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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)

(Stock code: 2516)

**ANNUAL RESULTS ANNOUNCEMENT FOR
THE YEAR ENDED 31 DECEMBER 2023**

The board (the “**Board**”) of directors (the “**Director(s)**”) of FAR International Holdings Group Company Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023 (“**FY2023**” or the “**Reporting Period**”) together with the comparative figures for the year ended 31 December 2022 (“**FY2022**”) as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	FY2023 RMB'000	FY2022 RMB'000
Revenue	3	2,045,883	1,251,983
Cost of sales		(1,888,921)	(1,147,318)
Gross profit		156,962	104,665
Other income, gains and losses, net	5	1,087	4,764
Selling expenses		(10,026)	(7,218)
Administrative and other expenses		(96,991)	(66,026)
(Impairment loss) reversal of impairment loss on trade and other receivables		(8,777)	622
Finance costs	6	(4,472)	(913)
Profit before tax		37,783	35,894
Income tax expenses	7	(10,833)	(10,097)
Profit for the year	8	<u>26,950</u>	<u>25,797</u>
Other comprehensive income for the year: <i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference arising on translating foreign operations		736	3,186
Total comprehensive income for the year		<u>27,686</u>	<u>28,983</u>
Profit (loss) attributable to:			
— Owners of the Company		27,349	25,766
— Non-controlling interests		(399)	31
		<u>26,950</u>	<u>25,797</u>
Total comprehensive income (expense) attributable to:			
— Owners of the Company		28,085	28,952
— Non-controlling interests		(399)	31
		<u>27,686</u>	<u>28,983</u>
Earnings per share			
Basic and diluted (<i>RMB cents</i>)	10	<u>4.32</u>	<u>3.25</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	FY2023 RMB'000	FY2022 RMB'000
Non-current assets			
Property, plant and equipment		24,157	23,932
Right-of-use assets		16,681	14,475
Goodwill		144,680	144,680
Deferred tax assets		4,261	4,293
		189,779	187,380
Current assets			
Trade receivables	11	488,120	103,956
Deposits, prepayments and other receivables		113,895	83,413
Amount due from a related company		1,652	—
Financial assets at fair value through profit or loss		—	35
Time deposit		4,622	—
Bank balances and cash		409,046	239,499
		1,017,335	426,903
Current liabilities			
Trade payables	12	232,523	30,456
Accruals and other payables		42,182	33,754
Contract liabilities		7,278	13,271
Amount due to a director		—	42
Income tax payables		3,925	7,886
Lease liabilities		10,386	8,084
Borrowings		252,200	4,429
		548,494	97,922
Net current assets		468,841	328,981
Total assets less current liabilities		658,620	516,361
Non-current liabilities			
Deferred tax liabilities		29	38
Lease liabilities		6,948	7,518
		6,977	7,556
Net assets		651,643	508,805

	FY2023 <i>RMB'000</i>	FY2022 <i>RMB'000</i>
Capital and reserves		
Paid-in capital/share capital	7,075	45,283
Reserves	<u>644,922</u>	<u>463,477</u>
	651,997	508,760
Non-controlling interests	<u>(354)</u>	<u>45</u>
	<u>651,643</u>	<u>508,805</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

FAR International Holdings Group Company Limited (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 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 22 December 2023.

The Company is an investment holding company and has not carried on any business since the date of its incorporation. The Company and its subsidiaries (together referred to as the “**Group**”) are principally engaged in the provision of end-to-end cross-border delivery service, freight forwarding service and other logistics service.

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

For the purpose of preparing and presenting the consolidated financial statements for the years ended 31 December 2022 and 2023, the Group has consistently applied the accounting policies which conform with the HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“**HKASs**”), and amendments and the related interpretations issued by the Hong Kong Institute of Certified Public Accountants which are effective for the Group’s financial year beginning on 1 January 2023.

Amendments to HKFRSs issued but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
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
Amendments to HKAS 21	Lack of Exchangeability ²

¹ Effective for annual periods beginning on or after 1 January 2024.

² Effective for annual periods beginning on or after 1 January 2025.

³ 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 will have no material impact on the financial performance and the financial position of the Group.

3. REVENUE

Revenue mainly represents revenue arising from end-to-end cross-border delivery service, freight forwarding service and other logistics service for the year. An analysis of the Group's revenue is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major services lines		
— End-to-end cross-border delivery service	1,688,557	980,436
— Freight forwarding service	187,851	203,028
— Other logistics service	169,475	68,519
	<u>2,045,883</u>	<u>1,251,983</u>

Disaggregation of revenue from contracts with customers by timing of recognition

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Timing of revenue recognition		
Overtime	1,688,557	980,436
A point in time	<u>357,326</u>	<u>271,547</u>
	<u>2,045,883</u>	<u>1,251,983</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 the respective reporting period.

4. 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 end-to-end cross-border delivery service, freight forwarding service and other logistics service. 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.

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:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Mainland China	1,905,956	1,091,668
Hong Kong	120,191	112,541
The United States	14,894	4,653
The United Kingdom	87	41,253
Other countries and regions	4,755	1,868
	<u>2,045,883</u>	<u>1,251,983</u>

As at 31 December 2023 and 2022, all of the Group's non-current assets, excluding goodwill and deferred tax assets, were located in the People's Republic of China (the "PRC").

Information about major customers

Revenue from customers contributed over 10% of the total revenue of the Group are as follows:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Customer A ¹	1,000,760	N/A [#]
Shenzhen Yidatong Supply Chain Service Co., Ltd.* (深圳市一達通供應鏈服務有限公司) ²	<u>N/A[#]</u>	<u>153,347</u>

* for identification purpose only

¹ Revenue from end-to-end cross-border delivery service, freight forwarding service and other logistic service rendered.

² 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.

5. OTHER INCOME, GAINS AND LOSSES, NET

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Bank interest income	3,913	1,702
Government grants (<i>note (i)</i>)	2,081	811
(Loss) gain arising from change in fair value of financial assets at fair value through profit or loss	(10)	2,635
Net loss on disposal of property, plant and equipment	(86)	(298)
Loss on early termination of a lease	(78)	—
Exchange difference	(6,330)	(1,438)
Sundry income	1,597	1,352
	1,087	4,764

Note:

- (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. During the year ended 31 December 2023, the Group also obtained a government grant, provided by local government authorities in the PRC, relating to the successful listing of the shares in Hong Kong. As at 31 December 2023 and 2022, there were no unfulfilled conditions or contingencies relating to these government grants.

6. FINANCE COSTS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Interest on:		
Bank borrowings	3,768	79
Lease liabilities	704	834
	4,472	913

7. INCOME TAX EXPENSES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Current income tax:		
— Hong Kong Profits Tax	823	1,624
— Corporate Income Tax	9,987	8,402
Deferred taxation	23	71
	<u>10,833</u>	<u>10,097</u>

8. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Directors' emoluments	3,337	3,013
Salaries, allowances and other benefits (excluding directors' emoluments)	61,728	56,781
Contributions to retirement benefits scheme (excluding directors' emoluments)	8,675	6,366
Total staff costs	<u>73,740</u>	<u>66,160</u>
Auditor's remuneration	1,260	—
Listing expenses	27,983	13,230
Research and development cost (<i>note</i>)	934	1,191
Impairment loss (reversal of impairment loss) on:		
— trade receivables	8,526	(622)
— other receivables	251	—
	<u>8,777</u>	<u>(622)</u>
Depreciation of property, plant and equipment	4,502	4,603
Depreciation of right-of-use assets	<u>9,821</u>	<u>9,408</u>

Note: The item does not include depreciation, employee benefits and related expenses related to research and development.

9. DIVIDEND

No dividend has been paid or declared during the year ended 31 December 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

10. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings		
Earnings for the purpose of basic and diluted earnings per share	<u>27,349</u>	<u>25,766</u>
	2023	2022
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>633,374</u>	<u>793,740</u>

The weighted average number of ordinary shares had been adjusted for the effect of the capitalisation issue for the years ended 31 December 2023 and 2022.

The diluted earnings per share is equivalent to the basic earnings per share as there were no dilutive potential ordinary shares outstanding for both years.

11. TRADE RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables	511,405	120,994
Less: allowance for impairment loss of trade receivables	<u>(23,285)</u>	<u>(17,038)</u>
	<u>488,120</u>	<u>103,956</u>

As at 31 December 2023, trade receivables with approximately RMB399,984,000 (2022: Nil) were pledged to secure the bank borrowings granted to the Group.

The following is an ageing 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 respective reporting period.

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 3 months	469,557	96,013
4–12 months	15,154	6,431
1–2 years	<u>3,409</u>	<u>1,512</u>
	<u>488,120</u>	<u>103,956</u>

12. TRADE PAYABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables	<u>232,523</u>	<u>30,456</u>

The following is an ageing analysis of trade payables presented based on invoice date at the end of respective reporting period:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 3 months	228,188	27,810
4–12 months	3,467	2,418
1–2 years	805	200
2–3 years	<u>63</u>	<u>28</u>
	<u>232,523</u>	<u>30,456</u>

MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS OVERVIEW

1.1 Market Overview

The road to success in 2023 was strewn with setbacks, with sluggish consumption and renewed geopolitical conflicts, traditional transaction volume was relatively lacking. Against such backdrop, on the basis of their deep insights into foreign consumers, cross-border e-commerce operators in the People's Republic of China (the "PRC") have been rapidly expanding across various platforms through model innovations such as "hosting", providing better experiences for foreign consumers and objectively lowering the difficulty for them to export overseas, which facilitated the emergence of overseas export businesses in the PRC.

1.1.1 Compared with traditional foreign trade transportation, all cross-border e-commerce logistics processes have the characteristics of having multiple nodes, high frequency and being highly fragmented.

1.1.2 The development of cross-border e-commerce has shortened the trade process of regular traditional trade, lowered the cost of trade over the whole process and enhanced trade efficiency. With the gradual improvement of cross-border e-commerce infrastructure, the development of cross-border e-commerce has accelerated, which further facilitate the digital transformation of traditional foreign trade.

1.1.3 In 2023, it has become a norm for cross-border sellers to situate themselves in multiple platforms. In addition, the landscape of platforms has seen major changes, with platforms like Temu, TikTok Shop and SHEIN making substantial investments in foreign markets, which attracted a large number of consumers. Given the accelerated globalisation of domestic manufacturing and brands, not only deeper binding of the export of domestic logistics companies is required, but there is also a greater need to overtake the logistics resources system dominated by foreign companies. As such, domestically-oriented cross-border e-commerce logistics service providers timely exploit this opportunity and helped Chinese brands in achieving their mission to export their products overseas.

1.2 Performance Overview

For FY2023, the Group principally provided three main types of services, namely end-to-end cross-border delivery service, freight forwarding service and other logistics service. The total revenue amounted to approximately RMB2.05 billion for FY2023, representing a budget fulfillment ratio of 118.99% and a year-on-year increase of 63.41% as compared to that of FY2022. Gross profit margin reached 7.67% in FY2023, representing a budget fulfillment ratio of 103.53%. Profit for the year adjusted by the listing expenses (the “**adjusted net profit**”) amounted to approximately RMB54.93 million in FY2023, representing a budget fulfillment ratio of 108.20% and a year-on-year increase of 40.76% as compared to that of FY2022.

Overall, the core business performance indicators of the Group in FY2023 continued to improve, with both of its operating revenue and adjusted net profit exceeding expectation, and achieved sound and healthy growth and demonstrated its resilience for maintaining sustainable development in this extraordinary year of 2023.

Specific performance for each product is as follows:

- 1.2.1 Operating revenue from end-to-end cross-border delivery service amounted to approximately RMB1.69 billion for FY2023, representing a budget fulfillment ratio of 119.03% and a significant increase of approximately 72.23% as compared to that of FY2022. This was mainly attributable to the contribution from standard delivery services.
- 1.2.2 Operating revenue from freight forwarding service amounted to approximately RMB187.85 million for FY2023, representing a budget fulfillment ratio of 93.03% and a slight decrease as compared to that of FY2022.
- 1.2.3 Operating revenue from other logistics service amounted to approximately RMB169.48 million for FY2023, representing a budget fulfillment ratio of 171.42% and a significant increase of approximately 147.34% as compared to that of FY2022. This was mainly attributable to the increase in business volumes of customs clearance services, pick-up and last-mile delivery services from cross-border e-commerce customers.

2. FINANCIAL REVIEW

Revenue

The Group's revenue for FY2023 was approximately RMB2.05 billion, representing an increase of approximately 63.41% as compared to approximately RMB1.25 billion for FY2022. The increase in revenue was mainly attributable to the increase in revenue from the Group's end-to-end cross-border delivery services and other logistics services, partially offset by slight decrease in revenue from freight forwarding services.

The increase in revenue from end-to-end cross-border delivery services is mainly attributable to the increase in revenue from the provision of standard delivery services primarily driven by the growth in revenue generated from export shipments to the United States, and both the number of parcels delivered to the United States through the Group's standard delivery services and the respective billed weight witnessed an increase during FY2023.

The increase in revenue from other logistics services is mainly attributable to the increase in revenue from the Group's services of customs clearance services, pick-up and last-mile delivery services, which was mainly due to an increase in revenue from customer A for our customs clearance services and last-mile delivery services in the United States.

The decrease in revenue from freight forwarding services is the net effect of (i) decrease in revenue from both seaborne and airborne freight forwarding services; and (ii) increase in revenue generated from ground transportation.

Cost of sales

The Group's cost of sales increased from approximately RMB1.15 billion for FY2022 to approximately RMB1.89 billion for FY2023, representing an increase of approximately RMB0.74 billion or 64.64%. The increase was mainly due to the overall rise in logistic costs associated with the changes in revenue during FY2023 as discussed above.

Gross profit

The Group's gross profit for FY2023 was approximately RMB156.96 million, representing an increase of approximately 49.97% as compared to approximately RMB104.67 million for FY2022. The increase in gross profit was mainly due to increases in revenue from end-to-end cross-border delivery services and other logistics services for the reasons described above. The Group's gross profit margin declined slightly from approximately 8.36% for FY2022 to approximately 7.67% for FY2023 primarily attributable to the decreases in the gross profit margin of end-to-end cross-border delivery services and other logistics services.

The decrease in gross profit margin for end-to-end cross-border delivery services was due to a decrease in gross profit margin for express delivery services from approximately 8.63% for FY2022 to approximately 5.47% for FY2023 resulting from the keen competition in the market of Guangdong Province while the decrease in gross profit margin for other logistics services was due to a growing portion of last-mile delivery services which yields a relatively low profit margin.

Other income, gains and losses — net

The Group's other income, gains and losses, net decreased by approximately RMB3.68 million or 77.18% from approximately RMB4.76 million for FY2022 to approximately RMB1.09 million for FY2023. The decrease was mainly attributable to (i) increase in loss on exchange differences from approximately RMB1.44 million for FY2022 to approximately RMB6.33 million for FY2023; and (ii) a RMB10,000 loss arising from the change in fair value of financial assets at fair value through profit or loss (“FVTPL”) in FY2023, as compared to a gain from change in fair value of financial assets at FVTPL of approximately RMB2.64 million in FY2022, and partially offset by (a) increase in bank interest income; and (b) increase in government grants mainly relating to the successful listing of the shares of the Company (the “Share(s)”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 22 December 2023 (the “Listing”).

Impairment loss on trade and other receivables

The Group recorded an impairment loss on trade and other receivables of approximately RMB8.77 million for FY2023 and a reversal of impairment loss on trade and other receivables of approximately RMB0.62 million for FY2022, mainly due to the increase in the gross carrying amount of the Group's trade receivable.

Finance costs

The Group's finance costs increased by approximately RMB3.56 million or 389.81% from approximately RMB0.91 million for FY2022 to approximately RMB4.47 million for FY2023. The increase in finance costs was mainly due to the increase in bank borrowings during FY2023.

Income tax expenses

Income tax expenses primarily consist of current and deferred income tax at the applicable tax rate in accordance with the relevant laws and regulations in the PRC and Hong Kong. The Group's entities established in the Cayman Islands and the British Virgin Islands are exempted from income tax in those jurisdictions.

The Group's income tax expenses for FY2023 increased by approximately 7.29% to approximately RMB10.83 million from approximately RMB10.10 million for FY2022. The increase in income tax expenses was mainly due to the increase in profit before tax for FY2023 as compared to that of FY2022.

Profit for the year

As a result of the foregoing, the Group recorded a profit for the year of approximately RMB26.95 million for FY2023, representing an increase of approximately 4.47% as compared to approximately RMB25.80 million for FY2022, which was mainly due to the increase in revenue and gross profit as explained above, partially offset by (i) an increase in the Group's listing expenses during FY2023; (ii) an increase in the total staff costs during FY2023; and (iii) impairment loss on trade and other receivables of approximately RMB8.78 million for FY2023.

Non-HKFRS adjusted net profit

To supplement the Group's consolidated financial statements which are presented in accordance with the Hong Kong Financial Reporting Standards (“**HKFRS**”), the Company also used non-HKFRS adjusted net profit as an additional financial measure in order to evaluate its financial performance by eliminating the impact of items that it does not consider indicative of the performance of its business. The Company believes that this additional financial measure provides useful guidance as it reflects its net profit position relating to its normal business operations by eliminating the potential impact of its listing expenses. The term “adjusted net profit” is not defined under HKFRS. Other companies in the industry in which the Group operates may calculate such non-HKFRS item differently from the Group. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact the Group's net profit for FY2023, and should not be considered in isolation or as a substitute for analysis of the Group's results as reported under HKFRS.

The table below sets out the calculation of the Group’s non-HKFRS adjusted net profit for the years indicated:

	2023	2022
	<i>RMB’000</i>	<i>RMB’000</i>
Profit for the year	26,950	25,797
<i>Adjustment for:</i>		
Listing expenses	27,983	13,230
Adjusted net profit (non-HKFRS measure) for the year	<u>54,933</u>	<u>39,027</u>

The Group’s adjusted net profit, adjusted by excluding the Group’s listing expenses, was approximately RMB54.93 million for FY2023, representing an increase of approximately 40.76% as compared to approximately RMB39.03 million for FY2022.

Trade receivables

The Group’s trade receivables was approximately RMB488.12 million as at 31 December 2023, representing an increase of approximately 369.54% as compared to approximately RMB103.96 million as at 31 December 2022, primarily attributable to an increase in trade receivables from one of top 5 customers.

Trade payables

The Group’s trade payables was approximately RMB232.52 million as at 31 December 2023, representing an increase of approximately 663.47% as compared to approximately RMB30.45 million as at 31 December 2022, which was mainly attributable to the increase in the Group’s procurement in line with the growth of the Group’s business.

Liquidity, financial resources and capital structure

The Group generally finances its operations primarily through a combination of cash generated from operations and bank borrowings. Following the Company’s completion of the public offer and placing of the Shares (the “**Share Offer**”) in December 2023, the net proceeds from the Share Offer are expected to provide additional funds for future cash needs of the Group. It is anticipated that the Group has sufficient working capital to fund its future working capital, capital expenditure and other cash needs.

As at 31 December 2023, the Group's net current assets were approximately RMB468.84 million (31 December 2022: approximately RMB328.98 million). The Group's bank balances and cash as at 31 December 2023 were approximately RMB409.05 million (31 December 2022: approximately RMB239.50 million).

As at 31 December 2023, bank borrowings of approximately RMB252.20 million carried fixed interest rate from 3.60% to 4.45% per annum (31 December 2022: approximately RMB4.43 million carried fixed interest rate from 4.25% to 5.00% per annum). As at 31 December 2023, the Group had unutilised bank facilities of approximately RMB2.8 million.

As at 31 December 2023, the Group had lease liabilities of approximately RMB17.33 million, of which approximately RMB10.38 million is classified as current position, and approximately RMB6.95 million is classified as non-current position.

Gearing ratio

As at 31 December 2023, the gearing ratio of the Group (calculated based on the total debt of the Company (including interest-bearing borrowings and lease liabilities) to the total equity of the Company) was approximately 41.36% (31 December 2022: 3.94%). The increase in gearing ratio is primarily attributable to the increase in bank borrowings and current lease liabilities, partially offset by the decrease in non-current lease liabilities.

Exchange rate fluctuation risk

Renminbi is the Group's functional currency while some of the Group's business transactions with its customers and suppliers are denominated in other currencies, which are primarily US dollars and Hong Kong dollars. Therefore, the Group is exposed to foreign currency risk primarily through sales and procurements which give rise to accounts receivables, accounts payables and bank and cash balances that are denominated in a foreign currency other than RMB. In addition, the Group retains certain proceeds from the Listing in Hong Kong dollars that are exposed to foreign currency risk. The Group does not carry out hedging activities against its foreign currency exposures. However, the management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

Contingent liabilities

As at 31 December 2023, the Group had no material contingent liabilities.

Pledge of assets

As at 31 December 2023, the Group had pledged trade receivables with carrying amounts of approximately RMB399.98 million and ownership interests in buildings with carrying amounts of approximately RMB2.57 million as collateral for secured bank borrowings granted to the Group.

3. FUTURE OUTLOOK

3.1 Market Outlook

- 3.1.1 Based on the information from the General Administration of Customs of the PRC and the prediction from iResearch, the compound annual growth rate of the export volume of cross-border e-commerce in the PRC from 2022 to 2025 is expected to reach approximately 16.40%, in which achieving a stable development. By 2025, its scale will reach approximately RMB10.00 trillion. The rapid development of cross-border e-commerce promotes the continued growth of the cross-border e-commerce logistics market.
- 3.1.2 In 2024, cross-border e-commerce sellers will appear on more emerging platforms. Such emerging platforms largely adopt the “hosting” model, in which the platforms provide standard logistics and delivery solutions and sales services, while sellers only need to handle sourcing and warehousing. For cross-border e-commerce logistics companies, they can serve more e-commerce sellers through cooperation with these platforms. Meanwhile, the standardised logistics service requirements and standards of such platforms further improve the service quality of the cross-border e-commerce logistics industry.
- 3.1.3 With the diversifying and segmenting demand of global consumers, there are rising demands for goods. Meanwhile, the channels and ways for global consumers to obtain information of goods are continuously increasing. Foreign social media like Facebook, YouTube, TikTok and Twitter also recognise the demand for Chinese brands to export overseas and have invested more resources to support and help companies from the PRC to enter the international market. Cross-border e-commerce logistics services will also benefit from such situation.

3.2 *Development Strategy*

- 3.2.1 Further deepen the strategic cooperation with major platforms. The Company will strengthen the construction of marketing system and customer acquisition capability for non-platform customers like individual platforms.
- 3.2.2 Expand the business scale and service capabilities. The Company will expand or upgrade its existing service outlets as required to raise its service carrying capacity.
- 3.2.3 Expand the overseas business layout. On the basis of its existing business, the Company will extend the foreign logistics network, improve the cross-border delivery and the performance ability of overseas localisation ancillary services, facilitate the construction and launch of overseas logistics infrastructure and team recruitment, and establish an international logistics supply chain network.
- 3.2.4 Science is the key to refined management. Through upgrading the information technology system, the Company can empower its corporate development.

3.3 *Risk Factor*

Given the persisting global inflation, complexities in geopolitics and uncertainties, the Company, as a cross-border e-commerce logistics company, will pay close attention to the changes in relevant political and economic landscape as well as governmental and regulatory policies, and exert our best effort in devising countermeasures to support the export demand of cross-border e-commerce operators in the PRC.

4. USE OF PROCEEDS FROM INITIAL GLOBAL PUBLIC OFFERING

Based on the offer price of HK\$0.9 per Share under the Share Offer, after deducting the relevant listing expenses, the net proceeds from the Share Offer amounted to approximately RMB58.79 million (the “**Net Proceeds**”), which was lower than the RMB80.00 million as disclosed in the prospectus of the Company dated 12 December 2023 (the “**Prospectus**”). The difference of approximately RMB21.21 million has been adjusted in the same manner and in the same proportion to the use of proceeds as disclosed in the section headed “Future Plans And Use Of Proceeds” in the Prospectus. However, the Directors will continue to evaluate the business objectives of the Company and might change or revise its plans based on the changing market conditions in order to facilitate the business growth of the Company.

The following table illustrates the planned use and utilisation of the Net Proceeds:

Planned use of Net Proceeds	Percentage of total Net Proceeds	Original estimated amount available for utilisation	Adjusted amount available for utilisation	Net Proceeds utilised up to 31 December 2023	Unutilised amount as at 31 December 2023	Expected time for full utilisation of the remaining Net Proceeds
		RMB million	RMB million	RMB million	RMB million	
1. Achieving greater scale and further the Group’s reach	81.9%	65.5	48.15	0	48.15	30 June 2025
— Setting up new service outlets in the PRC	47.0%	37.6	27.63	0	27.63	30 June 2025
— Expanding and upgrading the Group’s existing service outlets in the PRC	34.9%	27.9	20.52	0	20.52	30 June 2025
2. Invest in and upgrade the Group’s information technology systems	18.0%	14.4	10.58	0	10.58	30 June 2025
3. Working capital and general corporate purposes	0.1%	0.1	0.06	0	0.06	30 June 2025
Total	100%	80.0	58.79	0	58.79	

5. FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Other than the disclosure in the Prospectus, the Company had no other future plans for material investments and capital assets as of 31 December 2023.

6. MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Company did not make any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Reporting Period.

7. PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

For the period from 22 December 2023, the date of the Listing (the “**Listing Date**”), to the date of this results announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

8. SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 31 December 2023 and up to the date of this results announcement.

OTHER INFORMATION

EMPLOYEES

As at 31 December 2023, the total number of employees of the Group was 506. Salaries of employees are maintained at competitive level, with close reference to the qualifications, relevant experience, position and seniority, and performance of each individual employee, and are reviewed annually.

FINAL DIVIDENDS

The Directors do not recommend the payment of a final dividend for FY2023 (FY2022: Nil).

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the “**Shareholders**”) and to enhance corporate value and accountability.

The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code of corporate governance. Since the Listing Date and up to the date of this results announcement, the Company has complied with all applicable code provisions set out in part 2 of the CG Code and adopted most of the recommended best practices set out therein.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors’ securities transaction. Having made specific enquiries to all Directors, the Directors confirmed that they have complied with the required standards as set out in the Model Code from the Listing Date and up to the date of this results announcement.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) has reviewed the Group’s audited consolidated financial statements for FY2023, including the accounting principles and policies adopted by the Group. The Audit Committee considered that the annual results for FY2023 had complied with all applicable accounting standards and the Listing Rules. The Audit Committee has also reviewed this results announcement.

SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes for the year ended 31 December 2023 as set out in this preliminary results announcement have been agreed by the Group's independent auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2023. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants, and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on this preliminary results announcement.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company (the "AGM") will be held on Friday, 31 May 2024.

CLOSURE OF REGISTER OF MEMBERS

For Determining the Eligibility to Attend and Vote at the AGM

The register of members of the Company will be closed from Tuesday, 28 May 2024 to Friday, 31 May 2024 (both days inclusive) for the purpose of determining the Shareholders who are entitled to attend and vote at the AGM, during which period no transfer of Shares will be effected. In order to qualify for attending and voting at the AGM, all duly completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. for registration on Monday, 27 May 2024.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Directors, as at 31 December 2023, the Company has maintained a sufficient public float as required under the Listing Rules.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.far800.com, respectively. The annual report of the Company for FY2023 containing all the information required by the Listing Rules will be despatched to its Shareholders and published on the above websites in due course.

PUBLICATION OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The environmental, social and governance report of the Group for FY2023 will be published on or before 25 April 2024 and will be available on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.far800.com, respectively.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend our gratitude to the Group's management and staff who dedicated their endless efforts and devoted services, and to our Shareholders, suppliers, customers and bankers for their continuous support.

By order of the Board
FAR International Holdings Group Company Limited
Wang Quan
Chairman and Executive Director

Hong Kong, 26 March 2024

As at the date of this announcement, the executive Directors are Mr. Wang Quan, Ms. Zhang Min, Mr. Yang Zhilong, Mr. Zhang Guangyang and Mr. Zhu Jiong; the non-executive Director is Mr. Wei Ran; and the independent non-executive Directors are Mr. Ye Xingyue, Mr. Ren Tiangan, and Mr. Sun Peng.