ANE (Cayman) Inc.

安 能 物 流 集 團 有 限 公 司

(A company incorporated in the Cayman Islands with limited liability)

(Stock Code: 9956)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2021

The board (the "**Board**") of directors (the "**Director(s)**") of ANE (Cayman) Inc. (the "**Company**" or "**ANE**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "**Group**", "**we**", "**our**" or "**us**") for the year ended December 31, 2021 (the "**Reporting Period**"), together with comparative figures for the year of 2020.

FINANCIAL HIGHLIGHTS

For the year ended December 31, 2021, the Group recorded the following audited results:

	Year ended December 31, 2021 *RMB'000*	Year ended December 31, 2020 *RMB'000*	Year-to-year change
Revenue	**9,645,366**	7,081,791	36%
Gross profit	**1,066,197**	1,051,466	1%
Operating profit	**257,190**	578,322	-56%
(Loss)/profit for the year	**(2,007,071)**	218,181	N/A
Adjusted net profit	**408,438**	654,316	-38%
Adjusted EBITDA	**1,342,303**	1,199,570	12%
Total assets	**6,335,586**	3,710,788	71%
Total equity	**2,668,308**	(5,988,575)	N/A
Net cash flows from operating activities	**1,084,519**	722,555	50%

Mr. Wang Yongjun, Chairman of ANE, commented, "ANE had a year of solid performance amid volatilities in the general economy and the environment that we operate in. We have successfully completed the initial public offering on the HKEx (the "**IPO**") and have achieved important strategic objectives that are critical for us to continue to lead the consolidation of the less-than-truckload ("**LTL**") industry in China: (1) our freight volume grew 23.4% to reach 12.6 million ton in 2021, leading the growth and scale amongst all express freight networks in China; (2) we had a healthy growth of our freight partners and agents, from approximately 26,400 in 2020 to 29,100 in 2021 and the top freight partners remain strong and stable; (3) we have invested approximately RMB1.9 billion in 2020 and 2021 to build and operate an industry-leading line-haul fleet that will play a key role in our mid- to long-term efficiency gain; and (4) we have expanded our sorting centre foot print ahead of our competitors in areas of strategic importance and with emerging business potential."

Mr. Wang further noted, "We are vigilant of the high degree of uncertainties in 2022, as the COVID-19 outbreaks continue to impact the logistics industry. While the situation remains fluid, we are confident that with our strong operational focus and capability, we are well-prepared to respond to external shocks. The Company has had a strong track record of performing under pressure and we are highly focused on riding out the short-term volatilities caused by COVID-19 lockdowns. The management team is determined to achieve strong operational and financial results while continuing to build our competitive strengths in this ever-changing environment.

Mr. Sam D. Lin, Chief Financial Officer of ANE, commented "our revenue growth remained strong in 2021, mainly attributable to our freight volume growth and higher unit revenue. Our gross profit increased slightly to RMB1,066 million and adjusted earnings before interest, taxes, depreciation and amortization ("**EBITDA**") increased by 12% to RMB1,342 million, amid considerable headwind in the general economic environment that has caused significant disruptions to our industry. Our gross profit margin in the second half of 2021 was lower than that of the first half of 2021 mainly because our increased capacity of self-operated fleet was met with a softened demand. Since the fourth quarter of 2021, we have systematically upgraded our transportation management and truck control system, allowing us to arrange our truck dispatching based on real time data and live situation on the ground. Such implementation will help us to reduce unit line-haul cost in 2022 and, more importantly, strengthen our long-term cost reduction capability. We recorded a higher level of selling, general and administrative expenses ("**SG&A**") in 2021 mainly because of our new equity incentive plan and professional expenses in relation to our IPO in Hong Kong as well as reduced government social insurance subsidies from 2020. We are streamlining our corporate structure and expect our SG&A as a percentage of revenue to drop from the percentage level in 2021. From the first quarter of 2022, we are also starting to implement cost-cutting measures to reduce financial impact that the COVID-19 pandemic might bring to us. Our cash position remains strong as we generated RMB1,084.5 million from operating activities in 2021 and our capital cost program in 2022 will be well covered by our operating cash flow and proceeds from the IPO.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS OVERVIEW

We operate a leading express freight network in China's LTL market. Express freight network operators, like us, are LTL service providers who have nationwide coverage, and deliver timely and comprehensive freight transportation services. According to iResearch, our express freight network is the largest in China in terms of total freight volume in each of 2017, 2018, 2019 and 2020, particularly with approximately 10.2 million tons of total freight volume and a market share of 17.3% in 2020 among all express freight networks in China. We have achieved growth in total freight volume at a compound annual growth rate of approximately 31.0% from 2015 to 2020, and a growth rate of 25.9% from 2019 to 2020. In 2021, we continued our strong growth trend, having completed shipment of a total freight volume of 12.6 million tons, increasing by 23.4% from 10.2 million tons in 2020.

Our Market and Industry

With the accelerated digitalisation of commerce and trade in China, the full spectrum of supply chain, from manufacturers to distributors, merchants and retailers, require fast and high frequency inventory turnover. This could only be achieved through efficient and comprehensive freight transportation solutions to bring merchandise to warehouses and stores closer to end consumers. This in turn generates significant demand for timely, comprehensive and reliable LTL services with nationwide coverage. We are well-positioned for this opportunity by leveraging our nationwide network with comprehensive and diverse product offerings tailored to different shipper preferences. For instance, we offer time-definite product to address e-commerce merchants' increasing focus on timeliness, guaranteed safety product for medicine distributors in transportation of fragile and valuable goods, and economy freight to meet auto parts suppliers' demand for cost-effectiveness transporting parts to auto manufacturers.

Historically, China's LTL market was highly fragmented and inefficient with a large number of regional direct line and freight operators providing local logistics services in their respective areas. Such freight operators struggle to capture the opportunities and meet the challenges brought by B2C (business-to-consumer) e-commerce growth and evolution in supply chains that have ensued. We have created the freight partner platform model to draw such local operators to our platform as freight partners and agents, empowering them and our entire network to serve as the infrastructure for China's new commerce landscape.

Our Freight Partner Platform

Under our freight partner platform model, we directly operate and control all mission-critical sorting and line-haul processes while our freight partners and agents are responsible for investing and operating the outlets at their own costs and providing feeder service, pickup and dispatch services. We enable and empower tens of thousands of local freight operators to connect with more shippers and to provide digitalised, nationwide, reliable, timely, efficient and comprehensive LTL services to shippers. We deliver unique values to freight partners, agents and shippers. We will increase our investment in sorting centres and line-haul transportation as the freight volume increases to continuously optimise operational efficiency while maintaining service quality.

We are dedicated to creating more value to our freight partners and agents while benefiting from their growth. As a result, we believe we are best positioned to consolidate China's fragmented and inefficient LTL market. As of December 31, 2021, we had approximately 29,100 freight partners and agents, enabling us to better serve shippers while expanding nationwide coverage. We continue to enjoy strong relationship with our top freight partners. The retention rate of our top freight partners[1], which refer to the ratio of the number of top freight partners which remains as our freight partners in a given period, over the total number of top freight partners in the previous period, was 98.7% and 98.7% in 2020 and 2021, respectively.

We mainly provide transportation services, value-added services and dispatch services to our freight partners, our direct customers. As of December 31, 2021, we, together with our freight partners and agents, served approximately 3.9 million shippers, our end-customers, across the entire commerce landscape in China.

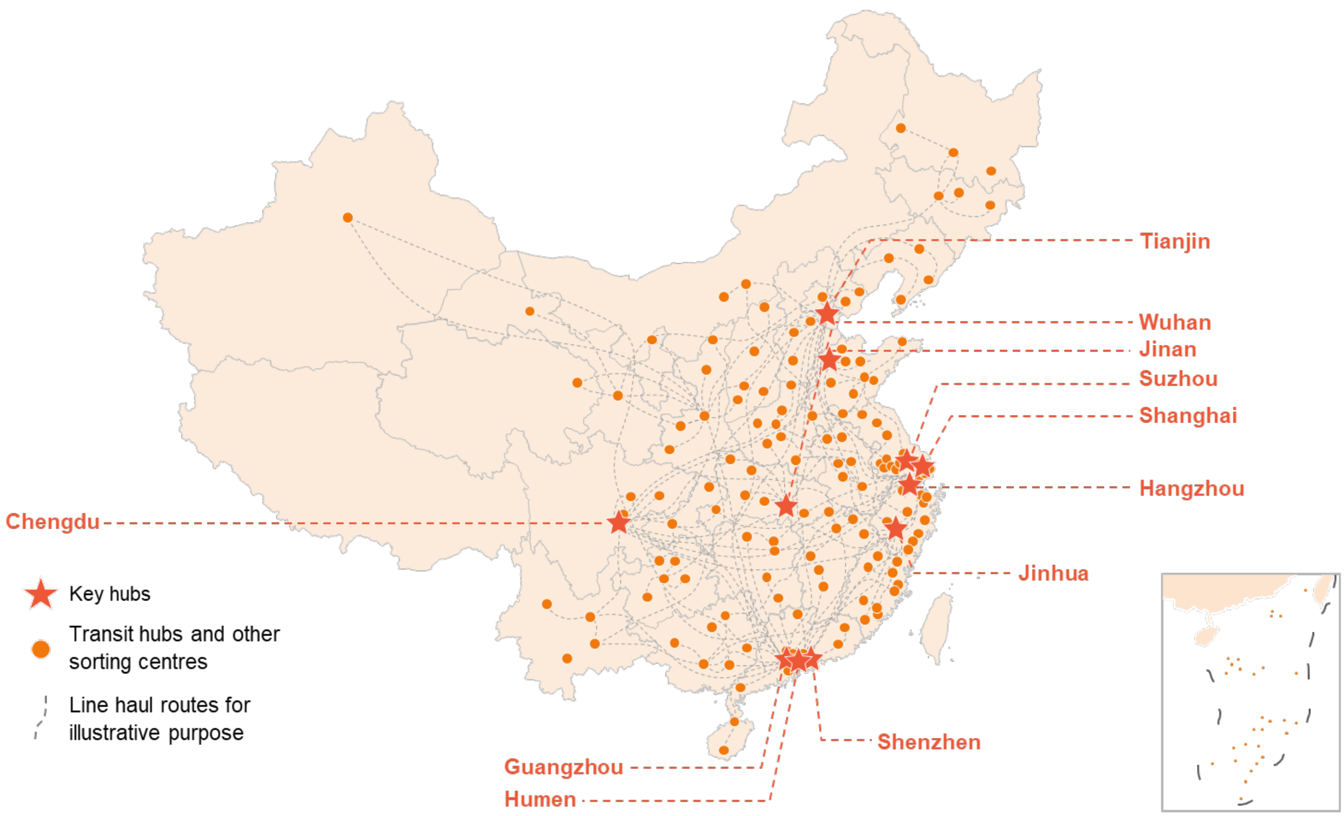
1 Top freight partners are defined as largest freight partners contributing 50% of our total revenue from freight partners in a given period

Our Network and Infrastructure

We continuously improve our operational efficiency through managing, optimizing and investing in our critical infrastructure, mainly comprising our sorting centres and line haul transportation.

Sorting Centres

As of December 31, 2021, we had 162 self-operated sorting centres across China, allowing us, together with our network outlets, to cover approximately 96% of the counties and townships in China. We directly operate all of our sorting centres on leased premises. Our sorting centres are connected by the line-haul transportation network that we operate. The consolidation sorting centres receive and sort the freight and dispatch them to the destination sorting centres, which deconsolidate the freight and assign the freight to dispatching freight partners and agents. The following map illustrates our nationwide sorting centre network as of December 31, 2021:



Based on the functions, operating freight volume and line-haul connectivity, our sorting centres include key transit hubs, transit hubs and other sorting centres. Out of our 162 sorting centres as of December 31, 2021, we had 11 key transit hubs with full coverage of China and 44 transit hubs, which are primarily responsible for inter-provincial transfer of freight. The following table sets forth details of our sorting centres as of December 31, 2021:

	Number	**Average Area (m^2)**	**Average daily handling volume in the year ended December 31, 2021 (tons)**	**Functionality**
Key hubs	11	48,062	5,578	Nationwide full connectivity
Transit hubs	44	24,585	2,543	Inter-provincial connectivity
Other sorting centres	107	5,740	421	Regional connectivity

Our key transit hubs are located in key commercial centres in China such as Shanghai, Hangzhou, Guangzhou, Shenzhen, Chengdu and Suzhou. On average, our key transit hub handled a freight volume of approximately 1.6 million tons in 2021. Our transit hubs are normally adjacent to highways and is each directly connected to about 17 provinces on average as of December 31, 2021.

We have added 15 sorting centres in 2021, in economically vibrant and emerging regions, such as Yueqing (樂清) and Yuhang (余杭) in Zhejiang, Yangzhou (揚州) in Jiangsu, Binzhou (濱州) in Shandong and Ezhou (鄂州) in Hubei. These new sorting centres enabled us to tap into the growth of demand from newly developed commercial centres and facilitated the development of our freight partners and agents in these areas.

In addition to sorting, our sorting centres also serve as an operation base to support our local operation in many aspects. For example, we provide on-premise facilities, such as dorms, canteens and rest areas, at our sorting centres to accommodate drivers and local staff and to create a better working environment.

Line-Haul Network

We directly manage all the line-haul transportation in our network. Our sorting centres are connected with approximately 3,100 well-planned line-haul routes as of December 31 2021, among which approximately 96% are two-way routes. We have added approximately 400 line-haul routes in 2021, allowing us to optimize our line-haul network: reducing transit ratios in inter- and intra- regions and establish direct national connectivity in newly operational sorting centres.

We have invested RMB1,119.9 million in our self-operated fleets in 2021. As of December 31, 2021, our self-operated fleets consisted of approximately 4,000 high-capacity line-haul trucks and over 4,600 trailers, increasing from approximately 1,500 high-capacity line-haul trucks and over 2,700 trailers as of December 31, 2020. All of our self-operated fleets are operated by our approximately 5,100 contracted drivers as of December 31, 2021. The newly acquired fleets were mainly deployed in three areas: (i) substituting short haul (intra-region) routes from 9.6-metre truck to 13.75-metre truck, expanding our short-haul transportation capacity and structurally reducing unit line haul cost in the mid-long term; (ii) replacing the majority of long haul (inter-region) two-way routes with self-operated fleet of 17.5-metre trucks; and (iii) new line-haul routes.

We have been comprehensively upgrading our transportation management system ("**TMS**") and truck operation centre to drive the efficiency gain from our self-operated fleet. For example, we are able to increase the application of drop-and-pull, where truck tractors operate in motion the whole time while trailers wait for loading, in our self-operated fleet expedite turnaround and improve the utilisation rate of truck tractors. Benefiting from our extensive line-haul network and optimised route planning, the average mileages per month at full utilization rate of our 17.5-metre high capacity truck reached over 21,000 kilometres in the year ended December 31, 2021. The scale of our self-operated fleet also allowed us to obtain below market prices for our major cost components, such as fuel and truck maintenance parts.

Network Outlets

As of December 31, 2021, all of the network outlets are owned and operated by approximately 29,100 freight partners and freight agents across China, covering approximately 96% of counties and townships in China. Network outlets are located in cities and economically vibrant districts in counties and townships. Each network outlet generally has its own designated geographical coverage and operates business within that coverage area. Network outlets are responsible for business development, and picking up and dispatching of freights within their coverage areas. We closely monitor the performance of the network outlets and provide incentives to our freight partners to maximise performance.

Our Technology

Technology is at the core of our operations. It is critical to our platform, network and service offerings. We have digitalised every process of our operations through self-developed IT systems to achieve real-time data tracking, smart outlet management, route planning, sorting management and automated customer service to shippers, which in turn contributes to our superior network capabilities.

We have developed a suite of proprietary digitalisation tools such as the Compass System, our control tower which integrates and analyses extensive operational data from our various technology systems, including the Luban system for integrated data management, the 360° system for outlet management, the TMS system for line-haul management and the Yitian system for sorting centre management. Our technology systems improve the operational efficiency of our platform, and help us manage the entire network and our platform, and make real-time decisions on critical operational processes, such as route planning, sorting management and outlet management. We also enable our freight partners and agents with technology capabilities to grow efficiently and deliver comprehensive and high-quality services to shippers.

In 2021, we have made major progress in our digitalisation tools for dynamic pricing and customer service. Our upgraded pricing system empowered our front line staff to make real-time adjustments to prices and in a more customized manner, taking into account the live situation of each of the freight partners and agents. Our customer-orienting order management tool provides a complete coverage of service requirements from our shippers (終端客戶全場景覆蓋). Also we have developed a comprehensive truck control system, integrated to our TMS system, as we transition from outsourced fleet to self-operated fleet. The truck control system enabled us to dispatch our truck tractors and trailers from our truck operation centre at the headquarters and across different regions based on live data feed and in-time cost estimation. The truck control system serves as a key tool for us to continuously optimize our truck utilities and drive efficiency gains from our fleet.

II. FINANCIAL REVIEW

Overview

The following discussion is based on, and should be read in conjunction with, the financial information and notes included elsewhere in this announcement.

Our results of operations are affected by the total freight volume. The following table sets forth our total freight volume and unit economics of our key operating and financial metrics for the periods indicated:

	For the year ended December 31,		Year-to-year change
	2021	**2020**	
Total freight volume ('000 tons)	12,605	10,211	23.4%
Unit price for transportation and value-added services (RMB/ton)	581	576	0.9%
Unit price for dispatch services (RMB/ton)	184	118	N/A*
Unit price for total LTL services (RMB/ton)	**765**	**694**	**N/A***
Unit line-haul transportation cost (RMB/ton)	316	299	5.7%
Unit sorting centre cost (RMB/ton)	176	173	1.7%
Unit cost of value-added services (RMB/ton)	25	24	4.2%
Unit dispatch cost (RMB/ton)	163	94	N/A*
Unit cost of revenues (RMB/ton)	**680**	**590**	**15.3%**
Unit gross profit (RMB/ton)	**85**	**104**	**-18.3%**

* Not comparable as we changed our revenue recognition for dispatch revenues from net basis to gross basis since July 2020.

Our total freight volume increased by 23.4% from 10.2 million tons in 2020 to 12.6 million tons in 2021. We recorded a higher growth rate in the first half of 2021 compared to the second half of 2021, mainly because the overall economic slowdown in China as well as spondaic COVID-19 outbreaks from the second half of 2021 has caused the slowdown in growth in demand for LTL services.

Revenue

During the Reporting Period, we derived our revenues from transportation services, value-added services and dispatch services (including arrangement for dispatch services). The following table sets forth a breakdown of our revenue for the periods indicated:

	Years Ended December 31,			
	2021		2020	
	RMB	*%*	*RMB*	*%*
	(in thousands, except percentages)			
Transportation	**5,612,420**	**58.2**	4,451,451	62.9
Value-added services	**1,714,529**	**17.8**	1,430,422	20.2
Dispatch[(1)]	**2,318,417**	**24.0**	1,199,918	16.9
Total revenues	**9,645,366**	**100.0**	7,081,791	100.0

Note:

(1) Includes dispatch services and arrangement for dispatch services.

The pricing level of our transportation services is determined by various factors, including the volumetric weight of the freight, transportation distance, product types, market conditions and competition, among others. We have established a dynamic pricing system which periodically evaluates and adjusts our pricing levels, allowing us to optimise our capacity management and operational efficiency.

We primarily rely on freight partners and agents to carry out dispatch services, while also carrying out dispatch services by ourselves in limited circumstances. Since July 2020, we changed the revenue recognition for dispatch services (including the arrangement of dispatch services) from a net basis to a gross basis.

Our total revenue increased by 36.2% from RMB7,081.8 million in 2020 to RMB9,645.4 million in 2021, primarily driven by

(i) the increase in our total freight volume from 10.2 million tons in 2020 to 12.6 million tons in 2021 as a result of our network expansion,

(ii) the increase in our unit price for transportation and value-added services from RMB576/ton in 2020 to RMB581/ton in 2021, and

(iii) the change in our revenue recognition for dispatch revenues from net basis to gross basis since July 2020, as we recorded only half year of gross dispatch revenue and half year of net dispatch revenue in 2020, while we recorded a full year of gross dispatch revenue in 2021.

The increase in our transportation revenues was mainly driven by the increase in our freight volume from 2020 to 2021 as a result of our network expansion, and the increase in our unit transportation price due to increased fuel costs and toll charges.

The increase in our dispatch revenues was mainly due to (i) the change in our revenue recognition for dispatch revenues from net basis to gross basis, and (ii) the increase of our freight volume. During the six months ended December 31, 2020, our dispatch revenue was RMB1,109.4 million, our total freight volume was 6.3 million tons, and our unit dispatch price was RMB176/ton on a gross basis. In 2021, our unit dispatch price was RMB184/ton on a gross basis.

As we changed our revenue recognition for dispatch revenues from net basis to gross basis since July 2020, we provide the unit revenue for the second half of 2020 for a more direct comparison of the trend of our unit revenue. Our unit revenue for the second half of 2020 was RMB764/ton, as compared to RMB765/ton for 2021, noting that LTL prices are typically higher in the second half of the year compared to the first half because of seasonality.

The increase in our value-added services revenues was mainly because of our broadened scope of value-added services due to our business growth and our acquisition of Zhongka Logistics Industrial Park Investment Co., Ltd. in 2021.

Cost of revenues

Our cost of revenues primarily consists of costs for (i) line-haul transportation, (ii) sorting centre, (iii) value-added services, and (iv) dispatch. The following table sets forth a breakdown of our cost of revenues and as a percentage of our total revenues for the periods indicated:

	Years Ended December 31,			
	2021		2020	
	RMB	***%***	*RMB*	*%*
	(in thousands, except percentages)			
Line-haul transportation	**3,985,114**	**41.3**	3,057,511	43.2
Sorting centre	**2,217,212**	**23.0**	1,762,343	24.9
Value-added services	**316,584**	**3.3**	245,670	3.5
Dispatch	**2,060,259**	**21.4**	964,801	13.6
Total	**8,579,169**	**89.0**	6,030,325	85.2

Our cost of revenues increased by 42.3% from RMB6,030.3 million in 2020 to RMB8,579.2 million in 2021, which was mainly due to：

(i) the increase in our dispatch cost from RMB964.8 million in 2020 to RMB2,060.3 million in 2021 due to the change in our revenue and cost recognition for dispatch since July 2020, as we recorded only half year of gross dispatch cost while we recorded a full year of gross dispatch cost in 2021;

(ii) the increase in our line-haul transportation cost from RMB3,057.5 million in 2020 to RMB3,985.1 million in 2021, due to (a) the increase in freight volume from 10.2 million tons in 2020 to 12.6 million tons in 2021, (b) the increased fuel costs due to rising oil price, (c) increased depreciation costs due to our increasing investment to self-operated fleet, and (d) the increase in our unit line-haul transportation costs;

(iii) the increase in our sorting centre cost from RMB1,762.3 million in 2020 to RMB2,217.2 million in 2021, due to the increase in freight volume; and

(iv) the increase in cost for value-added services from RMB245.7 million in 2020 to RMB316.6 million in 2021 which was in line with the increase in our freight volume and the broadened scope of value-added services.

The increase in our unit line-haul transportation cost from RMB299/ton for 2020 to RMB316/ton for 2021 was mainly because:

(i) we ceased to enjoy waived toll charges as a result of the COVID-19 outbreak in 2020;

(ii) our fuel costs increased significantly due to rising oil price; and

(iii) the longer than expected ramping up period of self-operated fleet's utilization rate and lower transportation efficiency such as loading rate in the second half of 2021 due to lower than expected freight volume growth.

Our unit sorting centre cost and unit cost for value-added services remained relatively stable from 2020 to 2021.

The increase in our dispatch cost was due to the change in our revenue recognition for dispatch revenues from net basis to gross basis.

Line-haul transportation cost primarily includes (i) service costs for third-party fleet operators and (ii) operating costs incurred by our self-operated fleets such as truck fuel costs, road tolls, driver compensation and depreciation costs. The following table sets forth a breakdown of our line-haul transportation cost for the periods indicated:

	Years Ended December 31,			
	2021		2020	
	RMB	***%***	*RMB*	*%*
	(in thousands, except percentages)			
Services costs for third-party fleets	**1,342,746**	**33.6**	2,517,396	82.3
Operating costs incurred by self-operated fleets:	**2,642,368**	**66.4**	540,115	17.7
Toll costs	912,367	22.9	185,690	6.1
Fuel costs	736,689	18.5	143,141	4.7
Driver compensation	564,698	14.2	115,712	3.8
Depreciation	250,613	6.3	47,163	1.5
Others	178,001	4.5	48,409	1.6
Total line-haul transportation costs	**3,985,114**	**100.0**	3,057,511	100.0

Our operating costs incurred by self-operated fleets increased significantly from 2020 to 2021 as a result of our investment in self-operated line-haul transportation.

Sorting centre cost includes (i) labour costs, (ii) depreciation of right-of-use assets in relation to leased sorting centres, (iii) property management fees and utility costs, (iv) equipment rental costs and (v) operation and maintenance costs. The following table sets forth a breakdown of our sorting centre cost for the periods indicated:

	Years Ended December 31,			
	2021		2020	
	RMB	***%***	*RMB*	*%*
	(in thousands, except percentages)			
Labour costs	**1,332,487**	**60.1**	1,046,660	59.4
Depreciation of right-of-use assets	**552,778**	**24.9**	456,558	25.9
Property management fees and utility costs	**143,533**	**6.5**	105,723	6.0
Equipment rental costs	**89,694**	**4.0**	71,008	4.0
Others	**98,720**	**4.5**	82,394	4.7
Total sorting centre costs	**2,217,212**	**100.0**	1,762,343	100.0

Costs of value-added services are costs directly incurred in relation to our provision of value-added services, such as the cost of digital devices and consumables.

Dispatch costs primarily represent (i) dispatch fees paid to our freight partners, the price of which is determined based on the cost structure of freight partners and market conditions, and (ii) costs incurred by our self-operated dispatch services.

Gross Profit and Gross Profit Margin

For the year ended December 31, 2021, the gross profit and gross profit margin was RMB1,066.2 million and 11.1%, respectively, as compared to RMB1,051.5 million and 14.8%, respectively, for the year ended December 31, 2020. The increase in gross profit was mainly driven by our increased freight volume in 2021. The decrease in gross profit margin was mainly due to the change in our revenue recognition for dispatch revenues from net basis to gross basis, and the increased cost of revenues due to the above-mentioned reasons. As a result, our unit gross profit decreased from RMB104/ton for 2020 to RMB85/ton for 2021.

General and Administrative Expenses

The following table sets forth a breakdown of the major components of our general and administrative expenses both in absolute amount and as a percentage of total general and administrative expenses for the periods indicated:

	Years Ended December 31,			
	2021		2020	
	RMB	***%***	*RMB*	*%*
	(in thousands, except percentages)			
Salaries and other benefits	**346,127**	**43.7**	277,226	52.7
Business operation expenses	**130,408**	**16.5**	113,313	21.5
Professional service fees	**113,091**	**14.3**	80,766	15.3
Depreciation and amortisation	**52,088**	**6.6**	46,277	8.8
Share-based payment expenses	**149,291**	**18.9**	8,723	1.7
Total	**791,005**	**100.0**	526,305	100.0

Our general and administrative expenses increased by 50.3% from RMB526.3 million in 2020 to RMB791.0 million in 2021. The increase was primarily due to (i) the increase in share-based compensations of RMB140.6 million in relation to our grant of share awards to employees in 2021, and (ii) the increase in salaries and other benefits of RMB68.9 million, mainly because (a) we ceased to enjoy one-off subsidies for social insurance in relation to COVID-19, and (b) we recruited additional staff in self-operated fleet management in anticipation of our future growth, and (iii) the increase in professional fees of RMB32.3 million, primarily in relation to fees incurred from our IPO and our investment in R&D projects.

Other income and gains/(losses), net

The following table sets forth a breakdown of the components of our other income and gains/(losses), net for the periods indicated:

	Years Ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Government grants	**29,860**	54,503
Foreign exchange (loss)/gain	**10,524**	19,477
Interest income	**9,613**	3,430
Loss on disposal of long-term assets	**(11,613)**	(8,601)
Asset impairment	**(49,409)**	(11,295)
Others	**(6,977)**	(4,353)
Total	**(18,002)**	53,161

We recorded other income and gains of RMB53.2 million in 2020, as compared to other losses of RMB18.0 million in 2021. The change was primarily attributable to (i) the increase in asset impairment of RMB38.1 million in relation to the one-off provision in 2021 of trade receivables from a historical customer, and (ii) the decrease in government grants of RMB24.6 million, mainly in relation to reduced tax relief we received.

Operating Profit and Operating Profit Margin

As a result of the foregoing, our operating profit decreased from RMB578.3 million in 2020 to RMB257.2 million in 2021. Our operating profit margin decreased from 8.2% in 2020 to 2.7% in 2021, which was mainly due to the increase in our general and administrative expenses as a result of the aforementioned reasons.

Finance Costs

The following table sets forth a breakdown of the components of our finance costs for the periods indicated:

	Years Ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Interest on lease liabilities	**68,380**	53,842
Interest on bank and other loans	**59,656**	23,793
Transaction costs for the issue of convertible redeemable preferred shares and convertible loans and prepaid forward contract	**24,360**	3,384
Total	**152,396**	81,019

Our finance costs increased by 88.1% from RMB81.0 million in 2020 to RMB152.4 million in 2021, primarily attributable to (i) the increase in interest on bank and other loans of RMB35.9 million due to the increase loans for the purchase of trucks, and (ii) the increase in transaction costs for the issue of convertible redeemable preferred shares of RMB21.0 million in relation to our series I pre-IPO financing in 2021.

Fair Value Change of Financial Assets and Liabilities at Fair Value through Profit or Loss

Our fair value change of financial assets and liabilities at fair value through profit or loss increased significantly from RMB396.2 million in 2020 to RMB2,042.7 million in 2021, primarily attributable to revaluation of equity value of the Company based on the Offer Price in the IPO. Such fair value changes are non-recurring after the completion of the Global Offering, as all our convertible redeemable preferred shares were automatically converted into ordinary shares.

Changes in Expected Redemption Amount Associated with the Put Option Liabilities

Our changes in expected redemption amount associated with the put option liabilities increased significantly from RMB18.3 million in 2020 to RMB191.5 million in 2021, primarily attributable to revaluation of equity value of the Company based on the Offer Price in the IPO. Such changes are non-recurring after the completion of the IPO, as the relevant financial liabilities associated with put option will be classified into non-controlling interest.

Income Tax Credit

We continued to record income tax credit of RMB122.4 million in 2021, as compared to income tax credit of RMB135.3 million in 2020, primarily due to the increase in recognition of deferred tax assets as we expect our major subsidiaries to make profit and therefore utilise the accumulated tax losses carried forward.

Profit for the Year

As a result of the foregoing, we recorded profit for the year of RMB218.2 million with a net profit margin of 3.1% for the year ended December 31, 2020, as compared to loss for the year of RMB2,007.1 million and net loss margin of 20.8% for the year ended December 31, 2021, which was, in particular, attributable to the loss on non-recurring fair value change of financial liabilities at fair value through profit or loss and changes in expected redemption amount associated with the put option liabilities, which were primarily attributable to revaluation of equity value of the Company based on the Offer Price in the IPO.

Non-HKFRS Measures

To supplement our consolidated financial statements that are presented in accordance with HKFRS, we also use adjusted (loss)/profit for the year/period (a non-HKFRS measure), adjusted net (loss)/profit margin (a non-HKFRS measure) and adjusted EBITDA (a non-HKFRS measure), as additional financial measures, which are not required by, or presented in accordance with, HKFRS. We believe that these non-HKFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of these non-HKFRS measures may not be comparable to similarly titled measures presented by other companies. The use of these non-HKFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under HKFRS.

The following table sets out our non-HKFRS measures, and a reconciliation from (loss)/profit for the year/period to adjusted (loss)/profit for the year/period (a non-HKFRS measure) for the periods indicated.

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
(Loss)/Profit for the year	**(2,007,071)**	218,181
Add:		
Shares-based payment expenses[(1)]	**151,048**	8,962
Fair value change of financial liabilities at fair value through profit or loss[(2)]	**2,043,941**	396,150
Changes in expected redemption amount associated with the put option liabilities[(3)]	**191,533**	18,294
Listing expenses[(4)]	**28,987**	12,729
Adjusted profit for the year	**408,438**	654,316

Notes:

(1) Share-based payment expenses relates to the share rewards we granted to our employees, which is a non-cash item.

(2) Fair value change of financial liabilities at fair value through profit or loss represent the losses arising from change in fair value of our issued Preferred Shares and convertible loans, which is a non-cash item and is not directly related to our operating activities. Such fair value changes are also non-recurring in nature as the relevant Preferred Shares have been automatically converted into ordinary shares upon the completion of the Listing.

(3) Changes in expected redemption amount associated with the put option liabilities is a non-cash item and is not directly related to our operating activities. Such changes are also non-recurring in nature as the relevant financial liabilities associated with put option have been classified into non-controlling interest upon the completion of the Listing.

(4) Listing expenses represent the fees incurred in relation to the Global Offering, which is a non-recurring item.

The following table sets out our non-HKFRS measures, and a reconciliation from (loss)/profit for the year/period to adjusted EBITDA (a non-HKFRS measure) for the periods indicated.

	For the year ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
(Loss)/Profit for the year	**(2,007,071)**	218,181
Add:		
Depreciation	**887,062**	589,293
Amortisation of other intangible assets	**26,412**	13,694
Interest income	**(9,613)**	(3,430)
Finance costs	**152,396**	81,019
Income tax expense/(credit)	**(122,392)**	(135,322)
Shares-based payment expenses	**151,048**	8,962
Fair value change of financial liabilities at fair value through profit or loss	**2,043,941**	396,150
Changes in expected redemption amount associated with the put option liabilities	**191,533**	18,294
Listing expenses	**28,987**	12,729
Adjusted EBITDA	**1,342,303**	1,199,570

	For the year ended December 31,	
	2021	2020
	(%)	*(%)*
Net (loss)/profit margin	**(20.8)**	3.1
Adjusted net profit margin	**4.2**	9.2
Adjusted EBITDA margin	**13.9**	16.9

Capital Management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Reporting Period.

Depreciation

The following table sets forth a breakdown of the components of our depreciation for the periods indicated:

	Years Ended December 31,	
	2021	2020
	RMB'000	*RMB'000*
Depreciation of right-of-use assets	**580,052**	467,660
Depreciation of Motor vehicles	**260,589**	71,868
Others	**46,421**	49,765
Total	**887,062**	589,293

Liquidity and Financial Resources

The Group's cash and cash equivalents as at December 31, 2021 were RMB954.3 million, representing an increase of 91.3% compared to RMB498.7 million as at December 31, 2020. The increase was primarily attributable to (i) the proceeds generated from our series I financing and our IPO offering, and (ii) our net cash generated from operating activities of RMB1,084.5 million.

The Group's liquidity remains strong. During the Reporting Period, the Group's primary source of funds was from its ordinary course of business, including payments received from its customers.

Significant Investments, Material Acquisition and Disposals

We entered into the share purchase agreement on July 13, 2021, pursuant to which we purchased 90% equity interest in Zhongka Logistics Industrial Park Investment Co., Ltd. from Quzhou Juguan Supply Chain Management Partnership (Limited Partnership) with a total consideration of RMB65,700,000. The consideration was settled on August 6, 2021.

Charge on Assets

As at December 31, 2021, certain of our bank loans and other borrowings were secured by mortgages over certain of our motor vehicles with a net carrying amount of RMB51.6 million and RMB566.7 million, respectively.

Contingent Liabilities

As of December 31, 2021, we have guaranteed certain bank loans made to our customers, which amounted to RMB20.6 million. As of December 31, 2021, we did not have any other material contingent liabilities.

Foreign Exchange Exposure

We have transactional currency exposures. We conduct our businesses mainly in RMB, with certain transactions denominated in other currencies, such as USD. Certain of our time deposits, cash and bank balances, other financial assets, trade and other receivables, trade and other payables, preferred shares and gross obligation from share purchase option written are denominated in foreign currency which are exposed to foreign currency risk. During the Reporting Period, we did not use any derivative financial instruments to hedge against the volatility associated with foreign currency transactions and other financial assets and liabilities arising in the ordinary course of business. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider appropriate hedging measures in the future should the need arise.

Share Pledge

During the Reporting Period, there is no pledge by our controlling shareholders of their interests in the Shares to secure the Company's debts or to secure guarantees or other support of its obligation before the Listing and we do not have any controlling shareholder upon the Listing.

Subsequent Events after the Reporting Period

The Company is not aware of any material subsequent events from December 31, 2021 to the date of this announcement.

III. OUTLOOK AND PROSPECTS

COVID Impact

With the resurgence of COVID-19 in the first quarter of 2022, the PRC government has taken certain emergency measures, including implementation of travel bans, mass medical test and blockade of certain cities and regions and suspension of business activities, and may continue to take further measures to keep this epidemic outbreak in check.

We continue to experience disruption to our operation due to the COVID-19 outbreak, which may result in a decline of freight volume, as compared with the same period in 2021. The measures and timelines for business resumption varied across different localities in the PRC, and our branch offices, sorting centres and network outlets closed and opened in accordance with measures adopted by their respective local government authorities. We have taken considerable measures to reduce the impact of the COVID-19 outbreak, including strictly implementing self-quarantine and disinfection measures at our headquarters, sorting centres and network outlets in accordance with government issued protocols. We remain highly vigilant to the developing situation and aim to maintain our operational flexibility so to keep the disruption of the COVID-19 to the minimum.

Future Strategy

Our future strategies focus on meeting the demand for comprehensive transportation services brought by the fast-changing commerce landscape, strengthening our leadership position, accelerating the consolidation in China's LTL industry, and sustaining our strong, profitable growth in the years to come.

(i) Expand shipper base and upgrade product offerings

We will continue to grow our market share in the China LTL market by capturing the growing market demand brought by the rapid development of digitalised supply chain. We will strategically focus on developing high growth regions, industries and shipper groups. We endeavour to continuously consolidate the fragmented LTL market by attracting more freight operators, especially those with key industry expertise, to join our platform.

(ii) Strengthen our platform and collaborations with freight partners and agents

We endeavour to create more value to our freight partners and agents by building a more vibrant platform and empowering them with our proprietary technologies and management systems. We will continue to enhance their capabilities, stimulate their growth and improve their operational efficiency. Moreover, we provide digitalised solutions including integrated SaaS (software as a service) and mobile applications so that they can leverage our IT capabilities to digitalise their services.

We will continue to innovate and refine our incentive system for freight partners and agents. In 2022, we will further work on optimising our pricing mechanism to provide customised and transparent prices based on different growth stages and market conditions of our freight partners and agents.

(iii) Invest in our mission-critical infrastructure

Investing in mission-critical infrastructure is a long-term strategic imperative.

- **Sorting Centres.** We will significantly expand our sorting capacity in multiple aspects to accommodate our high volume growth and improve our network structure. We plan to establish more sorting centres in economically vibrant regions to bring our critical infrastructure closer to commercial and production centres and to our freight partners and agents there to better serve these markets and shippers. We will also acquire and build key transit hubs to optimise our leasing cost and allow long-term strategic planning, including automation initiatives.

- **Self-operated line-haul truck fleet.** We aim to own and operate the largest line-haul truck fleet in China. We have long term investment plan for modern and high-capacity tractors and trailers with superior unit economics and cost efficiency. As our freight volume grows, we will partner with major trucking manufacturers to customise their models to fit our operational needs. We also plan to invest in state-of-the-art trucking technologies including autonomous driving and clean fuel to improve safety and efficiency and minimise environmental impact.

(iv) Enhance operational efficiency

Maintaining and enhancing our cost leadership is our core strategic focus. Our leading network scale allows us to constantly add new line-haul routes to improve direct connectivity among sorting centres, thereby further improving economies of scale. Moreover, as we expand the size of our line-haul fleet and optimise unit output, we will continue to lower the procurement costs for major cost items such as fuel, truck parts and maintenance costs for trucks as a result of our increased bargaining power and stronger relationship with suppliers. We endeavour to create a highly efficient and safe working environment and further upgrade our driver management APPs and management tools, to improve workers' and drivers' safety, productivity and long-term loyalty.

(v) Continue technology innovations

Building on our existing technology innovations and capabilities, we intend to significantly increase our R&D expenses and investments.

- **Sorting** – We will improve precise freight flow forecasts, intelligent resource allocation and just-in-time monitoring to achieve optimal labour arrangements and maximise productivities per head, allowing us to prepare in advance for peak times. To further improve employee productivity and efficiency, we will invest in researching, developing and applying sorting automation, with focuses on AI vision monitoring systems, dynamic volume weighing devices, unmanned forklift, IoT (Internet of things) devices and automated cross-belts tailored for freight sorting and loading. We believe that this will help us continuously improve our sorting capabilities and reduce labour costs.

- **Line-haul –** In addition, we will further invest in intelligent transportation management systems, utilising proprietary technologies and algorithms to predict freight volumes, maximise fleet capacity and optimize routeing. We believe that this will help us further increase the load factor and utilisation rates of our trucks, and thus enable us to improve cost efficiency. We are cooperating with leading autonomous truck driving companies to trial and deploy level 3+ autonomous driving technologies on our fleet to enhance transportation safety and efficiency.

- **Full AI-enabled decision-making process –** We plan to leverage full AI-enabled decision-making in our management and operation processes to reduce human error and reliance on individuals. We intend to automate and optimize our decision-making processes by visualising and analysing our operational data with AI technologies. We believe this will increase the efficacy of our decision-making process in planning and strategy execution, and also reduce human costs. As a result, this will enhance our planning and execution efficiency, enabling us to better manage of our pricing matrix and overall operations. We will continue to focus on our digitalisation efforts by investing in machine learning, big data and cloud computing. We believe that these efforts will enhance our position to lead the innovation and application of state-of-the-art technologies in China's logistics industry.

IV. RISK MANAGEMENT

We are exposed to various risks during our operations. We have established and currently maintain risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations. We are dedicated to continually improving these systems. We have adopted and implemented comprehensive risk management policies in various aspects of our business operations such as information technology, financial reporting, investment management and internal control.

ANNUAL RESULTS

The Board is pleased to announce the audited consolidated annual results of the Group for the year ended December 31, 2021 with comparative figures for the year ended December 31, 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
Revenue	*4*	**9,645,366**	7,081,791
Cost of revenue		**(8,579,169)**	(6,030,325)
Gross profit		**1,066,197**	1,051,466
Other income and gains/(losses), net	*5*	**(18,002)**	53,161
General and administrative expenses		**(791,005)**	(526,305)
Operating profit		**257,190**	578,322
Finance costs	*6*	**(152,396)**	(81,019)
Fair value changes of financial assets and liabilities at fair value through profit or loss	*7*	**(2,042,724)**	(396,150)
Changes in the expected redemption amount associated with the put option liabilities		**(191,533)**	(18,294)
(LOSS)/PROFIT BEFORE TAX	*8*	**(2,129,463)**	82,859
Income tax credit	*9*	**122,392**	135,322
(LOSS)/PROFIT FOR THE YEAR		**(2,007,071)**	218,181
Attributable to:			
Owners of the parent		**(2,014,548)**	218,123
Non-controlling interests		**7,477**	58
		(2,007,071)	218,181
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*11*		
Basic (RMB)		**(5.08)**	1.29
Diluted (RMB)		**(5.08)**	0.43

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**2021** *RMB'000*	2020 *RMB'000*
(LOSS)/PROFIT FOR THE YEAR		**(2,007,071)**	218,181
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the financial statements of subsidiaries		**76,997**	203,630
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the financial statements of the Company		**17,037**	175,300
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**94,034**	378,930
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(1,913,037)**	597,111
Attributable to:			
Owners of the parent		**(1,920,514)**	597,053
Non-controlling interests		**7,477**	58
		(1,913,037)	597,111

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2021** *RMB'000*	2020 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,857,344**	838,684
Prepayments for property, plant and equipment		**25,312**	19,137
Right-of-use assets		**1,225,534**	856,381
Goodwill		**146,253**	113,910
Other intangible assets		**31,707**	34,527
Deferred tax assets		**396,390**	302,368
Restricted cash		**11,329**	14,033
Other non-current assets		**88,558**	66,583
Total non-current assets		**3,782,427**	2,245,623
CURRENT ASSETS			
Inventories		**11,529**	8,987
Trade receivables	*12*	**39,799**	48,550
Prepayments		**133,985**	70,528
Other receivables and other assets		**866,064**	766,132
Financial assets at fair value through profit or loss		**546,737**	–
Restricted cash		**727**	72,228
Cash and cash equivalents		**954,318**	498,740
Total current assets		**2,553,159**	1,465,165
CURRENT LIABILITIES			
Trade and bills payables	*13*	**450,804**	744,310
Other payables and accruals		**968,992**	1,090,894
Interest-bearing borrowings		**705,713**	366,941
Tax payable		**5,264**	40,475
Lease liabilities		**520,886**	402,275
Total current liabilities		**2,651,659**	2,644,895
NET CURRENT LIABILITIES		**(98,500)**	(1,179,730)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,683,927**	1,065,893

	Notes	**2021**	2020
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing borrowings		**302,390**	289,025
Convertible redeemable preferred shares		**–**	4,806,414
Convertible loans		**–**	1,040,970
Lease liabilities		**713,229**	499,799
Other non-current liabilities		**–**	418,260
Total non-current liabilities		**1,015,619**	7,054,468
Net assets/(liabilities)		**2,668,308**	(5,988,575)
EQUITY			
Equity attributable to owners of the parent			
Share capital		**149**	22
Reserves/(deficits)		**2,181,017**	(5,990,890)
		2,181,166	(5,990,868)
Non-controlling interests		**487,142**	2,293
Total equity		**2,668,308**	(5,988,575)

1. CORPORATE AND GROUP INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands. The registered office address of the Company is PO Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

The Company is an investment holding company. During the Reporting Period, the Company's subsidiaries were involved in the less-than-truckload services ("**LTL Services**") in the People's Republic of China (hereafter, the "**PRC**").

2.1 BASIS OF PREPARATION

Notwithstanding that the Group recorded net current liabilities of RMB98,500,000 as at December 31, 2021, the financial statements has been prepared on a going concern basis. The Group assesses its liquidity by its ability to generate cash from operating activities. The Group generated operating profit and positive cash flows from operating activities during the Reporting Period. As of December 31, 2021, the Group has unutilised bank facilities available for future use of RMB150,000,000. The directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from December 31, 2021. The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial liabilities and obligations as they fall due and to sustain its operations for the next twelve months from December 31, 2021.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost convention, except for financial assets and liabilities at fair value through profit or loss and financial liabilities associated with put option. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements includes the financial information of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended December 31, 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same Reporting Period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interests and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the financial statements.

Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 17	Insurance Contracts[2,5]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[2,4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]

1 Effective for annual periods beginning on or after January 1, 2022
2 Effective for annual periods beginning on or after January 1, 2023
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion
5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before January 1, 2023

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that while the adoption of some of the new and revised IFRSs may result in changes in accounting policies, none of these IFRSs is expected to have a significant impact on the Group's results of operations and financial position.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after January 1, 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 Disclosure of Accounting Policies require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after January 1, 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

3. OPERATING SEGMENT INFORMATION

No operating segment information is presented as the Group's revenue and reported results during the Reporting Period, and the Group's total assets as at the end of the Reporting Period were derived from one single operating segment, i.e., provision of transportation and related services.

Geographical information

As the Group generates all of its revenues and the non-current assets in the PRC during the Reporting Period, no geographical segments are presented.

Information about major customers

The Group has a large number of customers and no revenue from a single customer is accounted for more than 10% of the Group's total revenue for the Reporting Period.

4. REVENUE

An analysis of revenue is as follows:

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers:		
Transportation	**5,612,420**	4,451,451
Dispatch*	**2,318,417**	1,199,918
Value-added services	**1,714,529**	1,430,422
Total	**9,645,366**	7,081,791

* Dispatch includes dispatch services and arrangement for dispatch services.

(i) Disaggregated revenue information

	2021	2020
	RMB'000	*RMB'000*
Timing of revenue recognition		
Over time:		
Transportation	**5,612,420**	4,451,451
Dispatch services	**2,318,417**	1,109,368
Value-added services	**144,952**	122,626
At a point in time:		
Arrangement for dispatch services	**–**	90,550
Value-added services	**1,569,577**	1,307,796
Total revenue from contracts with customers	**9,645,366**	7,081,791

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Transportation and dispatch services

The Group provides sorting and line-haul transportation services between its sorting centres and then dispatches the goods for its customers. The Group also provides arrangement for dispatch services. The performance obligations for transportation and dispatch services are satisfied over time when the goods are transported from one location to another and at the point in time upon completion of the arrangement services. Performance obligations are generally short-term in nature with transit days being less than a week for each shipment. Payment in advance is normally required.

Value-added services

The performance obligations for value-added services are satisfied upon delivery of the related consumables or upon completion of the services. Payment in advance is normally required.

The following table shows the amounts of revenue recognised during the Reporting Period that were included in the contract liabilities at the beginning of the respective periods:

	2021	2020
	RMB'000	*RMB'000*
Transportation and dispatch services	**74,879**	68,344
Value-added services	**3,210**	2,660
Total	**78,089**	71,004

5. OTHER INCOME AND GAINS/(LOSSES), NET

An analysis of other income and gains/(losses), net is as follows:

	2021	2020
	RMB'000	*RMB'000*
Impairment losses, net of reversal		
– Trade receivables and other receivables	**(49,409)**	(9,959)
– Property, plant and equipment	**–**	(1,336)
Government grants*	**29,860**	54,503
Net foreign exchange gains	**10,524**	19,477
Loss on disposal of property, plant and equipment	**(11,613)**	(8,601)
Interest income	**9,613**	3,430
Others	**(6,977)**	(4,353)
	(18,002)	53,161

* Government grants mainly represent various supports awarded by the local governments to support the Group's operation.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2021	2020
	RMB'000	*RMB'000*
Interest on bank loans and other loans	**59,656**	23,793
Interest on lease liabilities	**68,380**	53,842
Transaction costs for the issue of convertible redeemable preferred shares, convertible loans and a prepaid forward contract	**24,360**	3,384
	152,396	81,019

7. FAIR VALUE CHANGES OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	RMB'000	*RMB'000*
Fair value changes of convertible redeemable preferred shares	**(2,011,241)**	(200,183)
Fair value changes of convertible loans	**(5,302)**	(192,417)
Fair value changes of a prepaid forward contract	**(26,790)**	(2,657)
Fair value changes of warrants	**(608)**	(893)
Fair value changes of financial products	**1,217**	–
	(2,042,724)	(396,150)

8. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	2021	2020
	RMB'000	*RMB'000*
Cost of revenue*	**7,583,778**	5,259,894
Depreciation of property, plant and equipment	**307,010**	121,633
Depreciation of right-of-use assets	**580,052**	467,660
Amortisation of other intangible assets	**26,412**	13,694
Fair value changes of convertible redeemable preferred shares	**2,011,241**	200,183
Fair value changes of convertible loans	**5,302**	192,417
Fair value changes of a prepaid forward contract	**26,790**	2,657
Fair value changes of warrants	**608**	893
Fair value changes of financial products	**(1,217)**	–
Changes in the expected redemption amount associated with the put option liabilities	**191,533**	18,294
Government grants	**(29,860)**	(54,503)
Auditors' remuneration	**3,000**	–
Employee benefit expenses (including directors' and supervisors' remuneration):		
Wages, salaries and allowances	**454,499**	400,456
Pension scheme contributions	**56,467**	3,616
Share-based payment expenses	**151,048**	8,962
Impairment losses on trade receivables and other receivables	**49,409**	9,959
Impairment of property, plant and equipment	**–**	1,336
Lease expenses**	**106,503**	91,041
Utility fee	**44,876**	34,261
Interest income	**(9,613)**	(3,430)
Listing expense	**28,987**	12,729
Loss on disposal of property, plant and equipment	**11,613**	8,601

* The amount of cost of revenue excludes those included in the depreciation of property, plant and equipment, depreciation of right-of-use assets, employee benefit expenses, lease expenses and utility fee.

** The Group applies the available practical expedients of HKFRS 16 wherein it applies the short-term lease exemption to leases with a lease term that ends within 12 months from the lease commencement date.

9. INCOME TAX CREDIT

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

No Hong Kong profits tax has been provided as there was no assessable profit earned in or derived from Hong Kong during the Reporting Period.

All of the Group's subsidiaries registered in the PRC, except for certain subsidiaries which enjoy a tax rate of 2.5% or 5%, are subject to PRC enterprise income tax ("**EIT**") at a rate of 25%.

	2021	2020
	RMB'000	*RMB'000*
Current income tax	**486**	7,138
Deferred income tax	**(122,878)**	(142,460)
Tax credit for the year	**(122,392)**	(135,322)

A reconciliation of the tax credit applicable to (loss)/profit before tax at the statutory rate applicable in Mainland China to the tax expense at the effective tax rates is as follows:

	2021	2020
	RMB'000	*RMB'000*
(Loss)/profit before tax	**(2,129,463)**	82,859
Tax at the statutory tax rate of 25%	**(532,366)**	20,715
Lower tax rates enacted by local authorities	**566,244**	100,634
Income not subject to tax	**(1,149)**	
Tax losses utilised from previous periods	**(67,982)**	(130,387)
Tax losses not recognised/(recognition of tax losses not recognised in prior years), net	**(104,582)**	(136,623)
Expenses not deductible for tax	**17,443**	10,339
Tax credit for the year at the Group's effective rate	**(122,392)**	(135,322)

10. DIVIDEND

The directors of the Company do not recommend the payment of any dividend in respect of the year.

11. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 396,317,915 (2020: 169,173,015) in issue during the year.

The calculation of the diluted (loss)/earnings per share amounts is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the Reporting Period, as used in the basic (loss)/earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted (loss)/earnings per share are based on:

(Loss)/earnings per share – basic

	2021	2020
	RMB'000	*RMB'000*
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent	**(2,014,548)**	218,123
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	**396,317,915**	169,173,015
(Loss)/earnings per share (RMB)	**(5.08)**	1.29

(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent	**(2,014,548)**	218,123
Fair value changes of convertible redeemable preferred shares	**–**	52,638
Fair value changes of convertible loans	**–**	(20,205)
Fair value changes of prepaid forward contract	**–**	2,657
(Loss)/profit attributable to ordinary equity holders of the parent for diluted (loss)/earnings per share calculation	**(2,014,548)**	253,213
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	**396,317,915**	169,173,015
Effect of dilution – weighted average number of ordinary shares:		
Convertible redeemable preferred shares	**–**	347,608,119
Restricted share units	**–**	58,734,985
Convertible loans	**–**	7,294,859
Prepaid forward contract	**–**	12,613,778
	396,317,915	595,424,756
(Loss)/earnings per share (RMB)	**(5.08)**	0.43

As the Group incurred losses for the year ended December 31, 2021, the potential ordinary shares were not included in the calculation of diluted loss per share as the potential ordinary shares had an anti-dilutive effect on the basic loss per share. Accordingly, the diluted loss per share for the year ended December 31, 2021 is the same as the basic loss per share.

12. TRADE RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**102,762**	74,560
Impairment	**(62,963)**	(26,010)
	39,799	48,550

The Group generally requires payment in advance from its customers and seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing. The credit terms granted by the Group are generally within 90 days. An ageing analysis of the Group's trade receivables, based on the transaction date and net of loss allowance, as at the end of the Reporting Period is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**39,060**	20,077
1 to 2 years	**739**	28,473
Total	**39,799**	48,550

The movements in the loss allowance for impairment of trade receivables are as follows:

	2021	2020
	RMB'000	*RMB'000*
At beginning of year	**26,010**	25,008
Impairment losses	**43,509**	4,650
Amount written off as uncollectible	**(6,556)**	(3,648)
At end of year	**62,963**	26,010

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geography, service type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than two years and are not subject to enforcement activity.

13. TRADE AND BILLS PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**450,804**	684,310
Bills payable	**–**	60,000
	450,804	744,310

An ageing analysis of the trade and bills payables as at the end of the Reporting Period, based on the invoice date, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 3 months	**391,022**	658,029
3 to 6 months	**21,902**	55,357
6 to 12 months	**37,880**	30,924
	450,804	744,310

The trade and bills payables are non-interest-bearing and are normally settled on 90-day terms.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company is committed to ensuring high standards of corporate governance and has adopted the code provisions set out in the Corporate Governance Code (the "**Corporate Governance Code**") in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") (the "**Stock Exchange**"). Since November 11, 2021 (the "**Listing Date**") to the date of this announcement, the Company has complied with all the applicable code provisions in the Corporate Governance Code in force during the year.

In order to maintain high standards of corporate governance, the Board will continuously review and monitor its corporate governance practices.

Compliance with the Model Code

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**"). Specific enquiries have been made to all the Directors and they have confirmed that they have complied with the Model Code during the period from the Listing Date to the date of this announcement.

Use of Proceeds from the Global Offering

The shares of the Company were listed on the Stock Exchange on November 11, 2021. The Company obtained net proceeds in connection with the exercise of the global offering amounted to approximately HK$1,009.2 million.

For the period from the Listing Date up to the date of this announcement, the Company has utilized approximately HK$91.1 million for investment in our line-haul truck fleet to further improve our operational efficiency. The Company intends to use the net proceeds in the same matter and proportion as set out in the Prospectus under the section headed "Future Plans and Use of Proceeds". For detail of the breakdown of the use of proceeds, please refer to the 2021 annual report of the Company to be published in due course.

Significant Investment Held

During the Reporting Period, the Group did not have any significant investments, acquisitions or disposals.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

During the Reporting Period, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period from the Listing Date to December 31, 2021.

Material Litigation

As of December 31, 2021, as far as the Company is aware, the Company and its subsidiaries were not involved in any material litigation or arbitration and no material litigation or claim of material importance was pending or threatened against or by the Company.

Audit Committee

The audit committee of the Board (the "**Audit Committee**") has three members comprising three independent non-executive Directors, being Mr. Li Wilson Wei (chairman of the Audit Committee), Mr. Geh George Shalchu and Mr. Lam Man Kwong, with terms of reference in compliance with the Listing Rules.

The Audit Committee has considered and reviewed the annual financial results for the year ended December 31, 2021, the accounting principles and practices adopted by the Company and the Group and discussed matters in relation to internal control, risk management and financial reporting with the management. The Audit Committee considers that the annual financial results for the year ended December 31, 2021 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

Auditor

The auditor of the Company, Ernst & Young, has agreed that the figures in respect of the Group's annual results for the year ended December 31, 2021 contained in this announcement are consistent with the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Ernst & Young 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 Ernst & Young on the preliminary announcement.

Events After the End of the December 31, 2021

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to December 31, 2021 and up to the date of this announcement.

FINAL DIVIDEND

The Board resolved not to recommend the payment of a final dividend for the year ended December 31, 2021.

CLOSURE OF REGISTER OF MEMBERS AND RECORD DATE

The Company will arrange the time of convening the forthcoming annual general meeting (the "**AGM**") as soon as practicable, a circular and notice of the AGM will be published and despatched to the Shareholders in a timely manner in accordance with the requirements of the Listing Rules and the Company's articles of association. Once the date of the AGM is finalized, the Company will publish the period of closure of register of members of the Company in due course.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (**www.hkexnews.hk**) and the Company (**www.ane56.com**).

The annual report for the year ended December 31, 2021 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Company for their support and contribution to the Group.

By Order of the Board
ANE (Cayman) Inc.
Mr. Wang Yongjun
Chairman

Hong Kong, March 25, 2022

As at the date of this announcement, the Board comprises Mr. Wang Yongjun, Mr. Qin Xinghua and Mr. Zhu Jianhui as executive Directors; Mr. Chen Weihao, Mr. Wang Jian and Ms. Li Dan as non-executive Directors; and Mr. Li Wilson Wei, Mr. Geh George Shalchu and Mr. Lam Man Kwong as independent non-executive Directors.