Period (if any).

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

2. Litigation

Our Directors confirmed that as at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened by or against any member of our Group.

3. Sponsor

The Sponsor has made an application on behalf of our Company to the [REDACTED] for the [REDACTED].

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

We agreed to pay HK\$[•] to the Sole Sponsor for purposes of services provided by the Sole Sponsor in the capacity of sponsor.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company approximately US\$62,000 and were paid by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

6. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this document:

<u>Name</u>	<u>Qualification</u>
Grand Moore Capital Limited	A licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
SHINEWING (HK) CPA Limited	Certified Public Accountants Registered Public Interest Entity Auditor
Allbright Law Offices	Legal advisers to our Company as to PRC laws
Appleby	Legal advisers to our Company as to the laws of the Cayman Islands
Frost & Sullivan	Independent industry consultant
SHINEWING Tax And Business Advisory Limited	Transfer pricing consultant

7. Consents of experts

Each of the experts named in paragraph 6 of this Appendix has given and has not withdrawn their respective consent to the issue of this document with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

8. Binding effect

This document shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

9. Registration procedures

Our register of members will be maintained by our [REDACTED], [REDACTED]. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the [REDACTED]. All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.

10. No material adverse change

Save for the expenses expected to be incurred in connection with the [REDACTED], our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Company or its subsidiaries since 30 September 2022 (being the date to which the latest audited financial statements of our Group were made up), and there is no event since 30 September 2022 which would materially affect the information shown in our combined financial information included in the Accountants' Report set forth in Appendix I to this document.

11. Registration procedures

The principal register of members of our Company in the Cayman Islands will be maintained by the Cayman Islands Principal Register and a branch register of members of our Company will be maintained by [REDACTED]. Save where our Directors agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch [REDACTED] in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

12. Taxation of holders of Shares

(a) *Hong Kong*

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) *Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfer of shares of Cayman Islands exempted companies except those which hold interests in land in the Cayman Islands.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

(c) Consultation with professional advisers

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the [REDACTED] accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

13. Miscellaneous

- (a) Save as otherwise disclosed in the sections headed "History, development and reorganisation" and "Financial Information" of and the section headed "Accountants' Report" of Appendix I to this document, within the two years immediately preceding the date of this document:
- (i) no share or loan capital of our Company or any of the subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of the subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of the subsidiaries;
 - (iii) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares or debenture of any of our Company or the subsidiaries;
 - (iv) no founder, management or deferred shares or any debentures of our Company have been issued or agreed to be issued; and
 - (v) no share or loan capital of our Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (b) Save as disclosed in the section headed “[REDACTED]” in this document, none of the parties listed in the paragraph headed “Consents of experts” in this Appendix is interested legally or beneficially in any securities of our Company or any of its subsidiaries; or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities of our Company or any of its subsidiaries;
- (c) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this document;
- (d) No company within our Group is presently listed on any stock exchange or traded on any trading system;
- (e) Our Group has no outstanding convertible debt securities;
- (f) Our Directors have been advised that, under Cayman Islands law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands law; and
- (g) The English text of this document shall prevail over the Chinese text.

14. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided in sections 4 and 5 of the Companies (Exemption of Companies and [REDACTED] from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX V

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE ON DISPLAY**

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of the material contracts referred to in the section headed “Statutory and general information — B. Further information about the business of our Company — 1. Summary of material contracts” in Appendix IV to this document; and
- (b) the written consents referred to in the section headed “Statutory and general information — D. Other information — 7. Consent of experts” in Appendix IV to this document.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and our website at www.far800.com during a period of 14 days from the date of this document:

- (a) the Memorandum and Articles of Association of our Company;
- (b) the Accountants’ Report and the report on the unaudited [REDACTED] financial information prepared by SHINEWING (HK) CPA Limited, the texts of which are set out in Appendices I and II to this document;
- (c) the audited consolidated financial statements of our Company as have been prepared for the companies comprising our Group for the three years ended 31 December 2022;
- (d) the PRC legal opinion prepared by Allbright Law Offices, our PRC Legal Adviser, in respect of certain aspects of our Group as to the PRC law;
- (e) the letter of advice prepared by Appleby, our Cayman Legal Adviser, summarising certain aspects of Cayman Islands company law referred to in Appendix III to this document;
- (f) the F&S Report issued by Frost & Sullivan;
- (g) the material contracts referred to the section headed “Statutory and general information — B. Further information about the business — 1. Summary of material contracts” in Appendix IV to this document;

APPENDIX V

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
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- (h) the written consents referred to in the section headed “Statutory and general information — D. Other information — 7. Consents of experts” in Appendix IV to this document;
and

- (i) the Companies Act.