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If you have sold or transferred all your shares in Integrated Waste Solutions Group Holdings Limited, you should at once hand this circular to the purchaser, the transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Integrated Waste Solutions Group Holdings Limited
綜合環保集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 923)

VERY SUBSTANTIAL ACQUISITION
ACQUISITION OF SHARES IN THE TARGET COMPANY LISTED ON THE NEEQ
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Capitalised terms used in this cover have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 1 to 14 of this circular. The notice convening the EGM to be held as an electronic meeting on Thursday, 14 December 2023 at 2:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or submit electronically through the Tricor e-Meeting System (<https://spot-emeeting.tricor.hk>) as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the meeting or any adjourned meeting (as the case may be) if they so wish.

27 November 2023

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GUIDANCE FOR ATTENDING THE EGM ONLINE

The EGM will be held as an electronic meeting through the Tricor e-Meeting System. Shareholders who join the EGM online will be able to view the live broadcast, participate in voting, call to raise questions and submit questions in written form via their mobile phones, tablets or computers.

Tricor e-Meeting System will be open for the registered Shareholders and non-registered Shareholders (see below for login details and arrangement) to log in from 1:30 p.m. on Thursday, 14 December 2023 (i.e. approximately 30 minutes prior to the commencement of the EGM). Shareholders should allow ample time to check into Tricor e-Meeting System to complete the related procedures. Please refer to the Online Meeting User Guide in relation to the procedures of the online meeting at <https://spot-emeeting.tricor.hk>.

LOGIN DETAILS FOR REGISTERED SHAREHOLDERS

Login details for accessing Tricor e-Meeting System are included in the Company's notification letter to registered Shareholders for the EGM (the "**Shareholder Notification**") sent together with this circular.

LOGIN DETAILS FOR NON-REGISTERED SHAREHOLDERS

Non-registered Shareholders whose Shares are held through a bank, a broker or a custodian or registered in the name of their nominees (together, the "**Intermediary**") and who wish to attend and vote at the EGM using Tricor e-Meeting System should (1) contact and instruct their Intermediary to appoint themselves as proxy or corporate representative to attend the EGM; and (2) provide their email address to their Intermediary before the time limit required by the relevant Intermediary. Details regarding the EGM arrangements including login details to access Tricor e-Meeting System will be sent by the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, to the email address of the non-registered Shareholders provided by the Intermediary. Any non-registered Shareholder who has provided an email address through the relevant Intermediary for this purpose but has not received the login details by email by 4:00 p.m. on Wednesday, 13 December 2023 should reach out to the Company's branch share registrar in Hong Kong for assistance. Without the login details, non-registered Shareholders will not be able to participate and vote using Tricor e-Meeting System. Non-registered Shareholders should therefore give clear and specific instructions to their Intermediary in respect of both (1) and (2) above.

LOGIN DETAILS FOR PROXIES OR CORPORATE REPRESENTATIVES

Login details for accessing Tricor e-Meeting System will be sent by Tricor Investor Services Limited to the email of the proxies provided to it in the relevant form of proxy.

Shareholders should note that only one device is allowed per login. Please also keep the login details in safe custody for use at the EGM and do not disclose them to anyone else. Neither the Company nor its share registrar assume any obligation or liability whatsoever in connection with the transmission of the login details or any use of the login details for voting or otherwise.

VOTING AT THE EGM

Shareholders can cast their vote through the Tricor e-Meeting System. For online voting at the EGM, Shareholders can refer to the Online Meeting User Guide by visiting <https://spot-emeeting.tricor.hk> for details. The submission of vote through the Tricor e-Meeting System using the login details will be conclusive evidence that the vote was cast by you as a Shareholder.

GUIDANCE FOR ATTENDING THE EGM ONLINE

QUESTIONS AT THE EGM

Shareholders attending the EGM using Tricor e-Meeting System will be able to submit questions relevant to the proposed resolution online during the EGM. The Company will endeavour to address these questions at the EGM, if time permits.

APPOINTMENT OF PROXY IN ADVANCE OF THE EGM

Registered Shareholders who wish to appoint a proxy to attend and vote at the EGM shall complete and return a form of proxy in accordance with instructions therein. Registered Shareholders who wish their proxy to attend the EGM online **MUST** provide their proxy's email address in the space provided in the form of proxy. Return of a completed form of proxy shall not preclude Shareholders from attending and voting at the EGM or any adjourned meeting thereof if they so wish.

In addition to the physical deposit of the proxy form, registered Shareholders have the option to submit their proxy appointment electronically through the Tricor e-Meeting System not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

CONTACT DETAILS OF THE COMPANY'S BRANCH SHARE REGISTRAR IN HONG KONG

If Shareholders have any queries relating to the EGM, please contact the Company's branch share registrar in Hong Kong as follows:

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong
Telephone: (852) 2980 1333 (From 9:00 a.m. to 5:00 p.m. Monday to Friday,
excluding Hong Kong public holidays)
Email: is-enquiries@hk.tricorglobal.com

DEFINITIONS

In this circular, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition by IWS Services (subsequently through IWS Investment) from the Vendor of the Sale Shares
“Agreement”	the conditional share transfer agreement dated 5 October 2023 between the Vendor and IWS Services in relation to, among others, the Acquisition (as supplemented and revised from time to time)
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday) on which licensed banks are open for general business in the PRC
“CASBE”	China Accounting Standards for Business Enterprise
“close associate(s)”	has the meaning as ascribed to it under the Listing Rules
“Company”	Integrated Waste Solutions Group Holdings Limited, (stock code: 923), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms of the Agreement
“Completion Date”	the date on which Completion in respect of all the Sale Shares have taken place in accordance with the terms of the Agreement
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Consideration”	RMB50,000,000 (equivalent to approximately HK\$54,000,000), being the total consideration to be paid by IWS Investment to the Vendor for the Acquisition
“controlling shareholder(s)”	has the meaning as ascribed to it under the Listing Rules
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held as an electronic meeting on Thursday, 14 December 2023 at 2:00 p.m. to consider and, if appropriate, to approve, among others, the Agreement and the transactions contemplated thereunder (including the Vendor’s Right of First Refusal), or any adjournment thereof

DEFINITIONS

“Enlarged Group”	the Group as enlarged by the Acquisition
“First Supplemental Agreement”	the supplemental agreement to the Agreement dated 24 October 2023 between the Vendor, IWS Services and IWS Investment, whereby IWS Investment has taken up all the rights, and assumed all obligations, of IWS Services under the Agreement as from the time of signing of the Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	a third party independent of the Company and its connected persons, and “Independent Third Parties” shall be construed accordingly
“IWS Investment”	綜環投資(珠海橫琴)有限公司(IWS Investment (Zhuhai Hengqin) Company Limited*), a limited liability company established in the PRC and an indirect wholly owned subsidiary of the Company
“IWS Services”	Integrated Waste Solutions Services Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company
“Latest Practicable Date”	21 November 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longstop Date”	22 December 2023 or such later date as may be agreed in writing between the Vendor and IWS Services (or IWS Investment, as the case may be)
“NEEQ”	the National Equities Exchange And Quotations (全國中小企業股份轉讓系統)
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	renminbi, the lawful currency of the PRC
“Sale Shares”	5,605,263 shares of the Target Company, being part of the shares of the Target Company owned by the Vendor

DEFINITIONS

“Second Supplemental Agreement”	the second supplemental agreement to the Agreement dated 13 November 2023 between the Vendor and IWS Investment for amending certain provisions of the Agreement relating to, among others, Completion
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	An Jie Supply Chain Management Co., Ltd. (廣東安捷供應鏈管理股份有限公司), a company established in the PRC as a joint stock company with limited liability and the shares of which are listed on the NEEQ (NEEQ: 870009)
“Target Group”	collectively, the Target Company and its subsidiaries
“Vendor”	Zhang Yan (張艷)
“Vendor’s Right of First Refusal”	the right of the Vendor granted by IWS Services (subsequently replaced by IWS Investment) under the Agreement to acquire from IWS Investment any shares of the Target Company (in whole or in part) which IWS Investment may propose to dispose of after Completion to a third party purchaser upon the same terms that IWS Investment may offer to the third party purchaser
“%”	per cent.

In this circular, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.08, and vice versa. Such exchange rate has been used, where applicable, for the purposes of illustration only and does not constitute a representation that any amounts were or may have been exchanged at such rate or any other rates or at all.

* For identification purposes only

LETTER FROM THE BOARD



Integrated Waste Solutions Group Holdings Limited **綜合環保集團有限公司**

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 923)

Executive Directors:

Mr. Lam King Sang
Mr. Tam Sui Kin, Chris

Non-executive Directors:

Mr. Cheng Chi Ming, Brian (*Chairman*)
Mr. Lee Chi Hin, Jacob

Independent non-executive Directors:

Mr. Chow Shiu Wing, Joseph
Mr. Wong Man Chung, Francis
Mr. Chan Ting Bond, Michael

Registered office:

Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

Principal place of business in Hong Kong:

Integrated Waste Solutions Building
8 Chun Cheong Street
Tseung Kwan O Industrial Estate
New Territories
Hong Kong

27 November 2023

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION **ACQUISITION OF SHARES IN THE TARGET COMPANY LISTED ON THE NEEQ** **AND** **NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcements of the Company dated 5 October 2023, 24 October 2023 and 14 November 2023, respectively, in relation to, among others, the Acquisition. On 5 October 2023, IWS Services, a wholly owned subsidiary of the Company, entered into the Agreement with the Vendor, pursuant to which the Vendor has conditionally agreed to sell, and IWS Services has conditionally agreed to purchase, the Sale Shares representing approximately 13.16% of the total number of shares of the Target Company at the Consideration of RMB50,000,000 (equivalent to approximately HK\$54,000,000) in accordance with the terms and conditions of the Agreement. Following the due establishment of IWS Investment and on 24 October 2023, the Vendor, IWS Services and IWS Investment entered into the First Supplemental Agreement, whereby IWS Investment has taken up all the rights, and assumed all obligations, of IWS Services under the Agreement as from the time of signing of the Agreement. On 13 November 2023, the Vendor and IWS Investment entered into the Second Supplemental Agreement to amend certain provisions of the Agreement relating to, among others, Completion.

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The purpose of this circular is to provide you with, among others, (i) further details of the Agreement and the transactions contemplated thereunder (including the Vendor's Right of First Refusal); (ii) financial information and other information of the Group; (iii) financial information and other information of the Target Group; (iv) unaudited pro forma financial information of the Enlarged Group; (v) management discussion and analysis of the Target Group; and (vi) valuation report on the Target Company.

AGREEMENT

The major terms of the Agreement are set out below:

- Date:** 5 October 2023
- Parties:**
- (i) the Vendor, as vendor
 - (ii) IWS Investment, a wholly owned subsidiary of the Company, as purchaser

As at 5 October 2023 (being the date of the Agreement), IWS Services was in the process of establishing IWS Investment in the PRC as a wholly foreign-owned enterprise to be directly 100% held by IWS Services. After its due establishment, IWS Investment has replaced IWS Services as the purchaser under the Agreement for the acquisition and holding of the Sale Shares through the entering into of the First Supplemental Agreement on 24 October 2023 between the Vendor, IWS Services and IWS Investment. On 13 November 2023, the Vendor and IWS Investment entered into the Second Supplemental Agreement to amend certain provisions of the Agreement relating to, among others, Completion.

To the best knowledge, information and belief of the Directors after making reasonable enquiries, the Vendor is an Independent Third Party.

Subject matters

The Sale Shares held by the Vendor, representing approximately 13.16% of the total number of shares of the Target Company, free from all encumbrances and together with all rights attaching thereto as from the date of transfer of the Sale Shares, including but not limited to all dividends paid, declared or made the record date for the entitlement of which falls on or after the date of transfer of the Sale Shares.

The Sale Shares rank *pari passu* in all respects among themselves and with the other existing shares of the Target Company.

Consideration

The Consideration is RMB50,000,000 (equivalent to approximately HK\$54,000,000), which shall be paid by IWS Investment to the Vendor in cash.

The Consideration was determined after arm's length negotiations between the Vendor and IWS Services with reference to, among other things, (i) the preliminary valuation of the fair value of 100% equity interests of the Target Company of approximately RMB439,000,000 (equivalent to approximately HK\$474,120,000) as at 31 August 2023 by an independent valuer based on market approach using guideline public company method where the public companies selected are those mainly engaged in the provision of freight logistics and related services in the PRC; (ii) the recent financial performance of the Target Group; and (iii) the business development and the prospects of the Target Group.

LETTER FROM THE BOARD

According to the valuation report on the Target Company as set out in Appendix V to this circular, the valuation of the fair value of 100% equity interests of the Target Company as at 31 August 2023 is RMB438,925,000. Based on the aforesaid valuation, the value of the Sale Shares is approximately RMB57,753,000. The Consideration represents a discount of approximately 13.4% to the valuation of the Sale Shares.

The Directors have noted that while the shares of the Target Company are listed on the NEEQ, trading of the shares of the Target Company on the NEEQ has been illiquid, where shares were not traded on daily basis, and has been of negligible trading volume. As an example, there had been no trading in the whole of September 2023, while less than 20,000 shares were traded in the whole of August 2023. Consequently, no significant emphasis on the traded share prices of the Target Company has been placed in the determination of the Consideration.

The Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable, taking into account, among others, that the Consideration is at a discount to the valuation of the Sale Shares.

The Consideration will be funded partly by an unsecured, interest-bearing loan in the principal amount of HK\$50 million (equivalent to approximately RMB42,296,000) to be advanced to the Group by Chow Tai Fook Nominee Limited, being a controlling shareholder of the Company, and partly by internal resources of the Group. The loan constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules but is fully exempt under Rule 14A.90 of the Listing Rules as the loan will be on normal commercial terms or better and will be unsecured. The Company expects its share of profit from the Target Company as an associated company to be higher than the finance cost of the loan (before taking into account potential capital gains on the Group's investment in the Target Company which the Company expects). The return on investment of the Acquisition is therefore justified and it is beneficial to the Group.

Conditions Precedent

Completion is conditional upon the satisfaction (or, where applicable, waiver) of the following:

- (1) the approval by the Shareholders in general meeting for the Acquisition and the matters relating to the entering into, execution and performance of the Agreement by IWS Services and IWS Investment being obtained in accordance with the relevant requirements of the Listing Rules;
- (2) IWS Investment having been lawfully established, with the powers to execute and perform the purchaser's duties and obligations under the Agreement and the First Supplemental Agreement; IWS Services completing in compliance with the requirements of the PRC laws and regulations the relevant foreign investment compliance procedures (including those relating to commerce and foreign exchange) in relation to the establishment of IWS Investment; and the exchange of foreign fund and its usage being in compliance with the requirements of the foreign exchange regulatory authority of the PRC;
- (3) the Vendor, IWS Services and IWS Investment executing the First Supplemental Agreement;
- (4) the respective board of directors and (if required) the shareholders of IWS Services and IWS Investment approving the entering into, execution and performance of the Agreement;
- (5) all requisite consents, approvals, waivers and authorisations from any relevant government departments or authorities (including but not limited to the NEEQ), regulatory authorities or other relevant third parties (whether in Hong Kong, the PRC or elsewhere) having been obtained by the Vendor and (if required) the Target Company;

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- (6) all requisite consents, approvals, waivers and authorisations from any relevant government departments or authorities, regulatory authorities (including but not limited to the Stock Exchange) or other relevant third parties (whether in Hong Kong, the PRC or elsewhere) having been obtained by IWS Investment;
- (7) IWS Services (or IWS Investment, as the case may be) being satisfied, as indicated in writing, with the results of the due diligence exercise (whether legal, accounting, financial, business, operation and other aspects that IWS Services (or IWS Investment, as the case may be) considers necessary) conducted against the Target Group and its business, assets, liability, activities, operations, prospects and other status which IWS Services (or IWS Investment, as the case may be) considers reasonable, necessary and appropriate;
- (8) the shares of the Target Company remaining listed and being traded on the NEEQ after the date of the Agreement up to Completion, and neither the CSRC nor the NEEQ indicating at any time before Completion that the listing of the shares of the Target Company on the NEEQ will be or may be cancelled or objected;
- (9) the total bank borrowings of the Target Group not exceeding RMB50,000,000;
- (10) no event occurring which constitutes a material and adverse effect (or change) on the financial position, business, prospect or results of operations of the Target Group as a whole;
- (11) the Vendor not having breached the provisions of the Agreement (including but not limited to undertakings); and
- (12) the representations and warranties by the Vendor under the Agreement remaining to be true, accurate and not misleading in all respects.

The Vendor shall use her best endeavours to satisfy all the conditions precedent set out above (other than those under sub-paragraphs (1), (2), (4), (6) and (7) above). IWS Services (or IWS Investment, as the case may be) shall use its best endeavours to satisfy the conditions precedent set out in sub-paragraphs (1), (2), (3), (4), (6) and (7) above.

IWS Services (or IWS Investment, as the case may be) may at any time waive in writing any of the conditions precedent set out in sub-paragraphs (9), (10), (11) and (12) above. Save as aforesaid, none of the conditions precedent may be waived.

If all the conditions precedent shall not have been fulfilled (or, where applicable, waived) on or before the Longstop Date, the Agreement shall automatically terminate immediately, and no party to the Agreement shall have any claim against the other, save in respect of any antecedent breaches.

As at the Latest Practicable Date, the conditions precedent set out in sub-paragraphs (3) and (4) had been fulfilled.

Completion

After the approval of the Shareholders as described under sub-paragraph (1) in the paragraph headed “Conditions precedent” above has been obtained, the Vendor shall as soon as possible pay her personal income tax payable in relation to the transfer of the Sale Shares under the Acquisition, obtain the relevant certificate (the “**Tax Payment Certificate**”) of payment of such tax and deliver a copy of the Tax Payment Certificate to IWS Investment.

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Subject to the fulfilment (or, where applicable, waiver) of all conditions precedent set out in the paragraph headed “Conditions precedent” above and the Vendor having obtained the Tax Payment Certificate, Completion will take place in the following manner:

- (1) on or before the Longstop Date (or such later date as the Vendor and IWS Investment may agree, but in any event not after the period stipulated in the compliance confirmation as referred to in sub-paragraph (2) below), the Vendor shall transfer all the Sale Shares to IWS Investment through China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司) (“CSDC”); and
- (2) within one Business Day after the issue of the compliance confirmation by CSDC in relation to the transfer of all the Sale Shares, IWS Investment shall instruct its bank to pay the Consideration to the bank account designated by the Vendor.

Upon Completion, the Target Company will be treated as an associate of the Group and equity accounting will be adopted in the Group’s financial statements by virtue of the Group’s substantial influence on the daily management and operations of the Target Company. The Company’s auditors concur with the assessment of the Company’s management that the Company will have significant influence on the Target Company and therefore treat the Target Company as an associate. As at the Latest Practicable Date, the Target Company had five directors. The Target Company will have six directors (including the one to be appointed as nominated by IWS Investment), assuming there will be no other change in the number of directors.

Undertakings from the Vendor

The Vendor has undertaken in favour of IWS Investment, which are subject to Completion having taken place, to fulfil, or to procure the Target Company to fulfil, the following:

- (1) During the period when IWS Investment shall hold not less than 8% of all the shares of the Target Company:
 - (a) IWS Investment shall have the right to nominate one person to be appointed as a director of the Target Company;
 - (b) during the period from the Completion Date to the date of appointment of the director of the Target Company nominated by IWS Investment as mentioned in sub-paragraph (a) above, the board of directors of the Target Company shall not approve any of the reserved matters as set out below. Further, as from the date of appointment of the director of the Target Company nominated by IWS Investment as mentioned in sub-paragraph (a) above, unless unanimously resolved by all the directors of the Target Company present at the meeting, the board of directors of the Target Company shall not approve any of the reserved matters as set out below. The reserved matters are:
 - (i) increase or decrease its registered capital (including but not limited to issuing or agreeing to issue any share capital, capital, loan capital, or granting or agreeing to grant any share options or warrants, or taking any action that results in a reduction or increase in the Vendor’s shareholding and/or shareholding ratio in the Target Company);
 - (ii) conduct division, merger, dissolution and liquidation or change its company form;
 - (iii) amend its articles of association;

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- (iv) purchase or sell its major assets or provide new guarantee (whether single or cumulative guaranteed amount), which exceeds 50% of the latest audited total assets of the Target Company;
 - (v) adopt any form of share incentive scheme, or grant any share options or share awards under any form of share incentive scheme already adopted before the date of the Agreement;
 - (vi) adopt annual budget, or modify the annual budget adopted before the date of the Agreement;
 - (vii) revise dividend policy;
 - (viii) (taking the Target Group as a whole) enter into loan agreement(s) or other agreement(s) with bank(s) or other financial institution(s) to borrow funds exceeding RMB10 million in total; and
 - (ix) enter into any related person transactions with its related natural persons with a transaction amount exceeding RMB500,000, or any related person transactions with its related legal persons with a transaction amount accounting for more than 0.50% of the latest audited total assets of the relevant Target Group Company;
- (c) within the first 21 days of the first month of each quarter, provide IWS Investment with the consolidated financial statements of the Target Group and the individual financial statements of each of the other members of the Target Group for the immediate preceding quarter;
 - (d) IWS Investment shall have the right to designate one person to participate and attend the day-to-day and regular management meetings of the Target Company;
 - (e) upon IWS Investment's demand from time to time, the Target Company shall issue to IWS Investment a written confirmation that IWS Investment has substantial influence on the daily management and operations of the Target Group Companies but it is not involved in their daily management and operations; and
 - (f) the total dividends declared and paid to the shareholders of the Target Company for every year shall not be less than 30% of the audited net profits after tax of the Target Company for that year.
- (2) The Vendor shall, and shall procure the Target Group to, reduce the bank borrowings of the Target Group through the following means:
 - (a) before Completion, the total bank borrowings shall be reduced to not more than RMB50,000,000;
 - (b) within 7 Business Days after the Completion Date, the Target Company shall repay bank borrowings in the amount of RMB20,000,000, for the purpose of which the Vendor shall extend a loan to the Target Company in the same amount from the proceeds from the Acquisition she received from IWS Investment. Such loan may bear interest at a rate charged by banks in the PRC at that time for short-term borrowings of similar amount; and
 - (c) in the event that the Proposed New Issue (as defined below) is proceeded with, within 7 Business Days after completion of the Proposed New Issue, the Target Company shall apply 20% of the net proceeds from the Proposed New Issue to repay bank borrowings in the same amount.

LETTER FROM THE BOARD

- (3) In the event that the Target Company conducts a new issue (the “**Proposed New Issue**”) of shares after Completion:
- (a) should the valuation of the Target Company after completion of the Proposed New Issue be less than RMB450,000,000, the Vendor shall compensate IWS Investment by paying a sum of RMB5,000,000 in cash within 7 Business Days from completion of the Proposed New Issue;
 - (b) if the Proposed New Issue shall complete within 6 months from the Completion Date, provided that IWS Investment shall not have reduced its shareholding in the Target Company during the said 6-month period, IWS Investment shall have a right (but not an obligation) to purchase from the Vendor additional shares of the Target Company on the same price determination basis as the Sale Shares, to the extent that the percentage shareholding of IWS Investment in the Target Company shall be restored to 13.16%; and
 - (c) save and except for any new issue of shares by the Target Company that may occur upon its new listing on a stock exchange (other than the NEEQ) acceptable to IWS Investment, the Target Company shall not issue any new shares within 6 months from completion of the Proposed New Issue.
- (4) Should the Vendor intend to dispose of shares of the Target Company to a proposed purchaser, IWS Investment shall have a tag-along right to sell to the proposed purchaser such number of shares of the Target Company forming part of the number of shares proposed to be acquired by the proposed purchaser from the Vendor based on the then shareholding proportion in the Target Company as between the Vendor and IWS Investment and upon the same terms.

Right of first refusal

Each of the Vendor and IWS Investment shall have the right of first refusal to acquire from the other party any shares of the Target Company (in whole or in part) which the other party may after Completion propose to dispose of to a third party purchaser. Such acquisition shall be on the same terms that the other party offers to the third party purchaser.

The grant of the Vendor’s Right of First Refusal by IWS Investment to the Vendor, and the reciprocal right of first refusal granted by the Vendor to IWS Investment (the “**IWS Right of First Refusal**”), are mutual arrangements between IWS Investment and the Vendor in favour of each other. In other words, IWS Investment grants the Vendor’s Right of First Refusal in return for the IWS Right of First Refusal.

From the perspective of IWS Investment, the IWS Right of First Refusal is important as it gives IWS Investment the opportunity to acquire from the Vendor any share of the Target Company which the Vendor may propose to dispose of after Completion, which ensures that IWS Investment has the flexibility and control in future ownership structure and, hence endeavours in the Target Group.

Given the importance of the IWS Right of First Refusal to the Company, the Board is of the view that the inclusion of the right of first refusal clause (which encompass the mutual granting of the IWS Right of First Refusal and the Vendor’s Right of First Refusal) is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

If and when IWS Investment proposes to dispose of the shares in the Target Company after Completion which triggers the Vendor’s Right of First Refusal, the Company will compute the relevant size tests to see whether the proposed disposal will constitute a notifiable transaction under Chapter 14 of the Listing Rules and (if applicable) comply with the relevant requirements thereunder. The Company will also comply with any applicable requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Exclusivity period

During the period commencing from the date of the Agreement and ending on 31 October 2023 (both dates inclusive), unless having obtained the prior written consent from IWS Services (or IWS Investment, as the case may be), the Vendor shall not: (a) directly or indirectly engage in negotiations and discussions with any person other than IWS Services (or IWS Investment, as the case may be) in relation to the acquisition of any shares of the Target Company held by the Vendor, any transaction similar or identical to those contemplated under the Agreement, or any matter having similar or identical effect to the transactions contemplated under the Agreement; (b) contact any such person in relation thereto; (c) allow any such person to conduct due diligence exercise in relation thereto; and (d) reach any agreement or arrangement in relation thereto.

REASONS FOR AND BENEFITS OF ENTERING INTO THE AGREEMENT

The Group is principally engaged in the trading of recovered paper and materials, provision of confidential materials destruction services, manufacturing of recycling plastic pellets, and provision of logistics services in Hong Kong. The Group also has indirect shareholding interests in hazardous waste treatment operations in Lianyungang City, Jiangsu Province, the PRC and Kaifeng, Henan Province, the PRC.

Contemporaneous with the Group's goal of transforming into a high value-added integrated waste solutions providers in Hong Kong and the PRC, its strategy is to proactively seek opportunities to enhance shareholders' return in its core business areas. Noting its vast market size and potential but cognizant of the industry's intense competition, the Group's focus has been on companies operating in the PRC market with unique competitive edge and serving growing industries.

The Directors believe an investment in the Target Company suits the above criteria where (i) the Target Company's area of business is encouraged under the PRC national policies; (ii) the Target Company is an established operator in the PRC which, in particular, holds relevant licenses to transport chemical hazardous items and such services are in high demand from the fast growing new energy sectors; and (iii) the Target Company has profitable track record and can immediately contribute to the Group's profitability. One of the Target Group's business areas of transportation of hazardous waste matches with the Group's line of businesses and is consistent with the Group's corporate goals of making positive impact on the environment.

The Group, through Dugong IWS HAZ Limited, has interest in the fully operational treatment plant projects in Lianyugang, Jiangsu Province, the PRC and Kaifeng, Henan Province, the PRC, which offer comprehensive hazardous waste treatment services. The Group, as investors (directly or indirectly) in both the Target Company and the aforesaid projects, intends to introduce the Target Company to the hazardous waste treatment projects for potential cooperation. For example, the Group could potentially benefit if the Target Company can provide the hazardous waste treatment projects with lower cost and/or higher quality services. At the same time, the Target Company would benefit from more business opportunities which in turn will benefit the Group as an investor. Therefore, the Acquisition can bring about potential synergies and benefits to the Group.

Based on the above, the Directors (including the independent non-executive Directors) consider that the terms of the Agreement (including those of the Vendor's Right of First Refusal) are fair and reasonable and the Agreement and the transactions contemplated thereunder (including the Vendor's Right of First Refusal) are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

INFORMATION ON THE VENDOR

As at the Latest Practicable Date, the Vendor was the legal representative, a director and the majority shareholder of the Target Company and held approximately 63.04% of the shares of the Target Company.

INFORMATION ON THE TARGET GROUP

The Target Company is a company established in the PRC as a joint stock company with limited liability and the shares of which are listed on the NEEQ. The principal activities of the Target Group are the provisions of integrated supply chain solutions, including comprehensive logistics and warehousing services and transportation of chemical hazardous goods. The Target Company is one of the leading operators in Guangdong Province, the PRC and, in particular, possesses specific licenses to transport and handle chemical hazardous items which include lithium-ion batteries and related raw materials used in its production in the fast-growing new energy sectors. Another business scope of the Target Group is transportation of hazardous waste. Operating out of Jiangmen City, Guangdong Province, the PRC, its customers are mainly manufacturing and fast moving consumer goods companies.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is a summary of the audited consolidated financial information of the Target Group for the two years ended 31 December 2021 and 2022 and the unaudited consolidated financial information of the Target Group for the six months ended 30 June 2023, prepared based on CASBE and as extracted from the Target Company's publicly published annual report for the year ended 31 December 2022 and interim report for the six months ended 30 June 2023:

	For the year ended 31 December 2021 (audited) RMB'000 approximately	For the year ended 31 December 2022 (audited) RMB'000 approximately	For the six months ended 30 June 2023 (unaudited) RMB'000 approximately
Revenue	238,021	313,029	144,592
Profit before taxation	25,128	38,427	15,907
Profit after taxation attributable to shareholders	22,077	33,851	14,019
	As at 31 December 2021 (audited) RMB'000 approximately	As at 31 December 2022 (audited) RMB'000 approximately	As at 30 June 2023 (unaudited) RMB'000 approximately
Net assets	93,925	121,146	125,214

LETTER FROM THE BOARD

IMPLICATION UNDER THE LISTING RULES

As one of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements thereunder.

Further, pursuant to Rule 14.72 of the Listing Rules, the Vendor's Right of First Refusal constitutes an option granted by the Group to the Vendor. As its exercise is not at the discretion of the Group, the Vendor's Right of First Refusal will be classified at the time of grant as if it had been exercised. Since the exercise price of the Vendor's Right of First Refusal and the value of the underlying shares of the Target Company cannot be determined until IWS Investment proposes to dispose of any shares of the Target Company, the grant of the Vendor's Right of First Refusal will be classified as at least a major transaction for the Company pursuant to Rule 14.76(1) of the Listing Rules. Accordingly, the grant of the Vendor's Right of First Refusal is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

WAIVER FROM STRICT COMPLIANCE WITH RULES 14.69(4)(a)(i) and 14.69(7) OF THE LISTING RULES

Rule 14.69(4)(a)(i) of the Listing Rules requires this circular to contain, among others, an accountants' report (the "**Target Accountants' Report**") on the Target Company in accordance with Chapter 4 of the Listing Rules.

Further, pursuant to Rule 14.69(7) of the Listing Rules, the Company is required to include in this circular a discussion and analysis of results of the Target Company covering all those matters set out in paragraph 32 of Appendix 16 to the Listing Rules for the period reported in the Target Accountants' Report.

Waiver sought

The Company has applied to the Stock Exchange for waiver from strict compliance with Rules 14.69(4)(a)(i) and 14.69(7) of the Listing Rules on the following grounds:

1. The Acquisition is a transaction solely between the Vendor and IWS Investment, which is governed by the Agreement to which only the Vendor and IWS Investment are privy. Although its shares are the subject matter of the Acquisition, the Target Company is not obligated to assist the Company in preparing the Target Accountants' Report. Without the assistance of the Target Company, neither the Vendor (in her capacity as a shareholder of the Target Company) nor the Company (which to the Target Company is an unrelated third party) can legally have access to the Target Company's books and records for the purpose of preparing the Target Accountants' Report. This is notwithstanding the capacity of the Vendor as a director of the Target Company. In this respect, the Company's request, made through the Vendor to the Target Company, to gain access to the financial information necessary for the purpose of preparing the Target Accountants' Report was not entertained by the Target Company. For these reasons, strict compliance by the Company with the requirements under Rule 14.69(4)(a)(i) of the Listing Rules to prepare the Target Accountants' Report is impracticable and unduly burdensome to the Company.
2. Under the Acquisition, the Group will acquire only approximately 13.16% of the shares of the Target Company as at the Latest Practicable Date. Upon Completion, the Target Company will be treated as an associate of the Group. That is to say, the Target Company will not become a subsidiary of the Company upon Completion and its financial results will

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not be consolidated into the financial statements of the Group. Given the aforesaid accounting treatment, it is submitted that the time and costs that may have to be incurred by the Company is disproportionate to the extent of how the Acquisition will be accounted for in the Group's consolidated financial statements after Completion.

3. The Target Company is a company established in the PRC as a joint stock company with limited liability, the shares of which have been listed on the NEEQ since December 2016. The Target Company is required to publish its audited annual financial results and unaudited interim results on the website of the NEEQ (www.neeq.com.cn) and such information is therefore publicly available. Disclosures of the Target Group's financial information are subject to supervision by the NEEQ and must comply with the Rules for Information Disclosures of Companies listed on the National Equities Exchange and Quotations.
4. The audited consolidated financial statements of the Target Group for the three years ended 31 December 2020, 2021 and 2022 respectively and the unaudited consolidated financial statements of the Target Group for the six months ended 30 June 2023 have been published in the manner described in sub-paragraph 3 above. The said audited consolidated financial statements were audited by WUYIGE Certified Public Accountants LLP (大信會計師事務所(特殊普通合夥)) (“**Daxin**”) and all the said consolidated financial statements (whether audited or unaudited) were prepared in accordance with CASBE, which are expressly recognised by the Listing Rules in the case of a PRC issuer under Rule 4.11(c) of the Listing Rules.
5. Furthermore, as advised by PKF Hong Kong Limited (“**PKF**”), the reporting accountants of the Company in relation to this circular, assuming that the Company is able to gain access to the necessary books and records of the Target Group, the management of the Company will have to prepare the Target Group's financial information for the three years ended 31 December 2020, 2021 and 2022 respectively and the six months ended 30 June 2022 and 2023 respectively in accordance with International Financial Reporting Standards (“**IFRS**”), being the accounting standards adopted by the Company, and PKF will then conduct an audit on such financial information for the three years ended 31 December 2020, 2021 and 2022 respectively and the six months ended 30 June 2023 in accordance with International Standards on Auditing and a review on financial information for the six months ended 30 June 2022 in accordance with “International Standard on Review Engagements 2400”. It would therefore be unduly burdensome for the Company to prepare the financial information of the Target Group based on IFRS (if at all feasible) and for PKF to audit or review (as the case may be) the same. Converting the financial information of the Target Group from CASBE to IFRS may not provide any additional material information when compared to the publicly published financial statements of the Target Group based on CASBE.
6. While Daxin is not registered under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong), it is registered with the Chinese Institute of Certified Public Accountants (“**CICPA**”) and the Ministry of Finance of the PRC (the “**MOF**”). As announced by the CICPA in September 2023, Daxin ranks thirteenth in the comprehensive appraisal ranking of the top 100 accounting firms for the year 2022 (2022年度會計師事務所綜合評價百家排名). Its clients include more than 30 major PRC state-owned enterprises such as China State Shipbuilding Corporation Limited, State Power Investment Corporation Limited, China National Nuclear Corporation and Aviation Industry Corporation of China, Ltd., financial institutions as well as over 190 listed companies (including A-share, B-share and H-share companies). Daxin is a reputable accounting firm subject to regulatory supervision by the MOF and CICPA.

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7. Daxin is regulated by the MOF and the CICPA. The CICPA on its own, or based on the request from the CSRC, can make investigations concerning violations attributed to auditors. The CSRC, which is a signatory to the Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information developed by the International Organization of Securities Commissions, is responsible for regulating standards in financial markets and has the power to take enforcement action against relevant individuals and firms.
8. Daxin is independent of both the Target Group and of any other company concerned as required under the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and is committed to maintaining its independence both in fact and in perception and its policies are designed in compliance with local laws and ethical principles.
9. Given the reasons stated above, the Company is unable to prepare the discussion and analysis of results of the Target Company as required under Rule 14.69(7) of the Listing Rules based solely on the publicly disclosed financial information of the Target Group. In addition, the Company is not in a position to express any view as to the truth, accuracy or completeness on the discussion and analysis of the results of the Target Company as set out in its publicly published information.

Alternative disclosures

To facilitate the Shareholders and potential investors of the Company to evaluate the Acquisition and to assess the Target Group's activities and financial position, the Company has included in this circular the following:

- (a) the audited consolidated financial statements of the Target Group for the three years ended 31 December 2020, 2021 and 2022 respectively prepared in accordance with CASBE as extracted from the publicly published documents of the Target Company, on which Daxin has not issued any audit qualifications, as set out in Appendix II to this circular;
- (b) the unaudited consolidated financial statements of the Target Group for the six months ended 30 June 2023 prepared in accordance with CASBE as extracted from the publicly published documents of the Target Company, as set out in Appendix II to this circular;
- (c) a line-by-line reconciliation for the Target Group's financial information, reviewed by PKF under "Hong Kong Standard of Assurance Engagements 3000", which primarily consists of (i) comparison of the unadjusted financial information of the Target Group for the three years ended 31 December 2020, 2021 and 2022 respectively and for the six months ended 30 June 2023 (the "**Relevant Periods**") set out in the reconciliation with the audited consolidated financial statements of the Target Group for the three years ended 31 December 2020, 2021 and 2022 respectively and the unaudited consolidated financial statements of the Target Group for the six months ended 30 June 2023 in accordance with the Target Group's accounting policies under CASBE; (ii) consideration on the adjustments made and evidence supporting the adjustments made in arriving at the adjusted financial information under the Company's accounting policies, which includes examining the differences between the Target Company's accounting policies under CASBE and the Company's accounting policies under IFRS; and (iii) checking of the arithmetic accuracy of the computation of the adjusted financial information under the Company's accounting policies, as set out in Appendix II to this circular;
- (d) additional information which is required for an accountants' report under the Listing Rules but not disclosed in the Target Company's publicly published financial statements, as set out in Appendix II to this circular; and

LETTER FROM THE BOARD

- (e) a discussion and analysis of the results of the Target Company for the Relevant Periods as extracted from the publicly published documents of the Target Company, as set out in Appendix III to this circular.

Based on the information provided by the Company and the alternative disclosures mentioned above, the Stock Exchange has granted the waiver from strict compliance with Rules 14.69(4)(a)(i) and 14.69(7) of the Listing Rules.

EGM

The notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular. At the EGM, an ordinary resolution will be proposed to approve, among others, the Agreement and the transactions contemplated thereunder (including the Vendor's Right of First Refusal).

Pursuant to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll, except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the proposed resolution will be put to vote by way of poll at the EGM. An announcement on the poll results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the Company's website (www.iwsggh.com) and the designated website of the Stock Exchange (www.hkexnews.hk) respectively. Whether or not you are able to attend the EGM in person online, please (i) complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority, to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong; or (ii) submit the form of proxy electronically through the Tricor e-Meeting System (<https://spot-emeeting.tricor.hk>) as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting thereof if you so wish. In such event, your proxy form shall be deemed to be revoked.

As at the Latest Practicable Date, to the best knowledge of the Directors having made all reasonable enquiries, no Shareholder had a material interest in the Agreement and would be required to abstain from voting on the ordinary resolution to be proposed at the EGM in respect of the Agreement and the transactions contemplated thereunder.

RECOMMENDATION

The Directors (including the independent non-executive Directors) believe that the Agreement and the transactions contemplated thereunder (including the Vendor's Right of First Refusal) are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Shareholders are concerned. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder (including the Vendor's Right of First Refusal).

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully
On behalf of the Board
Integrated Waste Solutions Group Holdings Limited
Cheng Chi Ming, Brian
Chairman

1. THREE-YEAR FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for the three years ended 31 March 2021, 2022 and 2023, respectively, have been set out in the Company's annual reports for the year ended 31 March 2021 (from pages 53 to 136), the year ended 31 March 2022 (from pages 53 to 136) and the year ended 31 March 2023 (from pages 51 to 128).

All annual reports of the Company have been posted on the websites of the Company (www.iwsg.com) and of the Stock Exchange (www.hkexnews.hk).

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 October 2023, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had:

Loan from non-controlling interests shareholder

As at 31 October 2023, the Group had an interest-bearing loan due to non-controlling interests shareholder of approximately HK\$392,000, with no security nor pledge.

Save as aforesaid, and apart from intra-group liabilities, at the close of business on 31 October 2023, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL SUFFICIENCY OF THE GROUP

The Directors are of the opinion that, after taking into account the Acquisition, the working capital available to the Group is sufficient for the Group's requirements for at least the next 12 months from the date of this circular in the absence of any unforeseen circumstances.

4. FINANCIAL AND TRADING PROSPECT OF THE GROUP

As mentioned under the paragraph headed "Letter from the Board — Reasons for and benefits of entering into the Agreement" in this circular, the Directors have been proactively seeking opportunities to enhance shareholders' return in its core business areas. The Directors believe an investment in the Target Company, which has profitable track record, can immediately contribute to the Group's profitability. Furthermore, one of the Target Group's business areas of transportation of hazardous waste matches with the Group's line of businesses and is consistent with the Group's corporate goals of making positive impact on the environment. There is also potential synergistic cooperation between the Target Group and the hazardous waste treatment projects in the PRC in which the Group has indirectly invested.

Although the Directors expect there are still risks and uncertainties which would hinder the global economic recovery, they are cautiously optimistic towards the overall outlook of the Group. The Directors will continue to explore and identify suitable investment opportunities to sustain long-term growth and strive to enhance our capabilities and competitive edge to improve Shareholders' return.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. EFFECTS OF THE ACQUISITION ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

Following Completion, the Company will own 13.16% equity interest in the Target Company. The Target Company will become an associate of the Group, and the financial results of the Target Group will be equity accounted for in the Group's consolidated financial statements.

As referred to in the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular, on the basis of the notes set out therein for the purposes of illustrating the effects of the Acquisition, the financial effects of the Acquisition on the Group as if the Acquisition had taken place and had been completed on 31 March 2023 would be as follows:

- (a) As for assets and liabilities of the Group, the total assets will increase by approximately HK\$50 million while cash and cash equivalent will decrease by approximately HK\$8.5 million upon the completion of the Acquisition. Total liabilities will increase by HK\$50 million subsequent to the drawdown of the loan from the controlling shareholder of the Company.
- (b) It is expected that, subject to audit, there will be no financial effect to the revenue of the Group after Completion as the income of the Target Group will not be consolidated into that of the Group.

A. FINANCIAL INFORMATION OF THE TARGET GROUP FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2020, 2021 AND 2022 AND THE SIX MONTHS ENDED 30 JUNE 2023

For the purpose of this section only, unless the context requires otherwise, references to the “Company” are to the Target Company and references to the “Group” are to the Target Group, and references to “we”, “us” and “our” shall be construed accordingly.

The following is an extract of the audited consolidated financial statements of the Target Group for the years ended 31 December 2020, 2021 and 2022 and the unaudited consolidated financial statements of the Target Group for the six months ended 30 June 2023, which were prepared in accordance with China Accounting Standards for Business Enterprise (“CAS”), as extracted from the respective annual reports/interim report and consolidated financial statements of the Target Group for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023. These financial statements were issued in Chinese and the English translated version is provided for information purposes only. In case of discrepancies between the two versions, the Chinese version shall prevail.

The annual reports/interim report and consolidated financial statements of the Target Group for the three years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 are available at the website of the National Equities Exchange And Quotations Exchange (<http://www.neeq.com.cn>).

The Directors wish to emphasise that the extracts reproduced below are not prepared for incorporation into this circular and the Company has not participated in their preparation. As such, the Directors do not express any view as to their truth, accuracy or completeness, and the shareholders and investors should exercise caution and should not place undue reliance on such information.

SECTION X FINANCIAL REPORT

I. AUDITOR'S REPORT

Audited or not	Yes	
Auditor's opinion	Unmodified opinion	
Special paragraphs in the auditor's report	<input checked="" type="checkbox"/> Nil <input type="checkbox"/> Emphasized matter paragraph <input type="checkbox"/> Other matters paragraph <input type="checkbox"/> Going concern material uncertainty paragraph <input type="checkbox"/> Other information paragraph containing explanations on uncorrected material misstatement of other information	
Auditor's report number	Da Xin Shen Zi [2021] No. 22-10010	
Name of audit institution	WUYIGE Certified Public Accountants LLP	
Address of audit institution	Room 1504, Xueyuan International Tower, No. 1 Zhichun Road, Haidian District, Beijing	
Date of the auditor's report	30 April 2021	
Name of the certified public accountant who signed and consecutive years of signing	Xia Ling (夏玲)	Gong Fuguo (龚甫国)
	1 year	3 years
Any change in the accounting firm	No	
Consecutive service years of the accounting firm	4 years	
Audit remuneration for the accounting firm	RMB150,000	

AUDITOR'S REPORT

Da Xin Shen Zi [2021] No. 22-10010

To all the members of An Jie Supply Chain Management Co., Ltd.:

I. Auditor's Opinion

We have audited the financial statements of An Jie Supply Chain Management Co., Ltd. (hereinafter referred to as the "Company"), which comprise the consolidated balance sheet and balance sheet of the parent company as at 31 December 2020, and the consolidated income statement and income statement of the parent company, the consolidated cash flow statement and cash flow statement of the parent company, and the consolidated statement of changes in shareholders' equity and statement of changes in shareholders' equity of the parent company for the year 2020, and the notes to these financial statements.

In our opinion, the accompanying financial statements prepared in accordance with the requirements of Accounting Standards for Business Enterprises in all material aspects, give a fair view of the Company's consolidated financial position and financial position of the parent company as at 31 December 2020, and of its consolidated operating results and cash flows of the parent company for the year 2020.

II. Basis for the Auditor's Opinion

We conducted our audit in accordance with the Auditing Standards for PRC Certified Public Accountants. Our responsibilities under those standards are further described in the "Certified Public Accountant's Responsibilities for the Audit of the Financial Statements" section of the auditor's report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for audit opinion.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(I) Revenue recognition

1. Description of the matter

As stated in Note V. (XXV) to the financial statements of the Company, in 2020, the Company recognised revenue from principal activities of RMB192,190,801.37, which was mainly attributable to revenue from the provision of transportation and storage and logistics services. We identified revenue from principal activities as a key audit matter because the authenticity, accuracy and completeness of the recognition of revenue from principal activities has a greater impact on the Company's profit, and considering that revenue is one of the Company's key performance indicators, which results in the inherent risk that revenue may be recognized in an incorrect period or be manipulated to achieve target or expected levels.

2. Audit response

Our audit procedures to assess the recognition of revenue included: 1. obtaining an understanding of and assessing the design and operating effectiveness of management's key internal controls relating to revenue recognition; 2. inspecting service contracts on a sample basis, identifying contract terms and conditions and assessing whether the timing of revenue recognition was in accordance with the requirements of the Accounting Standards for Business Enterprises; 3. selecting samples of service revenue transactions recorded during the year, checking invoices, contracts, receipt records and reconciliation records, and evaluating whether the related revenue recognition was in accordance with the Company's accounting policies for revenue recognition; 4. selecting samples of revenue transactions recorded before and after the balance sheet date, checking the confirmation documents for the provision of services and other supporting documents to evaluate whether the revenue was recorded in the appropriate accounting period; 5. issuing confirmations to major customers to verify whether the operating income was true and recorded in the correct period.

(II) Provision for bad debts of accounts receivable

1. Description of the matter

As stated in Note V. (III) to the financial statements of the Company, as of 31 December 2020, the book balance of the Company's accounts receivable was RMB59,518,534.58 with provision for bad debts of RMB2,005,716.91 and carrying amount of RMB57,512,817.67. We identified the provision for bad debts of accounts receivable as a key audit matter due to the significant accounting estimates and judgements involved in the determination of provision for bad debts by the management and the significance of the provision for bad debts of accounts receivable to the financial statements.

2. Audit response

The main audit procedures we implemented for the provision for bad debts of receivables included: 1. obtaining an understanding of the key internal controls related to the impairment of accounts receivable, evaluating the design of these controls, determining whether they have been implemented, and testing the effectiveness of the operation of relevant internal controls; 2. reviewing the relevant consideration and objective evidence of the management's credit risk assessment or impairment test on accounts receivable, and evaluating whether the management appropriately identified the credit risk characteristics of accounts receivable or impaired accounts receivable; 3. for accounts receivable with expected credit losses measured on a collective basis, evaluating the

rationality of the management's grouping based on credit risk characteristics; evaluating the reasonableness of the comparison table of the ageing of accounts receivable against the expected credit loss rates determined by the management based on historical credit loss experience and forward-looking estimates; testing the accuracy and completeness of the data used by management and the accuracy of the calculation of the provision for bad debts; 4. selecting samples to confirm the large accounts receivable or a portion of accounts receivable with small amount but with large occurrences at the end of the period; 5. checking whether the information related to the impairment of accounts receivable has been properly presented in the financial statements.

IV. Other Information

The management of the Company (the "Management") are responsible for the other information. Other information comprises the information included in the 2020 annual report of the Company, other than the financial statements and our auditor's report thereon.

Our audit opinion on the financial statements does not cover other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read other information and, in doing so, consider whether other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the work so performed, we shall report any material misstatement as contained in other information that we ascertain. In this aspect, we have no such matter to be reported.

V. Responsibilities of the Management and Governing Bodies for the Financial Statements

The Management is responsible for preparing and presenting fairly the financial statements in accordance with Accounting Standards for Business Enterprises, as well as designing, implementing and maintaining internal control necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and use the going concern assumption unless the Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The governing bodies are responsible for supervising the financial reporting processes of the Company.

VI. Certified Public Accountant's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit in accordance with the Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. In addition, we performed the following tasks:

(I) identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence

that is sufficient and appropriate to provide a basis for our audit opinion. As fraud could involve collusion, forgery, intentional omission, false statements or overriding internal controls, thus risks of inability to discover major misrepresentation are more severe than risks of inability to spot misrepresentation due to mistake.

(II) understanding the audit related internal controls in order to design appropriate audit procedures, but not for the purpose of expressing an opinion on the internal control's effectiveness.

(III) evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

(IV) concluding on the appropriateness of the Management's use of the going concern assumption. And based on the audit evidence obtained, concluding whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required by the Auditing Standards to draw attention to users of financial statements in our auditor's report on the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the information obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(V) evaluating the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a fair manner.

(VI) obtaining sufficient appropriate audit evidences regarding the financial information of the entities or business activities within the Company to express audit opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit and remain solely responsibility for our audit opinion.

We communicate with the governing bodies regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including deficiencies worth of attention in internal control that we identify during our audit.

We also provide the governing bodies with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the governing bodies, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless laws or regulations prohibited public disclosure about the matter or when, in rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

WUYIGE Certified Public Accountants LLP

China · Beijing

PRC certified public accountant: Xia Ling
(Engagement Partner)

PRC certified public accountant: Gong Fuguo

30 April 2021

II. FINANCIAL STATEMENTS

(I) Consolidated Balance Sheet

Unit: RMB

Item	Note	31 December 2020	1 January 2020
Current assets:			
Monetary funds	V(I)	22,145,301.57	16,616,994.59
Settlement reserve			
Placements with financial institutions			
Financial assets held for trading	V(II)		7,800,000.00
Derivative financial assets			
Notes receivable		0	0
Trade receivables	V(III)	57,512,817.67	26,302,711.30
Receivables financing			
Prepayments	V(IV)	3,654,261.41	3,292,176.63
Premium receivables			
Reinsurance accounts receivable			
Reserves for reinsurance contract receivable			
Other receivables	V(V)	5,980,716.01	8,019,884.02
Including: Interest receivable			
Dividend receivable			
Financial assets purchased under agreements to resell			
Inventories		0	0
Contract assets			
Assets held for sales			
Non-current assets due within one year			
Other current assets	V(VI)	27,466.78	647,662.58
Total current assets		89,320,563.44	62,679,429.12
Non-current assets:			
Loans and advances to customers			
Debt investment			
Other debt investments			
Long-term receivables			
Long-term equity investments		0	0
Other equity instrument investments			
Other non-current financial assets			
Investment properties		0	0
Fixed assets	V(VII)	11,842,546.67	8,665,872.32
Construction in progress	V(VIII)	20,996,342.98	4,429,841.33
Productive biological assets			
Oil and gas assets			

Right-of-use assets			
Intangible assets	V(IX)	22,310,711.46	23,148,336.87
Development expenses			
Goodwill	V(X)	0	14,361.58
Long-term deferred expenses	V(XI)	54,870.82	78,386.86
Deferred income tax assets	V(XII)	610,286.11	196,625.46
Other non-current assets			
Total non-current assets		55,814,758.04	36,533,424.42
Total assets		145,135,321.48	99,212,853.54
Current liabilities:			
Short-term borrowings	V(XIII)	17,019,833.33	5,500,000.00
Borrowings from central bank			
Placements from financial institutions			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Trade payables	V(XIV)	39,415,780.19	10,433,576.00
Advance receipts			
Contract liabilities			
Financial assets sold under agreements to repurchase			
Deposits from customers and others			
Brokerage for securities trading			
Brokerage for underwriting securities			
Employee benefits payable	V(XV)	1,271,013.18	1,437,926.69
Taxes payable	V(XVI)	1,863,209.74	330,476.16
Other payables	V(XVII)	3,832,244.12	1,297,942.35
Including: Interest payable	V(XVII)		31,782.30
Dividend payable			
Fees and commissions payable			
Reinsurance accounts payable			
Liabilities held for sales			
Non-current liabilities due within one year	V(XVIII)		3,720,000.00
Other current liabilities			
Total current liabilities		63,402,080.56	22,719,921.20
Non-current liabilities:			
Reserves for insurance contracts			
Long-term borrowings	V(XIX)	2,051,818.42	9,560,000.00
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee remuneration payables			

Estimated liabilities			
Deferred income	V(XX)	7,509,042.41	1,263,350.60
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		9,560,860.83	10,823,350.60
Total liabilities		72,962,941.39	33,543,271.80
Owners' equity (or shareholders' equity):			
Share capital	V(XXI)	42,600,000.00	42,600,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserves	V(XXII)	3,143,108.23	3,143,108.23
Less: Treasury shares			
Other comprehensive income			
Special reserves			
Surplus reserves	V(XXIII)	5,459,863.32	3,806,036.48
General risk provisions			
Retained earnings	V(XXIV)	20,969,408.54	16,120,437.03
Total owners' equity attributable to the parent company		72,172,380.09	65,669,581.74
Minority interest			
Total owners' equity		72,172,380.09	65,669,581.74
Total liabilities and owners' equity		145,135,321.48	99,212,853.54

Legal representative: Zhang Yan Principal in charge of accounting: Jia Liping
Head of accounting department: Zhao Shufen

(II) Parent Company Balance Sheet

Unit: RMB

Item	Note	31 December 2020	1 January 2020
Current assets:			
Monetary funds		19,645,632.07	16,493,680.04
Financial assets held for trading			5,500,000.00
Derivative financial assets			
Bill receivables			
Trade receivables	XII(I)	56,617,508.84	25,361,197.30
Receivables financing			
Prepayments		3,596,890.75	3,247,504.63
Other receivables	XII(II)	5,915,456.60	7,947,418.01
Including: Interest receivable			
Dividend receivable			
Financial assets purchased under agreements to resell			
Inventories			
Contract assets			

Assets held for sales			
Non-current assets due within one year			
Other current assets			547,871.51
Total current assets		85,775,488.26	59,097,671.49
Non-current assets:			
Debt investment			
Other debt investments			
Long-term receivables			
Long-term equity investments	XII(III)	268,000.00	268,000.00
Other equity instrument investments			
Other non-current financial assets			
Investment properties			
Fixed assets		11,713,749.96	8,530,791.60
Construction in progress		20,996,342.98	4,429,841.33
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		22,310,711.46	23,148,336.87
Development expenses			
Goodwill			
Long-term deferred expenses		54,870.82	78,386.86
Deferred income tax assets		594,684.78	180,638.22
Other non-current assets			
Total non-current assets		55,938,360.00	36,635,994.88
Total assets		141,713,848.26	95,733,666.37
Current liabilities:			
Short-term borrowings		17,019,833.33	5,500,000.00
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable		38,181,407.63	9,619,411.98
Advance receipts			
Financial assets sold under agreements to repurchase			
Employee remuneration payable		1,246,241.58	1,322,566.53
Taxes payable		1,862,909.08	330,311.65
Other payables		3,719,150.24	1,034,848.47
Including: Interest payable			31,782.30
Dividend payable			
Contract liabilities			
Liabilities held for sales			
Non-current liabilities due within one year			3,720,000.00
Other current liabilities			
Total current liabilities		62,029,541.86	21,527,138.63

Non-current liabilities:			
Long-term borrowings		2,051,818.42	9,560,000.00
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee remuneration payables			
Estimated liabilities			
Deferred revenue		7,509,042.41	1,263,350.60
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		9,560,860.83	10,823,350.60
Total liabilities		71,590,402.69	32,350,489.23
Owners' equity			
Share capital		42,600,000.00	42,600,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserves		3,143,108.23	3,143,108.23
Less: Treasury shares			
Other comprehensive income			
Special reserves			
Surplus reserves		5,459,863.32	3,806,036.48
General risk provisions			
Retained earnings		18,920,474.02	13,834,032.43
Total owners' equity		70,123,445.57	63,383,177.14
Total liabilities and owners' equity		141,713,848.26	95,733,666.37

(III) Consolidated Income Statement

Unit: RMB

Item	Note	2020	2019
I. Total operating income		192,882,744.98	147,428,803.08
Including: Operating income	V(XXV)	192,882,744.98	147,428,803.08
Interest income			
Premiums earned			
Fee and commission income			
II. Total operating costs		172,467,153.57	137,402,899.80
Including: Operating costs	V(XXV)	157,474,757.98	124,739,912.74

Interest expense			
Fee and commission expenses			
Surrender payment			
Net expenses of claim settlement			
Net provision for insurance contracts			
Expenditures for policy dividend			
Reinsurance expenditures			
Tax and surcharges	V(XXVI)	305,753.15	226,710.48
Selling expenses	V(XXVII)	1,284,608.63	1,272,754.60
Administrative expenses	V(XXVIII)	4,416,023.89	4,211,507.85
R&D expenses	V(XXIX)	8,143,590.17	5,747,403.59
Financial expenses	V(XXX)	842,419.75	1,204,610.54
Including: Interest expenses	V(XXX)	849,740.22	1,215,057.37
Interest income	V(XXX)	12,576.06	25,879.41
Add: Other revenue	V(XXXI)	354,308.19	391,451.04
Investment income (loss represented by “-”)	V(XXXII)	237,566.82	222,601.61
Including: Gains from investment in associates and joint ventures			
Gains on derecognition of financial assets at amortized cost (loss represented by “-”)			
Exchange gain (loss represented by “-”)		0.00	0.00
Net exposure hedging income (loss represented by “-”)			
Gains on changes in fair value (loss represented by “-”)		0.00	0.00
Credit impairment losses (loss represented by “-”)	V(XXXIII)	-2,758,766.76	915,832.61
Assets impairment losses (loss represented by “-”)	V(XXXIV)	-14,361.58	0.00
Gains on disposals of assets (loss represented by “-”)		0.00	0.00
III. Operating profit (loss represented by “-”)		18,234,338.08	11,555,788.54
Add: Non-operating income	V(XXXV)	4,546.76	452,800.00
Less: Non-operating expenses	V(XXXVI)	76,094.55	118,700.00

IV. Total profit (total loss represented by “-”)		18,162,790.29	11,889,888.54
Less: Income tax expense	V(XXXVII)	1,861,991.94	1,063,525.86
V. Net profit (net loss represented by “-”)		16,300,798.35	10,826,362.68
Including: Net profit achieved by the acquiree prior to the acquisition			
(I) By continuity of operations:	-	-	-
1. Net profit from continuing operations (net loss represented by “-”)		16,300,798.35	10,826,362.68
2. Net profit from discontinued operations (net loss represented by “-”)			
(II) By ownership:	-	-	-
1. Profits or losses attributable to minority shareholders (net loss represented by “-”)			
2. Net profit attributable to owners of the parent company (net loss represented by “-”)		16,300,798.35	10,826,362.68
VI. Other comprehensive income, net of tax			
(I) Other comprehensive income attributable to owners of the parent company, net of tax			
1. Other comprehensive income that may not be reclassified to profit or loss			
(1) Changes arising from the re-measurement of defined benefit plan			
(2) Other comprehensive income that may not be reclassified to profit or loss under the equity method			
(3) Change in fair value of investments in other equity instruments			
(4) Change in fair value of corporate credit risk			
(5) Others			
2. Other comprehensive income that will be reclassified to profit or loss			
(1) Other comprehensive income that may be reclassified to profit or loss under the equity method			
(2) Changes in fair value of other debt investments			
(3) Financial assets reclassified into other comprehensive income			
(4) Provision for credit impairment of other debt investments			
(5) Cash flow hedge reserve			
(6) Exchange differences on translation of financial statements in foreign currency			
(7) Others			
(II) Other comprehensive income attributable to minority shareholders, net of tax			
VII. Total comprehensive income		16,300,798.35	10,826,362.68
(I) Total comprehensive income attributable to owners of the parent company		16,300,798.35	10,826,362.68
(II) Total comprehensive income attributable to minority shareholders			
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		0.38	0.25
(II) Diluted earnings per share (RMB/share)		0.38	0.25

Legal representative: Zhang Yan Principal in charge of accounting: Jia Liping
Head of accounting department: Zhao Shufen

(IV) Parent Company Income Statement

Unit: RMB

Item	Note	2020	2019
I. Operating Income	XII(IV)	188,930,364.94	137,053,729.81
Less: Operating costs	XII(IV)	153,443,991.95	114,940,248.18
Tax and surcharges		303,776.75	217,655.28
Selling expenses		1,118,381.16	1,019,015.33
Administrative expenses		4,410,363.49	4,210,515.93
R&D expenses		8,143,590.17	5,747,403.59
Financial expenses		839,475.77	1,201,769.30
Including: Interest expenses		849,740.22	1,215,057.37
Interest income		11,323.84	24,519.19
Add: Other gains		354,308.19	391,451.04
Investment income (loss represented by “-”)	XII(V)	205,182.95	174,646.55
Including: Gains from investment in associates and joint ventures			
Gains on derecognition of financial assets at amortized cost (loss represented by “-”)			
Exchange gain (loss represented by “-”)			
Net exposure hedging income (loss represented by “-”)			
Gains on changes in fair value (loss represented by “-”)			
Credit impairment losses (loss represented by “-”)		-2,760,310.41	880,120.71
Assets impairment losses (loss represented by “-”)			
Gains on disposals of assets (loss represented by “-”)			
II. Operating profit (loss represented by “-”)		18,469,966.38	11,163,340.50
Add: Non-operating income		3,002.63	452,800.00
Less: Non-operating expenses		73,094.55	115,700.00
III. Total profit (total loss represented by “-”)		18,399,874.46	11,500,440.50
Less: Income tax expense		1,861,606.03	1,043,306.44
IV. Net profit (net loss represented by “-”)		16,538,268.43	10,457,134.06
(I) Net profit from continuing operations (net loss represented by “-”)		16,538,268.43	10,457,134.06
(II) Net profit from discontinued operations (net loss represented by “-”)			
V. Other comprehensive income, net of tax			
(I) Other comprehensive income that may not be reclassified to profit or loss			
1. Changes arising from the re-measurement of defined benefit plan			
2. Other comprehensive income that may not be reclassified to profit or loss under the equity method			
3. Change in fair value of investments in other equity instruments			

4. Change in fair value of corporate credit risk			
5. Others			
(II) Other comprehensive income that will be reclassified to profit or loss			
1. Other comprehensive income that may be reclassified to profit or loss under the equity method			
2. Changes in fair value of other debt investments			
3. Financial assets reclassified into other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedge reserve			
6. Exchange differences on translation of financial statements in foreign currency			
7. Others			
VI. Total comprehensive income		16,538,268.43	10,457,134.06
VII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

(V) Consolidated Cash Flow Statement

Unit: RMB

Item	Note	2020	2019
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		177,463,757.19	188,057,516.88
Net increase in deposits from customer and interbank			
Net increase in borrowings from central bank			
Net increase in placements from other financial institutions			
Cash received from premiums under original insurance contracts			
Net cash received from reinsurance business			
Net increase in deposits and investments from policyholders			
Cash received from interest, fee and commission			
Net increase in placements			
Net increase in capital from repurchase business			
Net cash from brokerage for trading securities			
Refund of taxes and surcharges			
Cash received from other operation related activities	V(XXXVIII)	12,313,110.87	11,784,416.07
Sub-total of cash inflows from operating activities		189,776,868.06	199,841,932.95
Cash paid for purchase of goods and receipt of services		134,266,362.48	139,836,964.14
Net increase in loans and advances to customers			
Net increase in deposits with central bank and other banks			
Cash paid for compensation payments under original insurance contracts			
Net increase in financial assets held for trading			
Net increase in placements with banks			

Cash paid for interest, fee and commission			
Cash paid for policyholder dividends			
Cash paid to and on behalf of employees		16,856,858.48	18,814,711.61
Tax and charges paid		2,532,731.71	3,384,123.54
Cash paid for other operation related activities	V(XXXVIII)	7,585,592.42	13,907,702.01
Sub-total of cash outflows from operating activities		161,241,545.09	175,943,501.30
Net cash flows from operating activities	V(XXXIX)	28,535,322.97	23,898,431.65
II. Cash flows from investing activities:			
Cash received from disposal of investments		59,700,000.00	102,300,000.00
Cash received from investment income		237,566.82	222,601.61
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investment related activities			
Sub-total of cash inflows from investing activities		59,937,566.82	102,522,601.61
Cash paid for purchasing and constructing fixed assets, intangible assets and other long-term assets		20,656,712.04	5,380,372.50
Cash paid for investment		51,900,000.00	110,100,000.00
Net increase in pledged loans			
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investment related activities			
Sub-total of cash outflows from investing activities		72,556,712.04	115,480,372.50
Net cash flows from investing activities		-12,619,145.22	-12,957,770.89
III. Cash flows from financing activities:			
Cash received from capital contribution			
Including: Cash received from capital contributions by minority shareholders of subsidiaries			
Cash received from borrowings		19,180,000.00	5,500,000.00
Cash received from issuance of bonds			
Cash received from other financing related activities	V(XXXVIII)	850,000.00	600,000.00
Sub-total of cash inflows from financing activities		20,030,000.00	6,100,000.00
Cash repayments of borrowings		18,910,800.00	16,762,314.11
Cash payments for distribution of dividends, profits or interest expenses		10,657,070.77	6,295,275.07
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries			
Cash paid for other financing related activities	V(XXXVIII)		550,000.00
Sub-total of cash outflows from financing activities		29,567,870.77	23,607,589.18
Net cash flows from financing activities		-9,537,870.77	-17,507,589.18
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase in cash and cash equivalents		6,378,306.98	-6,566,928.42
Add: Balance of cash and cash equivalents at the beginning of the period	V(XXXIX)	15,766,994.59	22,333,923.01

VI. Balance of cash and cash equivalents at the end of the period	V(XXXIX)	22,145,301.57	15,766,994.59
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Legal representative: Zhang Yan Principal in charge of accounting: Jia Liping

Head of accounting department: Zhao Shufen

(VI) Cash Flows Statement of the Parent Company

Unit: RMB

Item	Note	2020	2019
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		173,108,028.76	174,519,274.46
Refund of taxes and surcharges			
Cash received from other operation related activities		12,052,993.28	9,498,286.26
Sub-total of cash inflows from operating activities		185,161,022.04	184,017,560.72
Cash paid for purchase of goods and receipt of services		130,937,456.79	126,130,309.79
Cash paid to and on behalf of employees		16,126,784.07	17,842,255.91
Tax and charges paid		2,530,911.51	3,132,476.06
Cash paid for other operation related activities		7,168,117.78	12,477,113.34
Sub-total of cash outflows from operating activities		156,763,270.15	159,582,155.10
Net cash flows from operating activities		28,397,751.89	24,435,405.62
II. Cash flows from investing activities:			
Cash received from disposal of investments		48,100,000.00	87,800,000.00
Cash received from investment income		205,182.95	174,646.55
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investment related activities			
Sub-total of cash inflows from investing activities		48,305,182.95	87,974,646.55
Cash paid for purchasing and constructing fixed assets, intangible assets and other long-term assets		20,563,112.04	5,380,372.50
Cash paid for investment		42,600,000.00	93,300,000.00
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investment related activities			
Sub-total of cash outflows from investing activities		63,163,112.04	98,680,372.50
Net cash flows from investing activities		-14,857,929.09	-10,705,725.95
III. Cash flows from financing activities:			
Cash received from capital contribution			
Cash received from borrowings		19,180,000.00	5,500,000.00
Cash received from issuance of bonds			
Cash received from other financing related activities		850,000.00	600,000.00

Sub-total of cash inflows from financing activities		20,030,000.00	6,100,000.00
Cash repayments of borrowings		18,910,800.00	16,762,314.11
Cash payments for distribution of dividends, profits or interest expenses		10,657,070.77	6,295,275.07
Cash paid for other financing related activities			550,000.00
Sub-total of cash outflows from financing activities		29,567,870.77	23,607,589.18
Net cash flows from financing activities		-9,537,870.77	-17,507,589.18
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase in cash and cash equivalents		4,001,952.03	-3,777,909.51
Add: Balance of cash and cash equivalents at the beginning of the period		15,643,680.04	19,421,589.55
VI. Balance of cash and cash equivalents at the end of the period		19,645,632.07	15,643,680.04

(VII) Consolidated Statement of Changes in Shareholders' Equity

Unit: RMB

Item	2020										Total owners' equity		
	Equity attributable to owners of the parent company											Minority interests	
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve			Undistributed profits
	Preferred shares	Perpetual bonds	Others										
I. Closing balance of last year	42,600,000.00				3,143,108.23				3,806,036.48		16,120,437.03		65,669,581.74
Add: Change in accounting policies													
Correction of previous accounting errors													
Business combinations under common control													
Others													
II. Opening balance for the year	42,600,000.00				3,143,108.23				3,806,036.48		16,120,437.03		65,669,581.74
III. Changes for the period (decrease represented by “-”)													
(I) Total comprehensive income									1,653,826.84		4,848,971.51		6,502,798.35
(II) Contribution from owners and reduction of capital											16,300,798.35		16,300,798.35
1. Injection of ordinary shares from shareholders													
2. Capital contribution by other equity instrument holders													
3. Amount of share-based payments included in owner's equity													
4. Others													

Item	2019											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Total owners' equity
		Preferred shares	Perpetual bonds	Others								
I. Closing balance of last year	42,600,000.00				3,143,108.23				2,760,323.07		9,534,611.78	58,038,043.08
Add: Change in accounting policies												
Correction of previous accounting errors												
Others												
II. Opening balance for the year	42,600,000.00				3,143,108.23			2,760,323.07			9,534,611.78	58,038,043.08
III. Changes for the period (decrease represented by “-”)												
(I) Total comprehensive income								1,045,713.41			4,299,420.65	5,345,134.06
(II) Contribution from owners and reduction of capital											10,457,134.06	10,457,134.06
1. Injection of ordinary shares from shareholders												
2. Capital contribution by other equity instrument holders												
3. Amount of share-based payments included in owner's equity												
4. Others												
(III) Profit distribution								1,045,713.41			-6,157,713.41	-5,112,000.00
1. Withdrawn from surplus reserve								1,045,713.41			-1,045,713.41	
2. Withdrawn from general risk reserve												
3. Distribution to owners (or shareholders)											-5,112,000.00	-5,112,000.00
4. Others												
(IV) Internal carry-forward of owners' equity												
1. Capital reserve converting to capital (or share capital)												
2. Surplus reserve converting to capital (or share capital)												
3. Surplus reserve used to compensate deficit												

III. NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements of An Jie Supply Chain Management Co., Ltd.

(Expressed in RMB in these notes, unless otherwise stated)

I. Basic Corporate Information

(I) Place of registration, type of organization and address of headquarter.

An Jie Supply Chain Management Co., Ltd. (the "Company") was established on 17 June 2016 after the completion of the financial restructuring of Jiangmen An Jie Logistics Co., Ltd. and has obtained the business licence from Jiangmen City Industrial and Commercial Administrative Bureau. The Company's Uniform Social Credit Code is 91440703760601562R.

Form of the corporate organisation: joint stock company.

Registered address: Room 202, No.13 Jiantang Road, Tangxia Town, Pengjiang District, Jiangmen City; No.98 Hongxing Road, Pengjiang District, Jiangmen City.

(II) The business nature of the Company and its main business activities.

The industry in which the Company operates: roads and transportation businesses.

Scope of business of the Company: dangerous cargo transport, general cargo transport (operating with valid "road transport operation licences"); warehouse management, transit, division or merge of cargo in container, warehousing and delivery, uploading and unloading of cargo; domestic airline sales agency; sales of motorcycle components; development and sales of software. (The items that requires approval by law can only be dealt in after being approved by the relevant departments.)

(III) Approver of the financial report and the date of approval.

The financial statements were approved by the Board of Directors of the Company on 30 April 2021.

(IV) The scope of consolidation of the Company's financial statements for the year

As of 31 December 2020, the scope of consolidation of the Company's financial statements covers An Jie Supply Chain Management Co., Ltd., Jiangmen Jiasijie Coating Engineering Co., Ltd. (江门嘉思捷涂装工程有限公司), Zhuhai Ruiyuan Supply Chain Management Co., Ltd. (珠海市锐源供应链管理有限公司), Jiangmen Xinglian International Logistics Co., Ltd. (江门星联国际物流有限公司) and Sichuan Dingjie Supply Chain Management Co., Ltd. (四川鼎捷供应链管理有限公司). For changes in the scope of consolidation during the reporting period and the Company's interests in other entities, please refer to Notes "VI. Change in Scope of Consolidation" and "VII. Interest in Other Entities", respectively.

II. Basis of Preparation of Financial Statements

(I) Basis of Preparation: The Company prepares its financial statements on a going concern basis, based on actual transactions and events, in accordance with the Accounting Standards for Business Enterprises - Basic Standards and specific accounting standards issued by the Ministry of Finance (collectively the "ASBEs"), and on the basis of the significant accounting policies and accounting estimates described below.

(II) Going Concern: The Company has had the ability to continue as a going concern for 12 months from the end of the reporting period.

III. Significant Accounting Policies and Estimates

(I) Statement of compliance with corporate accounting standards

The financial statements prepared by the Company conform to the requirements of the Accounting Standards for Business Enterprises and reflect truthfully and completely the Company's financial position as at 31 December 2020, and operating results and cash flows in 2020, as well as other relevant information.

(II) Accounting period

The accounting year of the Company is the calendar year, i.e. from 1 January to 31 December.

(III) Operating cycle

The Company takes one year or 12 months as its normal operating cycle that serves as the division standard for the liquidity of assets and liabilities.

(IV) Reporting currency

The Company uses Renminbi as its reporting currency.

(V) Business combinations

1. Business combination under common control

For long-term equity investments resulting from a business combination under common control where the acquirer pays cash, transfers non-cash assets or assumes debts as consideration for the combination, the Company's share of the carrying value of the acquiree's equity in the consolidated financial statements of the ultimate controlling party acquired at the date of the combination is used as the initial investment cost of the long-term equity investment. In case the acquirer pays the consideration for the combination by issuing equity instruments, the aggregate nominal value of shares issued will be recognised as share capital. The difference between the initial investment cost of long-term equity investments and the carrying amount of combination consideration (or aggregate nominal value of shares issued) shall be adjusted under capital reserve; or against the retained earnings of the Company in case of insufficient capital reserve.

2. Business combination not under common control

For a business combination not under common control, the combination cost is the aggregate fair value of assets paid, liabilities incurred or assumed and equity securities issued by the acquirer in exchange for the control of the acquiree on the acquisition date. Identifiable assets, liabilities and contingent liabilities of the acquiree acquired in a business combination not under common control that meet the criteria for recognition are measured at fair value at the date of acquisition. Where the cost of combination is greater than the acquirer's interest in the fair value of the acquiree's identifiable net assets acquired in the combination, the difference shall be recognised as goodwill. Where the cost of combination is less than acquirer's interest in the fair value of the acquiree's identifiable net assets acquired in the combination, the difference shall be recognised in the non-operating income for the current period if confirmed after review.

(VI) Preparation of consolidated financial statements

1. Scope of consolidated financial statements

The Company incorporated all of its subsidiaries (including the separate entities controlled by the Company) into the scope of consolidated financial statements, including enterprises under control of the Company, separable parts in the investees and structured entities.

2. Harmonisation of accounting policies, balance sheet date and accounting period between parent company and its subsidiaries

In preparing consolidated financial statements, if the accounting policies or accounting periods adopted by a subsidiary are different from those of the Company, the necessary adjustments are made to the financial statements of the subsidiary in accordance with the Company's accounting policies and accounting periods.

3. Offset matters in the consolidated financial statements

The consolidated financial statements shall be prepared on the basis of the financial statements of the Company and subsidiaries, which offset the internal transactions incurred between the Company and subsidiaries and between subsidiaries. The portion of a subsidiary's equity that is not attributable to the Company is treated as minority interests and presented as "minority interest" in the consolidated balance sheet under shareholders' equity. Long-term equity investments in the Company held by the subsidiaries are treated as treasury stock of the Company and presented in "Less: Treasury shares" as a deduction from shareholders' equity in the consolidated balance sheet under shareholders' equity.

4. Accounting treatment of subsidiaries acquired from business combination

For a subsidiary acquired in a business combination under common control, the assets, liabilities, operating results and cash flows of the subsidiary are included in the consolidated financial statements starting from the beginning of the period of the combination, as if the business combination had occurred from the time the ultimate controlling party assumed effective control; For subsidiaries acquired through business combination not under common control, in preparing the consolidated financial statements, their individual financial statements are adjusted based on the fair value of identifiable net assets as at the acquisition date.

5. Accounting treatment of disposal of subsidiaries

As for the difference between the disposal price received from the partial disposal of the long-term equity investment in a subsidiary without loss of control and shares of the subsidiary's net assets (which is calculated on an ongoing basis from the acquisition date or the combination date) corresponding to the disposal of the long-term equity investment, it shall be adjusted against the capital reserves (capital premium or equity premium) in the consolidated financial statements, and adjusted against retained earnings if the capital reserves is insufficient.

Where control over an investee is lost due to partial disposal of the equity investment or any other reasons, the remaining equity shall be remeasured at fair value on the date in which control is lost when preparing consolidated financial statements. The difference between the sum of the consideration received from disposal of equity interest and the fair value of the remaining equity interest, and the net assets of the former subsidiary attributable to the Company calculated on a continuous basis since the acquisition date or the combination date, is recognised as the investment income for the period when the control is lost and offset against goodwill. Other comprehensive income related to equity investments in former subsidiaries, among others, is transferred to investment income for the period when the control is lost.

(VII) Recognition criteria for cash and cash equivalents

Cash determined in the preparation of statements of cash flows by the Company represents the cash on hand and deposits readily available for payment of the Company. Cash equivalents determined in the preparation of statements of cash flows refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(VIII) Financial instruments

1. Classification and reclassification of financial instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

(1) Financial assets

The Company classifies a financial asset as a financial asset measured at amortised cost if it also meets the following criteria: ① The Company's business model for managing this financial asset is to collect contractual cash flows; ② The contractual terms of the financial asset provide that the cash flow arising on a particular date is solely the repayment of the principal and the payment of interest on the outstanding principal.

The Company classifies financial assets as financial assets measured at fair value through other comprehensive income if they also meet the following criteria: ① The Company's business model for managing this financial assets is to both receive its contractual cash flows and sell this financial asset; ② The contractual terms of the financial asset provide that the cash flow arising on a particular date is solely the repayment of the principal and the payment of interest on the outstanding principal.

For investments in non-trading equity instruments, the Company may irrevocably designate them as financial assets at fair value through other comprehensive income on initial recognition. Such designation is made on individual basis and underlying investment meets the definition of an equity instrument from the issuer's perspective.

Financial assets other than those classified as financial assets at amortised cost and those at fair value through other comprehensive income are classified by the Company as financial assets at fair value through profit or loss. On initial recognition, the Company may irrevocably designate a financial asset as at fair value through profit or loss if it can eliminate or reduce accounting mismatches.

When the Company changes its business model for managing financial assets, it reclassifies all affected underlying financial assets at the first day of the first reporting period following the change in business model and applies the related accounting treatment from the date of reclassification on a prospective basis without retrospective adjustment to previously recognised gains, losses (including impairment losses or gains) or interest.

(2) Financial liabilities

Financial liabilities are classified on initial recognition as: Financial liabilities at fair value through profit or loss; Financial liabilities arising when the transfer of financial assets do not qualify for derecognition or involve financial liabilities transferred; Financial liabilities at amortised cost. All financial liabilities are not reclassified.

2. Measurement of financial instruments

The Company measures its financial instruments at fair value on initial recognition. For financial assets and financial liabilities at fair value through profit or loss, related transaction costs are charged directly to profit or loss for the period. For other types of financial assets or financial liabilities, related transaction costs

are included in initially recognised amounts. Accounts receivable or notes receivable arising from sales of goods or rendering services, without significant financing component, are initially recognised based on the transaction price expected to be entitled by the Company. Subsequent measurement of financial instruments depends on their classifications.

(1) Financial assets

① Financial assets at amortised cost. Subsequent to initial recognition, such financial assets are measured at amortised cost using the effective interest method. Gains or losses arising from financial assets at amortised cost that are not the subject of any hedging relationship are recognised in profit or loss for the period when derecognised, reclassified, amortised under the effective interest method or impaired.

② Financial assets at fair value through profit or loss. Subsequent to initial recognition, financial assets in this category (except for the portion of financial assets that is part of a hedging relationship) are subsequently measured at fair value, with the resulting gain or loss (including interest and dividend income) recognised in profit or loss for the period.

③ Debt instrument investment at fair value through other comprehensive income. Subsequent to initial recognition, such financial assets are subsequently measured at fair value. Interest, impairment loss or gain and exchange gain and loss calculated using the effective interest method are recognised in profit or loss for the period when they incur, and other gains or losses are all recognised in other comprehensive income. When derecognised, the accumulated gains or losses previously recognised in other comprehensive income are transferred out from other comprehensive income and recognised in profit or loss for the period when they incur.

(2) Financial liabilities

① Financial liabilities at fair value through profit or loss. Such financial liabilities comprise financial liabilities held for trading (including derivatives that are financial liabilities) and financial liabilities designated as at fair value through profit or loss. Subsequent to initial recognition, such financial liabilities are subsequently measured at fair value and gains or losses (including interest expense) arising from changes in the fair value of financial liabilities held for trading are recognised in profit or loss for the period, except when they relate to hedge accounting. Where a financial liability is designated as at fair value through profit or loss, the amount of change in the fair value of that financial liability arising from changes in the Company's own credit risk is recognised in other comprehensive income and other changes in fair value are recognised in profit or loss for the period. If the effect of changes in the financial liability's own credit risk included in other comprehensive income would create or enlarge an accounting mismatch in profit or loss, the Company includes all gains or losses on the financial liability in profit or loss for the period.

② Financial liabilities at amortised cost. Subsequent to initial recognition, such financial liabilities are measured at amortised cost using the effective interest method.

3. How the Company determines the fair value of financial instruments

Where there is an active market for a financial instrument, the Company uses quoted prices in the active market to determine its fair value; Valuation techniques are adopted to determine the fair value of a financial instrument for which there is no active market. Valuation techniques mainly include market method, income method and cost method. In limited cases, if the short-term information used to determine fair value is insufficient, or if the possible estimated amount of fair value is widely distributed, and the cost represents the

best estimate of fair value in the range, the cost can represent its proper estimate of fair value in the range of distribution. The Company uses all information available after initial recognition regarding the investee's results and operations to determine whether the cost is representative of fair value.

4. Basis for recognition and method for measurement of transfers of financial asset and financial liabilities

(1) Financial assets

The Company derecognises a financial asset when one of the following conditions is met: ① the contractual right to receive cash flows from the financial asset is terminated; ② the financial asset has been transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial asset; ③ the financial asset has been transferred, where the Company has neither transferred nor retained substantially all the reward on the ownership of the financial asset, but doesn't retain the control over the financial asset.

Where the Company neither transfers nor retains substantially all the rewards on ownership of a financial asset and retains control over the financial asset, it recognises the financial asset to the extent of its continuing involvement in the transferred financial asset, and recognises the liability accordingly.

Where a transfer of a financial asset in its entirety satisfies the derecognition criteria, the Company recognises the difference between the following two amounts in profit or loss for the period: ① the carrying amount of the transferred financial assets on the date of derecognition; ② the sum of the consideration received for the transfer of the financial asset and the amount corresponding to the derecognised portion of the cumulative amount of changes in fair value that would otherwise be included directly in other comprehensive income (financial assets involved in the transfer are classified as financial asset at fair value through other comprehensive income).

When the partial transfer of a financial asset satisfies the derecognition criteria, the overall carrying amount of the financial asset transferred is allocated between the derecognised portion and not derecognised portion by their respective fair values on the date of transfer first, and the difference between the two amounts below is then recognised in profit or loss for the period: ① the carrying amount of the derecognised portion at the date of derecognition; ② the sum of the consideration received for the derecognised part and the amount corresponding to the derecognised portion of the cumulative amount of changes in fair value that would otherwise be included in other comprehensive income (financial assets involved in the transfer are classified as financial asset at fair value through other comprehensive income).

(2) Financial liabilities

If the current obligation of the financial liability has been discharged in whole or in part, the Company shall derecognise the financial liability (or its corresponding part).

If a financial liability (or part thereof) is derecognised, the Company records the difference between its carrying amount and the consideration paid (including non-cash assets transferred or liabilities assumed) in profit or loss for the period.

(IX) Method for determination of expected credit losses and accounting treatment

1. Method for determination of expected credit losses

The Company accounts for financial assets (including receivables) measured at amortised cost, financial assets (including receivables financing) classified as at fair value through other comprehensive income, and lease receivables, on the basis of expected credit losses, and recognises a provision for impairment.

The Company assesses on each balance sheet date whether there has been a significant increase in the credit risk of the underlying financial instruments since initial recognition, dividing the process of credit impairment of financial instruments into three stages, with different accounting treatment for different stages of impairment of financial instruments: (1) In the first stage, if the credit risk of a financial instrument has not increased significantly since initial recognition, the Company measures the provision for losses based on the expected credit loss of the financial instrument over the next 12 months and calculates interest income based on its carrying amount (i.e. before provision for impairment being made) and the effective interest rate; (2) In the second stage, if the credit risk of a financial instrument has increased significantly since initial recognition but no credit impairment has occurred, the Company measures the provision for losses based on the expected credit loss over the entire life of the financial instrument and calculates interest income based on its carrying amount and the effective interest rate; (3) In the third stage, if a credit impairment occurs after initial recognition, the Company measures the provision for loss based on the expected credit loss over the entire life of the financial instrument and calculates interest income based on its amortised cost (carrying amount less provision for impairment) and the effective interest rate.

(1) Method for measuring loss provision of financial instruments with lower credit risk

For financial instruments with lower credit risk at the balance sheet date, the Company can directly make the assumption that the credit risk of the instrument has not increased significantly since initial recognition without comparing with the credit risk at the time of initial recognition.

A financial instrument is considered to have low credit risk if the risk of default is low, the debtor's ability to meet its contractual cash flow obligations in the short term is strong and, even if there are adverse changes in economic conditions and operating environment in the longer term, this may not necessarily reduce the debtor's ability to meet its contractual cash flow obligations.

(2) Method of measuring loss provision for accounts receivable

① For trade receivables (whether or not containing significant financing components) resulting from transactions subject to ASBE 14 - Revenue, the Company applies a simplified approach whereby the provision for losses is always measured on the basis of expected credit losses over the entire life of the receivable.

Based on the nature of financial instruments, the Company assesses whether the credit risk has increased significantly on the basis of a single financial asset or a group of financial assets. The Company divides trade receivables into certain portfolios based on credit risk characteristic while measuring expected credit loss based on portfolio. The basis to determine the portfolio is as follows:

Trade receivables Group 1: trade receivables other than in Group 2

Trade receivables Group 2: related party-based grouping in the scope of the consolidation

For the trade receivables classified as a group, the Company refers to the historical credit loss experience, combined with the current situation and forecast of the future economic conditions, to prepare a comparison table of the ageing of trade receivables and the lifetime expected credit loss rate to calculate the expected credit loss.

(A) Groups are determined based on the following basis:

Item	Basis for determining the groups
Group 1: trade receivables other than in Group 2	In addition to the trade receivables that are individually assessed for impairment, provision for bad debts shall be made by the Company to various receivables on the percentage determined based on the actual loss of identical or similar trade receivables for previous years with similar credit risk characteristics as well as their current situation.
Group 2: related party-based grouping in the scope of the consolidation	Receivables from related party in the scope of the consolidation

(B) Method for making bad debt provision for different groups:

Item	Method for making provision
Group 1: trade receivables other than in Group 2	Ageing analysis
Group 2: related party-based grouping in the scope of the consolidation	No bad debt provision provided

(C) Within the group, for the trade receivables classified as Group 1, the Company refers to the historical credit loss experience, combined with the current condition and forecast of the future economic condition to calculate the expected credit loss according to the account receivable age and expected credit loss rate through full lifetime in reference:

Ageing	Provision ratio for accounts receivable (%)
Within 1 year (inclusive, the same below)	3.00
1 to 2 years	10.00
2 to 3 years	20.00
3 to 4 years	30.00
4 to 5 years	50.00
More than 5 years	100.00

(3) Method of measuring loss provision for other financial assets

For financial assets other than those mentioned above, such as: debt investments, other debt investments, other receivables, and long-term receivables other than lease receivables among others, the Company measures their provision for losses in accordance with the general method, i.e. the "three-stage" model.

The Company divides other receivable into certain portfolios based on their nature while measuring expected credit loss based on portfolio. For the grouping basis and measurement of impairment loss of other receivables, it is treated in accordance with the measurement method of impairment loss of the aforementioned accounts receivable.

2. Accounting method for expected credit loss

To reflect changes in the credit risk of a financial instrument since initial recognition, the Company re-measures the expected credit losses on each balance sheet date. The resulting increase or reversal in the provision for losses is recognised as an impairment loss or gain in profit or loss for the period and is offset against the carrying amount of the financial asset as shown in the balance sheet, or included in the expected liabilities (loan commitments or financial guarantee contracts) or in other comprehensive income (debt investments at fair value through other comprehensive income), depending on the type of financial instrument.

(X) Inventories

1. Classification of inventories

Inventories means, among others, finished goods or merchandise held for sale in the ordinary course of business, work in process in the process of production, materials or supplies used in the process of production or rendering of services. These include, among others, reusable material and low value consumables.

2. Accounting method for dispatching inventories

When inventories are dispatched, the weighted-average method is used to determine the actual cost of the dispatch.

3. Method of provision for decline in value of inventories

On the balance sheet date, inventories are measured at the lower of cost and net realisable value. The provision for decline in value of inventories is made on an item-by-item basis. The provision for decline in the value of inventories with large quantity and of low unit cost is made according to their inventory category.

4. Inventory system

The Company adopts a perpetual inventory system.

5. Amortisation of low value consumables and packaging materials

Low-value consumables and packaging materials are amortised using one-off method.

(XI) Contractual assets and contractual liabilities

1. Contractual Assets

The Company presents as contractual assets rights to receive consideration for goods or services that have been transferred to customers (and that are dependent on factors other than the passage of time). Provision for impairment of contractual assets is made based on the expected credit loss method for financial instruments. For contractual assets that do not contain or have a significant financing component, the Company uses the simplified method to measure the provision for losses. For contractual assets that contain a significant financing component, the Company measures the provision for losses using the general method.

An impairment loss on a contractual asset is debited to "Impairment loss on assets" and is credited to "provision for impairment of contractual assets" according to the amount written down. Reverse entries are made upon reversing a provision for impairment of an asset that has been made.

2. Contractual liabilities

The Company presents obligations to transfer goods or provide services to customers for consideration received or receivable as contractual liabilities.

A contract asset and a contract liability under the same contract are presented on a net basis.

(XII) Long-term equity investments

1. Determination of initial investment cost

For long-term equity investment acquired through business combination, if under common control, the initial investment cost of the long-term equity investment represents the proportion of the carrying value of the acquiree's equity in the consolidated financial statements of the ultimate controlling party on the date of acquisition; if not under common control, the initial investment cost of long-term equity investment represents the combination cost determined on the date of acquisition; For long-term equity investments acquired by payment in cash, the initial investment cost represents the purchase price actually paid; For long-term equity investments acquired through the issue of equity securities, the initial investment cost represents the fair value of the equity securities issued; For the long-term equity investment acquired through debt restructuring, the initial investment cost of the long-term equity investment is determined in accordance with the relevant provisions of ASBE No. 12 - Debt Restructuring; For long-term equity investments acquired in exchange for non-monetary assets, the initial investment cost is determined in accordance with the relevant provisions of ASBE No. 7 - Non-monetary Asset Exchanges.

2. Subsequent measurement and recognition of profit or loss

Where the Company has control over an investee, the long-term equity investment in such investee is measured using the cost method. Long-term equity investments in associates and joint ventures shall be measured using the equity method. If a portion of the Company's equity investment in an associate is held indirectly through a venture capital entity, mutual fund, trust company or similar entity (including an investment-linked insurance fund), the Company shall, regardless of whether the above entities have significant influence over this portion of the investment, treat them in accordance with the relevant provisions of ASBE 22 - Recognition and Measurement of Financial Instruments, with the remainder accounted for using the equity method.

3. Basis for determination of common control and significant influence over an investee

Common control over an investee means that decisions on activities that materially affect the return on an arrangement must be made with the unanimous consent of the participants sharing control, including the sale and purchase of goods or services, the management of financial assets, the purchase and disposal of assets, research and development activities and financing activities; significant influence over an investee refers to the following circumstances: when holding more than 20% but less than 50% of the capital with voting rights in the investee; or even if below 20%, there is still significant influence if any of the following conditions is met: be represented the board of directors or similar governing body of the investee; participate in the policy development process of the investee; assign management personnel to the investee; the investee relies on the technology or technical information of the investor; there are major transactions with the investee.

(XIII) Fixed assets

1. Criteria for recognition of fixed assets

Fixed assets are tangible assets held for producing goods, rendering of services, leasing out to other parties or administrative purposes, with useful life more than one accounting year. Fixed assets are recognised when the following criteria are all met: it is likely that the economic benefits associated with the fixed asset will flow to the Company; the cost of the fixed asset can be measured reliably.

2. Classification and depreciation of fixed assets

The Company's fixed assets are mainly classified as: buildings and structures, machinery and equipment, electronic equipment, transportation equipment among others; the fixed assets are depreciated using the straight-line method. The useful life and estimated net residual value of a fixed asset are determined according to the nature and use pattern of the fixed asset. At the end of each year, the useful life, estimated net residual value and the method of depreciation of the fixed asset will be reviewed, and shall be adjusted accordingly if they differ from previous estimates. The Company makes provision for depreciation for all of its fixed assets other than fully depreciated fixed assets that are still in use and lands accounted for on an individual basis.

Categories of Assets	Estimated useful life (years)	Estimated net residual value rate (%)	Annual depreciation rate (%)
Electronic equipment	2-5	5.00	19.00—47.50
Means of transportation	5-10	5.00	9.50—19.00
Furniture and others	5	5.00	19.00

(XIV) Construction in progress

There are two types of construction in progress for the Company: self-construction and sub-contracting construction. Construction in progress is transferred to fixed assets when the project is completed and ready for its intended use. A fixed asset is ready for intended use if any of the following criteria is met: the construction (including installation) work of the fixed assets has been completed or substantially completed; the fixed asset has been put into trial production or trial operation and it is evidenced that the asset can operate ordinarily or produce steadily qualified products; or the result of trial operation proves that it can run or operate normally; little or no expenditure will be incurred for construction of the fixed asset; or the fixed asset constructed has achieved or almost achieved, or is complied with the requirement of design or contract.

(XV) Intangible assets

1. Measurement method of intangible assets

Intangible assets of the Company are initially measured at cost. The actual cost of a purchased intangible asset includes the considerations and relevant expenses paid. The actual cost of an intangible asset contributed by investors is the price contained in the investment contract or agreement. If the price contained in the investment contract or agreement is not a fair value, the fair value of the intangible asset is regarded as the actual cost. The cost of a self-developed intangible asset is the total expenditures incurred in bringing the asset to its intended use.

Subsequent measurement of the Company's intangible assets: intangible assets with finite useful lives are amortised on a straight-line basis over the useful lives of the intangible assets; at the end of each year, the useful lives and amortization policy are reviewed, and adjusted accordingly if there are variance with original estimates; intangible assets with indefinite useful lives are not amortised and the useful lives are reviewed at the end of each year. If there is objective evidence that the useful life of an intangible asset is finite, the intangible asset is amortised using the straight line method according to the estimated useful life.

The amortisation methods for the intangible assets with finite useful life are as follows:

Type of assets	Useful life (year)	Method of amortisation
Land use rights	50	Straight-line method
Software	3-10	Straight-line method

2. Determination basis of infinite useful life

An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Company or it has no definite useful life. The judgment basis of intangible assets with indefinite useful life: derived from the contractual rights or other legal rights but the contract or the law does not specify certain useful life; in light of the conditions of the competitors and the opinions of relevant experts, the specific period that intangible asset generating economic benefits to the Company still cannot be determined.

At the end of each year, the useful life shall be reviewed for those intangible assets with indefinite useful life by mainly using the bottom-up method. The relevant department that uses intangible asset will perform the basic review and evaluate whether there are changes in the basis for judgments of the indefinite useful life, etc.

(XVI) Impairment of long-term assets

Long-term assets such as long-term equity investments, investment properties measured under the cost model, fixed assets, construction in progress, productive biological assets measured under the cost model, oil and gas assets and intangible assets are tested for impairment if there is any indication that such assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on an individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill separately presented on the financial statements is tested for impairment at least every year, irrespective of whether there is any indication that the asset may be impaired. For the purpose of impairment testing, the carrying amount of goodwill is allocated to asset groups or sets of asset groups expected to benefit from the synergy of business combination. The testing result shows that, where the recoverable amount of the asset group or the set of asset groups allocated with goodwill is lower than the carrying amount, impairment loss is recognised accordingly. The amount of impairment loss is first reduced against the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then reduced against the carrying amounts of other assets (other than the goodwill) within the asset group or set of asset groups on pro rata basis.

Once the impairment loss of such assets is recognised, the reversible part will not be reversed in subsequent periods.

(XVII) Long-term deferred expenses

Long-term deferred expenses of the Company are expenses which have been paid but the benefit period is over one year (not inclusive). Long-term deferred expenses are amortised over the benefit period. If a long-term deferred expenses cannot bring benefit in future accounting periods, its residue value not yet amortised shall be transferred in full to current profit or loss.

Item	Useful life (year)
Storage fence fee	3-5

(XVIII) Employee remuneration

Employee remuneration are all forms of rewards or compensation provided by the Company in exchange for services rendered by employees or for the termination of employment. Employee remuneration mainly include short-term benefits, post-employment benefits, termination benefits and other long-term employee benefits.

1. Short-term benefits

In the accounting period in which employees provide service for the Company, short-term benefits actually incurred are recognised as liabilities and charged to current profit or loss, or if otherwise required or permitted by ASBEs to costs of assets. At the time of actual occurrence, the Company's employee benefits are recorded in the current profit or loss or costs of relevant assets as incurred. The non-monetary employee welfare expenses are measured at fair value. With regard to the medical insurance, work-related injury insurance, maternity insurance and other social insurance and housing provident fund contributed and labour union expenses and employee education expenses paid as required by regulations, the Company should calculate and recognise the corresponding employees benefits payables according to the appropriation basis and proportion as stipulated by relevant requirements, recognise the corresponding liabilities in the accounting period in which employees provide service, and record the same in current profit or loss or costs of relevant assets.

2. Post-employment benefits

During the accounting period in which an employee provides service, the amount payable calculated under defined contribution scheme shall be recognised as a liability and recorded in current profit or loss or in costs of related assets. In respect of the defined benefit scheme, the Company shall attribute the welfare obligations under the defined benefit scheme in accordance with the estimated accrued benefit method to the service period of relevant employee, and record the obligation in current profit loss or costs of relevant assets.

3. Termination benefits

Termination benefits provided to employees by the Company are included as an employee remuneration liability arising from termination benefits, with a corresponding charge to current profit or loss at the earlier of the following dates: when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; when the Company recognises cost or expenses related to a restructuring that involves the payment of termination benefits.

4. Other long-term employee benefits

When other long-term employee benefits provided to the employees by the Company satisfied the conditions of defined contribution plans, those benefits shall be accounted for in accordance with the requirements relating to defined contribution plans. In addition, the Company recognises and measures the net liabilities or net assets of other long-term employee benefits according to relevant requirements of the defined benefit scheme.

(XIX) Revenue

The Company recognises revenue based on the transaction price allocated to such performance obligation when a performance obligation in the contract is satisfied, i.e. when customer obtained the right to control the relevant goods. Obtaining the right to control the relevant goods means that it is able to dominate the use of the goods and derive almost all economic benefits therefrom. A performance obligation represents the contractual commitment that a distinct good shall be transferred by the Company to the customer. Transaction price refers to the consideration that the Company is expected to receive due to the transfer of goods to customer, but it does not include payments received on behalf of third parties and amounts that the Company expects to return to the customer.

Whether the performance obligation is to be fulfilled within a specified period of time or at a particular point of time depends on the terms of the contract and the relevant legal provisions. If the performance obligation is performed within a specified period of time, the Company recognizes revenue in accordance with the progress of performance. Otherwise, the Company recognizes revenue at a particular point of time when the client obtains control of the underlying assets.

The Company's revenue recognition methodology

The Company's service revenue is mainly for the transportation and warehousing of goods. Revenue recognition principle for the transportation of goods: revenue is recognized for the provision of transportation services confirmed by the reconciliation of the parties after the contract of transportation has been entered into, the goods have been delivered to the consignee, and the transportation task has been completed. Revenue recognition principle for warehousing services: revenue is recognized for the provision of warehousing services confirmed by the reconciliation of the parties after the contract of warehousing services has been entered into and the provision of warehousing services has been completed.

(XX) Contract costs

Contract cost of the Company includes the incremental costs of obtaining a contract and the cost to fulfill a contract. Incremental costs of obtaining a contract ("costs of obtaining a contract") represents costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Group recognises the incremental costs of obtaining a contract with a customer as an asset if it expects to recover those costs.

If the costs to fulfill a contract with a customer are not within the scope of inventories or other accounting standards, the Group recognises an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria:

1. the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract;
2. the costs enhance resources of the Group that will be used in satisfying performance obligations in the future;
3. the costs are expected to be recovered.

The costs to fulfill a contract that Company will recognize as assets are included in the “inventory” item on the balance sheet if the amortisation period does not exceed one year or a normal business cycle at the initial recognition; and shall be included in “other non-current assets” item in the balance sheet if the amortization period is over one year or the normal business cycle at the initial recognition.

The costs to obtain a contract that Company will recognize as assets are included in the “other current assets” item on the balance sheet if the amortisation period does not exceed one year or a normal business cycle at the initial recognition; and shall be included in “other non-current assets” item in the balance sheet if the amortization period is over one year or the normal business cycle at the initial recognition.

Assets recognised for the incremental costs of obtaining a contract and assets recognised for the costs to fulfill a contract (the “assets related to contract costs”) are amortised on the same basis as the revenue recognition of the goods related to the assets and are included in the current profit and loss. The Company recognises the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

The Company recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

1. remaining amount of consideration the Company expects to receive in exchange for the goods or services to which the asset relates; less
 2. the costs to be incurred that relate to providing those goods or services expenses.
- If the depreciation factors in the previous period change subsequently, and the difference between the aforementioned two items is higher than the book value of the asset, the original provision for impairment of the asset should be reversed and included in the current profit and loss, provided that the book value of the asset after the reversal shall not exceed the book value of the asset on the date of reversal under the assumption that no impairment provision is made.

(XXI) Government grants

1. Types of government grants and accounting treatment

Government grants are monetary assets or non-monetary assets (excluding the capital invested by the government as the owner) obtained by the Company from the government for free. A government grant in monetary asset shall be recognised at the amount received or to be received. A government grant in non-monetary asset shall be recognised at its fair value; if the fair value is not reliably measured, the grant is measured at nominal amount.

The government grants related to business activities are recognised as other income in the light of the nature of such business. The government grants non-related to business activities are recognised as non-operating income or expense.

The government grants which are clearly defined in the government documents to be used for acquisition, construction or other project that forms a long-term asset are recognised as asset-related government grants. Regarding the government grant not clearly defined in the official documents, the government grants related to assets are recognised as deferred income, the amount of which shall be recorded in the current profit or loss in installments with a reasonable and systematic method over the useful lives of relevant assets.

The government grants other than those related to assets are recognised as government grants related to income. The income-related government grants used to compensate relevant expenses or losses to be incurred by the enterprise in subsequent periods are recognised as deferred income and recorded in profit and loss for the current period when such expenses are recognised while those used to compensate relevant expenses or losses that have been incurred by the enterprise are recorded directly in profit or loss for the current period.

The Company has obtained policy-related loan interest discounts. Where the finance function allocates the interest discount funds to the lending bank, and the lending bank offers loans for the Company at a policy-related interest rate, the actual borrowing amount received is recognised as the value of borrowing and the relevant borrowing expenses are measured in accordance with the principal amount of the borrowing and such policy-related interest rate discount; Where the finance directly allocates the interest discount funds to the Company, the corresponding loan interest will be used to offset the relevant borrowing expenses.

2. Timing for recognition of governmental grants

A government grants shall be recognised when the enterprise fulfills the conditions attaching to the grant and the enterprise can receive the grant. The governmental grants measured at the amount receivable will be recognised when there is unambiguous evidence suggesting the conformance to related conditions as provided in financial support policies and financial support fund is expected to be received. Other government grants other than those measured at the amount receivable will be recognised at the actual time of receiving such grants.

(XXII) Deferred tax assets and deferred tax liabilities

1. Deferred income tax assets or deferred income tax liabilities are calculated and recognised based on the difference between the carrying amount and tax base of assets and liabilities (for items not recognised as assets and liabilities but with their tax base being able to be determined according to tax laws, tax base is recognised as the difference) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

2. A deferred income tax asset is recognised to the extent of the amount of the taxable income, which it is most likely to obtain to deduct from the deductible temporary difference. At the balance sheet date, if there is any exact evidence that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized, the deferred tax assets unrecognised in prior periods are recognised. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized.

3. As for taxable temporary difference related to the investments of subsidiaries and associated enterprises, the deferred income tax liabilities shall be recognised unless the Company can control the time for the reversal of temporary differences and such differences are very unlikely to be reversed in the foreseeable future. As for the deductible temporary difference related to investments of subsidiaries and associated enterprises, the deferred income tax assets shall be recognised when such temporary differences are much likely to be reversed in the foreseeable future and the taxable profit are available against which the deductible temporary difference can be utilized.

(XXIII) Lease

1 Accounting treatment of operating leases: Rental expenses under operating leases are charged to the cost of the related assets or to current profit or loss on a straight-line basis over the lease term.

- 2 Accounting treatment of financing leases: the lower of the fair value of the leased asset or the present value of the minimum lease payments is used as the carrying value of the leased asset, and the difference between the carrying value of the leased asset and the minimum lease payments is recorded as the unrecognized financing fee, which is amortised using the effective interest method over the lease term. The balance derived from deducting the unrecognized financing fee from the minimum lease payments shall be presented as long-term payables.

(XXIV) Explanation of changes in critical accounting policies and changes in accounting estimates
1. Changes in accounting policies and their basis

The Ministry of Finance issued the revised Accounting Standards for Business Enterprises 14 - Revenue (the "new revenue standards") in 2017. The Company implemented the new revenue standards as well as the circular on 1 January 2020 to adjust the relevant part of its accounting policies.

The new revenue standards replaced Accounting Standards for Business Enterprises 14 - Revenue, and Accounting Standards for Business Enterprises 15 - Construction Contracts issued by the Ministry of Finance in 2006 (collectively, the "previous revenue standards"). Under the previous revenue standards, the Company used risk-reward transfers as the standard for determining the point of revenue recognition. The new revenue standards introduced a "five-step approach" to revenue recognition and measurement and provided more guidance on specific transactions or events. Under the new revenue standards, the Company used the transfer of control as the criteria for determining the point of revenue recognition. For particulars of the accounting policies for revenue recognition and measurement, please refer to Note III. (XIX).

The Company has adjusted the related accounting policies in accordance with the specific provisions of the new revenue standards regarding specific events or transactions. In accordance with the new revenue standards, contractual assets or contractual liabilities were presented in the balance sheet based on relationship between performance of obligation and customer payment. Meanwhile, the Company provided more disclosures in accordance with requirements of the new revenue standards on information disclosures in relation to revenue, such as information related to important contracts or businesses and performance obligations, as well as information related to transaction prices allocated to remaining performance obligations, including the general performance time of performing obligations, important payment terms, the nature of commodities which the Company undertook to transfer, similar obligations such as payment borne by the Company which expected to be refunded to the customers, types of quality assurance and relevant obligations.

The Company conducted a review of revenue streams and customer contract processes to assess the impact of the new revenue standards on the financial statements. The revenue of the Company mainly included the revenue from providing transportation services and storage services to customers, and the revenue generated from the service contracts entered into with customers with verified prices, and revenue remained be recognized at the point of time when services were completed for and recognized by customers. The adoption of the new revenue standards had no material impact on the Company except the presentation of the financial statements.

The Company adjusted the retained profits and the amounts of other relevant items in the financial statement as of 1 January 2020 based on the cumulative effect of the first implementation of the new revenue standards. No adjustment to the information of the comparable period was required, and the Company only adjusted the cumulative effect of contracts that have not been completed on the first implementation date.

2. Impacts of changes in accounting policies

There were no impacts of the implementation of the new revenue standards on the consolidated balance sheet and parent company balance sheet items as of 1 January 2020.

IV. TAXATION

(I) Major taxes and tax rates

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

Taxes	Tax bases	Tax rates
Value-added tax (VAT)	Taxable income	9%、6%
Urban maintenance and construction tax	Turnover tax payable	7%
Education surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%
Enterprise income tax	Taxable income	15%、25%

Enterprise income tax rates of the Company and its subsidiaries

Name of Taxable Entity	Income tax rates
The Company	15%
Jiangmen Jiasijie Painting Engineering Co., Ltd.* (江门嘉思捷涂装工程有限公司)	25%
Zhuhai Ruiyuan Supply Chain Management Co., Ltd.* (珠海市锐源供应链管理有限公司)	25%
Jiangmen Xinglian International Logistics Co., Ltd.* (江门星联国际物流有限公司)	25%
Sichuan Dingjie Supply Chain Management Co., Ltd.* (四川鼎捷供应链管理有限公司)	25%

Note: The Company is a high and new technology enterprise and the applicable enterprise income tax rates during the current period was 15%

(II) Significant preferential tax and official approval

The Company obtained the High and New Technology Enterprise Certificate (Certificate No. GR201844008990) approved by the Department of Science and Technology of Guangdong Province, the Department of Finance of Guangdong Province, the Guangdong Provincial Tax Service and the Provincial Tax Bureau of Guangdong (广东省地方税务局), which is valid for three years. The Company is subject to the preferential tax rate of 15% from 2018 to 2020.

V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(I) Monetary Funds

Type	Closing balance	Opening balance
Cash	67,027.00	67,027.00
Cash in bank	22,078,274.57	15,699,967.59
Other monetary funds		850,000.00
Total	22,145,301.57	16,616,994.59

(II) Financial assets held for trading

Type	Closing balance	Opening balance
Bank wealth management products		7,800,000.00
Total		7,800,000.00

(III) Accounts receivable

1. Disclosure of accounts receivable by category

Type	Closing balance			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Provision ratio (%)
Accounts receivable with provision assessed for bad debts on an individual basis				
Accounts receivable with provision made for bad debts using portfolios	59,518,534.58	100.00	2,005,716.91	3.37
Including: Group 1: accounts receivable other than Group 2	59,518,534.58	100.00	2,005,716.91	3.37
Group 2: portfolio of related parties within the scope of consolidation				
Total	59,518,534.58		2,005,716.91	3.37

Type	Opening balance			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Provision ratio (%)
Accounts receivable with provision assessed for bad debts on an individual basis				
Accounts receivable with provision made for bad debts using portfolios	27,175,425.48	100.00	872,714.18	3.21
Including: Group 1: accounts receivable other than Group 2	27,175,425.48	100.00	872,714.18	3.21
Group 2: portfolio of related parties within the scope of consolidation				
Total	27,175,425.48		872,714.18	

(1) Accounts receivable with provision made for bad debts using portfolios

① Group 1:

Ages	Closing balance			Opening balance		
	Book balance	Expected credit loss rate (%)	Bad debt provision	Book balance	Expected credit loss rate (%)	Bad debt provision
Within 1 year	57,013,946.26	3.00	1,710,418.39	26,546,107.33	3.00	796,383.23
1-2 years	2,185,310.77	10.00	218,531.08	495,326.85	10.00	49,532.69
2-3 years	190,158.25	20.00	38,031.65	133,991.30	20.00	26,798.26
3-4 years	129,119.30	30.00	38,735.79			
Total	59,518,534.58		2,005,716.91	27,175,425.48		872,714.18

2. Provision for bad debts made, recovered or reversed during the reporting period

The amount of provision for bad debts in this period is RMB1,133,002.73; the amount of provision for bad debts recovered or reversed in this period is RMB0.

3. Details of the top 5 accounts receivable by closing balance of debtors

Name of entity	Closing balance	Proportion to total accounts receivable (%)	Balance of provision for bad debts
Tiandi Yihao Beverage Co., Ltd. (天地壹号饮料股份有限公司)	8,237,890.51	13.84	247,136.72
Jiangmen Toyo Ink Co., Ltd. (江门东洋油墨有限公司)	6,223,569.42	10.46	186,707.08
Jiangmen Qing Hong Science and Technology Industry Co., Ltd. (江门市擎宏科技实业有限公司)	5,788,019.50	9.72	173,640.59

Name of entity	Closing balance	Proportion to total accounts receivable (%)	Balance of provision for bad debts
Guangdong Jiantong Pipe Products Co., Ltd. (广东建通管道制品有限公司)	3,383,000.00	5.68	101,490.00
Jiangmen Pengjiang Haojue Commercial Co., Ltd. (江门市蓬江区豪爵商务有限公司)	2,742,366.39	4.61	82,210.07
Total	26,374,845.82	44.31	791,184.46

(IV) Prepayments

1. Prepayments shown by ages

Ages	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	3,149,547.09	86.19	3,288,426.63	99.89
1-2 years	504,714.32	13.81	3,750.00	0.11
Total	3,654,261.41	100.00	3,292,176.63	100.00

Large-amount prepayments with an age of over 1 year: nil

2. Details of the top 5 entities with largest prepayment balances

Name of entity	Closing balance	Proportion to total prepayments (%)
Sinopec Marketing Co., Ltd. Guangdong Jiangmen Branch (中国石化销售股份有限公司广东江门石油分公司)	993,767.34	27.19
Huaian Ruihai Transport Co., Ltd. (淮安瑞海运输有限公司)	435,699.31	11.92
Guangdong United Electronic Services Co., Ltd. (广东联合电子服务股份有限公司)	388,302.80	10.63
GuangDong Hengxinyuan Intelligent Equipment Co., Ltd. (广东恒信源智能装备有限公司)	210,000.00	5.75
Guangdong Hongming Intelligent Equipment Co., Ltd. (广东弘铭智能装备有限公司)	175,000.00	4.79
Total	2,202,769.45	60.28

(V) Other receivables

Type	Closing balance	Opening balance
Other receivables	8,001,969.61	8,415,373.59
Less: bad debt provision	2,021,253.60	395,489.57
Total	5,980,716.01	8,019,884.02

1. Other receivables categorized by nature

Nature of the amount	Closing balance	Opening balance
Deposits and guarantee deposits	7,476,278.47	7,393,960.67
Petty cash, withholding payment and others	525,691.14	1,021,412.92
Bad debt provision	2,021,253.60	395,489.57
Total	5,980,716.01	8,019,884.02

2. Aging analysis of other receivables

Ages	Closing balance		Opening balance	
	Book balance	Proportion (%)	Book balance	Proportion (%)
Within 1 year (inclusive)	3,745,961.90	46.81	7,938,209.92	94.33
1 - 2 years	3,878,881.24	48.47	185,280.00	2.20
2 - 3 years	85,242.80	1.07	73,208.00	0.87
3 - 4 years	73,208.00	0.91	127,860.00	1.52
4 - 5 years	127,860.00	1.60	10,000.00	0.12
Over 5 years	90,815.67	1.13	80,815.67	0.96
Total	8,001,969.61	100.00	8,415,373.59	100.00

3. Provisions made for bad debts

Bad debt provision	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss over the next 12 months	Lifetime expected credit loss – not credit-impaired	Lifetime expected credit loss – credit-impaired	
Opening balance	395,489.57			395,489.57
Opening balance in the current period after assessment	395,489.57			395,489.57
Provision for the current period	151,064.03		1,474,700.00	1,625,764.03
Closing balance	546,553.60		1,474,700.00	2,021,253.60

4. Details of the top 5 other receivables by closing balance of debtors

Name of debtors	Nature of receivables	Closing balance	Age	Proportion to the closing balance of other receivables (%)	Balance of bad debt provision
Jiangmen Xinyu Motorcycle Parts Co., Ltd. (江门市新宇摩托车配件有限公司)	Deposits and guarantee deposits	1,474,700.00	1-2 years	18.43	1,474,700.00
Changzhou Haojue Commercial Trade Co., Ltd. (常州豪爵商贸有限公司)	Deposits and guarantee deposits	1,000,000.00	Within 1 year (inclusive)	12.50	30,000.00
Jiangmen Shuangying Supply Chain Management Co., Ltd. (江门双盈供应链管理服务有限公司)	Deposits and guarantee deposits	800,000.00	Within 1 year (inclusive)	10.00	24,000.00
Carpoly Chemical Group Co., Ltd. (嘉宝莉化工集团股份有限公司)	Deposits and guarantee deposits	550,000.00	1-2 years	6.87	55,000.00
Jiangmen Pengjiang Haojue Commercial Co., Ltd. (江门市蓬江区豪爵商务有限公司)	Deposits and guarantee deposits	500,000.00	Within 1 year (inclusive)	6.25	15,000.00
Total		4,324,700.00		54.05	1,598,700.00

Note: Deposit of Jiangmen Xinyu Motorcycle Parts Co., Ltd. (江门市新宇摩托车配件有限公司) amounted to RMB1,474,700.00. Such deposit was expected to be difficult to recover due to the poor operation of the counterparty and the current lack of business cooperation between the two parties, a full provision for impairment has been made.

(VI) Other current assets

Item	Closing balance	Opening balance
Credit tax available for deduction	27,466.78	647,662.58
Total	27,466.78	647,662.58

(VII) Fixed assets

Type	Closing balance	Opening balance
Fixed assets	11,842,546.67	8,665,872.32
Less: Provision for impairment		
Total	11,842,546.67	8,665,872.32

Details of fixed assets

Item	Electronic device	Transport facilities	Furniture and others	Total
I. Original carrying amount				
1. Opening balance	1,095,032.74	12,622,406.27	6,193,467.21	19,910,906.22
2. Increase in the current period	33,968.60	1,318,621.01	4,352,620.78	5,705,210.39
(1) Acquisition	33,968.60	1,318,621.01	4,352,620.78	5,705,210.39
3. Decrease in the current period				
(1) Disposal or retirement				
4. Closing balance	1,129,001.34	13,941,027.28	10,546,087.99	25,616,116.61
II. Accumulated depreciation				
1. Opening balance	436,513.51	8,493,312.49	2,315,207.90	11,245,033.90
2. Increase in the current period	184,285.05	1,143,310.54	1,200,940.45	2,528,536.04
(1) Provision	184,285.05	1,143,310.54	1,200,940.45	2,528,536.04
3. Decrease in the current period				
(1) Disposal or retirement				
4. Closing balance	620,798.56	9,636,623.03	3,516,148.35	13,773,569.94
III. Provision for impairment				
1. Opening balance				
2. Increase in the current period				
(1) Provision				
3. Decrease in the current period				
(1) Disposal or retirement				
4. Closing balance				
IV. Carrying amount				
1. Closing carrying amount	508,202.78	4,304,404.25	7,029,939.64	11,842,546.67
2. Opening carrying amount	658,519.23	4,129,093.78	3,878,259.31	8,665,872.32

(VIII) Construction in progress

Item	Closing balance	Opening balance
Projects of construction in progress	20,996,342.98	4,429,841.33
Less: Provision for impairment		
Total	20,996,342.98	4,429,841.33

1. Projects of construction in progress

(1) Basic situation of projects of construction in progress

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Plant construction	20,996,342.98		20,996,342.98	4,429,841.33		4,429,841.33
Total	20,996,342.98		20,996,342.98	4,429,841.33		4,429,841.33

(2) Changes in significant projects of construction in progress

Name of project	Budgets (0'000)	Opening balance	Increase in the current period	Transferred to fixed assets	Other decrease	Closing balance
Plant construction	8351	4,429,841.33	16,566,501.65			20,996,342.98
Total	8351	4,429,841.33	16,566,501.65			20,996,342.98

Changes in significant projects of construction in progress (continue)

Name of project	Investment to budget of construction (%)	Completion progress (%)	Accumulated amount of interest capitalisation	Including: Amount of interest capitalisation in current period	Interest capitalisation rate in the current period (%)	Source of funding
Plant construction	25.17	25.17				Self-generated funds
Total	25.17	25.17				

(IX) Intangible assets

1. Intangible assets

Item	Land use rights	Software	Total
I. Original carrying amount			
1. Opening balance	21,114,950.00	4,292,219.61	25,407,169.61
2. Increase in the current period			
(1) Acquisition			
3. Decrease in the current period			
(1) Disposal			
4. Closing balance	21,114,950.00	4,292,219.61	25,407,169.61
II. Accumulated amortization			
1. Opening balance	950,172.66	1,308,660.08	2,258,832.74
2. Increase in the current period	422,298.96	415,326.45	837,625.41
(1) Provision	422,298.96	415,326.45	837,625.41
3. Decrease in the current period			
(1) Disposal			
4. Closing balance	1,372,471.62	1,723,986.53	3,096,458.15
III. Provision for impairment			
1. Opening balance			
2. Increase in the current period			
3. Decrease in the current period			
4. Closing balance			
IV. Carrying amount			
1. Closing carrying amount	19,742,478.38	2,568,233.08	22,310,711.46
2. Opening carrying amount	20,164,777.34	2,983,559.53	23,148,336.87

(X) Goodwill

1. Original carrying amount of goodwill

Project	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Jiangmen Jiasijie Painting Engineering Co., Ltd.* (江门嘉思捷涂装工程有限公司)	14,361.58			14,361.58
Total	14,361.58			14,361.58

2. Impairment provision for goodwill

Project	Opening balance	Provision for the current period	Decrease in the current period	Closing balance
Jiangmen Jiasijie Painting Engineering Co., Ltd.* (江门嘉思捷涂装工程有限公司)		14,361.58		14,361.58
Total		14,361.58		14,361.58

(XI) Long term deferred expenses

Type	Opening balance	Increase in the current period	Amortization in the current period	Other decrease	Closing balance
Storage fence fee	78,386.86		23,516.04		54,870.82
Total	78,386.86		23,516.04		54,870.82

(XII) Deferred income tax assets and deferred income tax liabilities

1. Deferred income tax assets and deferred income tax liabilities are not presented in the net value after offset

Item	Closing balance		Opening balance	
	Deferred income tax assets/liabilities	Deductible Taxable temporary difference	Deferred income tax assets/liabilities	Deductible Taxable temporary difference
Deferred income tax assets:				
Provision for impairment of assets	610,286.11	4,026,970.51	196,625.46	1,268,203.75
Subtotal	610,286.11	4,026,970.51	196,625.46	1,268,203.75

2. Breakdown of unrecognized deferred income tax assets

Item	Closing balance	Opening balance
Deductible loss	234,830.96	14,358.72
Total	234,830.96	14,358.72

3. Deductible losses of unrecognized deferred income tax assets will expire in the following years

Year	Closing balance	Opening balance	Remarks
2020		794.00	
2021	7,541.67	7,541.67	
2022	3,012.49	3,012.49	
2023	1,611.51	1,611.51	
2024	1,399.05	1,399.05	
2025	221,266.24		
Total	234,830.96	14,358.72	

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

(XIII) Short-term borrowings

1. Classification of short-term borrowings

Borrowing conditions	Closing balance	Opening balance
Mortgaged and guaranteed borrowings	17,000,000.00	
Pledged, mortgaged and guaranteed borrowings		5,500,000.00
Interest payable on short-term borrowings	19,833.33	
Total	17,019,833.33	5,500,000.00

(XIV) Accounts payable

Item	Closing balance	Opening balance
Within 1 year (inclusive)	38,842,409.85	9,860,205.66
Over 1 year	573,370.34	573,370.34
Total	39,415,780.19	10,433,576.00

(XV) Employee remuneration payable

1. Employee remuneration payable shown by category

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Short-term remuneration	1,437,926.69	16,572,371.24	16,739,284.75	1,271,013.18
II. Post-employment benefits-defined contribution plan		117,302.38	117,302.38	
Total	1,437,926.69	16,689,673.62	16,856,587.13	1,271,013.18

2. Remuneration of short-term employees

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Wage, bonus, allowance and subsidy	1,370,972.29	15,044,290.04	15,187,139.53	1,228,122.80
2. Employee welfare premium		563,352.09	563,352.09	
3. Social welfare premium		394,106.80	394,106.80	
Including: Medicare premium		353,295.44	353,295.44	
Occupational injuries premium		1,193.56	1,193.56	
Maternity premium		39,617.80	39,617.80	
4. Housing provident funds		294,111.34	294,111.34	
5. Labor union fund and employee education fund	66,954.40	276,510.97	300,574.99	42,890.38
Total	1,437,926.69	16,572,371.24	16,739,284.75	1,271,013.18

3. Defined contribution plan

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Basic endowment insurance premium		115,898.08	115,898.08	
Unemployment insurance premium		1,404.30	1,404.30	
Total		117,302.38	117,302.38	

(XVI) Taxes payable

Taxes	Closing balance	Opening balance
VAT	761,631.44	
Urban maintenance and construction tax	117,942.31	
Education surcharge	84,248.23	
Enterprise income tax	807,051.65	250,367.79
Individual income tax	72,222.11	72,493.46
Others	20,114.00	7,614.91
Total	1,863,209.74	330,476.16

(XVII) Other payables

Type	Closing balance	Opening balance
Interest payable		31,782.30
Other payables	3,832,244.12	1,266,160.05
Total	3,832,244.12	1,297,942.35

1. Interest payable

Type	Closing balance	Opening balance
Interest on long-term borrowings with interest payments by installment and principal payments at due		22,469.97
Interest payable on short-term borrowings		9,312.33
Total		31,782.30

2. Other payables

Nature	Closing balance	Opening balance
Deposits and guarantee deposits	3,635,000.00	1,102,700.00
Current accounts and others	197,244.12	163,460.05
Total	3,832,244.12	1,266,160.05

(XVIII) Non-current liabilities due within one year

Item	Closing balance	Opening balance
Long-term borrowings due within one year		3,720,000.00
Total		3,720,000.00

(XIX) Long-term borrowings

Borrowing conditions	Closing balance	Opening balance	Range of the interest rates (%)
Mortgaged and guaranteed borrowings	2,049,200.00	8,000,000.00	4.6
Pledged borrowings		1,560,000.00	4.6
Interest payable on long-term borrowings	2,618.42		
Total	2,051,818.42	9,560,000.00	

(XX) Deferred income

1. Deferred income shown by category

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reasons
Government grants	1,263,350.60	6,600,000.00	354,308.19	7,509,042.41	project grants
Total	1,263,350.60	6,600,000.00	354,308.19	7,509,042.41	

2. Items of government grants

Item	Balance at the beginning of the year	Amount of grants increased for the period	Amount included in profit or loss for the period	Other changes	Closing balance	Related to assets/related to income
Guide funds for the development of provincial modern service industry in 2014	852,594.57		191,469.64		661,124.93	Related to assets
Guide funds for the development of provincial service industry in 2015	100,285.72		100,285.72			Related to assets
Guide funds for the development of provincial modern service industry in 2015	310,470.31		62,552.83		247,917.48	Related to assets
Construction project of agricultural product chain distribution center		6,600,000.00			6,600,000.00	Related to assets
Total	1,263,350.60	6,600,000.00	354,308.19		7,509,042.41	

(XXI) Share capital

Item	Opening balance	Movements (+, -) for the period					Closing balance
		Issue of new shares	Bonus shares	Reserves transferred to shares	Others	Subtotal	
Total shares	42,600,000.00						42,600,000.00

(XXII) Capital reserve

Type	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Capital premium	3,143,108.23			3,143,108.23
Total	3,143,108.23			3,143,108.23

(XXIII) Surplus reserve

Type	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserve	3,806,036.48	1,653,826.84		5,459,863.32
Total	3,806,036.48	1,653,826.84		5,459,863.32

(XXIV) Undistributed profits

Item	Closing balance

	Amount	Proportion of appropriation or distribution
Undistributed profits before adjustment at the end of preceding period	16,120,437.03	
Adjustments to total undistributed profits at the beginning of the period (increase+, decrease-)		
Undistributed profits after adjustment at the beginning of the period	16,120,437.03	
Add: Net profit attributable to owners of the parent company for the current period	16,300,798.35	
Less: Appropriation of statutory surplus reserve	1,653,826.84	10%
Distribution to shareholders	9,798,000.00	
Undistributed profits at the end of the period	20,969,408.54	

(XXV) Operating revenue and operating cost

Item	Amount for current period		Amount for previous period	
	Revenue	Cost	Revenue	Cost
Main operation	192,190,801.37	157,265,851.50	146,726,800.19	124,548,506.26
Other operation	691,943.61	208,906.48	702,002.89	191,406.48
Total	192,882,744.98	157,474,757.98	147,428,803.08	124,739,912.74

(XXVI) Taxes and surcharges

Item	Amount for current period	Amount for previous period
Stamp duty	97,809.50	85,614.11
Urban maintenance and construction tax	121,300.46	82,306.21
Education surcharge and local education surcharge	86,643.19	58,790.16
Total	305,753.15	226,710.48

(XXVII) Selling expenses

Item	Amount for current period	Amount for previous period
Employee remuneration	1,192,028.53	1,179,715.25
Business entertainment expenses	80,535.72	68,271.56
Travel expenses	705.50	6,143.20
Others	11,338.88	18,624.59
Total	1,284,608.63	1,272,754.60

(XXVIII) Administrative expenses

Item	Amount for current period	Amount for previous period
Office expenses	130,988.46	75,678.07
Employee remuneration	2,253,500.35	2,256,992.36
Vehicle usage expenses	53,075.33	53,544.32
Amortization of intangible assets	422,298.96	422,298.96
Communication expenses	110,270.22	96,317.49
Depreciation of fixed assets	428,624.98	390,117.35
Intermediate fee	302,708.76	291,509.44
Business entertainment expenses	208,040.50	281,399.66
Travel expenses	7,857.50	27,935.45
Others	498,658.83	315,714.75
Total	4,416,023.89	4,211,507.85

(XXIX) Research and development expenses

Item	Amount for current period	Amount for previous period
Employee remuneration	6,025,663.00	4,363,507.59
Depreciation and amortization	577,823.63	620,640.80
Testing expenses and other research and development expenses	1,540,103.54	763,255.20
Total	8,143,590.17	5,747,403.59

(XXX) Financial expenses

Item	Amount for current period	Amount for previous period
Interest expenses	849,740.22	1,215,057.37
Less: Interest income	12,576.06	25,879.41
Add: Commission expenses and others	5,255.59	15,432.58
Total	842,419.75	1,204,610.54

(XXXI) Other income

Item	Amount for current period	Amount for previous period
Guide funds for the development of provincial modern service industry in 2014	191,469.64	191,469.64
Guide funds for the development of provincial production service industry in 2015	100,285.72	137,428.57
Guide funds for the development of provincial modern service industry in 2015	62,552.83	62,552.83
Total	354,308.19	391,451.04

(XXXII) Investment income

Item	Amount for current period	Amount for previous period
Gains on wealth management products	237,566.82	222,601.61
Total	237,566.82	222,601.61

(XXXIII) Credit impairment loss

Item	Amount for current period	Amount for previous period
Credit impairment loss of accounts receivable	-1,133,002.73	799,711.38
Credit impairment loss of other receivables	-1,625,764.03	116,121.23
Total	-2,758,766.76	915,832.61

(XXXIV) Assets impairment losses

Item	Amount for current period	Amount for previous period
Impairment loss on goodwill	-14,361.58	
Total	-14,361.58	

(XXXV) Non-operating income

1. Non-operating income is presented separately

Item	Amount for current period	Amount for previous period	Amount charged to the current non-recurring profit or loss
Government grant	3,000.00	450,000.00	3,000.00
Others	1,546.76	2,800.00	1,546.76
Total	4,546.76	452,800.00	4,546.76

2. Government grants included in non-operating income

Item	Amount for current period	Amount for previous period	Related to assets/related to income
High-tech enterprise incentives		450,000.00	Related to income
Theme education subsidy carried out by the Party branch of the "two new (两新)" organizations of Jiangmen City Pengjiang District Duran Town People's Government (江门市蓬江区杜阮镇人民政府)	1,000.00		Related to income
Price and cost survey team	2,000.00		Related to income
Total	3,000.00	450,000.00	

(XXXVI) Non-operating expenses

Item	Amount for current period	Amount for previous period	Amount charged to the current non-recurring profit or loss
External donations	70,000.00	70,000.00	70,000.00
Others	6,094.55	48,700.00	6,094.55
Total	76,094.55	118,700.00	76,094.55

(XXXVII) Income tax expenses

1. Details of income tax expenses

Item	Amount for the current period	Amount for the previous period
Income tax expenses for the current period calculated according to tax laws and relevant requirements	2,275,652.59	918,821.05
Deferred income tax expenses	-413,660.65	151,324.13
Differences in income tax settlement		-6,619.32
Total	1,861,991.94	1,063,525.86

2. Reconciliation between accounting profit and income tax expenses

Item	Amount
Total profit	18,162,790.29
Income tax expenses based on statutory/applicable tax rate	2,724,418.54
Effect of different tax rates of subsidiaries	-22,272.26
Effect of non-deductible costs, expenses and losses	20,682.99
Effect of additional deductions of research and development expenses	-916,153.89
Effect of using the deductible losses of previously unrecognized deferred income tax assets	-3,391.18
Effect of deductible temporary differences or deductible losses unrecognized as deferred income tax assets in current period	58,707.74
Income tax expenses	1,861,991.94

(XXXVIII) Cash flow statement

1. Other cash receipts or payments related to operating activities

Item	Amount for the current period	Amount for the previous period
Other cash receipts related to operating activities	12,313,110.87	11,784,416.07
Including: Recovery of margin deposit and advance	5,695,988.05	11,305,736.66
Interest Income	12,576.06	25,879.41
Government grants	6,600,000.00	450,000.00
Others	4,546.76	2,800.00
Other cash payment related to operating activities	7,585,592.42	13,907,702.01
Including: Payment of margin deposit and advance	4,716,500.00	12,644,529.29
Administrative expenses, research and development expenses, and selling expenses	2,787,742.28	1,129,040.14
Handling fee and other expenses	11,350.14	64,132.58
External donations	70,000.00	70,000.00

2. Other cash receipts or payment related to fundraising activities

Item	Amount for the current period	Amount for the previous period
Other cash receipts related to fundraising activities	850,000.00	600,000.00
Including: Recovery of bank loan deposits	850,000.00	600,000.00
Other cash payment related to fundraising activities		550,000.00
Including: Payment of bank loan deposits		550,000.00
Payment of issuance costs		

(XXXIX) Supplemental information to the cash flow statement

1. Supplemental information to the cash flow statement

Item	Amount for the current period	Amount for the previous period
1. Reconciliation of net profit to cash flow from operating activities		
Net profit	16,300,798.35	10,826,362.68
Add: Credit impairment loss	2,758,766.76	-915,832.61
Provision for assets impairment	14,361.58	
Depreciation of fixed assets, oil and gas assets, productive biological assets	2,528,536.04	2,408,414.47
Amortization of intangible assets	837,625.41	881,609.11
Amortization of long term prepayments	23,516.04	144,987.70
Loss on disposal of fixed assets, intangible assets and other long term assets (Gain represented by “-”)		
Fixed assets retirement loss (Gain represented by “-”)		

Item	Amount for the current period	Amount for the previous period
Net loss on hedging exposure (Gain represented by “-”)		
Losses on changes in fair value (Gain represented by “-”)		
Financial expenses (Gain represented by “-”)	849,740.22	1,215,057.37
Investments losses (Gain represented by “-”)	-237,566.82	-222,601.61
Decrease of deferred income tax assets (Increase represented by “-”)	-413,660.65	151,324.13
Increase of deferred income tax liabilities (Decrease represented by “-”)		
Decrease in inventories (Increase represented by “-”)		
Decrease in operating receivables (Increase represented by “-”)	-31,286,594.10	27,138,639.53
Increase of operating payables (Decrease represented by “-”)	37,159,800.14	-17,729,529.12
Others		
Net cash flow from operating activities	28,535,322.97	23,898,431.65
2. Significant investing and financing activities not related to cash receipts and payments		
Conversion of debt into share capital		
Convertible corporate bonds due within one year		
Fixed assets rented under leases		
3. Net changes in cash and cash equivalents		
Closing balance of cash	22,145,301.57	15,766,994.59
Less: Opening balance of cash	15,766,994.59	22,333,923.01
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase of cash and cash equivalents	6,378,306.98	-6,566,928.42

2. Cash and cash equivalents

Item	Amount for the current period	Amount for the previous period
I. Cash	22,145,301.57	15,766,994.59
Including: Cash on hand	67,027.00	67,027.00
Cash in bank on demand for payment	22,078,274.57	15,699,967.59
II. Cash equivalents		
Including: Bond investment with maturity within 3 months		
III. Closing balance of cash and cash equivalents	22,145,301.57	15,766,994.59
Including: Restricted cash and cash equivalents used by the Parent Company or subsidiaries within the Group		

(XL) Assets subject to restrictions on ownership or rights of use

Item	Closing carrying amount	Reason for such restrictions
Intangible assets-Land Use Rights	19,742,478.38	Pledge of Land Use Rights
Total	19,742,478.38	

VI. CHANGE IN SCOPE OF CONSOLIDATION

On 2 December 2020, a subsidiary, Sichuan Dingjie Supply Chain Management Co., Ltd.* (四川鼎捷供应链管理有限公司) was established, in which the Company holds 55% of the shares, and has been included in the scope of consolidation since its establishment.

VII. INTEREST IN OTHER ENTITIES

Interest in subsidiaries

Name of subsidiaries	Place of registration	Principal place of operation	Nature of business	Proportion of shareholding (%)		Acquisition method
				Directly	Indirectly	
Jiangmen Jiasijie Painting Engineering Co., Ltd.* (江门嘉思捷涂装工程有限公司)	Jiangmen	Jiangmen	Undertaking construction and decoration works, transport of dangerous goods (Class 3), general cargo transport (operating with valid "road transport operation licences"); domestic land freight forwarding (The items that requires approval by law can only be dealt in after being approved by the relevant departments).	100.00		Merger and acquisition
Zhuhai Ruiyuan Supply Chain Management Co., Ltd.* (珠海市锐源供应链管理有限公司)	Zhuhai	Zhuhai	Enterprise management consulting; supply chain management and related ancillary services; computer software and hardware development; wholesale and sales of prepackaged food (The items that requires approval by law can only be dealt in after being approved by the relevant departments).	100.00		Establishment
Jiangmen Xinglian International Logistics Co., Ltd.* (江门星联国际物流有限公司)	Jiangmen	Jiangmen	International freight forwarding, domestic freight forwarding; warehousing services (excluding hazardous chemicals); customs and inspection services; import and export of goods; import and export of technology. (The items that requires approval by law can only be dealt in after being approved by the relevant departments)	51.00		Establishment
Sichuan Dingjie Supply Chain Management Co., Ltd.* (四川鼎捷供应链管理有限公司)	Sichuan	Sichuan	General: supply chain management services; software development; software sales; domestic freight forwarding; general cargo warehousing services (excluding hazardous chemicals and other projects that require approval); cryogenic warehousing (excluding hazardous chemicals and other projects that require approval); information consulting services (excluding licensing information consulting services); loading and unloading (except for projects subject to approval according to law, independently carry out business activities according to law with business license). Approved project: road freight transport (excluding dangerous goods) (The items that requires approval by law can only be dealt in after being approved by the relevant departments, specific business projects are subject to the approval documents or licences of the relevant departments)	55.00		Establishment

Note: As at the end of the period, Jiangmen Xinglian International Logistics Co., Ltd. * (江门星联国际物流有限公司) and Sichuan Dingjie Supply Chain Management Co., Ltd. * (四川鼎捷供应链管理有限公司) had not yet commenced business.

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(I) De facto controllers of the Company

The de facto controllers of the Company are Zhang Yan (张艳) and Yang Yongming (杨永明). Zhang Yan (张艳) and Yang Yongming (杨永明) are in a spousal relationship. As of the end of the reporting period, Zhang Yan (张艳) held 63.04% of the Company's shares and Yang Yongming (杨永明) held 2.05% of the Company's shares. They jointly held 65.09% of the Company's shares.

(II) Subsidiaries of the Company

Please refer to Note "VII. INTEREST IN OTHER ENTITIES" for details.

(III) Other related party of the Company

Name of other related party	Relationships of other related party with the Company
Jiangmen Yingjiang Group Co., Ltd. (江门盈江集团有限公司)	Legal person shareholder holding more than 5% of shares
Jiangmen Yingjiang Technology Co., Ltd. (江门市盈江科技有限公司)	A subsidiary controlled by legal person shareholder holding more than 5% of the shares
Jiangmen Yingkang Oil Sales Co., Ltd. (江门市盈康油品销售有限公司)	A subsidiary controlled by legal person shareholder holding more than 5% of the shares
Jiangmen Hinnotech Co., Ltd. (江门盈骅光电科技有限公司)	A subsidiary controlled by legal person shareholder holding more than 5% of the shares
Guangdong Hinnotech Co., Ltd. (广东盈骅新材料科技有限公司)	A company controlled by legal person shareholder holding more than 5% of the shares
Jiangmen Yingkang Technology Co., Ltd. (江门市盈康科技有限公司) (formerly known as "Guangzhou Kangfei Lubricating Oil Co., Ltd. (广东康菲润滑油有限公司)")	A subsidiary controlled by legal person shareholder holding more than 5% of the shares
Jiangmen Yingjieda Ink Jet Co., Ltd. (江门英捷达喷墨有限公司)	A subsidiary controlled by legal person shareholder holding more than 5% of the shares
Guangzhou Dingyi Food Co., Ltd. (广州鼎一食品有限公司)	Holding 45% of the shares of Sichuan Dingjie Supply Chain Management Co., Ltd. * (四川鼎捷供应链管理有限公司), a controlling subsidiary of the Company
Jia Liping (贾礼萍)	Shareholder and senior management of the Company

(IV) Related party transactions

1. Related party transactions for sale and purchase of goods and rendering and acceptance of services

Name of related party	Contents of related party transactions	Amount for the current period			Amount for the previous period		
		Amount	Percentage of sales in the same category	Pricing policy and decision-making process	Amount	Percentage of sales in the same category	Pricing policy and decision-making process
Sale of goods and rendering of services:							
Jiangmen Yingjiang Technology Co., Ltd. (江门市盈江科技有限公司)	Provision of transport services				17,076.38	0.01%	Market prices
Jiangmen Yingkang Technology Co., Ltd. (江门市盈康科技有限公司)	Provision of transport services				8,954.32	0.01%	Market prices

2. Related party guarantees

Guarantor	Guaranteed party	Guarantee amount	Start date of guarantee	End date of guarantee	Guarantee fulfilled or not
Zhang Yan (张艳), Yang Yongming (杨永明), Jia Liping (贾礼萍)	The Company	30,000,000.00	2017-9-4	2023-9-3	No
Zhang Yan (张艳), Yang Yongming (杨永明)	The Company	15,000,000.00	2018-1-16	2028-12-31	No

IX. COMMITMENTS AND CONTINGENCIES

(I) Commitments

As of 31 December 2020, the Company has no commitments that should be disclosed.

(II) Contingencies

As of 31 December 2020, the Company has no pending litigation, external guarantees and other contingencies that should be disclosed.

X. EVENTS AFTER THE BALANCE SHEET DATE

As of the date of this report, the Company has no events after the balance sheet date that should be disclosed.

XI. OTHER SIGNIFICANT EVENTS

As of 31 December 2020, the Company has no other material matters that should be disclosed.

XII. NOTES TO MAJOR FINANCIAL STATEMENT ITEMS OF THE PARENT COMPANY

(I) Accounts receivable

1. Disclosure of accounts receivable by the category

Category	Closing balance			
	Book balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Provision ratio (%)
Accounts receivable with provision assessed for bad debts on an individual basis				
Accounts receivable with provision for bad debts by combination	58,570,891.15	100.00	1,953,382.31	3.34
Of which: Group 1: receivables other than Group 2	58,570,891.15	100.00	1,953,382.31	3.34
Group 2: related parties within the scope of consolidation				
Total	58,570,891.15	100.00	1,953,382.31	3.34

Category	Opening balance			
	Book balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Provision ratio (%)
Accounts receivable with provision assessed for bad debts on an individual basis				
Accounts receivable with provision for bad debts by combination	26,180,147.87	100.00	818,950.57	3.13
Of which: Group 1: receivables other than Group 2	26,180,147.87	100.00	818,950.57	3.13
Group 2: related parties within the scope of consolidation				
Total	26,180,147.87	100.00	818,950.57	3.13

Group 1:

Ages	Closing balance			Opening balance		
	Book balance	Provision ratio (%)	Provision for bad debts	Book balance	Provision ratio (%)	Provision for bad debts
Within 1 year (inclusive)	56,407,807.04	3.00	1,692,234.22	25,892,333.72	3.00	776,770.03
1 to 2 years	1,843,806.56	10.00	184,380.66	153,822.85	10.00	15,382.29
2 to 3 years	190,158.25	20.00	38,031.65	133,991.30	20.00	26,798.26
3 to 4 years	129,119.30	30.00	38,735.79			
Total	58,570,891.15		1,953,382.31	26,180,147.87		818,950.57

2. Provision for bad debts made, recovered or reversed during the reporting period

The amount of provision for bad debts in this period is RMB1,134,431.74; the amount of provision for bad debts recovered or reversed in this period is RMB0.

3. Details of the top 5 accounts receivable by closing balance of debtors

Company names	Closing balance	Proportion to total accounts receivable (%)	Balance of provision for bad debts
Tiandi Yihao Beverage Co., Ltd. (天地壹号饮料股份有限公司)	8,237,890.51	14.06	247,136.72
Jiangmen Toyo Ink Co., Ltd. (江门东洋油墨有限公司)	6,223,569.42	10.63	186,707.08
Jiangmen Qing Hong Science and Technology Industry Co., Ltd. (江门市擎宏科技实业有限公司)	5,788,019.50	9.88	173,640.59
Guangdong Jiantong Pipe Products Co., Ltd. (广东建通管道制品有限公司)	3,383,000.00	5.78	101,490.00
Jiangmen Pengjiang Haojue Commercial Co., Ltd. (江门市蓬江区豪爵商务有限公司)	2,742,366.39	4.68	82,210.07
Total	26,374,845.82	45.03	791,184.46

(II) Other receivables

Category	Closing balance	Opening balance
Other receivables	7,926,639.49	8,332,722.23
Less: Provision for bad debts	2,011,182.89	385,304.22
Total	5,915,456.60	7,947,418.01

1. Other receivables categorised by nature

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

Nature of receivables	Closing balance	Opening balance
Deposits and guarantee deposits	7,376,278.47	7,293,960.67
Reserves, withholding payments and others	550,361.02	1,038,761.56
Less: Provision for bad debts	2,011,182.89	385,304.22
Total	5,915,456.60	7,947,418.01

2. Aging analysis of other receivables

Ages	Closing balance		Opening balance	
	Book balance	Proportion (%)	Book balance	Proportion (%)
Within 1 year	3,747,104.78	47.27	7,932,031.56	95.19
1 to 2 years	3,778,881.24	47.67	85,280.00	1.02
2 to 3 years	85,242.80	1.08	83,208.00	1.00
3 to 4 years	83,208.00	1.05	141,387.00	1.70
4 to 5 years	141,387.00	1.78	10,000.00	0.12
Over 5 years	90,815.67	1.15	80,815.67	0.97
Total	7,926,639.49	100.00	8,332,722.23	100.00

3. Bad debt provision

Provision for bad debts	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss over the next 12 months	Lifetime expected credit loss – not credit-impaired	Lifetime expected credit loss – credit-impaired	
Opening balance	385,304.22			385,304.22
Opening balance after reassessment for the current period	385,304.22			385,304.22
Provision for the current period	151,178.67		1,474,700.00	1,625,878.67
Closing balance	536,482.89		1,474,700.00	2,011,182.89

4. Details of the top 5 other receivables by closing balance of debtors

Name of debtors	Nature of receivables	Closing balance	Ages	Proportion to the total closing balance of other receivables (%)	Balance of bad debt provision
Jiangmen Xinyu Motorcycle Parts Co., Ltd. (江门市新宇摩托车配件有限公司)	Deposits and guarantee deposits	1,474,700.00	1 to 2 years	18.60	1,474,700.00
Changzhou Haojue Commercial Trade Co., Ltd. (常州豪爵商贸有限公司)	Deposits and guarantee deposits	1,000,000.00	Within 1 year	12.62	30,000.00
Jiangmen Shuangying Supply Chain Management Co., Ltd. (江门双盈供应链管理有限公司)	Deposits and guarantee deposits	800,000.00	Within 1 year	10.09	24,000.00
Carpoly Chemical Group Co., Ltd. (嘉宝莉化工集团股份有限公司)	Deposits and guarantee deposits	550,000.00	1 to 2 years	6.94	55,000.00
Jiangmen Pengjiang Haojue Commercial Co., Ltd. (江门市蓬江区豪爵商务有限公司)	Deposits and guarantee deposits	500,000.00	Within 1 year	6.31	15,000.00
Total		4,324,700.00		54.56	1,598,700.00

Note: Deposit of Jiangmen Xinyu Motorcycle Parts Co., Ltd. (江门市新宇摩托车配件有限公司) amounted to RMB1,474,700.00. Such deposit was expected to be difficult to recover due to the poor operation of the counterparty and the current lack of business cooperation between the two parties, a full provision for impairment has been made.

(III) Long-term equity investments						
Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investment in subsidiaries	268,000.00		268,000.00	268,000.00		268,000.00
Total	268,000.00		268,000.00	268,000.00		268,000.00
1. Investment in subsidiaries						
Investee	Opening balance	Increase for the period	Decrease for the period	Closing balance	Provision for impairment made in current period	Closing balance of provision for impairment
Jiangmen Jiasijie Painting Engineering Co., Ltd.* (江門嘉思捷塗裝工程有限公司)	268,000.00			268,000.00		
Total	268,000.00			268,000.00		
(IV) Operating revenue and operating cost						
Items	Amount for the current period		Amount for the previous period			
	Revenue	Costs	Revenue	Costs		
Main operation	188,238,421.33	153,235,085.47	136,351,726.92	114,748,841.70		
Other operation	691,943.61	208,906.48	702,002.89	191,406.48		
Total	188,930,364.94	153,443,991.95	137,053,729.81	114,940,248.18		
(V) Investment income						
Type	Amount for the current period		Amount for the previous period			
Investment income from wealth management products	205,182.95		174,646.55			
Total	205,182.95		174,646.55			
XIII. SUPPLEMENTARY INFORMATION						
(I) Breakdown of non-recurring profit or loss for the current period						
Items			Amount	Remarks		
1. Government grants included in profit or loss for the current period (exclusive of those that are closely related to the enterprise business and received in a certain amount or fixed quantity according to the State standards)			357,308.19			
2. The profit or loss of entrusting others to invest or manage assets			237,566.82			
3. Other non-operating income and expenses other than aforesaid items			-74,547.79			
4. Impact of income tax			-75,724.88			
Total			444,602.34			
(II) RONA and EPS						
Profit of the reporting period	Weighted average RONA (%)		EPS			
			Basic EPS			
	Amount for the current period	Amount for the previous period	Amount for the current period	Amount for the previous period		
Net profit attributable to shareholders of ordinary shares	22.33	16.89	0.38	0.25		

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	21.72	15.64	0.37	0.23
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An Jie Supply Chain Management Co., Ltd.
30 April 2021

SECTION X FINANCIAL REPORT

I. AUDITOR'S REPORT

Audited or not	Yes	
Auditor's opinion	Unmodified opinion	
Special paragraphs in the auditor's report	<input checked="" type="checkbox"/> Nil <input type="checkbox"/> Emphasized matter paragraph <input type="checkbox"/> Other matters paragraph <input type="checkbox"/> Going concern material uncertainty paragraph <input type="checkbox"/> Other information paragraph containing explanations on uncorrected material misstatement of other information	
Auditor's report number	[2022] No. 22-00027	
Name of audit institution	WUYIGE Certified Public Accountants LLP	
Address of audit institution	Room 1504, Xueyuan International Tower, No. 1 Zhichun Road, Haidian District, Beijing	
Date of the auditor's report	25 April 2022	
Name of the certified public accountant who signed and consecutive years of signing	Xia Ling (夏玲)	Gong Fuguo (龚甫国)
	2 years	4 years
Any change in the accounting firm	No	
Consecutive service years of the accounting firm	5 years	
Audit remuneration for the accounting firm	RMB150,000	

AUDITOR'S REPORT

Da Xin Shen Zi [2022] No. 22-00027

To all the members of An Jie Supply Chain Management Co., Ltd:

I. Auditor's Opinion

We have audited the financial statements of An Jie Supply Chain Management Co., Ltd. (hereinafter referred to as the "Company"), which comprise the consolidated balance sheet and balance sheet of the parent company as at 31 December 2021, and the consolidated income statement and income statement of the parent company, the consolidated cash flow statement and cash flow statement of the parent company, and the consolidated statement of changes in shareholders' equity and statement of changes in shareholders' equity of the parent company for the year 2021, and the notes to these financial statements.

In our opinion, the accompanying financial statements prepared in accordance with the requirements of Accounting Standards for Business Enterprises in all material aspects, give a fair view of the Company's consolidated financial position and financial position of the parent company as at 31 December 2021, and of its consolidated operating results and cash flows of the parent company for the year 2021.

II. Basis for the Auditor's Opinion

We conducted our audit in accordance with the Auditing Standards for PRC Certified Public Accountants. Our responsibilities under those standards are further described in the "Certified Public Accountant's Responsibilities for the Audit of the Financial Statements" section of the auditor's report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for audit opinion.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(I) Revenue recognition

1. Description of the matter

As stated in Note V. (XXVIII) to the financial statements of the Company, in 2021, the Company recognised revenue from principal activities of RMB237,704,174.37, which was mainly attributable to revenue from the provision of transportation and storage and logistics services. We identified revenue from principal activities as a key audit matter because the authenticity, accuracy and completeness of the recognition of revenue from principal activities has a greater impact on the Company's profit, and considering that revenue is one of the Company's key performance indicators, which results in the inherent risk that revenue may be recognized in an incorrect period or be manipulated to achieve target or expected levels.

2. Audit response

Our audit procedures to assess the recognition of revenue included:

(1) obtaining an understanding of and assessing the design and operating effectiveness of management's key internal controls relating to revenue recognition;

(2) inspecting service contracts on a sample basis, identifying contract terms and conditions and assessing whether the timing of revenue recognition was in accordance with the requirements of the Accounting Standards for Business Enterprises;

(3) selecting samples of service revenue transactions recorded during the year, checking invoices, contracts, receipt records and reconciliation records, and evaluating whether the related revenue recognition was in accordance with the Company's accounting policies for revenue recognition;

(4) selecting samples of revenue transactions recorded before and after the balance sheet date, checking the confirmation documents for the provision of services and other supporting documents to evaluate whether the revenue was recorded in the appropriate accounting period;

(5) issuing confirmations to major customers and performing background check procedures to verify whether the operating income was true and recorded in the correct period.

(II) Provision for bad debts of accounts receivable

1. Description of the matter

As stated in Note V. (III) to the financial statements of the Company, as of 31 December 2021, the book balance of the Company's accounts receivable was RMB81,342,004.51 with provision for bad debts of RMB3,226,872.70 and carrying amount of RMB78,115,131.81. We identified the provision for bad debts of accounts receivable as a key audit matter due to the significant accounting estimates and judgements involved in the determination of provision for bad debts by the management and the significance of the provision for bad debts of accounts receivable to the financial statements.

2. Audit response

The main audit procedures we implemented for the provision for bad debts of receivables included:

(1) obtaining an understanding of the key internal controls related to the impairment of accounts receivable, evaluating the design of these controls, determining whether they have been implemented, and testing the effectiveness of the operation of relevant internal controls;

(2) reviewing the relevant consideration and objective evidence of the management's credit risk assessment or impairment test on accounts receivable, and evaluating whether the management appropriately identified the credit risk characteristics of accounts receivable or impaired accounts receivable;

(3) for accounts receivable with expected credit losses measured on a collective basis, evaluating the rationality of the management's grouping based on credit risk characteristics; evaluating the reasonableness of the comparison table of the ageing of accounts receivable against the expected credit loss rates determined by the management based on historical credit loss experience and forward-looking estimates; testing the accuracy and completeness of the data used by management and the accuracy of the calculation of the provision for bad debts;

(4) selecting samples to confirm the large accounts receivable or a portion of accounts receivable with small amount but with large occurrences at the end of the period;

(5) checking whether the information related to the impairment of accounts receivable has been properly presented in the financial statements.

IV. Other Information

The management of the Company (the "Management") are responsible for the other information. Other information comprises the information included in the 2021 annual report of the Company, other than the financial statements and our auditor's report thereon.

Our audit opinion on the financial statements does not cover other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read other information and, in doing so, consider whether other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the work so performed, we shall report any material misstatement as contained in other information that we ascertain. In this aspect, we have no such matter to be reported.

V. Responsibilities of the Management and Governing Bodies for the Financial Statements

The Management is responsible for preparing and presenting fairly the financial statements in accordance with Accounting Standards for Business Enterprises, as well as designing, implementing and maintaining internal control necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and use the going concern assumption unless the Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The governing bodies are responsible for supervising the financial reporting processes of the Company.

VI. Certified Public Accountant's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit in accordance with the Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. In addition, we performed the following tasks:

(I) identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. As fraud could involve collusion, forgery, intentional omission, false statements or overriding internal controls, thus risks of inability to discover major misrepresentation are more severe than risks of inability to spot misrepresentation due to mistake.

(II) understanding the audit related internal controls in order to design appropriate audit procedures, but not for the purpose of expressing an opinion on the internal control's effectiveness.

(III) evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

(IV) concluding on the appropriateness of the Management's use of the going concern assumption. And based on the audit evidence obtained, concluding whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required by the Auditing Standards to draw attention to users of financial statements in our auditor's report on the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the information obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(V) evaluating the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a fair manner.

(VI) obtaining sufficient appropriate audit evidences regarding the financial information of the entities or business activities within the Company to express audit opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit and remain solely responsibility for our audit opinion.

We communicate with the governing bodies regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including deficiencies worth of attention in internal control that we identify during our audit.

We also provide the governing bodies with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the governing bodies, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless laws or regulations prohibited public disclosure about the matter or when, in rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

WUYIGE Certified Public Accountants LLP

China · Beijing

PRC certified public accountant: Xia Ling
(Engagement Partner)

PRC certified public accountant: Gong Fuguo

25 April 2022

II. FINANCIAL STATEMENTS

(I) Consolidated Balance Sheet

Unit: RMB			
Item	Note	31 December 2021	31 December 2020
Current assets:			
Monetary funds	V(I)	14,371,554.73	22,145,301.57
Settlement reserve			
Placements with financial institutions			
Financial assets held for trading			
Derivative financial assets			
Notes receivable	V(II)	2,145,683.20	
Trade receivables	V(III)	78,115,131.81	57,512,817.67
Receivables financing			
Prepayments	V(IV)	4,964,762.10	3,654,261.41
Premium receivables			
Reinsurance accounts receivable			
Reserves for reinsurance contract receivable			
Other receivables	V(V)	5,376,178.68	5,980,716.01
Including: Interest receivable			
Dividend receivable			
Financial assets purchased under agreements to resell			
Inventories			
Contract assets			
Assets held for sales			
Non-current assets due within one year			
Other current assets	V(VI)	471,350.89	27,466.78
Total current assets		105,444,661.41	89,320,563.44
Non-current assets:			
Loans and advances to customers			
Debt investment			
Other debt investments			
Long-term receivables			
Long-term equity investments			
Other equity instrument investments			
Other non-current financial assets			
Investment properties			
Fixed assets	V(VII)	44,374,663.06	11,842,546.67
Construction in progress	V(VIII)	2,212,389.50	20,996,342.98
Productive biological assets			

Oil and gas assets			
Right-of-use assets	V(IX)	676,408.48	
Intangible assets	V(X)	23,515,668.46	22,310,711.46
Development expenses			
Goodwill	V(XI)		
Long-term deferred expenses	V(XII)	521,453.76	54,870.82
Deferred income tax assets	V(XIII)	806,901.07	610,286.11
Other non-current assets	V(XIV)	1,776,207.00	
Total non-current assets		73,883,691.33	55,814,758.04
Total assets		179,328,352.74	145,135,321.48
Current liabilities:			
Short-term borrowings	V(XV)	18,751,953.20	17,019,833.33
Borrowings from central bank			
Placements from financial institution			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Trade payables	V(XVI)	41,480,010.26	39,415,780.19
Advance receipts			
Contract liabilities			
Financial assets sold under agreements to repurchase			
Deposits from customers and others			
Brokerage for securities trading			
Brokerage for underwriting securities			
Employee benefits payable	V(XVII)	1,569,653.22	1,271,013.18
Taxes payable	V(XVIII)	1,371,696.32	1,863,209.74
Other payables	V(XIX)	6,726,885.78	3,832,244.12
Including: Interest payable			
Dividend payable			
Fees and commissions payable			
Reinsurance accounts payable			
Liabilities held for sales			
Non-current liabilities due within one year	V(XX)	807,711.99	
Other current liabilities			
Total current liabilities		70,707,910.77	63,402,080.56
Non-current liabilities:			
Reserves for insurance contracts			
Long-term borrowings	V(XXI)	8,317,909.39	2,051,818.42
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities			

Long-term payables			
Long-term employee remuneration payables			
Estimated liabilities			
Deferred income	V(XXIII)	6,377,192.74	7,509,042.41
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		14,695,102.13	9,560,860.83
Total liabilities		85,403,012.90	72,962,941.39
Owners' equity (or shareholders' equity):			
Share capital	V(XXIV)	42,600,000.00	42,600,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserves	V(XXV)	3,143,108.23	3,143,108.23
Less: Treasury shares			
Other comprehensive income			
Special reserves			
Surplus reserves	V(XXVI)	7,702,217.29	5,459,863.32
General risk provisions			
Retained earnings	V(XXVII)	40,480,272.89	20,969,408.54
Total owners' equity (or shareholders' equity) attributable to the parent company		93,925,598.41	72,172,380.09
Minority interest		-258.57	
Total owners' equity (or shareholders' equity)		93,925,339.84	72,172,380.09
Total liabilities and owners' equity (or shareholders' equity)		179,328,352.74	145,135,321.48

Legal representative: Zhang Yan
Head of accounting department: Zhao Shufen

Principal in charge of accounting: Jia Liping

(II) Parent Company Balance Sheet

Unit: RMB

Item	Note	31 December 2021	31 December 2020
Current assets:			
Monetary funds		11,660,195.51	19,645,632.07
Financial assets held for trading			
Derivative financial assets			
Bill receivables		2,145,683.20	
Trade receivables	XII(I)	77,340,353.34	56,617,508.84

Receivables financing			
Prepayments		4,911,836.62	3,596,890.75
Other receivables	XII(II))	5,309,797.41	5,915,456.60
Including: Interest receivable			
Dividend receivable			
Financial assets purchased under agreements to resell			
Inventories			
Contract assets			
Assets held for sales			
Non-current assets due within one year			
Other current assets		439,220.56	
Total current assets		101,807,086.64	85,775,488.26
Non-current assets:			
Debt investment			
Other debt investments			
Long-term receivables			
Long-term equity investments	XII(III)	5,768,000.00	268,000.00
Other equity instrument investments			
Other non-current financial assets			
Investment properties			
Fixed assets		44,265,823.65	11,713,749.96
Construction in progress		2,212,389.50	20,996,342.98
Productive biological assets			
Oil and gas assets			
Right-of-use assets		676,408.48	
Intangible assets		23,515,668.46	22,310,711.46
Development expenses			
Goodwill			
Long-term deferred expenses		521,453.76	54,870.82
Deferred income tax assets		792,242.34	594,684.78
Other non-current assets		1,776,207.00	
Total non-current assets		79,528,193.19	55,938,360.00
Total assets		181,335,279.83	141,713,848.26
Current liabilities:			
Short-term borrowings		18,751,953.20	17,019,833.33
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable		40,025,749.42	38,181,407.63
Advance receipts			
Financial assets sold under agreements to repurchase			
Employee remuneration payable		1,557,196.69	1,246,241.58
Taxes payable		1,371,361.01	1,862,909.08

Other payables		12,226,091.78	3,719,150.24
Including: Interest payable			
Dividend payable			
Contract liabilities			
Liabilities held for sales			
Non-current liabilities due within one year		807,711.99	
Other current liabilities			
Total current liabilities		74,740,064.09	62,029,541.86
Non-current liabilities:			
Long-term borrowings		8,317,909.39	2,051,818.42
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee remuneration payables			
Estimated liabilities			
Deferred revenue		6,377,192.74	7,509,042.41
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		14,695,102.13	9,560,860.83
Total liabilities		89,435,166.22	71,590,402.69
Owners' equity (or shareholders' equity):			
Share capital		42,600,000.00	42,600,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserves		3,143,108.23	3,143,108.23
Less: Treasury shares			
Other comprehensive income			
Special reserves			
Surplus reserves		7,702,217.29	5,459,863.32
General risk provisions			
Retained earnings		38,454,788.09	18,920,474.02
Total owners' equity (or shareholders' equity)		91,900,113.61	70,123,445.57
Total liabilities and owners' equity (or shareholders' equity)		181,335,279.83	141,713,848.26

(III) Consolidated Income Statement

Unit: RMB

Item	Note	2021	2020
I. Total operating income	V(XXVIII)	238,021,155.45	192,882,744.98

Including: Operating income	V(XXVIII)	238,021,155.45	192,882,744.98
Interest income			
Premiums earned			
Fee and commission income			
II. Total operating costs		212,673,156.73	172,467,153.57
Including: Operating costs	V(XXVIII)	196,518,941.71	157,474,757.98
Interest expense			
Fee and commission expenses			
Surrender payment			
Net expenses of claim settlement			
Net provision for insurance contracts			
Expenditures for policy dividend			
Reinsurance expenditures			
Tax and surcharges	V(XXIX)	685,655.97	305,753.15
Selling expenses	V(XXX)	1,682,133.68	1,284,608.63
Administrative expenses	V(XXXI)	5,528,268.39	4,416,023.89
R&D expenses	V(XXXII)	7,189,449.82	8,143,590.17
Financial expenses	V(XXXIII)	1,068,707.16	842,419.75
Including: Interest expenses	V(XXXIII)	1,068,641.69	849,740.22
Interest income	V(XXXIII)	10,818.19	12,576.06
Add: Other revenue	V(XXXIV)	1,131,849.67	354,308.19
Investment income (loss represented by “-”)	V(XXXV)	88,305.89	237,566.82
Including: Gains from investment in associates and joint ventures (loss represented by “-”)			
Gains on derecognition of financial assets at amortized cost (loss represented by “-”)			
Exchange gain (loss represented by “-”)		0	0
Net exposure hedging income (loss represented by “-”)			
Gains on changes in fair value (loss represented by “-”)		0	0
Credit impairment losses (loss represented by “-”)	V(XXXVI)	-1,313,280.01	-2,758,766.76

Assets impairment losses (loss represented by “-”)	V (XXXVII)	0	-14,361.58
Gains on disposals of assets (loss represented by “-”)	V (XXXVIII)	-223,377.90	0
III. Operating profit (loss represented by “-”)		25,031,496.37	18,234,338.08
Add: Non-operating income	V (XXXIX)	152,915.94	4,546.76
Less: Non-operating expenses	V (XL)	56,165.87	76,094.55
IV. Total profit (total loss represented by “-”)		25,128,246.44	18,162,790.29
Less: Income tax expense	V (XLI)	3,051,850.84	1,861,991.94
V. Net profit (net loss represented by “-”)		22,076,395.60	16,300,798.35
Including: Net profit achieved by the acquiree prior to the acquisition			
(I) By continuity of operations:	-	-	-
1. Net profit from continuing operations (net loss represented by “-”)		22,076,395.60	16,300,798.35
2. Net profit from discontinued operations (net loss represented by “-”)			
(II) By ownership:	-	-	-
1. Profits or losses attributable to minority shareholders (net loss represented by “-”)		-258.57	
2. Net profit attributable to owners of the parent company (net loss represented by “-”)		22,076,654.17	16,300,798.35
VI. Other comprehensive income, net of tax			
(I) Other comprehensive income attributable to owners of the parent company, net of tax			
1. Other comprehensive income that may not be reclassified to profit or loss			
(1) Changes arising from the re-measurement of defined benefit plan			
(2) Other comprehensive income that may not be reclassified to profit or loss under the equity method			
(3) Change in fair value of investments in other equity instruments			
(4) Change in fair value of credit risk of corporate			
(5) Others			
2. Other comprehensive income that will be reclassified to profit or loss			
(1) Other comprehensive income that may be reclassified to profit or loss under the equity method			
(2) Changes in fair value of other debt investments			
(3) Financial assets reclassified into other comprehensive income			
(4) Provision for credit impairment of other debt investments			
(5) Cash flow hedge reserve			
(6) Exchange differences on translation of financial statements in foreign currency			
(7) Others			
(II) Other comprehensive income attributable to minority shareholders, net of tax			
VII. Total comprehensive income		22,076,395.60	16,300,798.35
(I) Total comprehensive income attributable to owners of the parent company		22,076,654.17	16,300,798.35

(II) Total comprehensive income attributable to minority shareholders		-258.57	
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		0.52	0.38
(II) Diluted earnings per share (RMB/share)			

Legal representative: Zhang Yan Principal in charge of accounting: Jia Liping
Head of accounting department: Zhao Shufen

(IV) Parent Company Income Statement

Unit: RMB

Item	Note	2021	2020
I. Operating Income	XII(IV)	233,885,594.95	188,930,364.94
Less: Operating costs	XII(IV)	192,450,682.81	153,443,991.95
Tax and surcharges		683,588.07	303,776.75
Selling expenses		1,554,481.12	1,118,381.16
Administrative expenses		5,397,387.03	4,410,363.49
R&D expenses		7,189,449.82	8,143,590.17
Financial expenses		1,065,934.85	839,475.77
Including: Interest expenses		1,068,641.69	849,740.22
Interest income		9,739.43	11,323.84
Add: Other gains		1,131,849.67	354,308.19
Investment income (loss represented by “-”)	XII(V)	35,600.78	205,182.95
Including: Gains from investment in associates and joint ventures (loss represented by “-”)			
Gains on derecognition of financial assets at amortized cost (loss represented by “-”)			
Exchange gain (loss represented by “-”)			
Net exposure hedging income (loss represented by “-”)			
Gains on changes in fair value (loss represented by “-”)			
Credit impairment losses (loss represented by “-”)		-1,317,050.40	-2,760,310.41
Assets impairment losses (loss represented by “-”)			
Gains on disposals of assets (loss represented by “-”)		-223,377.90	
II. Operating profit (loss represented by “-”)		25,171,093.40	18,469,966.38
Add: Non-operating income		36,084.60	3,002.63
Less: Non-operating expenses		56,165.87	73,094.55
III. Total profit (total loss represented by “-”)		25,151,012.13	18,399,874.46
Less: Income tax expense		3,050,908.24	1,861,606.03
IV. Net profit (net loss represented by “-”)		22,100,103.89	16,538,268.43
(I) Net profit from continuing operations (net loss represented by “-”)		22,100,103.89	16,538,268.43
(II) Net profit from discontinued operations (net loss represented by “-”)			

V. Other comprehensive income, net of tax			
(I) Other comprehensive income that may not be reclassified to profit or loss			
1. Changes arising from the re-measurement of defined benefit plan			
2. Other comprehensive income that may not be reclassified to profit or loss under the equity method			
3. Change in fair value of investments in other equity instruments			
4. Change in fair value of credit risk of corporate			
5. Others			
(II) Other comprehensive income that will be reclassified to profit or loss			
1. Other comprehensive income that may be reclassified to profit or loss under the equity method			
2. Changes in fair value of other debt investments			
3. Financial assets reclassified into other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedge reserve			
6. Exchange differences on translation of financial statements in foreign currency			
7. Others			
VI. Total comprehensive income		22,100,103.89	16,538,268.43
VII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

(V) Consolidated Cash Flow Statement

Unit: RMB			
Item	Note	2021	2020
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		234,060,283.71	177,463,757.19
Net increase in deposits from customer and interbank			
Net increase in borrowings from central bank			
Net increase in placements from other financial institutions			
Cash received from premiums under original insurance contracts			
Net cash received from reinsurance business			
Net increase in deposits and investments from policyholders			
Cash received from interest, fee and commission			
Net increase in placements			
Net increase in capital from repurchase business			
Net cash from brokerage for trading securities			
Refund of taxes and surcharges			
Cash received from other operation related activities	V(XLII)	5,163,734.13	12,313,110.87
Sub-total of cash inflows from operating activities		239,224,017.84	189,776,868.06
Cash paid for purchase of goods and receipt of services		198,627,494.45	134,266,362.48
Net increase in loans and advances to customers			

Net increase in deposits with central bank and other banks			
Cash paid for compensation payments under original insurance contracts			
Net increase in financial assets held for trading			
Net increase in placements with banks			
Cash paid for interest, fee and commission			
Cash paid for policyholder dividends			
Cash paid to and on behalf of employees		19,452,265.24	16,856,858.48
Tax and charges paid		6,891,447.18	2,532,731.71
Cash paid for other operation related activities	V(XLII)	5,962,612.97	7,585,592.42
Sub-total of cash outflows from operating activities		230,933,819.84	161,241,545.09
Net cash flows from operating activities	V(XLIII)	8,290,198.00	28,535,322.97
II. Cash flows from investing activities:			
Cash received from disposal of investments		41,100,000.00	59,700,000.00
Cash received from investment income		36,595.79	237,566.82
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		16,910.00	
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investment related activities			
Sub-total of cash inflows from investing activities		41,153,505.79	59,937,566.82
Cash paid for purchasing and constructing fixed assets, intangible assets and other long-term assets		22,177,287.39	20,656,712.04
Cash paid for investment		41,100,000.00	51,900,000.00
Net increase in pledged loans			
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investment related activities			
Sub-total of cash outflows from investing activities		63,277,287.39	72,556,712.04
Net cash flows from investing activities		-22,123,781.60	-12,619,145.22
III. Cash flows from financing activities:			
Cash received from capital contribution			
Including: Cash received from capital contributions by minority shareholders of subsidiaries			
Cash received from borrowings		25,848,153.47	19,180,000.00
Cash received from issuance of bonds			
Cash received from other financing related activities	V(XLII)		850,000.00
Sub-total of cash inflows from financing activities		25,848,153.47	20,030,000.00
Cash repayments of borrowings		17,764,400.00	18,910,800.00
Cash payments for distribution of dividends, profits or interest expenses		966,716.71	10,657,070.77
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries			
Cash paid for other financing related activities	V(XLII)	1,057,200.00	
Sub-total of cash outflows from financing activities		19,788,316.71	29,567,870.77

Net cash flows from financing activities		6,059,836.76	-9,537,870.77
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase in cash and cash equivalents		-7,773,746.84	6,378,306.98
Add: Balance of cash and cash equivalents at the beginning of the period	V(XLIII)	22,145,301.57	15,766,994.59
VI. Balance of cash and cash equivalents at the end of the period	V(XLIII)	14,371,554.73	22,145,301.57

Legal representative: Zhang Yan Principal in charge of accounting: Jia Liping
Head of accounting department: Zhao Shufen

(VI) Cash Flows Statement of the Parent Company

Unit: RMB

Item	Note	2021	2020
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		229,428,262.37	173,108,028.76
Refund of taxes and surcharges			
Cash received from other operation related activities		5,045,824.03	12,052,993.28
Sub-total of cash inflows from operating activities		234,474,086.40	185,161,022.04
Cash paid for purchase of goods and receipt of services		194,601,084.52	130,937,456.79
Cash paid to and on behalf of employees		19,071,787.03	16,126,784.07
Tax and charges paid		6,889,352.48	2,530,911.51
Cash paid for other operation related activities		5,832,359.08	7,168,117.78
Sub-total of cash outflows from operating activities		226,394,583.11	156,763,270.15
Net cash flows from operating activities		8,079,503.29	28,397,751.89
II. Cash flows from investing activities:			
Cash received from disposal of investments		40,700,000.00	48,100,000.00
Cash received from investment income		35,600.78	205,182.95
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		16,910.00	0.00
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investment related activities			
Sub-total of cash inflows from investing activities		40,752,510.78	48,305,182.95
Cash paid for purchasing and constructing fixed assets, intangible assets and other long-term assets		22,177,287.39	20,563,112.04
Cash paid for investment		40,700,000.00	42,600,000.00
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investment related activities			
Sub-total of cash outflows from investing activities		62,877,287.39	63,163,112.04
Net cash flows from investing activities		-22,124,776.61	-14,857,929.09
III. Cash flows from financing activities:			

Cash received from capital contribution			
Cash received from borrowings		25,848,153.47	19,180,000.00
Cash received from issuance of bonds			
Cash received from other financing related activities			850,000.00
Sub-total of cash inflows from financing activities		25,848,153.47	20,030,000.00
Cash repayments of borrowings		17,764,400.00	18,910,800.00
Cash payments for distribution of dividends, profits or interest expenses		966,716.71	10,657,070.77
Cash paid for other financing related activities		1,057,200.00	0.00
Sub-total of cash outflows from financing activities		19,788,316.71	29,567,870.77
Net cash flows from financing activities		6,059,836.76	-9,537,870.77
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase in cash and cash equivalents		-7,985,436.56	4,001,952.03
Add: Balance of cash and cash equivalents at the beginning of the period		19,645,632.07	15,643,680.04
VI. Balance of cash and cash equivalents at the end of the period		11,660,195.51	19,645,632.07

(VII) Consolidated Statement of Changes in Shareholders' Equity

Unit: RMB

Item	2021										Total owners' equity		
	Equity attributable to owners of the parent company											Minority interests	
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve			Undistributed profits
	Preferred shares	Perpetual bonds	Others										
I. Closing balance of last year	42,600,000.00				3,143,108.23				5,459,863.32		20,969,408.54		72,172,380.09
Add: Change in accounting policies									32,343.58		-355,779.43		-323,435.85
Correction of previous accounting errors													
Business combinations under common control													
Others													
II. Opening balance for the year	42,600,000.00				3,143,108.23				5,492,206.90		20,613,629.11		71,848,944.24
III. Changes for the period (decrease represented by "-")									2,210,010.39		19,866,643.78	-258.57	22,076,395.60
(I) Total comprehensive income											22,076,654.17	-258.57	22,076,395.60
(II) Contribution from owners and reduction of capital													
1. Injection of ordinary shares from shareholders													
2. Capital contribution by other equity instrument holders													

IV. Closing balance for the year	42,600,000.00				3,143,108.23				7,702,217.29		40,480,272.89	-258.57	93,925,339.84
	2020												
	Equity attributable to owners of the parent company												
Item	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Minority interests	Total owners' equity
		Preferred shares	Perpetual bonds	Others									
I. Closing balance of last year	42,600,000.00				3,143,108.23				3,806,036.48		16,120,437.03		65,669,581.74
Add: Change in accounting policies													
Correction of previous accounting errors													
Business combinations under common control													
Others													
II. Opening balance for the year	42,600,000.00				3,143,108.23				3,806,036.48		16,120,437.03		65,669,581.74
III. Changes for the period (decrease represented by "-")									1,653,826.84		4,848,971.51		6,502,798.35
(I) Total comprehensive income											16,300,798.35		16,300,798.35
(II) Contribution from owners and reduction of capital													
1. Injection of ordinary shares from shareholders													
2. Capital contribution by other equity instrument holders													

Item	2020											
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Total owners' equity
		Preferred shares	Perpetual bonds	Others								
I. Closing balance of last year	42,600,000.00				3,143,108.23				3,806,036.48		13,834,032.43	63,383,177.14
Add: Change in accounting policies												
Correction of previous accounting errors												
Others												
II. Opening balance for the year	42,600,000.00				3,143,108.23				3,806,036.48		13,834,032.43	63,383,177.14
III. Changes for the period (decrease represented by "-")									1,653,826.84		5,086,441.59	6,740,268.43
(I) Total comprehensive income											16,538,268.43	16,538,268.43
(II) Contribution from owners and reduction of capital												
1. Injection of ordinary shares from shareholders												
2. Capital contribution by other equity instrument holders												
3. Amount of share-based payments included in owner's equity												
4. Others												
(III) Profit distribution									1,653,826.84		-11,451,826.84	-9,798,000.00
1. Withdrawn from surplus reserve									1,653,826.84		-1,653,826.84	
2. Withdrawn from general risk reserve												

Notes to Financial Statements of An Jie Supply Chain Management Co., Ltd.

(Expressed in RMB in these notes, unless otherwise stated)

I. Basic Corporate Information

(I) Place of registration, type of organization and address of headquarter.

An Jie Supply Chain Management Co., Ltd. (the "Company") was established on 17 June 2016 after the completion of the financial restructuring of Jiangmen An Jie Logistics Co., Ltd. and has obtained the business licence from Jiangmen City Industrial and Commercial Administrative Bureau. The Company's Uniform Social Credit Code is 91440703760601562R.

Form of the corporate organisation: joint stock company.

Registered address: Room 202, No. 13 Jiantang Road, Tangxia Town, Pengjiang District, Jiangmen City; No. 98 Hongxing Road, Pengjiang District, Jiangmen City.

(II) The business nature of the Company and its main business activities.

The industry in which the Company operates: roads and transportation businesses.

Scope of business of the Company: dangerous cargo transport, general cargo transport (operating with valid "road transport operation licences"); warehouse management, transit, division or merge of cargo in container, warehousing and delivery, uploading and unloading of cargo; domestic airline sales agency; sales of motorcycle components; development and sales of software. (The items that requires approval by law can only be dealt in after being approved by the relevant departments.)

(III) Approver of the financial report and the date of approval.

The financial statements were approved by the Board of Directors of the Company on 25 April 2022.

(IV) The scope of consolidation of the Company's financial statements for the year

As of 31 December 2021, the scope of consolidation of the Company's financial statements covers An Jie Supply Chain Management Co., Ltd., Jiangmen Jiasijie Coating Engineering Co., Ltd. (江门嘉思捷涂装工程有限公司), Jiangmen Ruiyuan Supply Chain Management Co., Ltd. (江门市锐源供应链管理有限公司) and Sichuan Dingjie Supply Chain Management Co., Ltd. (四川鼎捷供应链管理有限公司). For changes in the scope of consolidation during the reporting period and the Company's interests in other entities, please refer to Notes "VI. Change in Scope of Consolidation" and "VII. Interest in Other Entities", respectively.

II. Basis of Preparation of Financial Statements

(I) Basis of Preparation: The Company prepares its financial statements on a going concern basis, based on actual transactions and events, in accordance with the Accounting Standards for Business Enterprises - Basic Standards and specific accounting standards issued by the Ministry of Finance (collectively the "ASBEs"), and on the basis of the significant accounting policies and accounting estimates described below.

(II) Going Concern: The Company has had the ability to continue as a going concern for 12 months from the end of the reporting period.

III. Significant Accounting Policies and Estimates

(I) Statement of compliance with corporate accounting standards

The financial statements prepared by the Company conform to the requirements of the Accounting Standards for Business Enterprises and reflect truthfully and completely the Company's financial position as at 31 December 2021, and operating results and cash flows in 2021, as well as other relevant information.

(II) Accounting period

The accounting year of the Company is the calendar year, i.e. from 1 January to 31 December.

(III) Operating cycle

The Company takes one year or 12 months as its normal operating cycle that serves as the division standard for the liquidity of assets and liabilities.

(IV) Reporting currency

The Company uses Renminbi as its reporting currency.

(V) Business combinations

1. Business combination under common control

For long-term equity investments resulting from a business combination under common control where the acquirer pays cash, transfers non-cash assets or assumes debts as consideration for the combination, the Company's share of the carrying value of the acquiree's equity in the consolidated financial statements of the ultimate controlling party acquired at the date of the combination is used as the initial investment cost of the long-term equity investment. In case the acquirer pays the consideration for the combination by issuing equity instruments, the aggregate nominal value of shares issued will be recognised as share capital. The difference between the initial investment cost of long-term equity investments and the carrying amount of combination consideration (or aggregate nominal value of shares issued) shall be adjusted under capital reserve; or against the retained earnings of the Company in case of insufficient capital reserve.

2. Business combination not under common control

For a business combination not under common control, the combination cost is the aggregate fair value of assets paid, liabilities incurred or assumed and equity securities issued by the acquirer in exchange for the control of the acquiree on the acquisition date. Identifiable assets, liabilities and contingent liabilities of the acquiree acquired in a business combination not under common control that meet the criteria for recognition are measured at fair value at the date of acquisition. Where the cost of combination is greater than the acquirer's interest in the fair value of the acquiree's identifiable net assets acquired in the combination, the difference shall be recognised as goodwill. Where the cost of combination is less than acquirer's interest in the fair value of the acquiree's identifiable net assets acquired in the combination, the difference shall be recognised in the non-operating income for the current period if confirmed after review.

(VI) Preparation of consolidated financial statements

1. Scope of consolidated financial statements

The Company incorporated all of its subsidiaries (including the separate entities controlled by the Company) into the scope of consolidated financial statements, including enterprises under control of the Company, separable parts in the investees and structured entities.

2. Harmonisation of accounting policies, balance sheet date and accounting period between parent company and its subsidiaries

In preparing consolidated financial statements, if the accounting policies or accounting periods adopted by a subsidiary are different from those of the Company, the necessary adjustments are made to the financial statements of the subsidiary in accordance with the Company's accounting policies and accounting periods.

3. Offset matters in the consolidated financial statements

The consolidated financial statements shall be prepared on the basis of the financial statements of the Company and subsidiaries, which offset the internal transactions incurred between the Company and subsidiaries and between subsidiaries. The portion of a subsidiary's equity that is not attributable to the Company is treated as minority interests and presented as "minority interest" in the consolidated balance sheet under shareholders' equity. Long-term equity investments in the Company held by the subsidiaries are treated as treasury stock of the Company and presented in "Less: Treasury shares" as a deduction from shareholders' equity in the consolidated balance sheet under shareholders' equity.

4. Accounting treatment of subsidiaries acquired from business combination

For a subsidiary acquired in a business combination under common control, the assets, liabilities, operating results and cash flows of the subsidiary are included in the consolidated financial statements starting from the beginning of the period of the combination, as if the business combination had occurred from the time the ultimate controlling party assumed effective control; For subsidiaries acquired through business combination not under common control, in preparing the consolidated financial statements, their individual financial statements are adjusted based on the fair value of identifiable net assets as at the acquisition date.

5. Accounting treatment of disposal of subsidiaries

As for the difference between the disposal price received from the partial disposal of the long-term equity investment in a subsidiary without loss of control and shares of the subsidiary's net assets (which is calculated on an ongoing basis from the acquisition date or the combination date) corresponding to the disposal of the long-term equity investment, it shall be adjusted against the capital reserves (capital premium or equity premium) in the consolidated financial statements, and adjusted against retained earnings if the capital reserves is insufficient.

Where control over an investee is lost due to partial disposal of the equity investment or any other reasons, the remaining equity shall be remeasured at fair value on the date in which control is lost when preparing consolidated financial statements. The difference between the sum of the consideration received from disposal of equity interest and the fair value of the remaining equity interest, and the net assets of the former subsidiary attributable to the Company calculated on a continuous basis since the acquisition date or the combination date, is recognised as the investment income for the period when the control is lost and offset against goodwill. Other comprehensive income related to equity investments in former subsidiaries, among others, is transferred to investment income for the period when the control is lost.

(VII) Recognition criteria for cash and cash equivalents

Cash determined in the preparation of statements of cash flows by the Company represents the cash on hand and deposits readily available for payment of the Company. Cash equivalents determined in the preparation of statements of cash flows refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(VIII) Financial instruments

1. Classification and reclassification of financial instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

(1) Financial assets

The Company classifies a financial asset as a financial asset measured at amortised cost if it also meets the following criteria: ① The Company's business model for managing this financial asset is to collect contractual cash flows; ② The contractual terms of the financial asset provide that the cash flow arising on a particular date is solely the repayment of the principal and the payment of interest on the outstanding principal.

The Company classifies financial assets as financial assets measured at fair value through other comprehensive income if they also meet the following criteria: ① The Company's business model for managing this financial assets is to both receive its contractual cash flows and sell this financial asset; ② The contractual terms of the financial asset provide that the cash flow arising on a particular date is solely the repayment of the principal and the payment of interest on the outstanding principal.

For investments in non-trading equity instruments, the Company may irrevocably designate them as financial assets at fair value through other comprehensive income on initial recognition. Such designation is made on individual basis and underlying investment meets the definition of an equity instrument from the issuer's perspective.

Financial assets other than those classified as financial assets at amortised cost and those at fair value through other comprehensive income are classified by the Company as financial assets at fair value through profit or loss. On initial recognition, the Company may irrevocably designate a financial asset as at fair value through profit or loss if it can eliminate or reduce accounting mismatches.

When the Company changes its business model for managing financial assets, it reclassifies all affected underlying financial assets at the first day of the first reporting period following the change in business model and applies the related accounting treatment from the date of reclassification on a prospective basis without retrospective adjustment to previously recognised gains, losses (including impairment losses or gains) or interest.

(2) Financial liabilities

Financial liabilities are classified on initial recognition as: Financial liabilities at fair value through profit or loss; Financial liabilities arising when the transfer of financial assets do not qualify for derecognition or involve financial liabilities transferred; Financial liabilities at amortised cost. All financial liabilities are not reclassified.

2. Measurement of financial instruments

The Company measures its financial instruments at fair value on initial recognition. For financial assets and financial liabilities at fair value through profit or loss, related transaction costs are charged directly to profit or loss for the period. For other types of financial assets or financial liabilities, related transaction costs are included in initially recognised amounts. Accounts receivable or notes receivable arising from sales of goods or rendering services, without significant financing component, are initially recognised based on the transaction price expected to be entitled by the Company. Subsequent measurement of financial instruments depends on their classifications.

(1) Financial assets

① Financial assets at amortised cost. Subsequent to initial recognition, such financial assets are measured at amortised cost using the effective interest method. Gains or losses arising from financial assets at amortised cost that are not the subject of any hedging relationship are recognised in profit or loss for the period when derecognised, reclassified, amortised under the effective interest method or impaired.

② Financial assets at fair value through profit or loss. Subsequent to initial recognition, financial assets in this category (except for the portion of financial assets that is part of a hedging relationship) are subsequently measured at fair value, with the resulting gain or loss (including interest and dividend income) recognised in profit or loss for the period.

③ Debt instrument investment at fair value through other comprehensive income. Subsequent to initial recognition, such financial assets are subsequently measured at fair value. Interest, impairment loss or gain and exchange gain and loss calculated using the effective interest method are recognised in profit or loss for the period when they incur, and other gains or losses are all recognised in other comprehensive income. When derecognised, the accumulated gains or losses previously recognised in other comprehensive income are transferred out from other comprehensive income and recognised in profit or loss for the period when they incur.

(2) Financial liabilities

① Financial liabilities at fair value through profit or loss. Such financial liabilities comprise financial liabilities held for trading (including derivatives that are financial liabilities) and financial liabilities designated as at fair value through profit or loss. Subsequent to initial recognition, such financial liabilities are subsequently measured at fair value and gains or losses (including interest expense) arising from changes in the fair value of financial liabilities held for trading are recognised in profit or loss for the period, except when they relate to hedge accounting. Where a financial liability is designated as at fair value through profit or loss, the amount of change in the fair value of that financial liability arising from changes in the Company's own credit risk is recognised in other comprehensive income and other changes in fair value are recognised in profit or loss for the period. If the effect of changes in the financial liability's own credit risk included in other comprehensive income would create or enlarge an accounting mismatch in profit or loss, the Company includes all gains or losses on the financial liability in profit or loss for the period.

② Financial liabilities at amortised cost. Subsequent to initial recognition, such financial liabilities are measured at amortised cost using the effective interest method.

3. How the Company determines the fair value of financial instruments

Where there is an active market for a financial instrument, the Company uses quoted prices in the active market to determine its fair value; Valuation techniques are adopted to determine the fair value of a financial instrument for which there is no active market. Valuation techniques mainly include market method, income method and cost method. In limited cases, if the short-term information used to determine fair value is insufficient, or if the possible estimated amount of fair value is widely distributed, and the cost represents the best estimate of fair value in the range, the cost can represent its proper estimate of fair value in the range of distribution. The Company uses all information available after initial recognition regarding the investee's results and operations to determine whether the cost is representative of fair value.

4. Basis for recognition and method for measurement of transfers of financial asset and financial liabilities

(1) Financial assets

The Company derecognises a financial asset when one of the following conditions is met: ① the contractual right to receive cash flows from the financial asset is terminated; ② the financial asset has been transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial asset; ③ the financial asset has been transferred, where the Company has neither transferred nor retained substantially all the reward on the ownership of the financial asset, but doesn't retain the control over the financial asset.

Where the Company neither transfers nor retains substantially all the rewards on ownership of a financial asset and retains control over the financial asset, it recognises the financial asset to the extent of its continuing involvement in the transferred financial asset, and recognises the liability accordingly.

Where a transfer of a financial asset in its entirety satisfies the derecognition criteria, the Company recognises the difference between the following two amounts in profit or loss for the period: ① the carrying amount of the transferred financial assets on the date of derecognition; ② the sum of the consideration received for the transfer of the financial asset and the amount corresponding to the derecognised portion of the cumulative amount of changes in fair value that would otherwise be included directly in other comprehensive income (financial assets involved in the transfer are classified as financial asset at fair value through other comprehensive income).

When the partial transfer of a financial asset satisfies the derecognition criteria, the overall carrying amount of the financial asset transferred is allocated between the derecognised portion and not derecognised portion by their respective fair values on the date of transfer first, and the difference between the two amounts below is then recognised in profit or loss for the period: ① the carrying amount of the derecognised portion at the date of derecognition; ② the sum of the consideration received for the derecognised part and the amount corresponding to the derecognised portion of the cumulative amount of changes in fair value that would otherwise be included in other comprehensive income (financial assets involved in the transfer are classified as financial asset at fair value through other comprehensive income).

(2) Financial liabilities

If the current obligation of the financial liability has been discharged in whole or in part, the Company shall derecognise the financial liability (or its corresponding part).

If a financial liability (or part thereof) is derecognised, the Company records the difference between its carrying amount and the consideration paid (including non-cash assets transferred or liabilities assumed) in profit or loss for the period.

(IX) Method for determination of expected credit losses and accounting treatment

1. Method for determination of expected credit losses

The Company accounts for financial assets (including receivables) measured at amortised cost, financial assets (including receivables financing) classified as at fair value through other comprehensive income, and lease receivables, on the basis of expected credit losses, and recognises a provision for impairment.

The Company assesses on each balance sheet date whether there has been a significant increase in the credit risk of the underlying financial instruments since initial recognition, dividing the process of credit impairment of financial instruments into three stages, with different accounting treatment for different stages of impairment of financial instruments: (1) In the first stage, if the credit risk of a financial instrument has not increased significantly since initial recognition, the Company measures the provision for losses based on the expected credit loss of the financial instrument over the next 12 months and calculates interest income based on its carrying amount (i.e. before provision for impairment being made) and the effective interest rate; (2) In the second stage, if the credit risk of a financial instrument has increased significantly since initial recognition but no credit impairment has occurred, the Company measures the provision for losses based on the expected credit loss over the entire life of the financial instrument and calculates interest income based on its carrying amount and the effective interest rate; (3) In the third stage, if a credit impairment occurs after initial recognition, the Company measures the provision for loss based on the expected credit loss over the entire life of the financial instrument and calculates interest income based on its amortised cost (carrying amount less provision for impairment) and the effective interest rate.

(1) Method for measuring loss provision of financial instruments with lower credit risk

For financial instruments with lower credit risk at the balance sheet date, the Company can directly make the assumption that the credit risk of the instrument has not increased significantly since initial recognition without comparing with the credit risk at the time of initial recognition.

A financial instrument is considered to have low credit risk if the risk of default is low, the debtor's ability to meet its contractual cash flow obligations in the short term is strong and, even if there are adverse changes in economic conditions and operating environment in the longer term, this may not necessarily reduce the debtor's ability to meet its contractual cash flow obligations.

(2) Method of measuring loss provision for accounts receivable

① For trade receivables (whether or not containing significant financing components) resulting from transactions subject to ASBE 14 - Revenue, the Company applies a simplified approach whereby the provision for losses is always measured on the basis of expected credit losses over the entire life of the receivable.

Based on the nature of financial instruments, the Company assesses whether the credit risk has increased significantly on the basis of a single financial asset or a group of financial assets. The Company divides trade receivables into certain portfolios based on credit risk characteristic while measuring expected credit loss based on portfolio. The basis to determine the portfolio is as follows:

Trade receivables Group 1: trade receivables other than in Group 2

Trade receivables Group 2: related party-based grouping in the scope of the consolidation

For the trade receivables classified as a group, the Company refers to the historical credit loss experience, combined with the current situation and forecast of the future economic conditions, to prepare a comparison table of the ageing of trade receivables and the lifetime expected credit loss rate to calculate the expected credit loss.

(A) Groups are determined based on the following basis:

Item	Basis for determining the groups
Group 1: trade receivables other than in Group 2	In addition to the trade receivables that are individually assessed for impairment, provision for bad debts shall be made by the Company to various receivables on the percentage determined based on the actual loss of identical or similar trade receivables for previous years with similar credit risk characteristics as well as their current situation.
Group 2: related party-based grouping in the scope of the consolidation	Receivables from related party in the scope of the consolidation

(B) Method for making bad debt provision for different groups:

Item	Method for making provision
Group 1: trade receivables other than in Group 2	Ageing analysis
Group 2: related party-based grouping in the scope of the consolidation	No bad debt provision provided

(C) Within the group, for the trade receivables classified as Group 1, the Company refers to the historical credit loss experience, combined with the current condition and forecast of the future economic condition to calculate the expected credit loss according to the account receivable age and expected credit loss rate through full lifetime in reference:

Ageing	Provision ratio for accounts receivable (%)
Within 1 year (inclusive, the same below)	3.00
1 to 2 years	10.00
2 to 3 years	20.00
3 to 4 years	30.00
4 to 5 years	50.00
More than 5 years	100.00

(3) Method of measuring loss provision for other financial assets

For financial assets other than those mentioned above, such as: debt investments, other debt investments, other receivables, and long-term receivables other than lease receivables among others, the Company measures their provision for losses in accordance with the general method, i.e. the "three-stage" model.

The Company divides other receivable into certain portfolios based on their nature while measuring expected credit loss based on portfolio. For the grouping basis and measurement of impairment loss of other receivables, it is treated in accordance with the measurement method of impairment loss of the aforementioned accounts receivable.

2. Accounting method for expected credit loss

To reflect changes in the credit risk of a financial instrument since initial recognition, the Company re-measures the expected credit losses on each balance sheet date. The resulting increase or reversal in the provision for losses is recognised as an impairment loss or gain in profit or loss for the period and is offset against the carrying amount of the financial asset as shown in the balance sheet, or included in the expected liabilities (loan commitments or financial guarantee contracts) or in other comprehensive income (debt investments at fair value through other comprehensive income), depending on the type of financial instrument.

(X) Inventories

1. Classification of inventories

Inventories means, among others, finished goods or merchandise held for sale in the ordinary course of business, work in process in the process of production, materials or supplies used in the process of production or rendering of services. These include, among others, reusable material and low value consumables.

2. Accounting method for dispatching inventories

When inventories are dispatched, the weighted-average method is used to determine the actual cost of the dispatch.

3. Method of provision for decline in value of inventories

On the balance sheet date, inventories are measured at the lower of cost and net realizable value. The provision for decline in value of inventories is made on an item-by-item basis. The provision for decline in the value of inventories with large quantity and of low unit cost is made according to their inventory category.

4. Inventory system

The Company adopts a perpetual inventory system.

5. Amortisation of low value consumables and packaging materials

Low-value consumables and packaging materials are amortised using one-off method.

(XI) Contractual assets and contractual liabilities

1. Contractual Assets

The Company presents as contractual assets rights to receive consideration for goods or services that have been transferred to customers (and that are dependent on factors other than the passage of time). Provision for impairment of contractual assets is made based on the expected credit loss method for financial instruments. For contractual assets that do not contain or have a significant financing component, the Company uses the simplified method to measure the provision for losses. For contractual assets that contain a significant financing component, the Company measures the provision for losses using the general method.

An impairment loss on a contractual asset is debited to "Impairment loss on assets" and is credited to "provision for impairment of contractual assets" according to the amount written down. Reverse entries are made upon reversing a provision for impairment of an asset that has been made.

2. Contractual liabilities

The Company presents obligations to transfer goods or provide services to customers for consideration received or receivable as contractual liabilities.

A contract asset and a contract liability under the same contract are presented on a net basis.

(XII) Long-term equity investments

1. Determination of initial investment cost

For long-term equity investment acquired through business combination, if under common control, the initial investment cost of the long-term equity investment represents the proportion of the carrying value of the acquiree's equity in the consolidated financial statements of the ultimate controlling party on the date of acquisition; if not under common control, the initial investment cost of long-term equity investment represents the combination cost determined on the date of acquisition; For long-term equity investments acquired by payment in cash, the initial investment cost represents the purchase price actually paid; For long-term equity investments acquired through the issue of equity securities, the initial investment cost represents the fair value of the equity securities issued; For the long-term equity investment acquired through debt restructuring, the initial investment cost of the long-term equity investment is determined in accordance with the relevant provisions of ASBE No. 12 - Debt Restructuring; For long-term equity investments acquired in exchange for non-monetary assets, the initial investment cost is determined in accordance with the relevant provisions of ASBE No. 7 - Non-monetary Asset Exchanges.

2. Subsequent measurement and recognition of profit or loss

Where the Company has control over an investee, the long-term equity investment in such investee is measured using the cost method. Long-term equity investments in associates and joint ventures shall be measured using the equity method. If a portion of the Company's equity investment in an associate is held indirectly through a venture capital entity, mutual fund, trust company or similar entity (including an investment-linked insurance fund), the Company shall, regardless of whether the above entities have significant influence over this portion of the investment, treat them in accordance with the relevant provisions of ASBE 22 - Recognition and Measurement of Financial Instruments, with the remainder accounted for using the equity method.

3. Basis for determination of common control and significant influence over an investee

Common control over an investee means that decisions on activities that materially affect the return on an arrangement must be made with the unanimous consent of the participants sharing control, including the sale and purchase of goods or services, the management of financial assets, the purchase and disposal of assets, research and development activities and financing activities; significant influence over an investee refers to the following circumstances: when holding more than 20% but less than 50% of the capital with voting rights in the investee; or even if below 20%, there is still significant influence if any of the following conditions is met: be represented the board of directors or similar governing body of the investee; participate in the policy development process of the investee; assign management personnel to the investee; the investee relies on the technology or technical information of the investor; there are major transactions with the investee.

(XIII) Fixed assets

1. Criteria for recognition of fixed assets

Fixed assets are tangible assets held for producing goods, rendering of services, leasing out to other parties or administrative purposes, with useful life more than one accounting year. Fixed assets are recognised when the following criteria are all met: it is likely that the economic benefits associated with the fixed asset will flow to the Company; the cost of the fixed asset can be measured reliably.

2. Classification and depreciation of fixed assets

The Company's fixed assets are mainly classified as: buildings and structures, machinery and equipment, electronic equipment and transportation equipment, etc.; the fixed assets are depreciated using the straight-line method. The useful life and estimated net residual value of a fixed asset are determined according to the nature and use pattern of the fixed asset. At the end of each year, the useful life, estimated net residual value and the method of depreciation of the fixed asset will be reviewed, and shall be adjusted accordingly if they differ from previous estimates. The Company makes provision for depreciation for all of its fixed assets other than fully depreciated fixed assets that are still in use and lands accounted for on an individual basis.

Categories of Assets	Estimated useful life (years)	Estimated net residual value rate (%)	Annual depreciation rate (%)
Buildings and structures	40	5.00	2.375
Electronic equipment	2-5	5.00	19.00—47.50
Means of transportation	5-10	5.00	9.50—19.00
Furniture and others	5	5.00	19.00

(XIV) Construction in progress

There are two types of construction in progress for the Company: self-construction and sub-contracting construction. Construction in progress is transferred to fixed assets when the project is completed and ready for its intended use. A fixed asset is ready for intended use if any of the following criteria is met: the construction (including installation) work of the fixed assets has been completed or substantially completed; the fixed asset has been put into trial production or trial operation and it is evidenced that the asset can operate ordinarily or produce steadily qualified products; or the result of trial operation proves that it can run or operate normally; little or no expenditure will be incurred for construction of the fixed asset; or the fixed asset constructed has achieved or almost achieved, or is complied with the requirement of design or contract.

(XV) Intangible assets

1. Measurement method of intangible assets

Intangible assets of the Company are initially measured at cost. The actual cost of a purchased intangible asset includes the considerations and relevant expenses paid. The actual cost of an intangible asset contributed by investors is the price contained in the investment contract or agreement. If the price contained in the investment contract or agreement is not a fair value, the fair value of the intangible asset is regarded as the actual cost. The cost of a self-developed intangible asset is the total expenditures incurred in bringing the asset to its intended use.

Subsequent measurement of the Company's intangible assets: intangible assets with finite useful lives are amortised on a straight-line basis over the useful lives of the intangible assets; at the end of each year, the useful lives and amortization policy are reviewed, and adjusted accordingly if there are variance with original estimates; intangible assets with indefinite useful lives are not amortised and the useful lives are reviewed at the end of each year. If there is objective evidence that the useful life of an intangible asset is finite, the intangible asset is amortised using the straight line method according to the estimated useful life.

The amortisation methods for the intangible assets with finite useful life are as follows:

Type of assets	Useful life (year)	Method of amortisation
Land use rights	50	Straight-line method
Software	3-10	Straight-line method

2. Determination basis of infinite useful life

An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Company or it has no definite useful life. The judgment basis of intangible assets with indefinite useful life: derived from the contractual rights or other legal rights but the contract or the law does not specify certain useful life; in light of the conditions of the competitors and the opinions of relevant experts, the specific period that intangible asset generating economic benefits to the Company still cannot be determined.

At the end of each year, the useful life shall be reviewed for those intangible assets with indefinite useful life by mainly using the bottom-up method. The relevant department that uses intangible asset will perform the basic review and evaluate whether there are changes in the basis for judgments of the indefinite useful life, etc.

(XVI) Impairment of long-term assets

Long-term assets such as long-term equity investments, investment properties measured under the cost model, fixed assets, construction in progress, productive biological assets measured under the cost model, oil and gas assets and intangible assets are tested for impairment if there is any indication that such assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on an individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill separately presented on the financial statements is tested for impairment at least every year, irrespective of whether there is any indication that the asset may be impaired. For the purpose of impairment testing, the carrying amount of goodwill is allocated to asset groups or sets of asset groups expected to benefit from the synergy of business combination. The testing result shows that, where the recoverable amount of the asset group or the set of asset groups allocated with goodwill is lower than the carrying amount, impairment loss is recognised accordingly. The amount of impairment loss is first reduced against the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then reduced against the carrying amounts of other assets (other than the goodwill) within the asset group or set of asset groups on pro rata basis.

Once the impairment loss of such assets is recognised, the reversible part will not be reversed in subsequent periods.

(XVII) Long-term deferred expenses

Long-term deferred expenses of the Company are expenses which have been paid but the benefit period is over one year (not including one year). Long-term deferred expenses are amortised over the benefit period. If a long-term deferred expenses cannot bring benefit in future accounting periods, its residue value not yet amortised shall be transferred in full to current profit or loss.

Item	Useful life (year)
Storage fence fee	3-5
E-commerce technical services	As agreed in the contract

(XVIII) Employee remuneration

Employee remuneration are all forms of rewards or compensation provided by the Company in exchange for services rendered by employees or for the termination of employment. Employee remuneration mainly include short-term benefits, post-employment benefits, termination benefits and other long-term employee benefits.

1. Short-term benefits

In the accounting period in which employees provide service for the Company, short-term benefits actually incurred are recognised as liabilities and charged to current profit or loss, or if otherwise required or permitted by ASBEs to costs of assets. At the time of actual occurrence, the Company's employee benefits are recorded in the current profit or loss or costs of relevant assets as incurred. The non-monetary employee welfare expenses are measured at fair value. With regard to the medical insurance, work-related injury insurance, maternity insurance and other social insurance and housing provident fund contributed and labour union expenses and employee education expenses paid as required by regulations, the Company should calculate and recognise the corresponding employees benefits payables according to the appropriation basis and proportion as stipulated by relevant requirements, recognise the corresponding liabilities in the accounting period in which employees provide service, and record the same in current profit or loss or costs of relevant assets.

2. Post-employment benefits

During the accounting period in which an employee provides service, the amount payable calculated under defined contribution scheme shall be recognised as a liability and recorded in current profit or loss or in costs of related assets. In respect of the defined benefit scheme, the Company shall attribute the welfare obligations under the defined benefit scheme in accordance with the estimated accrued benefit method to the service period of relevant employee, and record the obligation in current profit loss or costs of relevant assets.

3. Termination benefits

Termination benefits provided to employees by the Company are included as an employee remuneration liability arising from termination benefits, with a corresponding charge to current profit or loss at the earlier of the following dates: when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; when the Company recognises cost or expenses related to a restructuring that involves the payment of termination benefits.

4. Other long-term employee benefits

When other long-term employee benefits provided to the employees by the Company satisfied the conditions of defined contribution plans, those benefits shall be accounted for in accordance with the requirements relating to defined contribution plans. In addition, the Company recognises and measures the net liabilities or net assets of other long-term employee benefits according to relevant requirements of the defined benefit scheme.

(XIX) Revenue

The Company recognises revenue based on the transaction price allocated to such performance obligation when a performance obligation in the contract is satisfied, i.e. when customer obtained the right to control the relevant goods. Obtaining the right to control the relevant goods means that it is able to dominate the use of the goods and derive almost all economic benefits therefrom. A performance obligation represents the contractual commitment that a distinct good shall be transferred by the Company to the customer. Transaction price refers to the consideration that the Company is expected to receive due to the transfer of goods to customer, but it does not include payments received on behalf of third parties and amounts that the Company expects to return to the customer.

Whether the performance obligation is to be fulfilled within a specified period of time or at a particular point of time depends on the terms of the contract and the relevant legal provisions. If the performance obligation is performed within a specified period of time, the Company recognizes revenue in accordance with the progress of performance. Otherwise, the Company recognizes revenue at a particular point of time when the client obtains control of the underlying assets.

The Company's revenue recognition methodology

The Company's service revenue is mainly for the transportation and warehousing of goods. Revenue recognition principle for the transportation of goods: revenue is recognized for the provision of transportation services confirmed by the reconciliation of the parties after the contract of transportation has been entered into, the goods have been delivered to the consignee, and the transportation task has been completed. Revenue recognition principle for warehousing services: revenue is recognized for the provision of warehousing services confirmed by the reconciliation of the parties after the contract of warehousing services has been entered into and the provision of warehousing services has been completed.

(XX) Contract costs

Contract cost of the Company includes the incremental costs of obtaining a contract and the cost to fulfill a contract. Incremental costs of obtaining a contract (“costs of obtaining a contract”) represents costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Group recognises the incremental costs of obtaining a contract with a customer as an asset if it expects to recover those costs.

If the costs to fulfill a contract with a customer are not within the scope of inventories or other accounting standards, the Group recognises an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria:

1. the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract;
2. the costs enhance resources of the Group that will be used in satisfying performance obligations in the future;
3. the costs are expected to be recovered.

The costs to fulfill a contract that Company will recognize as assets are included in the “inventory” item on the balance sheet if the amortisation period does not exceed one year or a normal business cycle at the initial recognition; and shall be included in “other non-current assets” item in the balance sheet if the amortization period is over one year or the normal business cycle at the initial recognition.

The costs to obtain a contract that Company will recognize as assets are included in the “other current assets” item on the balance sheet if the amortisation period does not exceed one year or a normal business cycle at the initial recognition; and shall be included in “other non-current assets” item in the balance sheet if the amortization period is over one year or the normal business cycle at the initial recognition.

Assets recognised for the incremental costs of obtaining a contract and assets recognised for the costs to fulfill a contract (the “assets related to contract costs”) are amortised on the same basis as the revenue recognition of the goods related to the assets and are included in the current profit and loss. The Company recognises the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

The Company recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

1. remaining amount of consideration the Company expects to receive in exchange for the goods or services to which the asset relates; less

2. the costs to be incurred that relate to providing those goods or services expenses.

If the depreciation factors in the previous period change subsequently, and the difference between the aforementioned two items is higher than the book value of the asset, the original provision for impairment of the asset should be reversed and included in the current profit and loss, provided that the book value of the asset after the reversal shall not exceed the book value of the asset on the date of reversal under the assumption that no impairment provision is made.

(XXI) Government grants

1. Types of government grants and accounting treatment

Government grants are monetary assets or non-monetary assets (excluding the capital invested by the government as the owner) obtained by the Company from the government for free. A government grant in monetary asset shall be recognised at the amount received or to be received. A government grant in non-monetary asset shall be recognised at its fair value; if the fair value is not reliably measured, the grant is measured at nominal amount.

The government grants related to business activities are recognised as other income in the light of the nature of such business. The government grants non-related to business activities are recognised as non-operating income or expense.

The government grants which are clearly defined in the government documents to be used for acquisition, construction or other project that forms a long-term asset are recognised as asset-related government grants. Regarding the government grant not clearly defined in the official documents, the government grants related to assets are recognised as deferred income, the amount of which shall be recorded in the current profit or loss in installments with a reasonable and systematic method over the useful lives of relevant assets.

The government grants other than those related to assets are recognised as government grants related to income. The income-related government grants used to compensate relevant expenses or losses to be incurred by the enterprise in subsequent periods are recognised as deferred income and recorded in profit and loss for the current period when such expenses are recognised while those used to compensate relevant expenses or losses that have been incurred by the enterprise are recorded directly in profit or loss for the current period.

The Company has obtained policy-related loan interest discounts. Where the finance function allocates the interest discount funds to the lending bank, and the lending bank offers loans for the Company at a policy-related interest rate, the actual borrowing amount received is recognised as the value of borrowing and the relevant borrowing expenses are measured in accordance with the principal amount of the borrowing and such policy-related interest rate discount; Where the finance directly allocates the interest discount funds to the Company, the corresponding loan interest will be used to offset the relevant borrowing expenses.

2. Timing for recognition of governmental grants

A government grants shall be recognised when the enterprise fulfills the conditions attaching to the grant and the enterprise can receive the grant. The governmental grants measured at the amount receivable will be recognised when there is unambiguous evidence suggesting the conformance to related conditions as provided in financial support policies and financial support fund is expected to be received. Other government grants other than those measured at the amount receivable will be recognised at the actual time of receiving such grants.

(XXII) Deferred tax assets and deferred tax liabilities

1. Deferred income tax assets or deferred income tax liabilities are calculated and recognised based on the difference between the carrying amount and tax base of assets and liabilities (for items not recognised as assets and liabilities but with their tax base being able to be determined according to tax laws, tax base is recognised as the difference) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

2. A deferred income tax asset is recognised to the extent of the amount of the taxable income, which it is most likely to obtain to deduct from the deductible temporary difference. At the balance sheet date, if there is any exact evidence that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized, the deferred tax assets unrecognised in prior periods are recognised. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized.

3. As for taxable temporary difference related to the investments of subsidiaries and associated enterprises, the deferred income tax liabilities shall be recognised unless the Company can control the time for the reversal of temporary differences and such differences are very unlikely to be reversed in the foreseeable future. As for the deductible temporary difference related to investments of subsidiaries and associated enterprises, the deferred income tax assets shall be recognised when such temporary differences are much likely to be reversed in the foreseeable future and the taxable profit are available against which the deductible temporary difference can be utilized.

(XXIII) Lease

1. The Company recognises the right-of-use assets and lease liabilities for leases other than short-term leases and low-value asset leases, and separately recognises the depreciation expense and interest expense over the lease term.

The Company adopts the straight-line method for each period of the lease term, and the lease payments for short-term leases and low-value assets leases are included in the current expenses.

(1) Right-of-use assets

The right-of-use asset is defined as the right of underlying assets in the lease term for lessee. At the commencement date, the right-of-use is initially measured at cost. The cost of the right-of-use assets shall comprise: ① the amount of the initial measurement of the lease liability; ② any lease payments made at or before the commencement date, less any lease incentives received; ③ any initial direct costs incurred by the lessee; and ④ an estimate of costs to be incurred by the lessee in dismantling and removing the leased asset, restoring the site on which it is located or restoring the leased asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated by categories using the straight-line method. If there is reasonable certainty that the Group will obtain ownership of a leased asset at the end of the lease term, depreciation are provided by reference to categories of right-of-use assets and estimated residual value rates over the estimated remaining useful life of leased asset; if there is no reasonable certainty that the Group will obtain ownership of a leased asset at the end of the lease term, depreciation are provided by reference to categories of right-of-use assets over the shorter of the lease term and the estimated remaining useful life.

The Company recognizes whether the right-of-use assets are impaired or not and accounts for impairment under relevant regulations of the “Accounting Standard for Business Enterprises No. 8 – Impairment of Asset”.

(2) Lease liabilities

The lease liability is measured at the present value of lease payments that are unpaid at that date. Lease payments include: ① fixed payments (including in-substance fixed payments) less any lease incentives receivable; ② variable lease payments that depend on an index or a rate; ③ amounts expected to be paid under residual value of the lessee’s guarantees; ④ the exercise price of a purchase option reasonably certain to be exercised by lessee; ⑤ payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate;

The Company adopts the interest rate implicit in the lease as the discount rate. If that rate cannot be determined, the Company’s incremental borrowing rate is used. The Company shall calculate the interest expenses of lease liabilities over the lease term at the fixed periodic interest rate, and include it into financial expenses. The periodic interest rate refers to the discount rate adopted by the Company or the revised discount rate.

Variable lease payments not included in the measurement of lease liabilities are charged to profit or loss in the period in which they actually arise.

When the Company’s evaluation results on extension, termination or purchase options change, the lease liabilities are remeasured by the present value calculated from the changed lease payments and revised discount rate and the carrying amount of the right-of-use assets will be adjusted accordingly. When the in-substance leased payments, amounts expected to be payable under the guaranteed residual value and the variable lease payments that depend on an index or a rate change, the lease liabilities are remeasured by the present value calculated from the changed lease payments and original discount rate and the carrying amount of the right-of-use assets will be adjusted accordingly.

2. Accounting treatment of assets leased out

(1) Accounting treatment of operating leases

The Company recognizes the lease payments derived from operating leases as rental income on a straight-line basis over the respective lease terms. Initial direct costs relating to operating leases incurred by the Company shall be capitalized and then included in the current income by stages at the same base as the recognition of rental income over the whole lease term.

(2) Accounting treatment of financing leases

At the commencement date of lease term, the Company recognizes the difference between the sum of financing lease receivable and the unguaranteed residual value, and the present value thereof as unrealized financing income, and recognizes the same as rental income over the periods when rent is received in the future. The Company's initial direct costs associated with rental transactions shall be included in the initial measurement of the finance lease receivables.

(XXIV) Explanation of changes in critical accounting policies and changes in accounting estimates

1. Changes in accounting policy and their basis

The Ministry of Finance issued the revised Accounting Standards for Business Enterprises 21 - Leases in December 2018. The Company has implemented the standards since 1 January 2021. For contracts that existed prior to the date of first implementation, the Company elected not to reassess whether they were leases or included leases. The Company adjusted the retained profits and the amounts of other relevant items in the financial statement at the beginning of the year of first implementation based on the cumulative effect of the first implementation of the standards, without adjusting the information for comparable periods.

2. Impact of changes in accounting policies

The impact of the Company's implementation of the new lease standards on the items in the consolidated balance sheet and parent company balance sheet as of 1 January 2021 is summarized below:

Unit: RMB

Consolidated balance sheet items	31 December 2020	Amount affected	1 January 2021
Right-of-use assets		1,488,098.65	1,488,098.65
Non-current liabilities due within one year		989,866.69	989,866.69
Lease liabilities		821,667.81	821,667.81
Surplus reserves	5,459,863.32	32,343.58	5,492,206.90
Undistributed profits	20,969,408.54	-355,779.43	20,613,629.11

Parent company balance sheet items	31 December 2020	Amount affected	1 January 2021
Right-of-use assets		1,488,098.65	1,488,098.65
Non-current liabilities due within one year		989,866.69	989,866.69
Lease liabilities		821,667.81	821,667.81
Surplus reserves	5,459,863.32	32,343.58	5,492,206.90
Undistributed profits	20,969,408.54	-355,779.43	20,613,629.11

IV. TAXATION

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

(I) Major taxes and tax rates

Taxes	Tax bases	Tax rates
Value-added tax (VAT)	Taxable income	9%,6%,3%
Urban maintenance and construction tax	Turnover tax payable	7%
Education surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%
Enterprise income tax	Taxable income	15%,25%

Enterprise income tax rates of the Company and its subsidiaries

Name of Taxable Entity	Income tax rates
The Company	15%
Jiangmen Jiasijie Painting Engineering Co., Ltd.* (江门嘉思捷涂装工程有限公司)	25%
Jiangmen Ruiyuan Supply Chain Management Co., Ltd.* (江门市锐源供应链管理有限公司)	25%
Jiangmen Xinglian International Logistics Co., Ltd.* (江门星联国际物流有限公司)	25%
Sichuan Dingjie Supply Chain Management Co., Ltd.* (四川鼎捷供应链管理有限公司)	25%

Note: The Company is a high and new technology enterprise and the applicable enterprise income tax rates during the current period was 15%

(II) Significant preferential tax and official approval

On 31 December 2021, the Company obtained the High and New Technology Enterprise Certificate (Certificate No. GR202144012172) approved by the Department of Science and Technology of Guangdong Province, the Department of Finance of Guangdong Province and Guangdong Provincial Tax Service, which is valid for three years. The Company is subject to the preferential tax rate of 15% from 2021 to 2023.

V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(I) Monetary Funds

Type	Closing balance	Opening balance
Cash	67,027.00	67,027.00
Cash in bank	14,304,527.73	22,078,274.57
Total	14,371,554.73	22,145,301.57

(II) Notes receivable

Type	Closing balance	Opening balance
Bank acceptance bills	2,145,683.20	
Total	2,145,683.20	

Note: At the end of the period, there was no notes receivable pledged; no endorsed or discounted and undue notes receivable at the balance sheet date; no bills transferred to accounts receivable due to the default of the drawer.

(III) Accounts receivable

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

1. Accounts receivable by category

Type	Closing balance			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Provision ratio (%)
Accounts receivable with provision assessed for bad debts on an individual basis				
Accounts receivable with provision made for bad debts using portfolios	81,342,004.51	100.00	3,226,872.70	3.97
Including: Group 1: accounts receivable other than Group 2	81,342,004.51	100.00	3,226,872.70	3.97
Group 2: portfolio of related parties within the scope of consolidation				
Total	81,342,004.51	100.00	3,226,872.70	3.97

Type	Opening balance			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Provision ratio (%)
Accounts receivable with provision assessed for bad debts on an individual basis				
Accounts receivable with provision made for bad debts using portfolios	59,518,534.58	100.00	2,005,716.91	3.37
Including: Group 1: accounts receivable other than Group 2	59,518,534.58	100.00	2,005,716.91	3.37
Group 2: portfolio of related parties within the scope of consolidation				
Total	59,518,534.58	100.00	2,005,716.91	3.37

(1) Accounts receivable with provision made for bad debts using portfolios

① Group 1:

Ages	Closing balance			Opening balance		
	Book balance	Expected credit loss rate (%)	Bad debt provision	Book balance	Expected credit loss rate (%)	Bad debt provision
Within 1 year	71,717,914.44	3.00	2,151,537.39	57,013,946.26	3.00	1,710,418.39
1-2 years	8,797,435.04	10.00	879,743.51	2,185,310.77	10.00	218,531.08
2-3 years	692,663.73	20.00	138,532.75	190,158.25	20.00	38,031.65
3-4 years	49,683.00	30.00	14,904.90	129,119.30	30.00	38,735.79
4- 5 years	84,308.30	50.00	42,154.15			
Total	81,342,004.51		3,226,872.70	59,518,534.58		2,005,716.91

2. Provisions for bad debts that are made, recovered or reversed for the period

The amount of bad debt provision made during the period was RMB1,221,155.79; the amount of bad debt provision recovered or reversed during the period was RMB0.

3. Details of the top 5 accounts receivable by closing balance of debtors

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

Name of entity	Closing balance	Proportion to total Accounts receivable (%)	Balance of provision for bad debts
BYD (Shangluo) Industrial Co., Ltd.	14,308,018.80	17.59	429,240.56
Tiandi Yihao Beverage Co., Ltd.	7,515,479.39	9.24	225,464.38
Guangzhou Zhuoyi Logistics Co., Ltd. (廣州卓逸物流有限公司)	6,413,258.00	7.88	192,397.74
Shanghai Yizhou Logistics Co., Ltd. (上海屹洲物流有限公司)	5,478,627.33	6.74	164,358.82
Jiangmen Toyo Ink Co., Ltd.	4,450,798.43	5.47	133,523.95
Total	38,166,181.95	46.92	1,144,985.45

(IV) Prepayments

1. Prepayments shown by ages

Ages	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	4,849,374.19	97.68	3,149,547.09	86.19
1-2 years	115,387.91	2.32	504,714.32	13.81
Total	4,964,762.10	100.00	3,654,261.41	100.00

2. Details of the top 5 entities with largest prepayment balances

Name of entity	Closing balance	Proportion to total prepayments (%)
Sinopec Marketing Co., Ltd. Guangdong Jiangmen Branch (中国石化销售股份有限公司广东江门石油分公司)	2,020,857.40	40.70
Huaian Ruihai Transportation Co., Ltd. (淮安瑞海运输有限公司)	689,601.11	13.89
Guangdong United Electronic Services Co., Ltd. (广东联合电子服务股份有限公司)	784,380.38	15.80
Wells (Guangzhou) Supply Chain Co., Ltd. (韦尔斯(广州)供应链有限公司)	514,164.00	10.36
Jiangmen Fuheng Supply Chain Management Co., Ltd. (江门富恒供应链管理有限公司)	202,231.31	4.07
Total	4,211,234.20	84.82

(V) Other receivables

Type	Closing balance	Opening balance
Other receivables	7,489,556.50	8,001,969.61
Less: bad debt provision	2,113,377.82	2,021,253.60
Total	5,376,178.68	5,980,716.01

1. Other receivables by nature

Nature of the amount	Closing balance	Opening balance
Deposits and guarantee deposits	6,414,679.57	7,476,278.47
Petty cash, withholding payment and others	1,074,876.93	525,691.14
Bad debt provision	2,113,377.82	2,021,253.60
Total	5,376,178.68	5,980,716.01

2. Ageing analysis of other receivables

Ages	Closing balance		Opening balance	
	Book balance	Percentage (%)	Book balance	Percentage (%)
Within 1 year (inclusive)	3,680,821.59	49.15	3,745,961.90	46.81
1-2 years	1,296,400.24	17.31	3,878,881.24	48.47
2-3 years	2,214,700.00	29.57	85,242.80	1.07
3-4 years	18,060.00	0.24	73,208.00	0.92
4- 5 years	68,759.00	0.92	127,860.00	1.60
Over 5 years	210,815.67	2.81	90,815.67	1.13
Total	7,489,556.50	100.00	8,001,969.61	100.00

3. Provisions made for bad debts

Bad debt provision	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss over the next 12 months	Lifetime expected credit loss – not credit-impaired	Lifetime expected credit loss – credit-impaired	
Opening balance	546,553.60		1,474,700.00	2,021,253.60
Opening balance in the current period after assessment	546,553.60		1,474,700.00	2,021,253.60
Provision for the current period	92,124.22			92,124.22
Closing balance	638,677.82		1,474,700.00	2,113,377.82

4. Details of the top 5 other receivables by closing balance of debtors

Name of debtors	Nature of receivables	Closing balance	Age	Proportion to the closing balance of other receivables (%)	Balance of bad debt provision
Jiangmen Xinyu Motorcycle Parts Co., Ltd. (江门市新宇摩托车配件有限公司)	Deposit	1,474,700.00	2-3 years	19.69	1,474,700.00
Carpoly Chemical Group Co., Ltd. (嘉宝莉化工集团股份有限公司)	Deposit	550,000.00	2-3 years	7.34	110,000.00
Xiang Piao Piao Food Co., Ltd. (香飘飘食品股份有限公司)	Deposit	500,000.00	Within 1 year	6.68	15,000.00
Jiangmen Sonlink-motor Co., Ltd. (江门松铃机车有限公司)	Deposit	480,000.00	1-2 years	6.41	48,000.00
Lee Kam Kee (China) Trading Limited	Deposit	200,000.00	Within 1 year	2.67	6,000.00
Total		3,204,700.00		42.79	1,653,700.00

Note: Deposit of Jiangmen Xinyu Motorcycle Parts Co., Ltd. (江门市新宇摩托车配件有限公司) amounted to RMB1,474,700.00. Such deposit was expected to be difficult to recover due to the poor operation of the counterparty and the current lack of business cooperation between the two parties, a full provision for impairment has been made.

(VI) Other current assets

Item	Closing balance	Opening balance
VAT before deduction	471,350.89	27,466.78
Total	471,350.89	27,466.78

(VII) Fixed assets					
Type	Closing balance			Opening balance	
Fixed assets	44,374,663.06			11,842,546.67	
Less: Provision for impairment					
Total	44,374,663.06			11,842,546.67	
Details of fixed assets					
Item	Buildings and structures	Electronic device	Means of Transportation	Furniture and others	Total
I. Original carrying amount					
1. Opening balance		1,129,001.34	13,941,027.28	10,546,087.99	25,616,116.61
2. Increase in the current period	21,157,249.06	76,260.99	8,892,945.31	7,183,259.40	37,309,714.76
(1) Acquisition		76,260.99	8,892,945.31	7,183,259.40	16,152,465.70
(2) Transferred from construction in progress	21,157,249.06				21,157,249.06
3. Decrease in the current period			957,264.95		957,264.95
(1) Disposal or retirement			957,264.95		957,264.95
4. Closing balance	21,157,249.06	1,205,262.33	21,876,707.64	17,729,347.39	61,968,566.42
II. Accumulated depreciation					
1. Opening balance		620,798.56	9,636,623.03	3,516,148.35	13,773,569.94
2. Increase in the current period	460,610.94	192,571.64	1,791,493.32	2,094,579.97	4,539,255.87
(1) Provision	460,610.94	192,571.64	1,791,493.32	2,094,579.97	4,539,255.87
3. Decrease in the current period			718,922.45		718,922.45
(1) Disposal or retirement			718,922.45		718,922.45
4. Closing balance	460,610.94	813,370.20	10,709,193.90	5,610,728.32	17,593,903.36
III. Provision for impairment					
1. Opening balance					
2. Increase in the current period					
(1) Provision					
3. Decrease in the current period					
(1) Disposal or retirement					
4. Closing balance					
IV. Carrying amount					
1. Closing carrying amount	20,696,638.12	391,892.13	11,167,513.74	12,118,619.07	44,374,663.06
2. Opening carrying amount		508,202.78	4,304,404.25	7,029,939.64	11,842,546.67
(VIII) Construction in progress					
Item	Closing balance		Opening balance		
Projects of construction in progress	2,212,389.50		20,996,342.98		
Less: Provision for impairment					
Total	2,212,389.50		20,996,342.98		

1. Projects of construction in progress

(1) Basic situation of projects of construction in progress

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Plant construction				20,996,342.98		20,996,342.98
Cold storage construction project	2,212,389.50		2,212,389.50			
Total	2,212,389.50		2,212,389.50	20,996,342.98		20,996,342.98

(2) Changes in significant projects of construction in progress

Name of project	Budgets (0'000)	Opening balance	Increase in the current period	Transferred to fixed assets	Other decrease	Closing balance
Plant construction	8,351	20,996,342.98	160,906.08	21,157,249.06		
Cold storage construction project			2,212,389.50			2,212,389.50
Total		20,996,342.98	2,373,295.58	21,157,249.06		2,212,389.50

Changes in significant projects of construction in progress (continued)

Name of project	Investment to budget of construction (%)	Completion progress (%)	Accumulated amount of interest capitalisation	Including: Amount of interest capitalisation in current period	Interest capitalisation rate in the current period (%)	Source of funding
Plant construction	27.98%	27.98%				Self-generated funds
Cold storage construction project						Self-generated funds
Total						

(IX) Right-of-use assets

Item	Buildings and structures	Total
I. Original carrying amount		
1. Amount of end of last year before adjustment		
2. Adjustment to amount at the beginning of the year	5,275,986.15	5,275,986.15
3. Amount at the beginning of the year after adjustment	5,275,986.15	5,275,986.15
4. Increase in the current period		
5. Decrease in the current period		
6. Closing balance	5,275,986.15	5,275,986.15
II. Accumulated depreciation		
1. Amount of end of last year before adjustment		
2. Adjustment to amount at the beginning of the year	3,787,887.50	3,787,887.50
3. Amount at the beginning of the year after adjustment	3,787,887.50	3,787,887.50
4. Increase in the current period	811,690.17	811,690.17
5. Decrease in the current period		
6. Closing balance	4,599,577.67	4,599,577.67
III. Provision for impairment		
1. Amount of end of last year before adjustment		
2. Adjustment to amount at the beginning of the year		
3. Amount at the beginning of the year after adjustment		
4. Increase in the current period		
5. Decrease in the current period		
6. Closing balance		

IV. Carrying amount		
1. Closing carrying amount	676,408.48	676,408.48
2. Amount at the beginning of the year after adjustment	1,488,098.65	1,488,098.65

(X) Intangible assets

1. Intangible assets

Item	Land use rights	Software	Total
I. Original carrying amount			
1. Opening balance	21,114,950.00	4,292,219.61	25,407,169.61
2. Increase in the current period		2,210,619.58	2,210,619.58
(1) Acquisition		2,210,619.58	2,210,619.58
3. Decrease in the current period			
(1) Disposal			
4. Closing balance	21,114,950.00	6,502,839.19	27,617,789.19
II. Accumulated amortization			
1. Opening balance	1,372,471.62	1,723,986.53	3,096,458.15
2. Increase in the current period	422,299.13	583,363.45	1,005,662.58
Provision	422,299.13	583,363.45	1,005,662.58
3. Decrease in the current period			
(1) Disposal			
4. Closing balance	1,794,770.75	2,307,349.98	4,102,120.73
III. Provision for impairment			
1. Opening balance			
2. Increase in the current period			
3. Decrease in the current period			
4. Closing balance			
IV. Carrying amount			
1. Closing carrying amount	19,320,179.25	4,195,489.21	23,515,668.46
2. Opening carrying amount	19,742,478.38	2,568,233.08	22,310,711.46

(XI) Goodwill

1. Original carrying amount of goodwill

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Jiangmen Jiasijie Painting Engineering Co., Ltd.* (江 门嘉思捷涂装工程有限公司)	14,361.58			14,361.58
Total	14,361.58			14,361.58

2. Impairment provision for goodwill

Item	Opening balance	Provision for the current period	Decrease in the current period	Closing balance
Jiangmen Jiasijie Painting Engineering Co., Ltd.* (江 门嘉思捷涂装工程有限公司)	14,361.58			14,361.58

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

Total	14,361.58			14,361.58
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(XII) Long term deferred expenses

Type	Opening balance	Increase in the current period	Amortization in the current period	Other decrease	Closing balance
Storage fence fee	54,870.82		23,516.04		31,354.78
E-commerce technology services		980,198.06	490,099.08		490,098.98
Total	54,870.82	980,198.06	513,615.12		521,453.76

(XIII) Deferred income tax assets and deferred income tax liabilities

1. Deferred income tax assets and deferred income tax liabilities are not presented in the net value after offset

Item	Closing balance		Opening balance	
	Deferred income tax assets/ liabilities	Deductible Taxable temporary difference	Deferred income tax assets/ liabilities	Deductible Taxable temporary difference
Deferred income tax assets:				
Provision for impairment of assets	806,901.07	5,340,250.52	610,286.11	4,026,970.51
Subtotal	806,901.07	5,340,250.52	610,286.11	4,026,970.51

2. Breakdown of unrecognized deferred income tax assets

Item	Closing balance	Opening balance
Deductible loss	257,575.37	234,830.96
Total	257,575.37	234,830.96

3. Deductible losses of unrecognized deferred income tax assets will expire in the following years

Year	Closing balance	Opening balance	Remarks
2021		7,541.67	
2022	3,012.49	3,012.49	
2023	1,611.51	1,611.51	
2024	1,399.05	1,399.05	
2025	221,266.24	221,266.24	
2026	30,286.08		
Total	257,575.37	234,830.96	

(XIV) Other non-current assets

Item	Closing balance	Opening balance
Prepayment for equipment	1,776,207.00	
Total	1,776,207.00	

(XV) Short-term borrowings

1. Classification of short-term borrowings

Borrowing conditions	Closing balance	Opening balance
Mortgaged and guaranteed borrowings	18,727,919.04	17,000,000.00
Interest payable on short-term borrowings	24,034.16	19,833.33
Total	18,751,953.20	17,019,833.33

(XVI) Accounts payable

Item	Closing balance	Opening balance
Within 1 year (inclusive)	40,597,893.47	38,842,409.85
Over 1 year	882,116.79	573,370.34
Total	41,480,010.26	39,415,780.19

(XVII) Employee remuneration payable

1. Employee remuneration payable shown by category

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Short-term remuneration	1,271,013.18	18,637,383.82	18,338,743.78	1,569,653.22
II. Post-employment benefits-defined contribution plan		1,116,221.93	1,116,221.93	
Total	1,271,013.18	19,753,605.75	19,454,965.71	1,569,653.22

2. Remuneration of short-term employees

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Wage, bonus, allowance and subsidy	1,228,122.80	16,686,629.86	16,414,452.04	1,500,300.62
2. Employee welfare premium		936,006.85	936,006.85	
3. Social welfare premium		422,264.78	422,264.78	
Including: Medicare premium		375,406.50	375,406.50	
Occupational injuries premium		16,619.03	16,619.03	
Maternity premium		30,239.25	30,239.25	
4. Housing provident funds		269,598.74	269,598.74	
5. Labor union fund and employee education fund	42,890.38	322,883.59	296,421.37	69,352.60
Total	1,271,013.18	18,637,383.82	18,338,743.78	1,569,653.22

3. Defined contribution plan

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Basic endowment insurance premium		1,097,514.89	1,097,514.89	
Unemployment insurance premium		18,707.04	18,707.04	
Total		1,116,221.93	1,116,221.93	

(XVIII) Taxes payable

Taxes	Closing balance	Opening balance
VAT		761,631.44
Urban maintenance and construction tax	30,646.40	117,942.31

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

Taxes	Closing balance	Opening balance
Education surcharge	13,136.41	84,248.23
Enterprise income tax	1,222,095.91	807,051.65
Individual income tax	74,922.58	72,222.11
Others	30,895.02	20,114.00
Total	1,371,696.32	1,863,209.74

(XIX) Other payables

Nature	Closing balance	Opening balance
Borrowings from related parties	5,000,000.00	
Deposits and guarantee deposits	1,469,255.61	3,635,000.00
Current accounts and others	257,630.17	197,244.12
Total	6,726,885.78	3,832,244.12

(XX) Non-current liabilities due within one year

Item	Closing balance	Opening balance	Closing balance of previous year
Lease liabilities due within one year	807,711.99	989,866.69	
Total	807,711.99	989,866.69	

(XXI) Long-term borrowings

Borrowing conditions	Closing balance	Opening balance	Range of the interest rates (%)
Mortgaged and guaranteed borrowings	8,306,085.00	2,049,200.00	4.60-4.70
Interest payable on long-term borrowings	11,824.39	2,618.42	
Total	8,317,909.39	2,051,818.42	

(XXII) Lease liabilities

Item	Closing balance	Opening balance	Closing balance of previous year
Lease payments	819,000.00	1,876,200.00	
Less: unrecognised financing fee	11,288.01	64,665.50	
Less: lease liabilities due within one year	807,711.99	989,866.69	
Total		821,667.81	

(XXIII) Deferred income

1. Deferred income shown by category

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reasons
Government grants	7,509,042.41		1,131,849.67	6,377,192.74	Grants from the Government
Total	7,509,042.41		1,131,849.67	6,377,192.74	

2. Items of government grants

Item	Opening balance	Amount of grants increased for the period	Amount included in profit or loss for the period	Other changes	Closing balance	Related to assets/related to income
Guide funds for the development of provincial modern service industry in 2014	661,124.93		254,022.48		407,102.45	Related to assets
Guide funds for the development of provincial modern service industry in 2015	247,917.48				247,917.48	Related to assets
Construction project of agricultural product chain distribution center	6,600,000.00		877,827.19		5,722,172.81	Related to assets
Total	7,509,042.41		1,131,849.67		6,377,192.74	

(XXIV) Share capital

Item	Opening balance	Movements (+, -) for the period					Closing balance
		Issue of new shares	Bonus shares	Reserves transferred to shares	Others	Subtotal	
Total shares	42,600,000.00						42,600,000.00

(XXV) Capital reserve

Type	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Capital premium	3,143,108.23			3,143,108.23
Total	3,143,108.23			3,143,108.23

(XXVI) Surplus reserve

Type	Closing balance of previous year	Adjustments at the beginning of the year	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserve	5,459,863.32	32,343.58	5,492,206.90	2,210,010.39		7,702,217.29
Total	5,459,863.32	32,343.58	5,492,206.90	2,210,010.39		7,702,217.29

(XXVII) Undistributed profits

Item	Closing balance	
	Amount	Proportion of appropriation or distribution
Undistributed profits before adjustment at the end of preceding period	20,969,408.54	
Adjustments to total undistributed profits at the beginning of the period (increase+, decrease-)	-355,779.43	
Undistributed profits after adjustment at the beginning of the period	20,613,629.11	
Add: Net profit attributable to owners of the parent company for the current period	22,076,654.17	
Less: Appropriation of statutory surplus reserve	2,210,010.39	10%
Ordinary share dividend payable	40,480,272.89	

(XXVIII) Operating revenue and operating cost

Item	Amount for current period		Amount for previous period	
	Revenue	Cost	Revenue	Cost
Main operation	237,704,174.37	196,327,535.23	192,190,801.37	157,265,851.50
Other operation	316,981.08	191,406.48	691,943.61	208,906.48
Total	238,021,155.45	196,518,941.71	192,882,744.98	157,474,757.98

(XXIX) Taxes and surcharges

Item	Amount for current period	Amount for previous period
Urban maintenance and construction tax	169,977.91	121,300.46
Education surcharge	54,013.82	51,985.91
Local education surcharge	44,798.34	34,657.28
Stamp duty	147,001.52	97,809.50
Housing property tax	203,456.36	
Land use tax	66,408.02	
Total	685,655.97	305,753.15

(XXX) Selling expenses

Item	Amount for current period	Amount for previous period
Employee remuneration	1,385,502.86	1,192,028.53
Business entertainment expenses	125,578.77	80,535.72
Others	171,052.05	12,044.38
Total	1,682,133.68	1,284,608.63

(XXXI) Administrative expenses

Item	Amount for current period	Amount for previous period
Office expenses	133,992.61	130,988.46
Employee remuneration	2,558,507.25	2,253,500.35
Vehicle usage expenses	129,921.77	53,075.33
Amortization of intangible assets	422,298.96	422,298.96
Communication expenses	170,443.54	110,270.22
Depreciation	475,664.31	428,624.98
Consultancy expenses	457,380.21	302,708.76
Business entertainment expenses	196,437.57	208,040.50
Travel expenses	26,785.14	7,857.50
Utility	364,265.88	71,462.38
Others	592,571.15	427,196.45
Total	5,528,268.39	4,416,023.89

(XXXII) Research and development expenses

Item	Amount for current period	Amount for previous period
Employee remuneration	4,916,150.43	6,025,663.00
Depreciation and amortization	1,187,540.75	577,823.63
Materials and testing expenses	1,032,758.00	1,030,956.42
Other research and development expenses	53,000.64	509,147.12
Total	7,189,449.82	8,143,590.17

(XXXIII) Financial expenses

Item	Amount for current period	Amount for previous period
Interest expenses	1,068,641.69	849,740.22
Less: Interest income	10,818.19	12,576.06
Add: Handling fee expenses and others	10,883.66	5,255.59
Total	1,068,707.16	842,419.75

(XXXIV) Other income

Item	Amount for current period	Amount for previous period
Guide funds for the development of provincial modern service industry in 2014	254,022.48	191,469.64
Guide funds for the development of provincial production service industry in 2015		100,285.72
Guide funds for the development of provincial modern service industry in 2015		62,552.83
Funds for construction project of agricultural product chain distribution center	877,827.19	
Total	1,131,849.67	354,308.19

(XXXV) Investment income

Item	Amount for current period	Amount for previous period
Gains on wealth management products	36,595.79	237,566.82
Investment income from equity transfer	51,710.10	
Total	88,305.89	237,566.82

(XXXVI) Credit impairment loss

Item	Amount for current period	Amount for previous period
Credit impairment loss of accounts receivable	-1,221,155.79	-1,133,002.73
Credit impairment loss of other receivables	-92,124.22	-1,625,764.03
Total	-1,313,280.01	-2,758,766.76

(XXXVII) Asset impairment loss

Item	Amount for current period	Amount for previous period
Impairment losses on goodwill		-14,361.58
Total		-14,361.58

(XXXVIII) Gain from disposal of assets

Item	Amount for current period	Amount for previous period
Gain from disposal of fixed assets	-223,377.90	
Total	-223,377.90	

(XXXIX) Non-operating income

1. Non-operating income is presented separately

Item	Amount for current period	Amount for previous period	Amount charged to the current non-recurring profit or loss
Government grant	34,581.84	3,000.00	34,581.84
Others	118,334.10	1,546.76	118,334.10
Total	152,915.94	4,546.76	152,915.94

2. Government grants included in non-operating income

Item	Amount for current period	Amount for previous period	Related to assets/related to income
Refunds of individual income tax handling fees	2,681.84		Related to income
Working subsidy	30,900.00		Related to income
Theme education subsidy carried out by the Party branch of the "two new (两新)" organizations of Jiangmen City Pengjiang District Duran Town People's Government (江门市蓬江区杜阮镇人民政府)		1,000.00	Related to income
Subsidies of price and cost survey team in national price monitoring point of Jiangmen	1,000.00	2,000.00	Related to income
Total	34,581.84	3,000.00	

(XL) Non-operating expenses

Item	Amount for current period	Amount for previous period	Amount charged to the current non-recurring profit or loss
External donations	50,000.00	70,000.00	50,000.00
Others	6,165.87	6,094.55	6,165.87
Total	56,165.87	76,094.55	56,165.87

(XLI) Income tax expenses

1. Details of income tax expenses

Item	Amount for the current period	Amount for the previous period
Income tax expenses for the current period calculated according to tax laws and relevant requirements	3,239,645.80	2,275,652.59
Deferred income tax expenses	-196,614.96	-413,660.65
Differences in income tax settlement	8,820.00	
Total	3,051,850.84	1,861,991.94

2. Reconciliation between accounting profit and income tax expenses

Item	Amount
Total profit	25,128,246.44
Income tax expenses based on statutory/applicable tax rate	3,769,236.97
Effect of different tax rates of subsidiaries	-2,276.57
Effect of non-deductible costs, expenses and losses	77,312.03
Effect of differences in income tax settlement	8,820.00
Effect of additional deductions of research and development expenses	-808,813.11
Effect of using the deductible losses of previously unrecognized deferred income tax assets	
Effect of deductible temporary differences or deductible losses unrecognized as deferred income tax assets in current period	7,571.52
Income tax expenses	3,051,850.84

(XLII) Cash flow statement

1. Other cash receipts or payments related to operating activities

Item	Amount for the current period	Amount for the previous period
Other cash receipts related to operating activities	5,163,734.13	12,313,110.87
Including: Recovery of margin deposit and advance		5,695,988.05
Borrowings from related parties	5,000,000.00	
Interest Income	10,818.19	12,576.06
Government grants	34,581.84	6,600,000.00
Others	118,334.10	4,546.76
Other cash payment related to operating activities	5,962,612.97	7,585,592.42
Including: Payment of margin deposit and advance	1,743,095.56	4,716,500.00
Administrative expenses, research and development expenses, and selling expenses	4,018,407.75	2,787,742.28
Handling fee and other expenses	151,109.66	11,350.14
External donations	50,000.00	70,000.00

2. Other cash receipts or payment related to fundraising activities

Item	Amount for the current period	Amount for the previous period
Other cash receipts related to fundraising activities		850,000.00
Including: Recovery of bank loan deposits		850,000.00
Other cash payment related to fundraising activities	1,057,200.00	
Including: Payment of lease liabilities	1,057,200.00	

(XLIII) Supplemental information to the cash flow statement

1. Supplemental information to the cash flow statement

Item	Amount for the current period	Amount for the previous period
I. Reconciliation of net profit to cash flow from operating activities		
Net profit	22,076,395.60	16,300,798.35
Add: Credit impairment loss	1,313,280.01	2,758,766.76
Provision for assets impairment		14,361.58
Depreciation of fixed assets, oil and gas assets, productive biological assets	4,539,255.87	2,528,536.04
Depreciation of right-of-use assets	811,690.17	
Amortization of intangible assets	1,005,662.58	837,625.41
Amortization of long term prepayments	513,615.12	23,516.04
Loss on disposal of fixed assets, intangible assets and other long term assets (Gain represented by “-”)	223,377.90	
Fixed assets retirement loss (Gain represented by “-”)		
Net loss on hedging exposure (Gain represented by “-”)		

Item	Amount for the current period	Amount for the previous period
Losses on changes in fair value (Gain represented by “-”)		
Financial expenses (Gain represented by “-”)	1,068,641.69	849,740.22
Investments losses (Gain represented by “-”)	-88,305.89	-237,566.82
Decrease of deferred income tax assets (Increase represented by “-”)	-196,614.96	-413,660.65
Increase of deferred income tax liabilities (Decrease represented by “-”)		
Decrease in inventories (Increase represented by “-”)		
Decrease in operating receivables (Increase represented by “-”)	-25,303,284.28	-31,286,594.10
Increase of operating payables (Decrease represented by “-”)	2,326,484.19	37,159,800.14
Others		
Net cash flow from operating activities	8,290,198.00	28,535,322.97
2. Significant investing and financing activities not related to cash receipts and payments		
Conversion of debt into share capital		
Convertible corporate bonds due within one year		
Fixed assets rented under leases		
3. Net changes in cash and cash equivalents		
Closing balance of cash	14,371,554.73	22,145,301.57
Less: Opening balance of cash	22,145,301.57	15,766,994.59
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase of cash and cash equivalents	-7,773,746.84	6,378,306.98

2. Cash and cash equivalents

Item	Amount for the current period	Amount for the previous period
Cash	14,371,554.73	22,145,301.57
Including: Cash on hand	67,027.00	67,027.00
Cash in bank on demand for payment	14,304,527.73	22,078,274.57
II. Cash equivalents		
Including: Bond investment with maturity within 3 months		
III. Closing balance of cash and cash equivalents	14,371,554.73	22,145,301.57
Including: Restricted cash and cash equivalents used by the Parent Company or subsidiaries within the Group		

(XLIV) Assets subject to restrictions on ownership or rights of use

Item	Closing carrying amount	Reason for such restrictions
Intangible assets - Land Use Rights	19,320,179.25	Bank Borrowings-Pledge of Land Use Rights
Fixed assets - Housing and Building Structure	20,696,638.12	Bank Borrowing-Pledge of Housing and Building Structure

Total	40,016,817.37
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VI. CHANGE IN SCOPE OF CONSOLIDATION

In June 2021, the Company transferred the equity interest of its subsidiary, Jiangmen Yongjie Technology Co., Ltd. (江門市永捷科技有限公司) to Shi Xuecheng (史雪成). After the transfer, the Company no longer held equity interest in Jiangmen Yongjie Technology Co., Ltd. (江門市永捷科技有限公司).

VII. INTEREST IN OTHER ENTITIES

Interest in subsidiaries

Name of subsidiaries	Place of registration	Principal place of operation	Nature of business	Proportion of shareholding (%)		Acquisition method
				Directly	Indirectly	
Jiangmen Jiasijie Painting Engineering Co., Ltd.* (江門嘉思捷塗裝工程有限公司)	Jiangmen	Jiangmen	Undertaking construction and decoration works, transport of dangerous goods (Class 3), general cargo transport (operating with valid "road transport operation licences"); domestic land freight forwarding (The items that requires approval by law can only be dealt in after being approved by the relevant departments).	100.00		Merger and acquisition
Jiangmen Ruiyuan Supply Chain Management Co., Ltd.* (江門市銳源供應鏈管理有限公司)	Jiangmen	Jiangmen	Supply chain management and related ancillary services; computer software and hardware development; enterprise management consulting; wholesale and sales of prepackaged food (The items that requires approval by law can only be dealt in after being approved by the relevant departments).	100.00		Establishment
Sichuan Dingjie Supply Chain Management Co., Ltd.* (四川鼎捷供應鏈管理有限公司)	Sichuan	Sichuan	General: supply chain management services; software development; software sales; domestic freight forwarding; general cargo warehousing services (excluding hazardous chemicals and other projects that require approval); cryogenic warehousing (excluding hazardous chemicals and other projects that require approval); information consulting services (excluding licensing information consulting services); loading and unloading (except for projects subject to approval according to law, independently carry out business activities according to law with business license). Approved project: road freight transport (excluding dangerous goods) (The items that requires approval by law can only be dealt in after being approved by the relevant departments, specific business projects are subject to the approval documents or licences of the relevant departments)	55.00		Establishment

Note: On 24 December 2021, "Zhuhai Ruiyuan Supply Chain Management Co., Ltd.* (珠海市銳源供應鏈管理有限公司)", a subsidiary, changed its name to "Jiangmen Ruiyuan Supply Chain Management Co., Ltd.* (江門市銳源供應鏈管理有限公司)".

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

(I) De facto controllers of the Company

The de facto controllers of the Company are Zhang Yan (张艳) and Yang Yongming (杨永明). Zhang Yan (张艳) and Yang Yongming (杨永明) are in a spousal relationship. As of the end of the reporting period, Zhang Yan (张艳) held 63.04% of the Company's shares and Yang Yongming (杨永明) held 2.05% of the Company's shares. They jointly held 65.09% of the Company's shares.

(II) Subsidiaries of the Company

Please refer to Note "VII. INTEREST IN OTHER ENTITIES" for details.

(III) Other related party of the Company

Name of other related party	Relationships of other related party with the Company
Jiangmen Yingjiang Group Co., Ltd. (江门盈江集团有限公司)	Legal person shareholder holding more than 5% of shares
Jiangmen Yingjiang Technology Co., Ltd. (江门市盈江科技有限公司)	A subsidiary controlled by legal person shareholder holding more than 5% of the shares
Jiangmen Yingkang Oil Sales Co., Ltd. (江门市盈康油品销售有限公司)	A subsidiary controlled by legal person shareholder holding more than 5% of the shares
Jiangmen Hinno-tech Co., Ltd. (江门盈骅光电科技有限公司)	A subsidiary controlled by legal person shareholder holding more than 5% of the shares
Guangdong Hinno-tech Co., Ltd. (广东盈骅新材料科技有限公司)	A company controlled by legal person shareholder holding more than 5% of the shares
Jiangmen Yingkang Technology Co., Ltd. (江门市盈康科技有限公司)	A subsidiary controlled by legal person shareholder holding more than 5% of the shares
Jiangmen Yingjieda Ink Jet Co., Ltd. (江门英捷达喷墨有限公司)	A subsidiary controlled by legal person shareholder holding more than 5% of the shares
Shi Xuecheng (史雪成)	Nephew of Zhang Yan (张艳), the de facto controller of the Company
Jiangmen Yongjie Technology Co., Ltd. (江门市永捷科技有限公司)	A company held by Shi Xuecheng (史雪成)
Wu Yongxiong (吴永雄)	A shareholder holding 2.6451% of the shares at the end of the period
Guangzhou Dingyi Food Co., Ltd. (广州鼎一食品有限公司)	Holding 45% of the shares of Sichuan Dingjie Supply Chain Management Co., Ltd. * (四川鼎捷供应链管理有限公司), a controlling subsidiary of the Company
Jia Liping (贾礼萍)	A shareholder and senior management of the Company

(IV) Related party transactions

1. Related party transactions for sale and purchase of goods and rendering and acceptance of services

Name of related party	Type of related party transaction	Content of related party transaction	Amount for the current period	Amount for the previous period
Sale of goods and rendering of services:				
Guangzhou Dingyi Food Co., Ltd. (广州鼎一食品有限公司)	Rendering of services	Provision of transportation services	5,972,383.12	

2. Borrowings from/to related parties

Related party	Amount	Start date	End date	Description
Borrowings from:				
Wu Yongxiong (吴永雄)	5,000,000.00	2021-11-11	2022-11-10	
Borrowings to:				
Jiangmen Yongjie Technology Co., Ltd. (江门市永捷科技有限公司)	56,135.68	2021-6-1	2021-12-25	From March to May 2021, the Company lent RMB56,135.68 to its wholly-owned subsidiary Jiangmen Yongjie Technology Co., Ltd. (江门市永捷科技有限公司), which became a related party company after the sale of its equity in June 2021. The amount was repaid on 25 December 2021.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

1. Transfer of equity interests of related party

Related party	Content of related party transaction	Transfer price	Investment income
Shi Xuecheng (史雪成)	Transfer of equity interests of the subsidiary Jiangmen Yongjie Technology Co., Ltd. (江门市永捷科技有限公司)	0.00	51,710.10

Note: In June 2021, the Company transferred all equity interests of Jiangmen Yongjie Technology Co., Ltd. (江门市永捷科技有限公司) to Shi Xuecheng (史雪成) at a price of RMB0. As of the benchmark date of the transfer, Jiangmen Yongjie Technology Co., Ltd. (江门市永捷科技有限公司), had a registered capital of RMB5 million, a paid-in capital of RMB0, and a net asset of RMB-51,710.10.

4. Related party guarantees

Guarantor	Guaranteed party	Guarantee amount	Start date of guarantee	End date of guarantee	Guarantee fulfilled or not
Zhang Yan (张艳), Yang Yongming (杨永明)	The Company	30,000,000.00	2020-5-20	2030-5-19	No
Zhang Yan (张艳), Yang Yongming (杨永明)	The Company	15,000,000.00	2018-1-16	2028-12-31	No

(V) Receivables and payables from/to related party

1. Payables

Item	Related party	Closing balance	Opening balance
Other payables	Wu Yongxiong (吴永雄)	5,000,000.00	
Total		5,000,000.00	

IX. COMMITMENTS AND CONTINGENCIES

(I) Commitments

As of 31 December 2021, the Company has no commitments that should be disclosed.

(II) Contingencies

As of 31 December 2021, the Company has no pending litigation, external guarantees and other contingencies that should be disclosed.

X. EVENTS AFTER THE BALANCE SHEET DATE

As of the date of this report, the Company has no events after the balance sheet date that should be disclosed.

XI. OTHER SIGNIFICANT EVENTS

As of 31 December 2021, the Company has no other material matters that should be disclosed.

XII. NOTES TO MAJOR FINANCIAL STATEMENT ITEMS OF THE PARENT COMPANY

(I) Accounts receivable

1. Disclosure of accounts receivable by category

Category	Closing balance			
	Book balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Provision ratio (%)
Accounts receivable with provision assessed for bad debts on an individual basis				
Accounts receivable with provision for bad debts by combination	80,518,619.21	100.00	3,178,265.87	3.95
Of which: Group 1: receivables other than Group 2	80,518,619.21	100.00	3,178,265.87	3.95
Group 2: related parties within the scope of consolidation				
Total	80,518,619.21	100.00	3,178,265.87	3.95

Category	Opening balance			
	Book balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Provision ratio (%)
Accounts receivable with provision assessed for bad debts on an individual basis				
Accounts receivable with provision for bad debts by combination	58,570,891.15	100.00	1,953,382.31	3.34
Of which: Group 1: receivables other than Group 2	58,570,891.15	100.00	1,953,382.31	3.34
Group 2: related parties within the scope of consolidation				
Total	58,570,891.15	100.00	1,953,382.31	3.34

Group 1:

Ages	Closing balance			Opening balance		
	Book balance	Provision ratio (%)	Provision for bad debts	Book balance	Provision ratio (%)	Provision for bad debts
Within 1 year (inclusive)	71,236,033.35	3.00	2,137,080.98	56,407,807.04	3.00	1,692,234.22
1 to 2 years	8,455,930.83	10.00	845,593.09	1,843,806.56	10.00	184,380.66
2 to 3 years	692,663.73	20.00	138,532.75	190,158.25	20.00	38,031.65
3 to 4 years	49,683.00	30.00	14,904.90	129,119.30	30.00	38,735.79
4 to 5 years	84,308.30	50.00	42,154.15			
Total	80,518,619.21		3,178,265.87	58,570,891.15		1,953,382.31

2. Provision for bad debts made, recovered or reversed during the reporting period

The amount of provision for bad debts in this period is RMB1,224,883.56; the amount of provision for bad debts recovered or reversed in this period is RMB0.

3. Details of the top 5 accounts receivable by closing balance of debtors

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

Company names	Closing balance	Proportion to total accounts receivable (%)	Balance of provision for bad debts
BYD (Shangluo) Industrial Co., Ltd. (商洛比亚迪实业有限公司)	14,308,018.80	17.77	429,240.56
Tiandi Yihao Beverage Co., Ltd. (天地壹号饮料股份有限公司)	7,515,479.39	9.33	225,464.38
Guangzhou Zhuoyi Logistics Co., Ltd. (广州卓逸物流有限公司)	6,413,258.00	7.96	192,397.74
Shanghai Yizhou Logistics Co., Ltd. (上海屹洲物流有限公司)	5,478,627.33	6.80	164,358.82
Jiangmen Toyo Ink Co., Ltd.	4,450,798.43	5.53	133,523.95
Total	38,166,181.95	47.39	1,144,985.45

(II) Other receivables

Category	Closing balance	Opening balance
Other receivables	7,413,147.14	7,926,639.49
Less: Provision for bad debts	2,103,349.73	2,011,182.89
Total	5,309,797.41	5,915,456.60

Other receivables categorised by nature

Nature of receivables	Closing balance	Opening balance
Deposits and guarantee deposits	6,314,679.57	7,376,278.47
Reserves, withholding payments and others	1,098,467.57	550,361.02
Less: Provision for bad debts	2,103,349.73	2,011,182.89
Total	5,309,797.41	5,915,456.60

2. Aging analysis of other receivables

Ages	Closing balance		Opening balance	
	Book balance	Proportion (%)	Book balance	Proportion (%)
Within 1 year	3,704,412.23	49.97	3,747,104.78	47.27
1 to 2 years	1,196,400.24	16.14	3,778,881.24	47.67
2 to 3 years	2,214,700.00	29.88	85,242.80	1.08
3 to 4 years	18,060.00	0.24	83,208.00	1.05
4 to 5 years	68,759.00	0.93	141,387.00	1.78
Over 5 years	210,815.67	2.84	90,815.67	1.15
Total	7,413,147.14	100.00	7,926,639.49	100.00

3. Bad debt provision

Provision for bad debts	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss over the next 12 months	Lifetime expected credit loss – not credit-impaired	Lifetime expected credit loss – credit-impaired	
Opening balance	536,482.89		1,474,700.00	2,011,182.89
Opening balance after reassessment for the current period	536,482.89		1,474,700.00	2,011,182.89
Provision for the current period	92,166.84			92,166.84
Closing balance	628,649.73		1,474,700.00	2,103,349.73

4. Details of the top 5 other receivables by closing balance of debtors

Name of debtors	Nature of receivables	Closing balance	Ages	Proportion to the total closing balance of other receivables (%)	Balance of bad debt provision
Jiangmen Xinyu Motorcycle Parts Co., Ltd. (江门市新宇摩托车配件有限公司)	Guarantee deposits	1,474,700.00	2 to 3 years	19.89	1,474,700.00
Carpoly Chemical Group Co., Ltd. (嘉宝莉化工集团股份有限公司)	Guarantee deposits	550,000.00	Within 1 year	7.42	110,000.00
Xiang Piao Piao Food Co., Ltd. (香飘飘食品股份有限公司)	Guarantee deposits	500,000.00	Within 1 year	6.74	15,000.00
Jiangmen Sonlink-motor Co., Ltd. (江门松铃机车有限公司)	Guarantee deposits	480,000.00	1 to 2 years	6.47	48,000.00
Lee Kam Kee (China) Trading Limited (李錦記(中國)銷售有限公司)	Guarantee deposits	200,000.00	Within 1 year	2.70	6,000.00
Total		3,204,700.00		43.22	1,653,700.00

Note: Jiangmen Xinyu Motorcycle Parts Co., Ltd. (江门市新宇摩托车配件有限公司) has a deposit of RMB1,474,700.00; due to its poor operation, the two parties have no business cooperation at present, and it is expected to be difficult to recover, and the impairment provision is fully made.

(III) Long-term equity investments

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investment in subsidiaries	5,768,000.00		5,768,000.00	268,000.00		268,000.00
Total	5,768,000.00		5,768,000.00	268,000.00		268,000.00

1. Investment in subsidiaries

Investees	Opening balance	Increase for the period	Decrease for the period	Closing balance	Provision for impairment made in current period	Closing balance of provision for impairment
Jiangmen Jiasijie Painting Engineering Co., Ltd.* (江门嘉思捷涂装工程有限公司)	268,000.00			268,000.00		
Sichuan Dingjie Supply Chain Management Co., Ltd.* (四川鼎捷供应链管理有限公司)		5,500,000.00		5,500,000.00		
Total	268,000.00	5,500,000.00		5,768,000.00		

(IV) Operating revenue and operating cost

Item	Amount for the current period		Amount for the previous period	
	Revenue	Costs	Revenue	Costs
Main operation	233,568,613.87	192,259,276.33	188,238,421.33	153,235,085.47
Other operation	316,981.08	191,406.48	691,943.61	208,906.48
Total	233,885,594.95	192,450,682.81	188,930,364.94	153,443,991.95

(V) Investment income

Type	Amount for the current period	Amount for the previous period
Investment income from wealth management products	35,600.78	205,182.95
Total	35,600.78	205,182.95

XIII. SUPPLEMENTARY INFORMATION

(I) Breakdown of non-recurring profit or loss for the current period

Item	Amount	Remarks
1. Gain and loss from disposal of non-current assets, including write-off of provision for asset impairment	-223,377.90	
2. Government grants included in profit or loss for the current period (exclusive of those that are closely related to the enterprise business and received in a certain amount or fixed quantity according to the State standards)	1,166,431.51	
3. The profit or loss of entrusting others to invest or manage assets	36,595.79	
4. Income from the transfer of equity investments	51,710.10	
4. Other non-operating income and expenses other than aforesaid items	62,168.23	
5. Impact of income tax	-139,523.57	
Total	954,004.16	

(II) RONA and EPS

Profit of the reporting period	Weighted average RONA (%)		EPS	
			Basic EPS	
	Amount for the current period	Amount for the previous period	Amount for the current period	Amount for the previous period
Net profit attributable to shareholders of ordinary shares	26.63	22.33	0.52	0.38
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	25.48	21.72	0.50	0.37

An Jie Supply Chain Management Co., Ltd.
25 April 2022

SECTION X FINANCIAL REPORT

I. AUDITOR'S REPORT

Audited or not	Yes	
Auditor's opinion	Unmodified opinion	
Special paragraphs in the auditor's report	<input checked="" type="checkbox"/> Nil <input type="checkbox"/> Emphasized matter paragraph <input type="checkbox"/> Other matters paragraph <input type="checkbox"/> Going concern material uncertainty paragraph <input type="checkbox"/> Other information paragraph containing explanations on uncorrected material misstatement of other information	
Auditor's report number	Da Xin Shen Zi [2023] No. 22-00032	
Name of audit institution	WUYIGE Certified Public Accountants LLP	
Address of audit institution	Room 2206, 22/F, Xueyuan International Tower, No. 1 Zhichun Road, Haidian District, Beijing	
Date of the auditor's report	27 April 2023	
Name of the certified public accountant who signed and consecutive years of signing	Gong Fuguo (龚甫国)	He Xiaojuan (何晓娟)
	5 years	1 year
Any change in the accounting firm	No	
Consecutive service years of the accounting firm	6 years	
Audit remuneration for the accounting firm	RMB150,000	

Body text of the auditor's report:

AUDITOR'S REPORT

Da Xin Shen Zi [2023] No. 22-00032

To all the members of An Jie Supply Chain Management Co., Ltd.:

I. Auditor's Opinion

We have audited the financial statements of An Jie Supply Chain Management Co., Ltd. (hereinafter referred to as the "Company"), which comprise the consolidated balance sheet and balance sheet of the parent company as at 31 December 2022, and the consolidated income statement and income statement of the parent company, the consolidated cash flow statement and cash flow statement of the parent company, and the consolidated statement of changes in shareholders' equity and statement of changes in shareholders' equity of the parent company for the year 2022, and the notes to these financial statements.

In our opinion, the accompanying financial statements prepared in accordance with the requirements of Accounting Standards for Business Enterprises in all material aspects, give a fair view of the Company's consolidated financial position and financial position of the parent company as at 31 December 2022, and of its consolidated operating results and cash flows of the parent company for the year 2022.

II. Basis for the Auditor's Opinion

We conducted our audit in accordance with the Auditing Standards for PRC Certified Public Accountants. Our responsibilities under those standards are further described in the "Certified Public Accountant's Responsibilities for the Audit of the Financial Statements" section of the auditor's report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for audit opinion.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(I) Revenue recognition**1. Description of the matter**

As stated in Note V. (XXX) to the financial statements of the Company, in 2022, the Company recognised revenue from principal activities of RMB312,932,523.97, which was mainly attributable to revenue from the provision of transportation and storage and logistics services. We identified revenue from principal activities as a key audit matter because the authenticity, accuracy and completeness of the recognition of revenue from principal activities has a greater impact on the Company's profit, and considering that revenue is one of the Company's key performance indicators, which results in the inherent risk that revenue may be recognized in an incorrect period or be manipulated to achieve target or expected levels.

2. Audit response

Our audit procedures to assess the recognition of revenue mainly included:

(1) obtaining an understanding of and assessing the design and operating effectiveness of management's key internal controls relating to revenue recognition;

(2) inspecting service contracts on a sample basis, identifying contract terms and conditions and assessing whether the timing of revenue recognition was in accordance with the requirements of the Accounting Standards for Business Enterprises;

(3) selecting samples of service revenue transactions recorded during the year, checking invoices, contracts, receipt records and reconciliation records, and evaluating whether the related revenue recognition was in accordance with the Company's accounting policies for revenue recognition;

(4) selecting samples of revenue transactions recorded before and after the balance sheet date, checking the confirmation documents for the provision of services and other supporting documents to evaluate whether the revenue was recorded in the appropriate accounting period;

(5) issuing confirmations to major customers and performing background check procedures to verify whether the operating income was true and recorded in the correct period.

(II) Provision for bad debts of accounts receivable

1. Description of the matter

As stated in Note V. (III) to the financial statements of the Company, as of 31 December 2022, the book balance of the Company's accounts receivable was RMB114,742,795.66 with provision for bad debts of RMB4,080,400.31 and carrying amount of RMB110,662,395.35. We identified the provision for bad debts of accounts receivable as a key audit matter due to the significant accounting estimates and judgements involved in the determination of provision for bad debts by the management and the significance of the provision for bad debts of accounts receivable to the financial statements.

2. Audit response

The main audit procedures we implemented for the provision for bad debts of receivables included:

(1) obtaining an understanding of the key internal controls related to the impairment of accounts receivable, evaluating the design of these controls, determining whether they have been implemented, and testing the effectiveness of the operation of relevant internal controls;

(2) reviewing the relevant consideration and objective evidence of the management's credit risk assessment or impairment test on accounts receivable, and evaluating whether the management appropriately identified the credit risk characteristics of accounts receivable or impaired accounts receivable;

(3) for accounts receivable with expected credit losses measured on a collective basis, evaluating the rationality of the management's grouping based on credit risk characteristics; evaluating the reasonableness of the comparison table of the ageing of accounts receivable against the expected credit loss rates determined by the management based on historical credit loss experience and forward-looking estimates; testing the accuracy and completeness of the data used by management and the accuracy of the calculation of the provision for bad debts;

(4) selecting samples to confirm the large accounts receivable or a portion of accounts receivable with small amount but with large occurrences at the end of the period;

(5) checking whether the information related to the impairment of accounts receivable has been properly presented in the financial statements.

IV. Other Information

The management of the Company (the "Management") are responsible for the other information. Other information comprises the information included in the 2022 annual report of the Company, other than the financial statements and our auditor's report thereon.

Our audit opinion on the financial statements does not cover other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read other information and, in doing so, consider whether other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the work so performed, we shall report any material misstatement as contained in other information that we ascertain. In this aspect, we have no such matter to be reported.

V. Responsibilities of the Management and Governing Bodies for the Financial Statements

The Management is responsible for preparing and presenting fairly the financial statements in accordance with Accounting Standards for Business Enterprises, as well as designing, implementing and maintaining internal control necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and use the going concern assumption unless the Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The governing bodies are responsible for supervising the financial reporting processes of the Company.

VI. Certified Public Accountant's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit in accordance with the Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. In addition, we performed the following tasks:

(I) identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. As fraud could involve collusion, forgery, intentional omission, false statements or overriding internal controls, thus risks of inability to discover major misrepresentation are more severe than risks of inability to spot misrepresentation due to mistake.

(II) understanding the audit related internal controls in order to design appropriate audit procedures, but not for the purpose of expressing an opinion on the internal control's effectiveness.

(III) evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

(IV) concluding on the appropriateness of the Management's use of the going concern assumption. And based on the audit evidence obtained, concluding whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required by the Auditing Standards to draw attention to users of financial statements in our auditor's report on the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the information obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(V) evaluating the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a fair manner.

(VI) obtaining sufficient appropriate audit evidences regarding the financial information of the entities or business activities within the Company to express audit opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit and remain solely responsibility for our audit opinion.

We communicate with the governing bodies regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including deficiencies worth of attention in internal control that we identify during our audit.

We also provide the governing bodies with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the governing bodies, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless laws or regulations prohibited public disclosure about the matter or when, in rare circumstances, we determine that a matter should not be communicated in our auditor’s report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

WUYIGE Certified Public Accountants LLP

China · Beijing

PRC certified public accountant: He Xiaojuan
(Engagement Partner)

PRC certified public accountant: Gong Fuguo

27 April 2023

II. FINANCIAL STATEMENTS

(I) Consolidated Balance Sheet

Unit: RMB

Item	Note	31 December 2022	31 December 2021
Current assets:			
Monetary funds	V(I)	15,260,060.97	14,371,554.73
Settlement reserve			
Placements with financial institutions			
Financial assets held for trading			
Derivative financial assets			
Notes receivable	V(II)	10,264,563.94	2,145,683.20
Trade receivables	V(III)	110,662,395.35	78,115,131.81
Receivables financing			
Prepayments	V(IV)	3,129,356.47	4,964,762.10
Premium receivables			
Reinsurance accounts receivable			
Reserves for reinsurance contract receivable			
Other receivables	V(V)	6,960,902.64	5,376,178.68
Including: Interest receivable			
Dividend receivable			
Financial assets purchased under agreements to resell			
Inventories			
Contract assets			

Assets held for sales			
Non-current assets due within one year			
Other current assets	V(VI)	1,178,687.48	471,350.89
Total current assets		147,455,966.85	105,444,661.41
Non-current assets:			
Loans and advances to customers			
Debt investment			
Other debt investments			
Long-term receivables			
Long-term equity investments			
Other equity instrument investments			
Other non-current financial assets			
Investment properties			
Fixed assets	V(VII)	55,115,441.13	44,374,663.06
Construction in progress	V(VIII)		2,212,389.50
Productive biological assets			
Oil and gas assets			
Right-of-use assets	V(IX)	3,764,353.84	676,408.48
Intangible assets	V(X)	20,723,870.10	23,515,668.46
Development expenses			
Goodwill	V(XI)		
Long-term deferred expenses	V(XII)	975,264.79	521,453.76
Deferred income tax assets	V(XIII)	972,526.42	806,901.07
Other non-current assets	V(XIV)	175,000.00	1,776,207.00
Total non-current assets		81,726,456.28	73,883,691.33
Total assets		229,182,423.13	179,328,352.74
Current liabilities:			
Short-term borrowings	V(XV)	55,531,229.64	18,751,953.20
Borrowings from central bank			
Placements from banks			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Trade payables	V(XVI)	35,384,063.11	41,480,010.26
Advance receipts			
Contract liabilities	V(XVII)	53,229.48	
Financial assets sold under agreements to repurchase			
Deposits from customers and other banks			
Brokerage for securities trading			
Brokerage for underwriting securities			
Employee benefits payable	V(XVIII)	1,902,126.18	1,569,653.22
Taxes payable	V(XIX)	1,407,165.77	1,371,696.32
Other payables	V(XX)	2,838,955.49	6,726,885.78

Including: Interest payable			
Dividend payable			
Fees and commissions payable			
Reinsurance accounts payable			
Liabilities held for sales			
Non-current liabilities due within one year	V(XXI)	1,032,111.55	807,711.99
Other current liabilities	V(XXII)	4,790.66	
Total current liabilities		98,153,671.88	70,707,910.77
Non-current liabilities:			
Reserves for insurance contracts			
Long-term borrowings	V(XXIII)	4,011,838.18	8,317,909.39
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities	V(XXIV)	2,647,637.96	
Long-term payables			
Long-term employee remuneration payables			
Estimated liabilities			
Deferred income	V(XXV)	3,223,726.18	6,377,192.74
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		9,883,202.32	14,695,102.13
Total liabilities		108,036,874.20	85,403,012.90
Owners' equity (or shareholders' equity):			
Share capital	V(XXVI)	42,600,000	42,600,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserves	V(XXVII)	3,143,108.23	3,143,108.23
Less: Treasury shares			
Other comprehensive income			
Special reserves			
Surplus reserves	V(XXVIII)	11,110,407.16	7,702,217.29
General risk provisions			
Retained earnings	V(XXIX)	62,914,395.91	40,480,272.89
Total owners' equity (or shareholders' equity) attributable to the parent company		119,767,911.30	93,925,598.41
Minority interest		1,377,637.63	-258.57
Total owners' equity (or shareholders' equity)		121,145,548.93	93,925,339.84
Total liabilities and owners' equity (or shareholders' equity)		229,182,423.13	179,328,352.74

Legal representative: Zhang Yan
Head of accounting department: Yang Yibo

Principal in charge of accounting: Zhao Shufen

(II) Parent Company Balance Sheet

Unit: RMB

Item	Note	31 December 2022	31 December 2021
Current assets:			
Monetary funds		14,853,363.28	11,660,195.51
Financial assets held for trading			
Derivative financial assets			
Bill receivables		10,264,563.94	2,145,683.20
Trade receivables	XII(I)	104,566,662.78	77,340,353.34
Receivables financing			
Prepayments		2,463,294.62	4,911,836.62
Other receivables	XII(II)	6,829,870.00	5,309,797.41
Including: Interest receivable			
Dividend receivable			
Financial assets purchased under agreements to resell			
Inventories			
Contract assets			
Assets held for sales			
Non-current assets due within one year			
Other current assets		937,948.50	439,220.56
Total current assets		139,915,703.12	101,807,086.64
Non-current assets:			
Debt investment			
Other debt investments			
Long-term receivables			
Long-term equity investments	XII(III)	9,268,000.00	5,768,000.00
Other equity instrument investments			
Other non-current financial assets			
Investment properties			
Fixed assets		52,393,938.18	44,265,823.65
Construction in progress			2,212,389.50
Productive biological assets			
Oil and gas assets			
Right-of-use assets		3,764,353.84	676,408.48
Intangible assets		20,723,870.10	23,515,668.46
Development expenses			
Goodwill			
Long-term deferred expenses		975,264.79	521,453.76
Deferred income tax assets		899,816.16	792,242.34
Other non-current assets		175,000.00	1,776,207.00
Total non-current assets		88,200,243.07	79,528,193.19

Total assets		228,115,946.19	181,335,279.83
Current liabilities:			
Short-term borrowings		55,531,229.64	18,751,953.20
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable		32,280,002.61	40,025,749.42
Advance receipts			
Financial assets sold under agreements to repurchase			
Employee remuneration payable		1,683,582.91	1,557,196.69
Taxes payable		1,342,980.22	1,371,361.01
Other payables		8,332,693.49	12,226,091.78
Including: Interest payable			
Dividend payable			
Contract liabilities		52,230.40	
Liabilities held for sales			
Non-current liabilities due within one year		1,032,111.55	807,711.99
Other current liabilities		4,700.74	
Total current liabilities		100,259,531.56	74,740,064.09
Non-current liabilities:			
Long-term borrowings		4,011,838.18	8,317,909.39
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities		2,647,637.96	
Long-term payables			
Long-term employee remuneration payables			
Estimated liabilities			
Deferred revenue		3,223,726.18	6,377,192.74
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		9,883,202.32	14,695,102.13
Total liabilities		110,142,733.88	89,435,166.22
Owners' equity (or shareholders' equity):			
Share capital		42,600,000.00	42,600,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserves		3,143,108.23	3,143,108.23
Less: Treasury shares			
Other comprehensive income			
Special reserves			
Surplus reserves		11,110,407.16	7,702,217.29

General risk provisions			
Retained earnings		61,119,696.92	38,454,788.09
Total owners' equity (or shareholders' equity)		117,973,212.31	91,900,113.61
Total liabilities and owners' equity (or shareholders' equity)		228,115,946.19	181,335,279.83

(III) Consolidated Income Statement

Unit: RMB

Item	Note	2022	2021
I. Total operating income		313,028,646.51	238,021,155.45
Including: Operating income	V(XXX)	313,028,646.51	238,021,155.45
Interest income			
Premiums earned			
Fee and commission income			
II. Total operating costs		276,840,098.20	212,673,156.73
Including: Operating costs	V(XXX)	256,370,117.19	196,518,941.71
Interest expense			
Fee and commission expenses			
Surrender payment			
Net expenses of claim settlement			
Net provision for insurance contracts			
Expenditures for policy dividend			
Reinsurance expenditures			
Tax and surcharges	V(XXXI)	918,598.93	685,655.97
Selling expenses	V(XXXII)	1,131,255.37	1,682,133.68
Administrative expenses	V(XXXIII)	6,664,980.07	5,528,268.39
R&D expenses	V(XXXIV)	9,719,356.49	7,189,449.82
Financial expenses	V(XXXV)	2,035,790.15	1,068,707.16

Including: Interest expenses	V (XXXV)	1,323,656.59	1,068,641.69
Interest income	V (XXXV)	17,994.47	10,818.19
Add: Other gains	V (XXXVI)	3,258,863.26	1,131,849.67
Investment income (loss represented by “-”)	V (XXXVII)	13,436.01	88,305.89
Including: Gains from investment in associates and joint ventures (loss represented by “-”)			
Gains on derecognition of financial assets at amortized cost (loss represented by “-”)			
Exchange gain (loss represented by “-”)		0	0
Net exposure hedging income (loss represented by “-”)			
Gains on changes in fair value (loss represented by “-”)		0	0
Credit impairment losses (loss represented by “-”)	V (XXXVIII)	-949,364.89	-1,313,280.01
Assets impairment losses (loss represented by “-”)		0	0
Gains on disposals of assets (loss represented by “-”)	V (XXXIX)	7,632.50	-223,377.90
III. Operating profit (loss represented by “-”)		38,519,115.19	25,031,496.37
Add: Non-operating income	V (XL)	71,690.70	152,915.94
Less: Non-operating expenses	V (XLI)	163,715.40	56,165.87
IV. Total profit (total loss represented by “-”)		38,427,090.49	25,128,246.44
Less: Income tax expense	V (XLII)	4,798,081.40	3,051,850.84
V. Net profit (net loss represented by “-”)		33,629,009.09	22,076,395.60
Including: Net profit achieved by the acquiree prior to the acquisition			
(I) By continuity of operations:	-	-	-
1. Net profit from continuing operations (net loss represented by “-”)		33,629,009.09	22,076,395.60
2. Net profit from discontinued operations (net loss represented by “-”)			
(II) By ownership:	-	-	-

1. Profits or losses attributable to minority shareholders (net loss represented by “-”)		-222,103.80	-258.57
2. Net profit attributable to owners of the parent company (net loss represented by “-”)		33,851,112.89	22,076,654.17
VI. Other comprehensive income, net of tax			
(I) Other comprehensive income attributable to owners of the parent company, net of tax			
1. Other comprehensive income that may not be reclassified to profit or loss			
(1) Changes arising from the re-measurement of defined benefit plan			
(2) Other comprehensive income that may not be reclassified to profit or loss under the equity method			
(3) Change in fair value of investments in other equity instruments			
(4) Change in fair value of credit risk of corporate			
(5) Others			
2. Other comprehensive income that will be reclassified to profit or loss			
(1) Other comprehensive income that may be reclassified to profit or loss under the equity method			
(2) Changes in fair value of other debt investments			
(3) Financial assets reclassified into other comprehensive income			
(4) Provision for credit impairment of other debt investments			
(5) Cash flow hedge reserve			
(6) Exchange differences on translation of financial statements in foreign currency			
(7) Others			
(II) Other comprehensive income attributable to minority shareholders, net of tax			
VII. Total comprehensive income		33,629,009.09	22,076,395.60
(I) Total comprehensive income attributable to owners of the parent company		33,851,112.89	22,076,654.17
(II) Total comprehensive income attributable to minority shareholders		-222,103.80	-258.57
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		0.79	0.52
(II) Diluted earnings per share (RMB/share)		0.79	0.52

Legal representative: Zhang Yan
Head of accounting department: Yang Yibo

Principal in charge of accounting: Zhao Shufen

(IV) Parent Company Income Statement

Unit: RMB

Item	Note	2022	2021
I. Operating Income	XII(IV)	297,471,590.73	233,885,594.95
Less: Operating costs	XII(IV)	241,418,055.32	192,450,682.81
Tax and surcharges		911,442.71	683,588.07
Selling expenses		1,060,913.15	1,554,481.12
Administrative expenses		5,857,929.30	5,397,387.03
R&D expenses		9,719,356.49	7,189,449.82

Financial expenses		2,035,916.14	1,065,934.85
Including: Interest expenses		1,323,656.59	1,068,641.69
Interest income		13,762.87	9,739.43
Add: Other revenue		3,257,986.30	1,131,849.67
Investment income (loss represented by “-”)	XII(V)	13,436.01	35,600.78
Including: Gains from investment in associates and joint ventures (loss represented by “-”)			
Gains on derecognition of financial assets at amortized cost (loss represented by “-”)			
Exchange gain (loss represented by “-”)			
Net exposure hedging income (loss represented by “-”)			
Gains on changes in fair value (loss represented by “-”)			
Credit impairment losses (loss represented by “-”)		-717,158.79	-1,317,050.40
Assets impairment losses (loss represented by “-”)			
Gains on disposals of assets (loss represented by “-”)		7,632.50	-223,377.90
II. Operating profit (loss represented by “-”)		39,029,873.64	25,171,093.40
Add: Non-operating income		71,690.70	36,084.60
Less: Non-operating expenses		163,701.26	56,165.87
III. Total profit (total loss represented by “-”)		38,937,863.08	25,151,012.13
Less: Income tax expense		4,855,964.38	3,050,908.24
IV. Net profit (net loss represented by “-”)		34,081,898.70	22,100,103.89
(I) Net profit from continuing operations (net loss represented by “-”)		34,081,898.70	22,100,103.89
(II) Net profit from discontinued operations (net loss represented by “-”)			
V. Other comprehensive income, net of tax			
(I) Other comprehensive income that may not be reclassified to profit or loss			
1. Changes arising from the re-measurement of defined benefit plan			
2. Other comprehensive income that may not be reclassified to profit or loss under the equity method			
3. Change in fair value of investments in other equity instruments			
4. Change in fair value of credit risk of corporate			
5. Others			
(II) Other comprehensive income that will be reclassified to profit or loss			
1. Other comprehensive income that may be reclassified to profit or loss under the equity method			
2. Changes in fair value of other debt investments			
3. Financial assets reclassified into other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedge reserve			
6. Exchange differences on translation of financial statements in foreign currency			
7. Others			
VI. Total comprehensive income		34,081,898.70	22,100,103.89
VII. Earnings per share:			

(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

(V) Consolidated Cash Flow Statement

Unit: RMB

Item	Note	2022	2021
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		298,471,813.40	234,060,283.71
Net increase in deposits from customer and interbank			
Net increase in borrowings from central bank			
Net increase in placements from other financial institutions			
Cash received from premiums under original insurance contracts			
Net cash received from reinsurance business			
Net increase in deposits and investments from policyholders			
Cash received from interest, fee and commission			
Net increase in placements			
Net increase in capital from repurchase business			
Net cash from brokerage for trading securities			
Refund of taxes and surcharges			
Cash received from other operation related activities	V(XLIII)	195,081.87	5,163,734.13
Sub-total of cash inflows from operating activities		298,666,895.27	239,224,017.84
Cash paid for purchase of goods and receipt of services		267,195,437.92	198,627,494.45
Net increase in loans and advances to customers			
Net increase in deposits with central bank and other banks			
Cash paid for compensation payments under original insurance contracts			
Net increase in financial assets held for trading			
Net increase in placements with banks			
Cash paid for interest, fee and commission			
Cash paid for policyholder dividends			
Cash paid to and on behalf of employees		20,721,032.63	19,452,265.24
Tax and charges paid		9,751,931.54	6,891,447.18
Cash paid for other operation related activities	V(XLIII)	9,540,215.43	5,962,612.97
Sub-total of cash outflows from operating activities		307,208,617.52	230,933,819.84
Net cash flows from operating activities	V(XLIV)	-8,541,722.25	8,290,198.00
II. Cash flows from investing activities:			
Cash received from disposal of investments		12,050,000.00	41,100,000.00

Cash received from investment income		13,436.01	36,595.79
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		129,600.00	16,910.00
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investment related activities			
Sub-total of cash inflows from investing activities		12,193,036.01	41,153,505.79
Cash paid for purchasing and constructing fixed assets, intangible assets and other long-term assets		14,345,384.89	22,177,287.39
Cash paid for investment		12,050,000.00	41,100,000.00
Net increase in pledged loans			
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investment related activities			
Sub-total of cash outflows from investing activities		26,395,384.89	63,277,287.39
Net cash flows from investing activities		-14,202,348.88	-22,123,781.60
III. Cash flows from financing activities:			
Cash received from capital contribution		1,600,000.00	
Including: Cash received from capital contributions by minority shareholders of subsidiaries		1,600,000.00	
Cash received from borrowings		52,949,200.00	25,848,153.47
Cash received from issuance of bonds			
Cash received from other financing related activities			
Sub-total of cash inflows from financing activities		54,549,200.00	25,848,153.47
Cash repayments of borrowings		20,417,919.04	17,764,400.00
Cash payments for distribution of dividends, profits or interest expenses		9,357,903.59	966,716.71
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries			
Cash paid for other financing related activities	V(XLIII)	1,140,800.00	1,057,200.00
Sub-total of cash outflows from financing activities		30,916,622.63	19,788,316.71
Net cash flows from financing activities		23,632,577.37	6,059,836.76
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase in cash and cash equivalents		888,506.24	-7,773,746.84
Add: Balance of cash and cash equivalents at the beginning of the period	V(XLIV)	14,371,554.73	22,145,301.57
VI. Balance of cash and cash equivalents at the end of the period	V(XLIV)	15,260,060.97	14,371,554.73

Legal representative: Zhang Yan
Head of accounting department: Yang Yibo

Principal in charge of accounting: Zhao Shufen

(VI) Cash Flows Statement of the Parent Company

Unit: RMB

Item	Note	2022	2021
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		287,244,172.59	229,428,262.37
Refund of taxes and surcharges			
Cash received from other operation related activities		189,973.31	5,045,824.03
Sub-total of cash inflows from operating activities		287,434,145.90	234,474,086.40
Cash paid for purchase of goods and receipt of services		252,651,866.21	194,601,084.52
Cash paid to and on behalf of employees		19,759,331.99	19,071,787.03
Tax and charges paid		9,703,039.22	6,889,352.48
Cash paid for other operation related activities		9,168,865.60	5,832,359.08
Sub-total of cash outflows from operating activities		291,283,103.02	226,394,583.11
Net cash flows from operating activities		-3,848,957.12	8,079,503.29
II. Cash flows from investing activities:			
Cash received from disposal of investments		12,050,000.00	40,700,000.00
Cash received from investment income		13,436.01	35,600.78
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		129,600.00	16,910.00
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investment related activities			
Sub-total of cash inflows from investing activities		12,193,036.01	40,752,510.78
Cash paid for purchasing and constructing fixed assets, intangible assets and other long-term assets		11,633,488.49	22,177,287.39
Cash paid for investment		15,550,000.00	40,700,000.00
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investment related activities			
Sub-total of cash outflows from investing activities		27,183,488.49	62,877,287.39
Net cash flows from investing activities		-14,990,452.48	-22,124,776.61
III. Cash flows from financing activities:			
Cash received from capital contribution			
Cash received from borrowings		52,949,200.00	25,848,153.47
Cash received from issuance of bonds			
Cash received from other financing related activities			
Sub-total of cash inflows from financing activities		52,949,200.00	25,848,153.47
Cash repayments of borrowings		20,417,919.04	17,764,400.00
Cash payments for distribution of dividends, profits or interest expenses		9,357,903.59	966,716.71
Cash paid for other financing related activities		1,140,800.00	1,057,200.00
Sub-total of cash outflows from financing activities		30,916,622.63	19,788,316.71
Net cash flows from financing activities		22,032,577.37	6,059,836.76
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase in cash and cash equivalents		3,193,167.77	-7,985,436.56
Add: Balance of cash and cash equivalents at the beginning of the period		11,660,195.51	19,645,632.07
VI. Balance of cash and cash equivalents at the end of the period		14,853,363.28	11,660,195.51

(VII) Consolidated Statement of Changes in Shareholders' Equity

Unit: RMB

Item	2022											Total owners' equity	
	Equity attributable to owners of the parent company												Minority interests
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits		
	Preferred shares	Perpetual bonds	Others										
I. Closing balance of last year	42,600,000.00				3,143,108.23				7,702,217.29		40,480,272.89	-258.57	93,925,339.84
Add: Change in accounting policies													
Correction of previous accounting errors													
Business combinations under common control													
Others													
II. Opening balance for the year	42,600,000.00				3,143,108.23				7,702,217.29		40,480,272.89	-258.57	93,925,339.84
III. Changes for the period (decrease represented by "+")									3,408,189.87		22,434,123.02	1,377,896.20	27,220,209.09
(I) Total comprehensive income											33,851,112.89	-222,103.80	33,629,009.09
(II) Contribution from owners and reduction of capital												1,600,000.00	1,600,000.00
1. Injection of ordinary shares from shareholders													
2. Capital contribution by other equity instrument holders												1,600,000.00	1,600,000.00

Item	2021											
	Equity attributable to owners of the parent company											
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Minority interests
IV. Closing balance for the year	42,600,000.00				3,143,108.23			11,110,407.16	5,459,863.32	62,914,395.91	1,377,637.63	121,145,548.93
I. Closing balance of last year	42,600,000.00				3,143,108.23				5,459,863.32		20,969,408.54	72,172,380.09
Add: Change in accounting policies									32,343.58		-355,779.43	-323,435.85
Correction of previous accounting errors												
Business combinations under common control												
Others												
II. Opening balance for the year	42,600,000.00				3,143,108.23				5,492,206.90		20,613,629.11	71,848,944.24
III. Changes for the period (decrease represented by "-")									2,210,010.39		19,866,643.78	22,076,395.60
(I) Total comprehensive income											22,076,654.17	22,076,395.60
(II) Contribution from owners and reduction of capital												
1. Injection of ordinary shares from shareholders												
2. Capital contribution by other equity instrument holders												

IV. Closing balance for the year	42,600,000.00			3,143,108.23		7,702,217.29	40,480,272.89	-258.57	93,925,339.84
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Legal representative: Zhang Yan

Principal in charge of accounting: Zhao Shufen

Head of accounting department: Yang Yibo

(VIII) Statement of Changes in Shareholders' Equity of the Parent Company

Unit: RMB

Item	2022										
	Share capital	Other equity instruments		Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Total owners' equity
		Preferred shares	Perpetual bonds	Others							
I. Closing balance of last year	42,600,000.00				3,143,108.23			7,702,217.29		38,454,788.09	91,900,113.61
Add: Change in accounting policies											
Correction of previous accounting errors											
Others											
II. Opening balance for the year	42,600,000.00				3,143,108.23			7,702,217.29		38,454,788.09	91,900,113.61
III. Changes for the period (decrease represented by "-")								3,408,189.87		22,664,908.83	26,073,098.70
(I) Total comprehensive income										34,081,898.70	34,081,898.70
(II) Contribution from owners and reduction of capital											
1. Injection of ordinary shares from shareholders											
2. Capital contribution by other equity instrument holders											

IV. Closing balance for the year	42,600,000.00			3,143,108.23					11,110,407.16	61,119,696.92	117,973,212.31
	2021										
Item	Share capital	Other equity instruments		Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Total owners' equity
		Preferred shares	Perpetual bonds	Others							
I. Closing balance of last year	42,600,000.00				3,143,108.23			5,459,863.32		18,920,474.02	70,123,445.57
Add: Change in accounting policies								32,343.58		-355,779.43	-323,435.85
Correction of previous accounting errors											
Others											
II. Opening balance for the year	42,600,000.00				3,143,108.23			5,492,206.90		18,564,694.59	69,800,009.72
III. Changes for the period (decrease represented by "+,-")								2,210,010.39		19,890,093.50	22,100,103.89
(I) Total comprehensive income										22,100,103.89	22,100,103.89
(II) Contribution from owners and reduction of capital											
1. Injection of ordinary shares from shareholders											
2. Capital contribution by other equity instrument holders											
3. Amount of share-based payments included in owner's equity											
4. Others											
(III) Profit distribution								2,210,010.39		-2,210,010.39	
1. Withdrawn from surplus reserve								2,210,010.39		-2,210,010.39	

III. NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements of An Jie Supply Chain Management Co., Ltd.

(Expressed in RMB in these notes, unless otherwise stated)

I. Basic Corporate Information

(I) Place of registration, type of organization and address of headquarter.

An Jie Supply Chain Management Co., Ltd. (the "Company") was established on 17 June 2016 after the completion of the financial restructuring of Jiangmen An Jie Logistics Co., Ltd. and has obtained the business licence from Jiangmen City Industrial and Commercial Administrative Bureau. The Company's Uniform Social Credit Code is 91440703760601562R.

Form of the corporate organisation: joint stock company.

Registered address: No.3 (No.01, self-define) Baoxing Road, Tangxia Town, Pengjiang District, Jiangmen City.

(II) The business nature of the Company and its main business activities.

The industry in which the Company operates: roads and transportation businesses.

Scope of business of the Company: dangerous cargo transport, general cargo transport (operating with valid "road transport operation licences"); warehouse management, transit, division or merge of cargo in container, warehousing and delivery, uploading and unloading of cargo; domestic airline sales agency; sales of motorcycle components; development and sales of software. (The items that requires approval by law can only be dealt in after being approved by the relevant departments.)

(III) Approver of the financial report and the date of approval.

The financial statements were approved by the Board of Directors of the Company on 27 April 2023.

(IV) The scope of consolidation of the Company's financial statements for the year

As of 31 December 2022, the scope of consolidation of the Company's financial statements covers An Jie Supply Chain Management Co., Ltd., Jiangmen Jiasijie Coating Engineering Co., Ltd. (江门嘉思捷涂装工程有限公司), Jiangmen Ruiyuan Supply Chain Management Co., Ltd. (江门市锐源供应链管理有限公司), Sichuan Dingjie Supply Chain Management Co., Ltd. (四川鼎捷供应链管理有限公司), Guangdong Anyang Supply Chain Management Co., Ltd. (广东安扬供应链管理有限公司) and Guangdong Jieyun Environmental Service Co., Ltd. (广东捷运环境服务有限公司). For changes in the scope of consolidation during the reporting period and the Company's interests in other entities, please refer to Notes "VI. Change in Scope of Consolidation" and "VII. Interest in Other Entities", respectively.

II. Basis of Preparation of Financial Statements

(I) Basis of Preparation: The Company prepares its financial statements on a going concern basis, based on actual transactions and events, in accordance with the Accounting Standards for Business Enterprises - Basic Standards and specific accounting standards issued by the Ministry of Finance (collectively the "ASBEs"), and on the basis of the significant accounting policies and accounting estimates described below.

(II) Going Concern: The Company has had the ability to continue as a going concern for 12 months from the end of the reporting period.

III. Significant Accounting Policies and Estimates

(I) Statement of compliance with corporate accounting standards

The financial statements prepared by the Company conform to the requirements of the Accounting Standards for Business Enterprises and reflect truthfully and completely the Company's financial position as at 31 December 2022, and operating results and cash flows in 2022, as well as other relevant information.

(II) Accounting period

The accounting year of the Company is the calendar year, i.e. from 1 January to 31 December.

(III) Operating cycle

The Company takes one year or 12 months as its normal operating cycle that serves as the division standard for the liquidity of assets and liabilities.

(IV) Reporting currency

The Company uses Renminbi as its reporting currency.

(V) Business combinations

1. Business combination under common control

For long-term equity investments resulting from a business combination under common control where the acquirer pays cash, transfers non-cash assets or assumes debts as consideration for the combination, the Company's share of the carrying value of the acquiree's equity in the consolidated financial statements of the ultimate controlling party acquired at the date of the combination is used as the initial investment cost of the long-term equity investment. In case the acquirer pays the consideration for the combination by issuing equity instruments, the aggregate nominal value of shares issued will be recognised as share capital. The difference between the initial investment cost of long-term equity investments and the carrying amount of combination consideration (or aggregate nominal value of shares issued) shall be adjusted under capital reserve; or against the retained earnings of the Company in case of insufficient capital reserve.

2. Business combination not under common control

For a business combination not under common control, the combination cost is the aggregate fair value of assets paid, liabilities incurred or assumed and equity securities issued by the acquirer in exchange for the control of the acquiree on the acquisition date. Identifiable assets, liabilities and contingent liabilities of the acquiree acquired in a business combination not under common control that meet the criteria for recognition are measured at fair value at the date of acquisition. Where the cost of combination is greater than the acquirer's interest in the fair value of the acquiree's identifiable net assets acquired in the combination, the difference shall be recognised as goodwill. Where the cost of combination is less than acquirer's interest in the fair value of the acquiree's identifiable net assets acquired in the combination, the difference shall be recognised in the non-operating income for the current period if confirmed after review.

(VI) Preparation of consolidated financial statements

1. Scope of consolidated financial statements

The Company incorporated all of its subsidiaries (including the separate entities controlled by the Company) into the scope of consolidated financial statements, including enterprises under control of the Company, separable parts in the investees and structured entities.

2. Harmonisation of accounting policies, balance sheet date and accounting period between parent company and its subsidiaries

In preparing consolidated financial statements, if the accounting policies or accounting periods adopted by a subsidiary are different from those of the Company, the necessary adjustments are made to the financial statements of the subsidiary in accordance with the Company's accounting policies and accounting periods.

3. Offset matters in the consolidated financial statements

The consolidated financial statements shall be prepared on the basis of the financial statements of the Company and subsidiaries, which offset the internal transactions incurred between the Company and subsidiaries and between subsidiaries. The portion of a subsidiary's equity that is not attributable to the Company is treated as minority interests and presented as "minority interest" in the consolidated balance sheet under shareholders' equity. Long-term equity investments in the Company held by the subsidiaries are treated as treasury stock of the Company and presented in "Less: Treasury shares" as a deduction from shareholders' equity in the consolidated balance sheet under shareholders' equity.

4. Accounting treatment of subsidiaries acquired from business combination

For a subsidiary acquired in a business combination under common control, the assets, liabilities, operating results and cash flows of the subsidiary are included in the consolidated financial statements starting from the beginning of the period of the combination, as if the business combination had occurred from the time the ultimate controlling party assumed effective control; For subsidiaries acquired through business combination not under common control, in preparing the consolidated financial statements, their individual financial statements are adjusted based on the fair value of identifiable net assets as at the acquisition date.

5. Accounting treatment of disposal of subsidiaries

As for the difference between the disposal price received from the partial disposal of the long-term equity investment in a subsidiary without loss of control and shares of the subsidiary's net assets (which is calculated on an ongoing basis from the acquisition date or the combination date) corresponding to the disposal of the long-term equity investment, it shall be adjusted against the capital reserves (capital premium or equity premium) in the consolidated financial statements, and adjusted against retained earnings if the capital reserves is insufficient.

Where control over an investee is lost due to partial disposal of the equity investment or any other reasons, the remaining equity shall be remeasured at fair value on the date in which control is lost when preparing consolidated financial statements. The difference between the sum of the consideration received from disposal of equity interest and the fair value of the remaining equity interest, and the net assets of the former subsidiary attributable to the Company calculated on a continuous basis since the acquisition date or the combination date, is recognised as the investment income for the period when the control is lost and offset against goodwill. Other comprehensive income related to equity investments in former subsidiaries, among others, is transferred to investment income for the period when the control is lost.

(VII) Recognition criteria for cash and cash equivalents

Cash determined in the preparation of statements of cash flows by the Company represents the cash on hand and deposits readily available for payment of the Company. Cash equivalents determined in the preparation of statements of cash flows refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(VIII) Financial instruments

1. Classification and reclassification of financial instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

(1) Financial assets

The Company classifies a financial asset as a financial asset measured at amortised cost if it also meets the following criteria: ① The Company's business model for managing this financial asset is to collect contractual cash flows; ② The contractual terms of the financial asset provide that the cash flow arising on a particular date is solely the repayment of the principal and the payment of interest on the outstanding principal.

The Company classifies financial assets as financial assets measured at fair value through other comprehensive income if they also meet the following criteria: ① The Company's business model for managing this financial assets is to both receive its contractual cash flows and sell this financial asset; ② The contractual terms of the financial asset provide that the cash flow arising on a particular date is solely the repayment of the principal and the payment of interest on the outstanding principal.

For investments in non-trading equity instruments, the Company may irrevocably designate them as financial assets at fair value through other comprehensive income on initial recognition. Such designation is made on individual basis and underlying investment meets the definition of an equity instrument from the issuer's perspective.

Financial assets other than those classified as financial assets at amortised cost and those at fair value through other comprehensive income are classified by the Company as financial assets at fair value through profit or loss. On initial recognition, the Company may irrevocably designate a financial asset as at fair value through profit or loss if it can eliminate or reduce accounting mismatches.

When the Company changes its business model for managing financial assets, it reclassifies all affected underlying financial assets at the first day of the first reporting period following the change in business model and applies the related accounting treatment from the date of reclassification on a prospective basis without retrospective adjustment to previously recognised gains, losses (including impairment losses or gains) or interest.

(2) Financial liabilities

Financial liabilities are classified on initial recognition as: Financial liabilities at fair value through profit or loss; Financial liabilities arising when the transfer of financial assets do not qualify for derecognition or involve financial liabilities transferred; Financial liabilities at amortised cost. All financial liabilities are not reclassified.

2. Measurement of financial instruments

The Company measures its financial instruments at fair value on initial recognition. For financial assets and financial liabilities at fair value through profit or loss, related transaction costs are charged directly to profit or loss for the period. For other types of financial assets or financial liabilities, related transaction costs are included in initially recognised amounts. Accounts receivable or notes receivable arising from sales of goods or rendering services, without significant financing component, are initially recognised based on the transaction price expected to be entitled by the Company. Subsequent measurement of financial instruments depends on their classifications.

(1) Financial assets

① Financial assets at amortised cost. Subsequent to initial recognition, such financial assets are measured at amortised cost using the effective interest method. Gains or losses arising from financial assets at amortised cost that are not the subject of any hedging relationship are recognised in profit or loss for the period when derecognised, reclassified, amortised under the effective interest method or impaired.

② Financial assets at fair value through profit or loss. Subsequent to initial recognition, financial assets in this category (except for the portion of financial assets that is part of a hedging relationship) are subsequently measured at fair value, with the resulting gain or loss (including interest and dividend income) recognised in profit or loss for the period.

③ Debt instrument investment at fair value through other comprehensive income. Subsequent to initial recognition, such financial assets are subsequently measured at fair value. Interest, impairment loss or gain and exchange gain and loss calculated using the effective interest method are recognised in profit or loss for the period when they incur, and other gains or losses are all recognised in other comprehensive income. When derecognised, the accumulated gains or losses previously recognised in other comprehensive income are transferred out from other comprehensive income and recognised in profit or loss for the period when they incur.

(2) Financial liabilities

① Financial liabilities at fair value through profit or loss. Such financial liabilities comprise financial liabilities held for trading (including derivatives that are financial liabilities) and financial liabilities designated as at fair value through profit or loss. Subsequent to initial recognition, such financial liabilities are subsequently measured at fair value and gains or losses (including interest expense) arising from changes in the fair value of financial liabilities held for trading are recognised in profit or loss for the period, except when they relate to hedge accounting. Where a financial liability is designated as at fair value through profit or loss, the amount of change in the fair value of that financial liability arising from changes in the Company's own credit risk is recognised in other comprehensive income and other changes in fair value are recognised in profit or loss for the period. If the effect of changes in the financial liability's own credit risk included in other comprehensive income would create or enlarge an accounting mismatch in profit or loss, the Company includes all gains or losses on the financial liability in profit or loss for the period.

② Financial liabilities at amortised cost. Subsequent to initial recognition, such financial liabilities are measured at amortised cost using the effective interest method.

3. How the Company determines the fair value of financial instruments

Where there is an active market for a financial instrument, the Company uses quoted prices in the active market to determine its fair value; Valuation techniques are adopted to determine the fair value of a financial instrument for which there is no active market. Valuation techniques mainly include market method, income method and cost method. In limited cases, if the short-term information used to determine fair value is insufficient, or if the possible estimated amount of fair value is widely distributed, and the cost represents the best estimate of fair value in the range, the cost can represent its proper estimate of fair value in the range of distribution. The Company uses all information available after initial recognition regarding the investee's results and operations to determine whether the cost is representative of fair value.

4. Basis for recognition and method for measurement of transfers of financial asset and financial liabilities

(1) Financial assets

The Company derecognises a financial asset when one of the following conditions is met: ① the contractual right to receive cash flows from the financial asset is terminated; ② the financial asset has been transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial asset; ③ the financial asset has been transferred, where the Company has neither transferred nor retained substantially all the reward on the ownership of the financial asset, but doesn't retain the control over the financial asset.

Where the Company neither transfers nor retains substantially all the rewards on ownership of a financial asset and retains control over the financial asset, it recognises the financial asset to the extent of its continuing involvement in the transferred financial asset, and recognises the liability accordingly.

Where a transfer of a financial asset in its entirety satisfies the derecognition criteria, the Company recognises the difference between the following two amounts in profit or loss for the period: ① the carrying amount of the transferred financial assets on the date of derecognition; ② the sum of the consideration received for the transfer of the financial asset and the amount corresponding to the derecognised portion of the cumulative amount of changes in fair value that would otherwise be included directly in other comprehensive income (financial assets involved in the transfer are classified as financial asset at fair value through other comprehensive income).

When the partial transfer of a financial asset satisfies the derecognition criteria, the overall carrying amount of the financial asset transferred is allocated between the derecognised portion and not derecognised portion by their respective fair values on the date of transfer first, and the difference between the two amounts below is then recognised in profit or loss for the period: ① the carrying amount of the derecognised portion at the date of derecognition; ② the sum of the consideration received for the derecognised part and the amount corresponding to the derecognised portion of the cumulative amount of changes in fair value that would otherwise be included in other comprehensive income (financial assets involved in the transfer are classified as financial asset at fair value through other comprehensive income).

(2) Financial liabilities

If the current obligation of the financial liability has been discharged in whole or in part, the Company shall derecognise the financial liability (or its corresponding part).

If a financial liability (or part thereof) is derecognised, the Company records the difference between its carrying amount and the consideration paid (including non-cash assets transferred or liabilities assumed) in profit or loss for the period.

(IX) Method for determination of expected credit losses and accounting treatment

1. Method for determination of expected credit losses

The Company accounts for financial assets (including receivables) measured at amortised cost, financial assets (including receivables financing) classified as at fair value through other comprehensive income, and lease receivables, on the basis of expected credit losses, and recognises a provision for impairment.

The Company assesses on each balance sheet date whether there has been a significant increase in the credit risk of the underlying financial instruments since initial recognition, dividing the process of credit impairment of financial instruments into three stages, with different accounting treatment for different stages of impairment of financial instruments: (1) In the first stage, if the credit risk of a financial instrument has not increased significantly since initial recognition, the Company measures the provision for losses based on the expected credit loss of the financial instrument over the next 12 months and calculates interest income based on its carrying amount (i.e. before provision for impairment being made) and the effective interest rate; (2) In the second stage, if the credit risk of a financial instrument has increased significantly since initial recognition but no credit impairment has occurred, the Company measures the provision for losses based on the expected credit loss over the entire life of the financial instrument and calculates interest income based on its carrying amount and the effective interest rate; (3) In the third stage, if a credit impairment occurs after initial recognition, the Company measures the provision for loss based on the expected credit loss over the entire life of the financial instrument and calculates interest income based on its amortised cost (carrying amount less provision for impairment) and the effective interest rate.

(1) Method for measuring loss provision of financial instruments with lower credit risk

For financial instruments with lower credit risk at the balance sheet date, the Company can directly make the assumption that the credit risk of the instrument has not increased significantly since initial recognition without comparing with the credit risk at the time of initial recognition.

A financial instrument is considered to have low credit risk if the risk of default is low, the debtor's ability to meet its contractual cash flow obligations in the short term is strong and, even if there are adverse changes in economic conditions and operating environment in the longer term, this may not necessarily reduce the debtor's ability to meet its contractual cash flow obligations.

(2) Method of measuring loss provision for accounts receivable

① For trade receivables (whether or not containing significant financing components) resulting from transactions subject to ASBE 14 - Revenue, the Company applies a simplified approach whereby the provision for losses is always measured on the basis of expected credit losses over the entire life of the receivable.

Based on the nature of financial instruments, the Company assesses whether the credit risk has increased significantly on the basis of a single financial asset or a group of financial assets. The Company divides trade receivables into certain portfolios based on credit risk characteristic while measuring expected credit loss based on portfolio. The basis to determine the portfolio is as follows:

Trade receivables Group 1: trade receivables other than in Group 2

Trade receivables Group 2: related party-based grouping in the scope of the consolidation

For the trade receivables classified as a group, the Company refers to the historical credit loss experience, combined with the current situation and forecast of the future economic conditions, to prepare a comparison table of the ageing of trade receivables and the lifetime expected credit loss rate to calculate the expected credit loss.

(A) Groups are determined based on the following basis:

Item	Basis for determining the groups
Group 1: trade receivables other than in Group 2	In addition to the trade receivables that are individually assessed for impairment, provision for bad debts shall be made by the Company to various receivables on the percentage determined based on the actual loss of identical or similar trade receivables for previous years with similar credit risk characteristics as well as their current situation.
Group 2: related party-based grouping in the scope of the consolidation	Receivables from related party in the scope of the consolidation

(B) Method for making bad debt provision for different groups:

Item	Method for making provision
Group 1: trade receivables other than in Group 2	Ageing analysis
Group 2: related party-based grouping in the scope of the consolidation	No bad debt provision provided

(C) Within the group, for the trade receivables classified as Group 1, the Company refers to the historical credit loss experience, combined with the current condition and forecast of the future economic condition to calculate the expected credit loss according to the account receivable age and expected credit loss rate through full lifetime in reference:

Ageing	Provision ratio for accounts receivable (%)
Within 1 year (inclusive, the same below)	3.00
1 to 2 years	10.00
2 to 3 years	20.00
3 to 4 years	30.00
4 to 5 years	50.00
More than 5 years	100.00

(3) Method of measuring loss provision for other financial assets

For financial assets other than those mentioned above, such as: debt investments, other debt investments, other receivables, and long-term receivables other than lease receivables among others, the Company measures their provision for losses in accordance with the general method, i.e. the "three-stage" model.

The Company divides other receivable into certain portfolios based on their nature while measuring expected credit loss based on portfolio. For the grouping basis and measurement of impairment loss of other receivables, it is treated in accordance with the measurement method of impairment loss of the aforementioned accounts receivable.

2. Accounting method for expected credit loss

To reflect changes in the credit risk of a financial instrument since initial recognition, the Company re-measures the expected credit losses on each balance sheet date. The resulting increase or reversal in the provision for losses is recognised as an impairment loss or gain in profit or loss for the period and is offset against the carrying amount of the financial asset as shown in the balance sheet, or included in the expected liabilities (loan commitments or financial guarantee contracts) or in other comprehensive income (debt investments at fair value through other comprehensive income), depending on the type of financial instrument.

(X) Inventories

1. Classification of inventories

Inventories means, among others, finished goods or merchandise held for sale in the ordinary course of business, work in process in the process of production, materials or supplies used in the process of production or rendering of services. These include, among others, reusable material and low value consumables.

2. Accounting method for dispatching inventories

When inventories are dispatched, the weighted-average method is used to determine the actual cost of the dispatch.

3. Method of provision for decline in value of inventories

On the balance sheet date, inventories are measured at the lower of cost and net realizable value. The provision for decline in value of inventories is made on an item-by-item basis. The provision for decline in the value of inventories with large quantity and of low unit cost is made according to their inventory category.

4. Inventory system

The Company adopts a perpetual inventory system.

5. Amortisation of low value consumables and packaging materials

Low-value consumables and packaging materials are amortised using one-off method.

(XI) Contractual assets and contractual liabilities

1. Contractual Assets

The Company presents as contractual assets rights to receive consideration for goods or services that have been transferred to customers (and that are dependent on factors other than the passage of time). Provision for impairment of contractual assets is made based on the expected credit loss method for financial instruments. For contractual assets that do not contain or have a significant financing component, the Company uses the simplified method to measure the provision for losses. For contractual assets that contain a significant financing component, the Company measures the provision for losses using the general method.

An impairment loss on a contractual asset is debited to "Impairment loss on assets" and is credited to "provision for impairment of contractual assets" according to the amount written down. Reverse entries are made upon reversing a provision for impairment of an asset that has been made.

2. Contractual liabilities

The Company presents obligations to transfer goods or provide services to customers for consideration received or receivable as contractual liabilities.

A contract asset and a contract liability under the same contract are presented on a net basis.

(XII) Long-term equity investments

1. Determination of initial investment cost

For long-term equity investment acquired through business combination, if under common control, the initial investment cost of the long-term equity investment represents the proportion of the carrying value of the acquiree's equity in the consolidated financial statements of the ultimate controlling party on the date of acquisition; if not under common control, the initial investment cost of long-term equity investment represents the combination cost determined on the date of acquisition; For long-term equity investments acquired by payment in cash, the initial investment cost represents the purchase price actually paid; For long-term equity investments acquired through the issue of equity securities, the initial investment cost represents the fair value of the equity securities issued; For the long-term equity investment acquired through debt restructuring, the initial investment cost of the long-term equity investment is determined in accordance with the relevant provisions of ASBE No. 12 - Debt Restructuring; For long-term equity investments acquired in exchange for non-monetary assets, the initial investment cost is determined in accordance with the relevant provisions of ASBE No. 7 - Non-monetary Asset Exchanges.

2. Subsequent measurement and recognition of profit or loss

Where the Company has control over an investee, the long-term equity investment in such investee is measured using the cost method. Long-term equity investments in associates and joint ventures shall be measured using the equity method. If a portion of the Company's equity investment in an associate is held indirectly through a venture capital entity, mutual fund, trust company or similar entity (including an investment-linked insurance fund), the Company shall, regardless of whether the above entities have significant influence over this portion of the investment, treat them in accordance with the relevant provisions of ASBE 22 - Recognition and Measurement of Financial Instruments, with the remainder accounted for using the equity method.

3. Basis for determination of common control and significant influence over an investee

Common control over an investee means that decisions on activities that materially affect the return on an arrangement must be made with the unanimous consent of the participants sharing control, including the sale and purchase of goods or services, the management of financial assets, the purchase and disposal of assets, research and development activities and financing activities; significant influence over an investee refers to the following circumstances: when holding more than 20% but less than 50% of the capital with voting rights in the investee; or even if below 20%, there is still significant influence if any of the following conditions is met: be represented the board of directors or similar governing body of the investee; participate in the policy development process of the investee; assign management personnel to the investee; the investee relies on the technology or technical information of the investor; there are major transactions with the investee.

(XIII) Fixed assets

1. Criteria for recognition of fixed assets

Fixed assets are tangible assets held for producing goods, rendering of services, leasing out to other parties or administrative purposes, with useful life more than one accounting year. Fixed assets are recognised when the following criteria are all met: it is likely that the economic benefits associated with the fixed asset will flow to the Company; the cost of the fixed asset can be measured reliably.

2. Classification and depreciation of fixed assets

The Company's fixed assets are mainly classified as: buildings and structures, electronic equipment, transportation equipment and furniture among others; the fixed assets are depreciated using the straight-line method. The useful life and estimated net residual value of a fixed asset are determined according to the nature and use pattern of the fixed asset. At the end of each year, the useful life, estimated net residual value and the method of depreciation of the fixed asset will be reviewed, and shall be adjusted accordingly if they differ from previous estimates. The Company makes provision for depreciation for all of its fixed assets other than fully depreciated fixed assets that are still in use and lands accounted for on an individual basis.

Categories of Assets	Estimated useful life (years)	Estimated net residual value rate (%)	Annual depreciation rate (%)
Buildings and structures	4 0	5.00	2.375
Electronic equipment	2 - 5	5.00	19.00—47.50
Means of transportation	5-10	5.00	9.50—19.00
Furniture and others	5	5.00	19.00

(XIV) Construction in progress

There are two types of construction in progress for the Company: self-construction and sub-contracting construction. Construction in progress is transferred to fixed assets when the project is completed and ready for its intended use. A fixed asset is ready for intended use if any of the following criteria is met: the construction (including installation) work of the fixed assets has been completed or substantially completed; the fixed asset has been put into trial production or trial operation and it is evidenced that the asset can operate ordinarily or produce steadily qualified products; or the result of trial operation proves that it can run or operate normally; little or no expenditure will be incurred for construction of the fixed asset; or the fixed asset constructed has achieved or almost achieved, or is complied with the requirement of design or contract.

(XV) Intangible assets

1. Measurement method of intangible assets

Intangible assets of the Company are initially measured at cost. The actual cost of a purchased intangible asset includes the considerations and relevant expenses paid. The actual cost of an intangible asset contributed by investors is the price contained in the investment contract or agreement. If the price contained in the investment contract or agreement is not a fair value, the fair value of the intangible asset is regarded as the actual cost. The cost of a self-developed intangible asset is the total expenditures incurred in bringing the asset to its intended use.

Subsequent measurement of the Company's intangible assets: intangible assets with finite useful lives are amortised on a straight-line basis over the useful lives of the intangible assets; at the end of each year, the useful lives and amortization policy are reviewed, and adjusted accordingly if there are variance with original estimates; intangible assets with indefinite useful lives are not amortised and the useful lives are reviewed at the end of each year. If there is objective evidence that the useful life of an intangible asset is finite, the intangible asset is amortised using the straight line method according to the estimated useful life.

The amortisation methods for the intangible assets with finite useful life are as follows:

Type of assets	Useful life (year)	Method of amortisation
Land use rights	50	Straight-line method
Software	3-10	Straight-line method

2. Determination basis of infinite useful life

An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Company or it has no definite useful life. The judgment basis of intangible assets with indefinite useful life: derived from the contractual rights or other legal rights but the contract or the law does not specify certain useful life; in light of the conditions of the competitors and the opinions of relevant experts, the specific period that intangible asset generating economic benefits to the Company still cannot be determined.

At the end of each year, the useful life shall be reviewed for those intangible assets with indefinite useful life by mainly using the bottom-up method. The relevant department that uses intangible asset will perform the basic review and evaluate whether there are changes in the basis for judgments of the indefinite useful life, etc.

(XVI) Impairment of long-term assets

Long-term assets such as long-term equity investments, investment properties measured under the cost model, fixed assets, construction in progress, productive biological assets measured under the cost model, oil and gas assets and intangible assets are tested for impairment if there is any indication that such assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on an individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill separately presented on the financial statements is tested for impairment at least every year, irrespective of whether there is any indication that the asset may be impaired. For the purpose of impairment testing, the carrying amount of goodwill is allocated to asset groups or sets of asset groups expected to benefit from the synergy of business combination. The testing result shows that, where the recoverable amount of the asset group or the set of asset groups allocated with goodwill is lower than the carrying amount, impairment loss is recognised accordingly. The amount of impairment loss is first reduced against the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then reduced against the carrying amounts of other assets (other than the goodwill) within the asset group or set of asset groups on pro rata basis.

Once the impairment loss of such assets is recognised, the reversible part will not be reversed in subsequent periods.

(XVII) Long-term deferred expenses

Long-term deferred expenses of the Company are expenses which have been paid but the benefit period is over one year (not including one year). Long-term deferred expenses are amortised over the benefit period. If a long-term deferred expenses cannot bring benefit in future accounting periods, its residue value not yet amortised shall be transferred in full to current profit or loss.

Item	Useful life (year)
Storage fence fee	3-5
E-commerce technical services	As agreed in the contract

(XVIII) Employee remuneration

Employee remuneration are all forms of rewards or compensation provided by the Company in exchange for services rendered by employees or for the termination of employment. Employee remuneration mainly include short-term benefits, post-employment benefits, termination benefits and other long-term employee benefits.

1. Short-term benefits

In the accounting period in which employees provide service for the Company, short-term benefits actually incurred are recognised as liabilities and charged to current profit or loss, or if otherwise required or permitted by ASBEs to costs of assets. At the time of actual occurrence, the Company's employee benefits are recorded in the current profit or loss or costs of relevant assets as incurred. The non-monetary employee welfare expenses are measured at fair value. With regard to the medical insurance, work-related injury insurance, maternity insurance and other social insurance and housing provident fund contributed and labour union expenses and employee education expenses paid as required by regulations, the Company should calculate and recognise the corresponding employees benefits payables according to the appropriation basis and proportion as stipulated by relevant requirements, recognise the corresponding liabilities in the accounting period in which employees provide service, and record the same in current profit or loss or costs of relevant assets.

2. Post-employment benefits

During the accounting period in which an employee provides service, the amount payable calculated under defined contribution scheme shall be recognised as a liability and recorded in current profit or loss or in costs of related assets. In respect of the defined benefit scheme, the Company shall attribute the welfare obligations under the defined benefit scheme in accordance with the estimated accrued benefit method to the service period of relevant employee, and record the obligation in current profit loss or costs of relevant assets.

3. Termination benefits

Termination benefits provided to employees by the Company are included as an employee remuneration liability arising from termination benefits, with a corresponding charge to current profit or loss at the earlier of the following dates: when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; when the Company recognises cost or expenses related to a restructuring that involves the payment of termination benefits.

4. Other long-term employee benefits

When other long-term employee benefits provided to the employees by the Company satisfied the conditions of defined contribution plans, those benefits shall be accounted for in accordance with the requirements relating to defined contribution plans. In addition, the Company recognises and measures the net liabilities or net assets of other long-term employee benefits according to relevant requirements of the defined benefit scheme.

(XIX) Revenue

The Company recognises revenue based on the transaction price allocated to such performance obligation when a performance obligation in the contract is satisfied, i.e. when customer obtained the right to control the relevant goods. Obtaining the right to control the relevant goods means that it is able to dominate the use of the goods and derive almost all economic benefits therefrom. A performance obligation represents the contractual commitment that a distinct good shall be transferred by the Company to the customer. Transaction price refers to the consideration that the Company is expected to receive due to the transfer of goods to customer, but it does not include payments received on behalf of third parties and amounts that the Company expects to return to the customer.

Whether the performance obligation is to be fulfilled within a specified period of time or at a particular point of time depends on the terms of the contract and the relevant legal provisions. If the performance obligation is performed within a specified period of time, the Company recognizes revenue in accordance with the progress of performance. Otherwise, the Company recognizes revenue at a particular point of time when the client obtains control of the underlying assets.

The Company's revenue recognition methodology

The Company's service revenue is mainly for the transportation and warehousing of goods. Revenue recognition principle for the transportation of goods: revenue is recognized for the provision of transportation services confirmed by the reconciliation of the parties after the contract of transportation has been entered into, the goods have been delivered to the consignee, and the transportation task has been completed. Revenue recognition principle for warehousing services: revenue is recognized for the provision of warehousing services confirmed by the reconciliation of the parties after the contract of warehousing services has been entered into and the provision of warehousing services has been completed.

(XX) Contract costs

Contract cost of the Company includes the incremental costs of obtaining a contract and the cost to fulfill a contract. Incremental costs of obtaining a contract (“costs of obtaining a contract”) represents costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Group recognises the incremental costs of obtaining a contract with a customer as an asset if it expects to recover those costs.

If the costs to fulfill a contract with a customer are not within the scope of inventories or other accounting standards, the Group recognises an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria:

1. the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract;
2. the costs enhance resources of the Group that will be used in satisfying performance obligations in the future;
3. the costs are expected to be recovered.

The costs to fulfill a contract that Company will recognize as assets are included in the “inventory” item on the balance sheet if the amortisation period does not exceed one year or a normal business cycle at the initial recognition; and shall be included in “other non-current assets” item in the balance sheet if the amortization period is over one year or the normal business cycle at the initial recognition.

The costs to obtain a contract that Company will recognize as assets are included in the “other current assets” item on the balance sheet if the amortisation period does not exceed one year or a normal business cycle at the initial recognition; and shall be included in “other non-current assets” item in the balance sheet if the amortization period is over one year or the normal business cycle at the initial recognition.

Assets recognised for the incremental costs of obtaining a contract and assets recognised for the costs to fulfill a contract (the “assets related to contract costs”) are amortised on the same basis as the revenue recognition of the goods related to the assets and are included in the current profit and loss. The Company recognises the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

The Company recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

1. remaining amount of consideration the Company expects to receive in exchange for the goods or services to which the asset relates; less
2. the costs to be incurred that relate to providing those goods or services expenses.

If the depreciation factors in the previous period change subsequently, and the difference between the aforementioned two items is higher than the book value of the asset, the original provision for impairment of the asset should be reversed and included in the current profit and loss, provided that the book value of the asset after the reversal shall not exceed the book value of the asset on the date of reversal under the assumption that no impairment provision is made.

(XXI) Government grants

1. Types of government grants and accounting treatment

Government grants are monetary assets or non-monetary assets (excluding the capital invested by the government as the owner) obtained by the Company from the government for free. A government grant in monetary asset shall be recognised at the amount received or to be received. A government grant in non-monetary asset shall be recognised at its fair value; if the fair value is not reliably measured, the grant is measured at nominal amount.

The government grants related to business activities are recognised as other income in the light of the nature of such business. The government grants non-related to business activities are recognised as non-operating income or expense.

The government grants which are clearly defined in the government documents to be used for acquisition, construction or other project that forms a long-term asset are recognised as asset-related government grants. Regarding the government grant not clearly defined in the official documents, the government grants related to assets are recognised as deferred income, the amount of which shall be recorded in the current profit or loss in installments with a reasonable and systematic method over the useful lives of relevant assets.

The government grants other than those related to assets are recognised as government grants related to income. The income-related government grants used to compensate relevant expenses or losses to be incurred by the enterprise in subsequent periods are recognised as deferred income and recorded in profit and loss for the current period when such expenses are recognised while those used to compensate relevant expenses or losses that have been incurred by the enterprise are recorded directly in profit or loss for the current period.

The Company has obtained policy-related loan interest discounts. Where the finance function allocates the interest discount funds to the lending bank, and the lending bank offers loans for the Company at a policy-related interest rate, the actual borrowing amount received is recognised as the value of borrowing and the relevant borrowing expenses are measured in accordance with the principal amount of the borrowing and such policy-related interest rate discount; Where the finance directly allocates the interest discount funds to the Company, the corresponding loan interest will be used to offset the relevant borrowing expenses.

2. Timing for recognition of governmental grants

A government grants shall be recognised when the enterprise fulfills the conditions attaching to the grant and the enterprise can receive the grant. The governmental grants measured at the amount receivable will be recognised when there is unambiguous evidence suggesting the conformance to related conditions as provided in financial support policies and financial support fund is expected to be received. Other government grants other than those measured at the amount receivable will be recognised at the actual time of receiving such grants.

(XXII) Deferred tax assets and deferred tax liabilities

1. Deferred income tax assets or deferred income tax liabilities are calculated and recognised based on the difference between the carrying amount and tax base of assets and liabilities (for items not recognised as assets and liabilities but with their tax base being able to be determined according to tax laws, tax base is recognised as the difference) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

2. A deferred income tax asset is recognised to the extent of the amount of the taxable income, which it is most likely to obtain to deduct from the deductible temporary difference. At the balance sheet date, if there is any exact evidence that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized, the deferred tax assets unrecognised in prior periods are recognised. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized.

3. As for taxable temporary difference related to the investments of subsidiaries and associated enterprises, the deferred income tax liabilities shall be recognised unless the Company can control the time for the reversal of temporary differences and such differences are very unlikely to be reversed in the foreseeable future. As for the deductible temporary difference related to investments of subsidiaries and associated enterprises, the deferred income tax assets shall be recognised when such temporary differences are much likely to be reversed in the foreseeable future and the taxable profit are available against which the deductible temporary difference can be utilized.

(XXIII) Lease

1. The Company recognises the right-of-use assets and lease liabilities for leases other than short-term leases and low value asset leases, and separately recognises the depreciation expense and interest expense over the lease term.

The Company adopts the straight-line method for each period of the lease term, and the lease payments for short-term leases and low-value assets leases are included in the current expenses.

(1) Right-of-use assets

The right-of-use asset is defined as the right of underlying assets in the lease term for lessee. At the commencement date, the right-of-use is initially measured at cost. The cost of the right-of-use assets shall comprise: ① the amount of the initial measurement of the lease liability; ② any lease payments made at or before the commencement date, less any lease incentives received; ③ any initial direct costs incurred by the lessee; and ④ an estimate of costs to be incurred by the lessee in dismantling and removing the leased asset, restoring the site on which it is located or restoring the leased asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated by categories using the straight-line method. If there is reasonable certainty that the Group will obtain ownership of a leased asset at the end of the lease term, depreciation are provided by reference to categories of right-of-use assets and estimated residual value rates over the estimated remaining useful life of leased asset; if there is no reasonable certainty that the Group will obtain ownership of a leased asset at the end of the lease term, depreciation are provided by reference to categories of right-of-use assets over the shorter of the lease term and the estimated remaining useful life.

The Company recognizes whether the right-of-use assets are impaired or not and accounts for impairment under relevant regulations of the “Accounting Standard for Business Enterprises No. 8 – Impairment of Asset”.

(2) Lease liabilities

The lease liability is measured at the present value of lease payments that are unpaid at that date. Lease payments include: ① fixed payments (including in-substance fixed payments) less any lease incentives receivable; ② variable lease payments that depend on an index or a rate; ③ amounts expected to be paid under residual value of the lessee’s guarantees; ④ the exercise price of a purchase option reasonably certain to be exercised by lessee; ⑤ payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate;

The Company adopts the interest rate implicit in the lease as the discount rate. If that rate cannot be determined, the Company’s incremental borrowing rate is used. The Company shall calculate the interest expenses of lease liabilities over the lease term at the fixed periodic interest rate, and include it into financial expenses. The periodic interest rate refers to the discount rate adopted by the Company or the revised discount rate.

Variable lease payments not included in the measurement of lease liabilities are charged to profit or loss in the period in which they actually arise.

When the Company’s evaluation results on extension, termination or purchase options change, the lease liabilities are remeasured by the present value calculated from the changed lease payments and revised discount rate and the carrying amount of the right-of-use assets will be adjusted accordingly. When the in-substance leased payments, amounts expected to be payable under the guaranteed residual value and the variable lease payments that depend on an index or a rate change, the lease liabilities are remeasured by the present value calculated from the changed lease payments and original discount rate and the carrying amount of the right-of-use assets will be adjusted accordingly.

2. Accounting treatment of assets leased out

(1) Accounting treatment of operating leases

The Company recognizes the lease payments derived from operating leases as rental income on a straight-line basis over the respective lease terms. Initial direct costs relating to operating leases incurred by the Company shall be capitalized and then included in the current income by stages at the same base as the recognition of rental income over the whole lease term.

(2) Accounting treatment of financing leases

At the commencement date of lease term, the Company recognizes the difference between the sum of financing lease receivable and the unguaranteed residual value, and the present value thereof as unrealized financing income, and recognizes the same as rental income over the periods when rent is received in the future. The Company's initial direct costs associated with rental transactions shall be included in the initial measurement of the finance lease receivables.

(XXIV) Explanation of changes in critical accounting policies and changes in accounting estimates

1. Changes in accounting policies

(1) The Company has implemented the provision of "Accounting Treatment for the External Sale of Products or By-products Produced by an Enterprise Before the Fixed Assets Are Ready for Intended Use or in the Process of Research and Development" of "Accounting Standard for Business Enterprises Interpretation No. 15 (《企业会计准则解释第 15 号》)" issued by the Ministry of Finance since 1 January 2022. The change in accounting policy had no impact on the Company's financial statements.

(2) The Company has implemented the provision of "the determination of onerous contracts" of "Accounting Standard for Business Enterprises Interpretation No. 15 (《企业会计准则解释第 15 号》)" issued by the Ministry of Finance since 1 January 2022 and enforced such provision for contracts that had not yet fulfilled all of their obligations as of 1 January 2022. The change in accounting policy had no impact on the Company's financial statements.

(3) The Company has early implemented the provision of "Accounting Treatment for Deferred Income Tax Relating to Assets and Liabilities Arising from a Single Transaction to Which the Initial Recognition Exemption is Not Applicable" of "Accounting Standard for Business Enterprises Interpretation No. 16 (《企业会计准则解释第 16 号》)" issued by the Ministry of Finance from 2022. The change in accounting policy had no impact on the Company's financial statements.

(4) The Company has implemented the provision of "Accounting Treatment for the Impact of Income Tax of Dividends Related to Financial Instruments Classified as Equity Instruments of the Issuer" of "Accounting Standard for Business Enterprises Interpretation No. 16 (《企业会计准则解释第 16 号》)" issued by the Ministry of Finance since 30 November 2022. The change in accounting policy had no impact on the Company's financial statements.

(5) The Company has implemented the provision of "Accounting Treatment for Modification of Cash-settled Share-based Payment to Equity-settled Share-based Payment by an Enterprise" of "Accounting Standard for Business Enterprises Interpretation No. 16 (《企业会计准则解释第 16 号》)" issued by the Ministry of Finance since 30 November 2022. The change in accounting policy had no impact on the Company's financial statements.

2. Changes in accounting estimates

The Company had no change in accounting estimates during the period.

IV. TAXATION

(I) Major taxes and tax rates

Taxes	Tax bases	Tax rates
Value-added tax (VAT)	Taxable income	9%,6%,3%
Urban maintenance and construction tax	Turnover tax payable	7%
Education surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%
Enterprise income tax	Taxable income	15%,25%

Enterprise income tax rates of the Company and its subsidiaries

Name of Taxable Entity	Income tax rates
The Company	15%
Jiangmen Jiasijie Painting Engineering Co., Ltd.* (江 门嘉思捷涂装工程有限公司)	25%
Jiangmen Ruiyuan Supply Chain Management Co., Ltd.* (江门市锐源供应链管理有限公司)	25%
Sichuan Dingjie Supply Chain Management Co., Ltd. * (四川鼎捷供应链管理有限公司)	25%
Guangdong Anyang Supply Chain Management Co., Ltd.* (广东安扬供应链管理有限公司)	25%
Sichuan Dingjie Supply Chain Management Co., Ltd. * (四川鼎捷供应链管理有限公司)	25%

Note: The Company is a high and new technology enterprise and the applicable enterprise income tax rates during the current period was 15%

(II) Significant preferential tax and official approval

On 31 December 2021, the Company obtained the High and New Technology Enterprise Certificate (Certificate No. GR202144012172) approved by the Department of Science and Technology of Guangdong Province, the Department of Finance of Guangdong Province and Guangdong Provincial Tax Service, which is valid for three years. The Company is subject to the preferential tax rate of 15% from 2021 to 2023.

V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(I) Monetary Funds

Type	Closing balance	Opening balance
Cash	67,027.00	67,027.00
Cash in bank	15,193,033.97	14,304,527.73
Total	15,260,060.97	14,371,554.73

Note: At the end of the period, there were no mortgages, pledges or freezes restricting the use of the funds.

(II) Notes receivable

1. Classification of notes receivable

Type	Closing balance	Opening balance
Bank acceptance bills	1,300,000.00	2,145,683.20

Type	Closing balance	Opening balance
Commercial acceptance bills	8,964,563.94	0.00
Total	10,264,563.94	2,145,683.20

2. Endorsed or discounted and undue notes receivable at the balance sheet date at the end of the period

Type	Derecognized amount at the end of the period	Non-derecognized amount at the end of the period
Bank acceptance bills	19,812,693.69	0.00
Total	19,812,693.69	0.00

3. At the end of the period, the Company had no pledged notes receivable or bills transferred to accounts receivable due to the default of the drawer.

(III) Accounts receivable

1. Disclosure by ages

Ages	Closing balance	Opening balance
Within 1 year	110,780,123.50	71,717,914.44
1-2 years	1,867,557.60	8,797,435.04
2-3 years	1,268,959.53	692,663.73
3-4 years	692,663.73	49,683.00
4- 5 years	49,683.00	84,308.30
Over 5 years	83,808.30	0.00
Less: bad debt provision	4,080,400.31	3,226,872.70
Total	110,662,395.35	78,115,131.81

2. Disclosure by bad debt provision methods

Type	Closing balance			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Provision ratio (%)
Accounts receivable with provision assessed for bad debts on an individual basis				
Accounts receivable with provision made for bad debts using portfolios	114,742,795.66	100.00	4,080,400.31	3.56
Including: Group 1: accounts receivable other than Group 2	114,742,795.66	100.00	4,080,400.31	3.56
Group 2: portfolio of related parties within the scope of consolidation	0.00	0.00	0.00	0.00
Total	114,742,795.66	100.00	4,080,400.31	3.56

Type	Opening balance			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Provision ratio (%)
Accounts receivable with provision assessed for bad debts on an individual basis				
Accounts receivable with provision made for bad debts using portfolios	81,342,004.51	100.00	3,226,872.70	3.97
Including: Group 1: accounts receivable other than Group 2	81,342,004.51	100.00	3,226,872.70	3.97
Group 2: portfolio of related parties within the scope of consolidation	0.00	0.00	0.00	0.00
Total	81,342,004.51	100.00	3,226,872.70	3.97

(1) Accounts receivable with provision made for bad debts using portfolios

① Group 1:

Ages	Closing balance			Opening balance		
	Book balance	Expected credit loss rate (%)	Bad debt provision	Book balance	Expected credit loss rate (%)	Bad debt provision
Within 1 year	110,780,123.50	3.00	3,323,403.71	71,717,914.44	3.00	2,151,537.39
1-2 years	1,867,557.60	10.00	186,755.76	8,797,435.04	10.00	879,743.51
2-3 years	1,268,959.53	20.00	253,791.91	692,663.73	20.00	138,532.75
3-4 years	692,663.73	30.00	207,799.13	49,683.00	30.00	14,904.90
4-5 years	49,683.00	50.00	24,841.50	84,308.30	50.00	42,154.15
Over 5 years	83,808.30	100.00	83,808.30	0.00	0.00	0.00
Total	114,742,795.66	—	4,080,400.31	81,342,004.51	—	3,226,872.70

3. Bad debt provision

Type	Opening balance	Amount of change for the current period				Closing balance
		Provision	Collection or reversal	Write-off	Other changes	
Bad debt provision	3,226,872.70	853,527.61	0.00	0.00	0.00	4,080,400.31
Total	3,226,872.70	853,527.61	0.00	0.00	0.00	4,080,400.31

4. Details of the top 5 accounts receivable by closing balance of debtors

Name of entity	Closing balance	Proportion to total accounts receivable (%)	Balance of provision for bad debts
Tiandi Yihao Beverage Co., Ltd.	7,701,289.24	6.71	231,038.68
Xiamen Xinchuan Haitong Logistics Co., Ltd. (厦门新川海通物流有限公司)	6,688,224.21	5.83	200,646.73
Shaoguan BYD Industrial Co. Ltd. (韶关比亚迪实业有限公司)	5,905,637.44	5.15	177,169.12
Huizhou BYD Battery Company Limited (惠州比亚迪电池有限公司)	5,585,216.97	4.87	167,556.51
Guangdong Yiqianyi Logistics Technology Co., Ltd. (广东易迁易物流科技有限公司)	5,370,608.00	4.68	161,118.24
Total	31,250,975.86	27.24	937,529.28

(IV) Prepayments

1. Prepayments shown by ages

Ages	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	2,925,393.78	93.48	4,849,374.19	97.68
1-2 years	203,962.69	6.52	115,387.91	2.32
Total	3,129,356.47	100.00	4,964,762.10	100.00

2. Details of the top 5 entities with largest prepayment balances

Name of entity	Closing balance	Proportion to total prepayments (%)
Sinopec Marketing Co., Ltd. Guangdong Jiangmen Branch(中国石化销售股份有限公司广东江门石油分公司)	1,633,725.98	52.21
Guangdong United Electronic Services Co., Ltd.(广东联合电子服务股份有限公司)	368,631.90	11.78
Guangdong Haoyi Intelligent Technology Co., Ltd.(广东好易行智能科技有限公司)	343,413.81	10.97
Chongqing Baoyu Supply Chain Co., Ltd. (重庆宝玉供应链有限公司)	186,223.15	5.95
PACIFIC SECURITIES CO., LTD. (太平洋证券股份有限公司)	159,000.00	5.08
Total	2,690,994.84	85.99

(V) Other receivables

Type	Closing balance	Opening balance
Other receivables	9,170,117.74	7,489,556.50
Less: bad debt provision	2,209,215.10	2,113,377.82
Total	6,960,902.64	5,376,178.68

1. Disclosure by nature

Nature of the amount	Closing balance	Opening balance
Deposits and guarantee deposits	8,848,100.81	6,414,679.57
Petty cash, withholding payment and others	322,016.93	1,074,876.93
Bad debt provision	2,209,215.10	2,113,377.82
Total	6,960,902.64	5,376,178.68

2. Disclosure by Ages

Ages	Closing balance	Opening balance
Within 1 year	5,305,954.07	3,680,821.59
1-2 years	1,346,340.00	1,296,400.24
2-3 years	575,489.00	2,214,700.00
3-4 years	1,664,700.00	18,060.00
4- 5 years	18,060.00	68,759.00
Over 5 years	259,574.67	210,815.67
Less: bad debt provision	2,209,215.10	2,113,377.82
Total	6,960,902.64	5,376,178.68

3. Provisions made for bad debts

Bad debt provision	Stage 1 Expected credit loss over the next 12 months	Stage 2 Lifetime expected credit loss – not credit-impaired	Stage 3 Lifetime expected credit loss – credit-impaired	Total
	Opening balance	638,677.82	0.00	
Opening balance in the current period after assessment	638,677.82	0.00	1,474,700.00	2,113,377.82
Provision for the current period	95,837.28	0.00	0.00	95,837.28
Closing balance	734,515.10	0.00	1,474,700.00	2,209,215.10

4. Bad debt provision

Type	Opening balance	Amount of change for the current period				Closing balance
		Provision	Collection or reversal	Write-off	Other changes	
Bad debt provision	2,113,377.82	95,837.28	0.00	0.00	0.00	2,209,215.10
Total	2,113,377.82	95,837.28	0.00	0.00	0.00	2,209,215.10

5. Details of the top 5 other receivables by closing balance of debtors

Name of debtors	Nature of receivables	Closing balance	Age	Proportion to the closing balance of other receivables (%)	Balance of bad debt provision
Jiangmen Xinyu Motorcycle Parts Co., Ltd.(江门市新宇摩托车配件有限公司)	Deposit	1,474,700.00	3-4 years	16.08	1,474,700.00
Jiangmen Shuangying Supply Chain Management Co., Ltd.(江门双盈供应链管理有限公司)	Deposit	800,000.00	Within 1 year	8.72	24,000.00
BYD Auto Industry Co., Ltd.(比亚迪汽车工业有限公司)	Deposit	700,000.00	Within 1 year	7.63	21,000.00
Carpoly Chemical Group Co., Ltd.(嘉宝莉化工集团股份有限公司)	Deposit	550,000.00	Within 1 year	6.00	16,500.00
Guangdong Tiandi Yihao Beverage Sales Co., Ltd.(广东天地壹号饮料销售有限公司)	Deposit	320,000.00	Within 1 year	3.49	9,600.00
Total		3,844,700.00		41.92	1,545,800.00

Note: Deposit of Jiangmen Xinyu Motorcycle Parts Co., Ltd. (江门市新宇摩托车配件有限公司) amounted to RMB1,474,700.00. Such deposit was expected to be difficult to recover due to the poor operation of the counterparty and the current lack of business cooperation between the two parties, a full provision for impairment has been made.

(VI) Other current assets

Item	Closing balance	Opening balance
VAT before deduction	1,178,687.48	471,350.89
Total	1,178,687.48	471,350.89

(VII) Fixed assets

Type	Closing balance	Opening balance
Fixed assets	55,115,441.13	44,374,663.06
Less: Provision for impairment	0.00	0.00
Total	55,115,441.13	44,374,663.06

Details of fixed assets

Item	Buildings and structures	Electronic device	Transport facilities	Furniture and others	Total
I. Original carrying amount					
1. Opening balance	21,157,249.06	1,205,262.33	21,876,707.64	17,729,347.39	61,968,566.42
2. Increase in the current period	7,381,855.38	33,777.56	5,116,916.98	4,322,722.22	16,855,272.14
(1) Acquisition	0.00	33,777.56	5,116,916.98	4,322,722.22	9,473,416.76
(2) Transferred from construction in progress	7,381,855.38	0.00	0.00	0.00	7,381,855.38
3. Decrease in the current period	0.00	0.00	922,449.12	6,464.96	928,914.08
(1) Disposal or retirement	0.00	0.00	922,449.12	6,464.96	928,914.08

Item	Buildings and structures	Electronic device	Transport facilities	Furniture and others	Total
4. Closing balance	28,539,104.44	1,239,039.89	26,071,175.50	22,045,604.65	77,894,924.48
II. Accumulated depreciation					
1. Opening balance	460,610.94	813,370.20	10,709,193.90	5,610,728.32	17,593,903.36
2. Increase in the current period	431,607.84	190,366.78	2,065,927.32	3,166,312.56	5,854,214.50
(1) Provision	431,607.84	190,366.78	2,065,927.32	3,166,312.56	5,854,214.50
3. Decrease in the current period	0.00	0.00	662,492.80	6,141.71	668,634.51
(1) Disposal or retirement	0.00	0.00	662,492.80	6,141.71	668,634.51
4. Closing balance	892,218.78	1,003,736.98	12,112,628.42	8,770,899.17	22,779,483.35
III. Provision for impairment					
1. Opening balance	0.00	0.00	0.00	0.00	0.00
2. Increase in the current period	0.00	0.00	0.00	0.00	0.00
(1) Provision	0.00	0.00	0.00	0.00	0.00
3. Decrease in the current period	0.00	0.00	0.00	0.00	0.00
(1) Disposal or retirement	0.00	0.00	0.00	0.00	0.00
4. Closing balance	0.00	0.00	0.00	0.00	0.00
IV. Carrying amount					
1. Closing carrying amount	27,646,885.66	235,302.91	13,958,547.08	13,274,705.48	55,115,441.13
2. Opening carrying amount	20,696,638.12	391,892.13	11,167,513.74	12,118,619.07	44,374,663.06

(VIII) Construction in progress

Item	Closing balance	Opening balance
Projects of construction in progress	0.00	2,212,389.50
Less: Provision for impairment	0.00	0.00
Total	0.00	2,212,389.50

1. Projects of construction in progress

(1) Basic situation of projects of construction in progress

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Plant construction	0.00	0.00	0.00	2,212,389.50	0.00	2,212,389.50
Total	0.00	0.00	0.00	2,212,389.50	0.00	2,212,389.50

(2) Changes in significant projects of construction in progress

Name of project	Budgets (0'000)	Opening balance	Increase in the current period	Transferred to fixed assets	Other decrease	Closing balance
Plant construction	8,341	2,212,389.50	5,169,465.88	7,381,855.38	0.00	0.00
Total	8,341	2,212,389.50	5,169,465.88	7,381,855.38	0.00	0.00

Name of project	Investment to budget of construction (%)	Completion progress (%)	Accumulated amount of interest capitalisation	Including: Amount of interest capitalisation in current period	Interest capitalisation rate in the current period (%)	Source of funding
Plant construction	34.22	34.22	0.00	0.00	0.00	Self-generated funds
Total	—	—	0.00	0.00	0.00	

(IX) Right-of-use assets

Item	Buildings and structures	Total
I. Original carrying amount		-
1. Amount at the beginning of the year	5,275,986.15	5,275,986.15
2. Increase in the current period	3,943,608.79	3,943,608.79
3. Decrease in the current period	5,275,986.15	5,275,986.15
4. Closing balance	3,943,608.79	3,943,608.79
II. Accumulated depreciation		
1. Amount at the beginning of the year	4,599,577.67	4,599,577.67
2. Increase in the current period	855,663.43	855,663.43
3. Decrease in the current period	5,275,986.15	5,275,986.15
4. Closing balance	179,254.95	179,254.95
III. Provision for impairment		
1. Amount at the beginning of the year	0.00	0.00
2. Increase in the current period	0.00	0.00
3. Decrease in the current period	0.00	0.00
4. Closing balance	0.00	0.00
IV. Carrying amount		
1. Closing carrying amount	3,764,353.84	3,764,353.84
2. Amount at the beginning of the year	676,408.48	676,408.48

(X) Intangible assets

1. Intangible assets

Item	Land use rights	Software	Total
I. Original carrying amount			
1. Opening balance	21,114,950.00	6,502,839.19	27,617,789.19
2. Increase in the current period	0.00	336,283.20	336,283.20
(1) Acquisition	0.00	336,283.20	336,283.20
3. Decrease in the current period	0.00	0.00	0.00
(1) Disposal	0.00	0.00	0.00
4. Closing balance	21,114,950.00	6,839,122.39	27,954,072.39
II. Accumulated amortization			
1. Opening balance	1,794,770.75	2,307,349.98	4,102,120.73
2. Increase in the current period	422,298.96	2,705,782.60	3,128,081.56
(1) Provision	422,298.96	2,705,782.60	3,128,081.56
3. Decrease in the current period			
(1) Disposal	0.00	0.00	0.00
4. Closing balance	2,217,069.71	5,013,132.58	7,230,202.29

III. Provision for impairment			
1. Opening balance	0.00	0.00	0.00
2. Increase in the current period	0.00	0.00	0.00
3. Decrease in the current period	0.00	0.00	0.00
4. Closing balance	0.00	0.00	0.00
IV. Carrying amount			
1. Closing carrying amount	18,897,880.29	1,825,989.81	20,723,870.10
2. Opening carrying amount	19,320,179.25	4,195,489.21	23,515,668.46

(XI) Goodwill

1. Original carrying amount of goodwill

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Jiangmen Jiasijie Painting Engineering Co., Ltd.* (江門嘉思捷塗裝工程有限公司)	14,361.58	0.00	0.00	14,361.58
Total	14,361.58	0.00	0.00	14,361.58

2. Impairment provision for goodwill

Item	Opening balance	Provision for the current period	Decrease in the current period	Closing balance
Jiangmen Jiasijie Painting Engineering Co., Ltd.* (江門嘉思捷塗裝工程有限公司)	14,361.58	0.00	0.00	14,361.58
Total	14,361.58	0.00	0.00	14,361.58

(XII) Long term deferred expenses

Type	Opening balance	Increase in the current period	Amortization in the current period	Other decrease	Closing balance
Storage fence fee	521,453.76	0.00	513,615.02	0.00	7,838.74
Renovation costs	0.00	990,460.00	23,033.95	0.00	967,426.05
Total	521,453.76	990,460.00	536,648.97	0.00	975,264.79

(XIII) Deferred income tax assets and deferred income tax liabilities

1. Deferred income tax assets and deferred income tax liabilities are not presented in the net value after offset

Item	Closing balance		Opening balance	
	Deferred income tax assets/liabilities	Deductible Taxable temporary difference	Deferred income tax assets/liabilities	Deductible Taxable temporary difference
Deferred income tax assets:				
Provision for impairment of assets	972,526.42	6,289,615.41	806,901.07	5,340,250.52
Subtotal	972,526.42	6,289,615.41	806,901.07	5,340,250.52

2. Breakdown of unrecognized deferred income tax assets

Item	Closing balance	Opening balance
Deductible loss	513,221.46	257,575.37
Total	513,221.46	257,575.37

3. Deductible losses of unrecognized deferred income tax assets will expire in the following years

Year	Closing balance	Opening balance	Remarks
2022	0.00	3,012.49	
2023	1,611.51	1,611.51	
2024	1,399.05	1,399.05	
2025	1,403.25	221,266.24	The profit in 2022 of Jiasijie (嘉思捷), a subsidiary, made up for the loss in 2020 of RMB 219,862.99
2026	8,881.09	30,286.08	The profit in 2022 of Jiasijie (嘉思捷), a subsidiary, made up for the loss in 2021 of RMB 21,414.99
2027	499,926.56	0.00	
Total	513,221.46	257,575.37	

(XIV) Other non-current assets

Item	Closing balance	Opening balance
Prepayment for equipment	175,000.00	1,776,207.00
Total	175,000.00	1,776,207.00

(XV) Short-term borrowings

1. Classification of short-term borrowings

Borrowing conditions	Closing balance	Opening balance
Mortgaged and guaranteed borrowings	55,470,000.00	18,727,919.04
Accrued interest on short-term borrowings	61,229.64	24,034.16
Total	55,531,229.64	18,751,953.20

(XVI) Accounts payable

Item	Closing balance	Opening balance
Within 1 year (inclusive)	34,639,874.20	40,597,893.47
Over 1 year	744,188.91	882,116.79
Total	35,384,063.11	41,480,010.26

(XVII) Contract liabilities

Item	Closing balance	Opening balance
Advance received on contract	53,229.48	0.00
Total	53,229.48	0.00

(XVIII) Employee remuneration payable

1. Employee remuneration payable shown by category

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Short-term remuneration	1,569,653.22	18,894,982.42	18,562,509.46	1,902,126.18
II. Post-employment benefits-defined contribution plan	0.00	2,192,552.04	2,192,552.04	0.00

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Total	1,569,653.22	21,087,534.46	20,755,061.50	1,902,126.18

2. Remuneration of short-term employees

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Wage, bonus, allowance and subsidy	1,500,300.62	17,485,131.87	17,157,442.39	1,827,990.10
2. Employee welfare premium	0.00	0.00	0.00	0.00
3. Social welfare premium	0.00	823,851.66	823,851.66	0.00
Including: Medicare premium	0.00	800,174.11	800,174.11	0.00
Occupational injuries premium	0.00	23,677.55	23,677.55	0.00
4. Housing provident funds	0.00	241,985.43	241,673.43	312.00
5. Labor union fund and employee education fund	69,352.60	344,013.46	339,541.98	73,824.08
Total	1,569,653.22	18,894,982.42	18,562,509.46	1,902,126.18

3. Defined contribution plan

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Basic endowment insurance premium	0.00	2,164,234.40	2,164,234.40	0.00
Unemployment insurance premium	0.00	28,317.64	28,317.64	0.00
Total	0.00	2,192,552.04	2,192,552.04	0.00

(XIX) Taxes payable

Taxes	Closing balance	Opening balance
VAT	58,889.87	0.00
Urban maintenance and construction tax	1,427.34	30,646.40
Education surcharge	1,432.55	13,136.41
Enterprise income tax	1,232,885.96	1,222,095.91
Individual income tax	83,034.79	74,922.58
Others	29,495.26	30,895.02
Total	1,407,165.77	1,371,696.32

(XX) Other payables

Type	Closing balance	Opening balance
Interest payable	0.00	0.00
Other payables	2,838,955.49	6,726,885.78
Total	2,838,955.49	6,726,885.78

Other payables shown by item

Item	Closing balance	Opening balance
Current accounts	0.00	5,000,000.00
Deposits and guarantee deposits	2,445,082.36	1,469,255.61
Accruals and others	393,873.13	257,630.17
Total	2,838,955.49	6,726,885.78

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

(XXI) Non-current liabilities due within one year

Item	Closing balance	Opening balance
Lease liabilities due within one year	1,032,111.55	807,711.99
Total	1,032,111.55	807,711.99

(XXII) Other current liabilities

Item	Closing balance	Opening balance
Output VAT to be carried forward	4,790.66	0.00
Total	4,790.66	0.00

(XXIII) Long-term borrowings

Borrowing conditions	Closing balance	Opening balance	Range of the interest rates (%)
Mortgage borrowings	4,006,085.00	8,306,085.00	4.70
Accrued interest on long-term borrowings	5,753.18	11,824.39	
Total	4,011,838.18	8,317,909.39	

(XXIV) Lease liabilities

Item	Closing balance	Opening balance
Lease payments	3,897,733.33	819,000.00
Less: unrecognised financing fee	217,983.82	11,288.01
Less: lease liabilities due within one year	1,032,111.55	807,711.99
Total	2,647,637.96	0.00

(XXV) Deferred income

1. Deferred income shown by category

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reasons
Government grants	6,377,192.74	0.00	3,153,466.56	3,223,726.18	Funding from the Government
Total	6,377,192.74	0.00	3,153,466.56	3,223,726.18	

2. Items of government grants

Item	Balance at the beginning of the year	Amount of grants increased for the period	Amount included in profit or loss for the period	Closing balance	Related to assets/related to income
Guide funds for the development of provincial modern service industry	655,019.93	0.00	254,022.48	400,997.45	Related to assets
Construction project of agricultural product chain distribution center	5,722,172.81	0.00	2,899,444.08	2,822,728.73	Related to assets
Total	6,377,192.74	0.00	3,153,466.56	3,223,726.18	

(XXVI) Share capital

Item	Opening balance	Movements (+, -) for the period					Closing balance
		Issue of new shares	Bonus shares	Reserves transferred to shares	Others	Subtotal	
Total shares	42,600,000.00	0.00	0.00	0.00	0.00	0.00	42,600,000.00

(XXVII) Capital reserve

Type	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Capital premium	3,143,108.23	0.00	0.00	3,143,108.23
Total	3,143,108.23	0.00	0.00	3,143,108.23

(XXVIII) Surplus reserve

Type	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserve	7,702,217.29	3,408,189.87	0.00	11,110,407.16
Total	7,702,217.29	3,408,189.87	0.00	11,110,407.16

(XXIX) Undistributed profits

Item	Amount incurred in the period	Amount incurred in the last period
Undistributed profits before adjustment at the end of preceding period	40,480,272.89	20,969,408.54
Adjustments to total undistributed profits at the beginning of the period (increase+, decrease-)	0.00	-355,779.43
Undistributed profits after adjustment at the beginning of the period	40,480,272.89	20,613,629.11
Add: Net profit attributable to owners of the parent company for the current period	33,851,112.89	22,076,654.17
Less: Appropriation of statutory surplus reserve	3,408,189.87	2,210,010.39
Ordinary share dividend payable	8,008,800.00	0.00
Undistributed profits at the end of the period	62,914,395.91	40,480,272.89

(XXX) Operating revenue and operating cost

Item	Amount for current period		Amount for previous period	
	Revenue	Cost	Revenue	Cost
Main operation	312,932,523.97	256,306,315.03	237,704,174.37	196,327,535.23
Other operation	96,122.54	63,802.16	316,981.08	191,406.48
Total	313,028,646.51	256,370,117.19	238,021,155.45	196,518,941.71

(XXXI) Taxes and surcharges

Item	Amount for current period	Amount for previous period
Urban maintenance and construction tax	238,012.58	169,977.91
Education surcharge	100,101.79	54,013.82
Local education surcharge	67,737.49	44,798.34
Stamp duty	179,742.33	147,001.52
Housing property tax	266,183.91	203,456.36
Land use tax	66,408.02	66,408.02
Vehicle and vessel use tax	412.81	0.00
Total	918,598.93	685,655.97

(XXXII) Selling expenses

Item	Amount for current period	Amount for previous period
Employee remuneration	1,100,184.58	1,385,502.86
Business entertainment expenses	25,175.67	125,578.77
Travel expenses	3,483.67	0.00
Others	2,411.45	171,052.05
Total	1,131,255.37	1,682,133.68

(XXXIII) Administrative expenses

Item	Amount for current period	Amount for previous period
Office expenses	206,724.26	133,992.61
Employee remuneration	2,912,087.22	2,558,507.25
Vehicle usage expenses	132,122.06	129,921.77
Amortization of intangible assets	422,298.96	422,298.96
Communication expenses	182,227.89	170,443.54
Depreciation	797,773.57	475,664.31
Consultancy expenses	403,945.62	457,380.21
Business entertainment expenses	409,277.38	196,437.57
Travel expenses	53,419.63	26,785.14
Utility	299,170.97	364,265.88
Others	845,932.51	592,571.15
Total	6,664,980.07	5,528,268.39

(XXXIV) Research and development expenses

Item	Amount for current period	Amount for previous period
Employee remuneration	5,989,673.16	4,916,150.43
Depreciation and amortization	2,705,782.60	1,187,540.75
Materials and testing expenses and others	1,023,900.73	1,085,758.64
Total	9,719,356.49	7,189,449.82

(XXXV) Financial expenses

Item	Amount for current period	Amount for previous period
Interest expenses	1,291,027.86	1,068,641.69
Less: Interest income	17,994.47	10,818.19
Bank charges	730,128.03	10,883.66
Interest expenses of lease liabilities	32,628.73	0.00
Total	2,035,790.15	1,068,707.16

(XXXVI) Other income

Item	Amount for current period	Amount for previous period
Guide funds for the development of provincial modern service industry	254,022.48	254,022.48
Construction project of agricultural product chain distribution center	2,899,444.08	877,827.19
Social insurance refund and employment subsidies	105,396.70	0.00
Total	3,258,863.26	1,131,849.67

(XXXVII) Investment income

Item	Amount for current period	Amount for previous period
Gains on wealth management products	13,436.01	36,595.79

Item	Amount for current period	Amount for previous period
Investment income from equity transfer	0.00	51,710.10
Total	13,436.01	88,305.89

(XXXVIII) Credit impairment loss

Item	Amount for current period	Amount for previous period
Credit impairment loss of accounts receivable	-853,527.61	-1,221,155.79
Credit impairment loss of other receivables	-95,837.28	-92,124.22
Total	-949,364.89	-1,313,280.01

(XXXIX) Gain from disposal of assets

Item	Amount for current period	Amount for previous period
Gain from disposal of fixed assets	7,632.50	-223,377.90
Total	7,632.50	-223,377.90

(XL) Non-operating income

Item	Amount for current period	Amount for previous period	Amount charged to the current non-recurring profit or loss
Government grant	0.00	34,581.84	0.00
Insurance compensation	70,186.04	0.00	70,186.04
Others	1,504.66	118,334.10	1,504.66
Total	71,690.70	152,915.94	71,690.70

2. Government grants included in non-operating income

Item	Amount for current period	Amount for previous period	Related to assets/related to income
Refunds of individual income tax handling fees	0.00	2,681.84	Related to income
Working subsidy	0.00	30,900.00	Related to income
Subsidies of price and cost survey team in national price monitoring point of Jiangmen	0.00	1,000.00	Related to income
Total	0.00	34,581.84	

(XLI) Non-operating expenses

Item	Amount for current period	Amount for previous period	Amount charged to the current non-recurring profit or loss
1. Total losses from disposal of non-current assets	153,221.80	0.00	153,221.80
Including: Losses from disposal of fixed assets	153,221.80	0.00	153,221.80
2. External donations	10,000.00	50,000.00	10,000.00
3. Delay charges	493.60	0.00	493.60
4. Others	0.00	6,165.87	0.00
Total	163,715.40	56,165.87	163,715.40

(XLII) Income tax expenses

1. Details of income tax expenses

Item	Amount for the current period	Amount for the previous period
Income tax expenses for the current period calculated according to tax laws and relevant requirements	4,962,539.59	3,239,645.80
Deferred income tax expenses	-165,625.35	-196,614.96
Differences in income tax settlement	1,167.16	8,820.00
Total	4,798,081.40	3,051,850.84

2. Reconciliation between accounting profit and income tax expenses

Item	Amount
Total profit	38,427,090.49
Income tax expenses based on statutory/applicable tax rate	5,764,063.57
Effect of non-deductible costs, expenses and losses	128,005.84
Effect of additional deductions of research and development expenses	-1,093,427.61
Differences in income tax settlement	1,167.16
Effect of different tax rates of subsidiaries	-51,077.26
Effect of using the deductible losses of previously unrecognized deferred income tax assets	-75,631.94
Effect of deductible temporary differences or deductible losses unrecognized as deferred income tax assets in current period	124,981.64
Income tax expenses	4,798,081.40

(XLIII) Cash flow statement

1. Other cash receipts or payments related to operating activities

Item	Amount for the current period	Amount for the previous period
Other cash receipts related to operating activities	195,081.87	5,163,734.13
Including: Borrowings from related parties	0.00	5,000,000.00
Interest Income	17,994.47	10,818.19
Government grants	105,396.70	34,581.84
Others	71,690.70	118,334.10
Other cash payment related to operating activities	9,540,215.43	5,962,612.97
Including: Payment of Margin Deposit and Advance	594,408.19	1,743,095.56
Cash received from borrowings from related parties	5,000,000.00	0.00
Administrative expenses, research and development expenses, and selling expenses	3,241,785.61	4,018,407.75
Handling fee and other expenses	654,021.63	151,109.66
External donations	50,000.00	50,000.00

2. Other cash receipts or payment related to fundraising activities

Item	Amount for the current period	Amount for the previous period
Other cash payment related to fundraising activities	1,140,800.00	1,057,200.00

Item	Amount for the current period	Amount for the previous period
Including: Payment of lease liabilities	1,140,800.00	1,057,200.00

(XLIV)Supplemental information to the cash flow statement

1. Supplemental information to the cash flow statement

Item	Amount for the current period	Amount for the previous period
1. Reconciliation of net profit to cash flow from operating activities		
Net profit	33,629,009.09	22,076,395.60
Add: Credit impairment loss	949,364.89	1,313,280.01
Provision for assets impairment	0.00	0.00
Depreciation of fixed assets, oil and gas assets, productive biological assets	5,854,214.50	4,539,255.87
Depreciation of right-of-use assets	855,663.43	811,690.17
Amortization of intangible assets	3,128,081.56	1,005,662.58
Amortization of long term prepayments	536,648.97	513,615.12
Loss on disposal of fixed assets, intangible assets and other long term assets (Gain represented by “-”)	145,589.30	223,377.90
Fixed assets retirement loss (Gain represented by “-”)	0.00	0.00
Net loss on hedging exposure (Gain represented by “-”)	0.00	0.00
Losses on changes in fair value (Gain represented by “-”)	0.00	0.00
Financial expenses (Gain represented by “-”)	1,291,027.86	1,068,641.69
Investments losses (Gain represented by “-”)	-13,436.01	-88,305.89
Decrease of deferred income tax assets (Increase represented by “-”)	-165,625.35	-196,614.96
Increase of deferred income tax liabilities (Decrease represented by “-”)	0.00	0.00
Decrease in inventories (Increase represented by “-”)	0.00	0.00
Decrease in operating receivables (Increase represented by “-”)	-40,767,991.04	-25,303,284.28
Increase of operating payables (Decrease represented by “-”)	-13,984,269.45	2,326,484.19
Others	0.00	0.00
Net cash flow from operating activities	-8,541,722.25	8,290,198.00
2. Significant investing and financing activities not related to cash receipts and payments		
Conversion of debt into share capital	0.00	0.00
Convertible corporate bonds due within one year	0.00	0.00
Fixed assets rented under leases	0.00	0.00
3. Net changes in cash and cash equivalents	0.00	0.00
Closing balance of cash	15,260,060.97	14,371,554.73

Item	Amount for the current period	Amount for the previous period
Less: Opening balance of cash	14,371,554.73	22,145,301.57
Add: Closing balance of cash equivalents	0.00	0.00
Less: Opening balance of cash equivalents	0.00	0.00
Net increase of cash and cash equivalents	888,506.24	-7,773,746.84

2. Cash and cash equivalents

Item	Amount for the current period	Amount for the previous period
I. Cash	15,260,060.97	14,371,554.73
Including: Cash on hand	67,027.00	67,027.00
Cash in bank on demand for payment	15,193,033.97	14,304,527.73
II. Cash equivalents	0.00	0.00
Including: Bond investment with maturity within 3 months	0.00	0.00
III. Closing balance of cash and cash equivalents	15,260,060.97	14,371,554.73
Including: Restricted cash and cash equivalents used by the Parent Company or subsidiaries within the Group	0.00	0.00

(XLV) Assets subject to restrictions on ownership or rights of use

Item	Closing carrying amount	Reason for such restrictions
Intangible assets - Land Use Rights	18,897,880.29	Bank Borrowings-Pledge of Land Use Rights
Fixed assets - Housing and Building Structure	27,646,885.66	Bank Borrowing-Pledge of Housing and Building Structure
Total	46,544,765.95	

VI. CHANGE IN SCOPE OF CONSOLIDATION

On 7 July 2022, a subsidiary, Guangdong Anyang Supply Chain Management Co., Ltd.* (广东安扬供应链管理有限公司) was established, in which the Company holds 70% of the shares, and has been included in the scope of consolidation since its establishment, and on 8 December 2022, a subsidiary, Guangdong Jieyun Environmental Service Co., Ltd.* (广东捷运环境服务有限公司) was established, in which the Company holds 51% of the shares, and has been included in the scope of consolidation since its establishment.

VII. INTEREST IN OTHER ENTITIES

Interest in subsidiaries

Name of subsidiaries	Place of registration	Principal place of operation	Nature of business	Proportion of shareholding (%)		Acquisition method
				Directly	Indirectly	
Jiangmen Jiasijie Painting Engineering Co., Ltd.* (江门嘉思捷涂装工程有限公司)	Jiangmen	Jiangmen	Road freight transportation	100.00	0.00	Merger and acquisition
Jiangmen Ruiyuan Supply Chain Management Co., Ltd.* (江门市锐源供应链管理有限公司)	Jiangmen	Jiangmen	Supply chain management and related supporting services	100.00	0.00	Establishment
Sichuan Dingjie Supply Chain Management Co., Ltd.* (四川鼎捷供应链管理有限公司)	Sichuan	Sichuan	Freight transportation, warehousing	55.00	0.00	Establishment

Name of subsidiaries	Place of registration	Principal place of operation	Nature of business	Proportion of shareholding (%)		Acquisition method
				Directly	Indirectly	
Guangdong Anyang Supply Chain Management Co., Ltd.* (广东安扬供应链管理有限公司)	Jiangmen	Jiangmen	Supply chain management, warehousing, road freight transportation	70.00	0.00	Establishment
Guangdong Jieyun Environmental Service Co., Ltd.* (广东捷运环境服务有限公司)	Jiangmen	Jiangmen	Supply chain management, warehousing, road freight transportation	51.00	0.00	Establishment

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(I) De facto controllers of the Company

The de facto controllers of the Company are Zhang Yan (张艳) and Yang Yongming (杨永明). Zhang Yan (张艳) and Yang Yongming (杨永明) are in a spousal relationship. As of the end of the reporting period, Zhang Yan (张艳) held 63.04% of the Company's shares and Yang Yongming (杨永明) held 2.05% of the Company's shares. They jointly held 65.09% of the Company's shares.

(II) Subsidiaries of the Company

Please refer to Note "VII. INTEREST IN OTHER ENTITIES" for details.

(III) Other related party of the Company

Name of other related party	Relationships of other related party with the Company
Jiangmen Yingjiang Group Co., Ltd. (江门市盈江集团有限公司)	Legal person shareholder holding more than 5% of shares
Jiangmen Yingjiang Technology Co., Ltd. (江门市盈江科技有限公司)	A subsidiary controlled by legal person shareholder holding more than 5% of the shares
Jiangmen Yingkang Oil Sales Co., Ltd. (江门市盈康油品销售有限公司)	A subsidiary controlled by legal person shareholder holding more than 5% of the shares
Jiangmen Hinnotech Co., Ltd. (江门盈骅光电科技有限公司)	A subsidiary controlled by legal person shareholder holding more than 5% of the shares
Guangdong Hinnotech Co., Ltd. (广东盈骅新材料科技有限公司)	A company controlled by legal person shareholder holding more than 5% of the shares
Jiangmen Yingkang Technology Co., Ltd. (江门市盈康科技有限公司)	A subsidiary controlled by legal person shareholder holding more than 5% of the shares
Jiangmen Yingjieda Ink Jet Co., Ltd. (江门英捷达喷墨有限公司)	A subsidiary controlled by legal person shareholder holding more than 5% of the shares
Shi Xuecheng (史雪成)	Nephew of Zhang Yan (张艳), the de facto controller of the Company
Jiangmen Yongjie Technology Co., Ltd. (江门市永捷科技有限公司)	A company held by Shi Xuecheng (史雪成)
Wu Yongxiong (吴永雄)	A shareholder holding 2.6451% of the shares at the end of the period
Guangzhou Dingyi Food Co., Ltd. (广州鼎一食品有限公司)	Holding 45% of the shares of Sichuan Dingjie Supply Chain Management Co., Ltd. * (四川鼎捷供应链管理有限公司), a controlling subsidiary of the Company
Jiangmen New Fortune Environment Technology Co., Ltd. (江门市新财富环境科技有限公司)	Holding 30% of the shares of Guangdong Anyang Supply Chain Management Co., Ltd. * (广东安扬供应链管理有限公司), a controlling subsidiary of the Company
Jiangmen Yamen New Fortune Environmental Protection Industry Co., Ltd. (江门市崖门新财富环保工业有限公司)	A shareholder of Jiangmen New Fortune Environment Technology Co., Ltd. (江门市新财富环境科技有限公司)
Jiangmen Yamen New Fortune Investment Management Co., Ltd. (江门市崖门新财富投资管理有限公司)	A wholly-owned subsidiary of Jiangmen Yamen New Fortune Environmental Protection Industry Co., Ltd. (江门市崖门新财富环保工业有限公司)

(IV) Related party transactions

1. Related party transactions for sale and purchase of goods and rendering and acceptance of services

Name of related party	Type of related party transaction	Content of related party transaction	Amount for the current period	Amount for the previous period
Sale of goods and rendering of services:				
Guangzhou Dingyi Food Co., Ltd. (广州鼎一食品有限公司)	Rendering of services	Provision of transportation services	2,492,437.00	5,972,383.12
Jiangmen Yamen New Fortune Environmental Protection Industry Co., Ltd. (江门市崖门新财富环保工业有限公司)	Rendering of services	Provision of transportation services	13,299,521.39	0.00
Jiangmen Yamen New Fortune Investment Management Co., Ltd. (江门市崖门新财富投资管理有限公司)	Rendering of services	Provision of transportation services	3,477,775.36	0.00
Jiangmen New Fortune Environment Technology Co., Ltd. (江门市新财富环境科技有限公司)	Rendering of services	Provision of transportation services	5,943.40	0.00

2. Related party guarantees

Guarantor	Guaranteed party	Guarantee amount	Start date of guarantee	End date of guarantee	Guarantee fulfilled or not
Zhang Yan (张艳), Yang Yongming (杨永明)	The Company	30,000,000.00	2020-5-20	2030-5-19	No
Zhang Yan (张艳), Yang Yongming (杨永明)	The Company	15,000,000.00	2018-1-16	2028-12-31	No
Zhang Yan (张艳), Yang Yongming (杨永明)	The Company	12,000,000.00	2022-12-26	2026-12-25	No

(V) Receivables and payables from/to related party

1. Accounts receivable

Item	Related parties	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Jiangmen Yamen New Fortune Environmental Protection Industry Co., Ltd. (江门市崖门新财富环保工业有限公司)	6,856,520.10	205,884.60	0.00	0.00
Accounts receivable	Jiangmen Yamen New Fortune Investment Management Co., Ltd. (江门市崖门新财富投资管理有限公司)	2,637,343.20	79,120.30	0.00	0.00
Accounts receivable	Jiangmen New Fortune Environment Technology Co., Ltd. (江门市新财富环境科技有限公司)	6,300.00	189.00	0.00	0.00
Accounts receivable	Guangzhou Dingyi Food Co., Ltd. (广州鼎一食品有限公司)	1,726,061.62	51,781.85	119,201.26	3,576.04
Total		11,226,224.92	336,975.75	119,201.26	3,576.04

2. Payables

Item	Related party	Closing balance	Opening balance
Other payables	Wu Yongxiong (吴永雄)	0.00	5,000,000.00
Total		0.00	5,000,000.00

IX. COMMITMENTS AND CONTINGENCIES

(I) Commitments

As of 31 December 2022, the Company has no commitments that should be disclosed.

(II) Contingencies

As of 31 December 2022, the Company has no pending litigation, external guarantees and other contingencies that should be disclosed.

X. EVENTS AFTER THE BALANCE SHEET DATE

As of the date of this report, the Company has no events after the balance sheet date that should be disclosed.

XI. OTHER SIGNIFICANT EVENTS

As of 31 December 2022, the Company has no other material matters that should be disclosed.

XII. NOTES TO MAJOR FINANCIAL STATEMENT ITEMS OF THE PARENT COMPANY

(I) Accounts receivable

1. Disclosure by ageing

Ages	Closing balance	Opening balance
Within 1 year	104,757,287.14	71,236,033.35
1 to 2 years	1,867,557.60	8,455,930.83
2 to 3 years	927,455.32	692,663.73
3 to 4 years	692,663.73	49,683.00
4 to 5 years	49,683.00	84,308.30
Over 5 years	83,808.30	0.00
Less: Provision for bad debts	3,811,792.31	3,178,265.87
Total	104,566,662.78	77,340,353.34

2. Disclosure by the category of the bad debt provision method

Category	Closing balance			
	Book balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Provision ratio (%)
Accounts receivable with provision assessed for bad debts on an individual basis				
Accounts receivable with provision for bad debts by combination	108,378,455.09	100.00	3,811,792.31	3.52
Of which: Group 1: receivables other than Group 2	107,724,386.34	99.40	3,811,792.31	3.54
Group 2: related parties within the scope of consolidation	654,068.75	0.60	0.00	0.00
Total	108,378,455.09	100.00	3,811,792.31	3.52

Category	Opening balance			
	Book balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Provision ratio (%)
Accounts receivable with provision assessed for bad debts on an individual basis				
Accounts receivable with provision for bad debts by combination	80,518,619.21	100.00	3,178,265.87	3.95
Of which: Group 1: receivables other than Group 2	80,518,619.21	100.00	3,178,265.87	3.95

Category	Opening balance			
	Book balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Provision ratio (%)
Group 2: related parties within the scope of consolidation	0.00	0.00	0.00	0.00
Total	80,518,619.21	100.00	3,178,265.87	3.95

Group 1:

Ages	Closing balance			Opening balance		
	Book balance	Expected credit loss rate (%)	Provision for bad debts	Book balance	Expected credit loss rate (%)	Provision for bad debts
Within 1 year (inclusive)	104,103,218.39	3.00	3,123,096.55	71,236,033.35	3.00	2,137,080.98
1 to 2 years	1,867,557.60	10.00	186,755.76	8,455,930.83	10.00	845,593.09
2 to 3 years	927,455.32	20.00	185,491.07	692,663.73	20.00	138,532.75
3 to 4 years	692,663.73	30.00	207,799.13	49,683.00	30.00	14,904.90
4 to 5 years	49,683.00	50.00	24,841.50	84,308.30	50.00	42,154.15
Over 5 years	83,808.30	100.00	83,808.30	0.00	0.00	0.00
Total	107,724,386.34	—	3,811,792.31	80,518,619.21	—	3,178,265.87

3. Provision for bad debts

Category	Opening balance	Changes in the period				Closing balance
		Provision	Recover or reversal	Write-off	Other changes	
Provision for bad debts	3,178,265.87	633,526.44	0.00	0.00	0.00	3,811,792.31
Total	3,178,265.87	633,526.44	0.00	0.00	0.00	3,811,792.31

4. Details of the top 5 accounts receivable by closing balance of debtors

Company names	Closing balance	Proportion to total accounts receivable (%)	Balance of provision for bad debts
Tiandi Yihao Beverage Co., Ltd. (天地壹号饮料股份有限公司)	7,701,289.24	7.11	231,038.68
Xiamen Xinchuan Haitong Logistics Co., Ltd. (厦门新川海通物流有限公司)	6,688,224.21	6.17	200,646.73
Shaoguan BYD Industrial Co., Ltd. (韶关比亚迪实业有限公司)	5,905,637.44	5.45	177,169.12
Huizhou BYD Battery Company Limited (惠州比亚迪电池有限公司)	5,585,216.97	5.15	167,556.51
Guangdong ETE Logistics Technology Co., Ltd.	5,370,608.00	4.96	161,118.24
Total	31,250,975.86	28.84	937,529.28

(II) Other receivables

Category	Closing balance	Opening balance
Other receivables	9,016,852.08	7,413,147.14
Less: Provision for bad debts	2,186,982.08	2,103,349.73
Total	6,829,870.00	5,309,797.41

1. Other receivables categorised by nature

Nature of wwwreceivables	Closing balance	Opening balance
Deposits and guarantee deposits	8,732,500.81	6,314,679.57
Internal transactions	21,168.32	0.00
Reserves, withholding payments and others	263,182.95	1,098,467.57
Less: Provision for bad debts	2,186,982.08	2,103,349.73
Total	6,829,870.00	5,309,797.41

2. Aging analysis of other receivables

Ages	Closing balance	Opening balance
Within 1 year	5,231,520.09	3,704,412.23
1 to 2 years	1,347,340.00	1,196,400.24
2 to 3 years	475,489.00	2,214,700.00
3 to 4 years	1,684,868.32	18,060.00
4 to 5 years	18,060.00	68,759.00
Over 5 years	259,574.67	210,815.67
Less: Provision for bad debts	2,186,982.08	2,103,349.73
Total	6,829,870.00	5,309,797.41

3. Bad debt provision

Provision for bad debts	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss over the next 12 months	Lifetime expected credit loss – not credit-impaired	Lifetime expected credit loss – credit-impaired	
Opening balance	628,649.73	0.00	1,474,700.00	2,103,349.73
Opening balance after reassessment for the current period	628,649.73	0.00	1,474,700.00	2,103,349.73
Provision for the current period	83,632.35	0.00	0.00	83,632.35
Closing balance	712,282.08	0.00	1,474,700.00	2,186,982.08

4. Provision for bad debts

Type	Opening balance	Changes for this period				Closing balance
		Provision	Collection or reversal	Write-off	Other changes	
Provision for bad debts	2,103,349.73	83,632.35	0.00	0.00	0.00	2,186,982.08
Total	2,103,349.73	83,632.35	0.00	0.00	0.00	2,186,982.08

5. Details of the top 5 other receivables by closing balance of debtors

Name of debtors	Nature of receivables	Closing balance	Ages	Proportion to the total closing balance of other receivables (%)	Balance of bad debt provision
Jiangmen Xinyu Motorcycle Parts Co., Ltd. (江门市新宇摩托车配件有限公司)	Guarantee deposit	1,474,700.00	3 to 4 years	16.35	1,474,700.00
Jiangmen Shuangying Supply Chain Management Co., Ltd. (江门双盈供应链管理有限公司)	Guarantee deposit	800,000.00	Within 1 year	8.87	24,000.00
BYD Auto Industry Co., Ltd. (比亚迪汽车工业有限公司)	Guarantee deposit	700,000.00	Within 1 year	7.76	21,000.00
Carpoly Chemical Group Co., Ltd. (嘉宝莉化工集团股份有限公司)	Guarantee deposit	550,000.00	Within 1 year	6.10	16,500.00

Name of debtors	Nature of receivables	Closing balance	Ages	Proportion to the total closing balance of other receivables (%)	Balance of bad debt provision
Guangdong Tiandi Yihao Beverage Sales Co., Ltd. (广东天地壹号饮料销售有限公司)	Guarantee deposit	320,000.00	Within 1 year	3.55	9,600.00
Total		3,844,700.00		42.63	1,545,800.00

Note: Jiangmen Xinyu Motorcycle Parts Co., Ltd. (江门市新宇摩托车配件有限公司) has a deposit of RMB1,474,700.00; due to its poor operation, the two parties have no business cooperation at present, and it is expected to be difficult to recover, and the impairment provision is fully made.

(III) Long-term equity investments

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investment in subsidiaries	9,268,000.00	0.00	9,268,000.00	5,768,000.00	0.00	5,768,000.00
Total	9,268,000.00	0.00	9,268,000.00	5,768,000.00	0.00	5,768,000.00

1. Investment in subsidiaries

Investees	Opening balance	Increase for the period	Decrease for the period	Closing balance	Provision for impairment made in current period	Closing balance of provision for impairment
Jiangmen Jiasijie Painting Engineering Co., Ltd.* (江门嘉思捷涂装工程有限公司)	268,000.00	0.00	0.00	268,000.00	0.00	0.00
Sichuan Dingjie Supply Chain Management Co., Ltd.* (四川鼎捷供应链管理有限公司)	5,500,000.00	0.00	0.00	5,500,000.00	0.00	0.00
Guangdong Anyang Supply Chain Management Co., Ltd. (广东安扬供应链管理有限公司)	0.00	3,500,000.00	0.00	3,500,000.00	0.00	0.00
Total	5,768,000.00	3,500,000.00	0.00	9,268,000.00	0.00	0.00

Among which, the Company has not yet invested in its subsidiaries Jiangmen Ruiyuan Supply Chain Management Co., Ltd. (江门市锐源供应链管理有限公司) and Guangdong Jieyun Environmental Service Co., Ltd. (广东捷运环境服务有限公司).

(IV) Operating revenue and operating cost

Items	Amount for the current period		Amount for the previous period	
	Revenue	Costs	Revenue	Costs
Main operation	297,379,137.91	241,354,253.16	233,568,613.87	192,259,276.33
Other operation	92,452.82	63,802.16	316,981.08	191,406.48
Total	297,471,590.73	241,418,055.32	233,885,594.95	192,450,682.81

(V) Investment income

Type	Amount for the current period	Amount for the previous period
Investment income from wealth management products	13,436.01	35,600.78
Total	13,436.01	35,600.78

XIII. SUPPLEMENTARY INFORMATION

(I) Breakdown of non-recurring profit or loss for the current period

Items	Amount	Remarks
1. Gain and loss from disposal of non-current assets, including write-off of provision for asset impairment	-153,221.80	
2. Government grants included in profit or loss for the current period (exclusive of those that are closely related to the enterprise business and received in a certain amount or fixed quantity according to the State standards)	3,153,466.56	
3. The profit or loss of entrusting others to invest or manage assets	13,436.01	
4. Other non-operating income and expenses other than aforesaid items	-8,988.94	
5. Impact of income tax	-450,703.77	
Total	2,553,988.06	

(II) RONA and EPS

Profit of the reporting period	Weighted average RONA (%)w		EPS	
			Basic EPS	
	Amount for the current period	Amount for the previous period	Amount for the current period	Amount for the previous period
Net profit attributable to shareholders of ordinary shares	31.49	26.63	0.79	0.52
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	29.11	25.48	0.73	0.50

An Jie Supply Chain Management Co., Ltd.

27 April 2023

SECTION VI FINANCIAL REPORT

I. AUDITOR'S REPORT

Audited or not	No
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II. FINANCIAL STATEMENTS

(I) Consolidated Balance Sheet

Unit: RMB

Item	Note	30 June 2023	31 December 2022
Current assets:			
Monetary funds	V(I)	21,436,649.39	15,260,060.97
Settlement reserve			
Placements with financial institutions			
Financial assets held for trading			
Derivative financial assets			
Notes receivable	V(II)	27,014,453.01	10,264,563.94
Trade receivables	V(III)	97,467,048.74	110,662,395.35
Receivables financing			
Prepayments	V(IV)	3,027,996.31	3,129,356.47
Premium receivables			
Reinsurance accounts receivable			
Reserves for reinsurance contract receivable			
Other receivables	V(V)	8,202,189.91	6,960,902.64
Including: Interest receivable			
Dividend receivable			
Financial assets purchased under agreements to resell			
Inventories			
Contract assets			
Assets held for sales			
Non-current assets due within one year			
Other current assets	V(VI)	980,351.92	1,178,687.48
Total current assets		158,128,689.28	147,455,966.85
Non-current assets:			
Loans and advances to customers			
Debt investment			
Other debt investments			
Long-term receivables			
Long-term equity investments			
Other equity instrument investments			
Other non-current financial assets			
Investment properties			

Fixed assets	V(VII)	52,308,846.08	55,115,441.13
Construction in progress	V(VIII)	1,020,715.92	
Productive biological assets			
Oil and gas assets			
Right-of-use assets	V(IX)	3,226,589.00	3,764,353.84
Intangible assets	V(X)	20,257,100.76	20,723,870.10
Development expenses			
Goodwill	V(XI)		
Long-term deferred expenses	V(XII)	5,438,827.18	975,264.79
Deferred income tax assets	V(XIII)	1,019,118.31	972,526.42
Other non-current assets	V(XIV)		175,000.00
Total non-current assets		83,271,197.25	81,726,456.28
Total assets		241,399,886.53	229,182,423.13
Current liabilities:			
Short-term borrowings	V(XV)	69,634,232.09	55,531,229.64
Borrowings from central bank			
Placements from financial institutions			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Trade payables	V(XVI)	33,945,705.20	35,384,063.11
Advance receipts			
Contract liabilities	V(XVII)	78,502.36	53,229.48
Financial assets sold under agreements to repurchase			
Deposits from customers and other banks			
Brokerage for securities trading			
Brokerage for underwriting securities			
Employee benefits payable	V(XVIII)	1,530,796.52	1,902,126.18
Taxes payable	V(XIX)	2,501,864.13	1,407,165.77
Other payables	V(XX)	2,790,181.70	2,838,955.49
Including: Interest payable			
Dividend payable			
Fees and commissions payable			
Reinsurance accounts payable			
Liabilities held for sales			
Non-current liabilities due within one year	V(XXI)	1,053,298.00	1,032,111.55
Other current liabilities	V(XXII)	4,790.66	4,790.66
Total current liabilities		111,539,370.66	98,153,671.88
Non-current liabilities:			
Reserves for insurance contracts			
Long-term borrowings	V(XXIII)		4,011,838.18

Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities	V(XXIV)	1,997,211.56	2,647,637.96
Long-term payables			
Long-term employee remuneration payables			
Estimated liabilities			
Deferred income	V(XXV)	2,649,140.60	3,223,726.18
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		4,646,352.16	9,883,202.32
Total liabilities		116,185,722.82	108,036,874.20
Owners' equity:			
Share capital	V(XXVI)	42,600,000.00	42,600,000
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserves	V(XXVII)	3,143,108.23	3,143,108.23
Less: Treasury shares			
Other comprehensive income			
Special reserves			
Surplus reserves	V(XXVIII)	12,502,000.21	11,110,407.16
General risk provisions			
Retained earnings	V(XXIX)	65,573,107.99	62,914,395.91
Total owners' equity attributable to the parent company		123,818,216.43	119,767,911.30
Minority interest		1,395,947.28	1,377,637.63
Total owners' equity		125,214,163.71	121,145,548.93
Total liabilities and owners' equity		241,399,886.53	229,182,423.13

Legal representative: Zhang Yan

Principal in charge of accounting: Zhao Shufen

Head of accounting department: Yang Yibo

(II) Parent Company Balance Sheet

Unit: RMB

Item	Note	30 June 2023	31 December 2022
Current assets:			
Monetary funds		19,879,430.46	14,853,363.28

Financial assets held for trading			
Derivative financial assets			
Bill receivables		27,014,453.01	10,264,563.94
Trade receivables	XII(I)	86,205,227.92	104,566,662.78
Receivables financing			
Prepayments		2,557,921.19	2,463,294.62
Other receivables	XII(II)	10,447,703.34	6,829,870.00
Including: Interest receivable			
Dividend receivable			
Financial assets purchased under agreements to resell			
Inventories			
Contract assets			
Assets held for sales			
Non-current assets due within one year			
Other current assets		877,100.80	937,948.50
Total current assets		146,981,836.72	139,915,703.12
Non-current assets:			
Debt investment			
Other debt investments			
Long-term receivables			
Long-term equity investments	XII(III)	9,268,000.00	9,268,000.00
Other equity instrument investments			
Other non-current financial assets			
Investment properties			
Fixed assets		49,857,772.03	52,393,938.18
Construction in progress (CIP)		1,020,715.92	
Productive biological assets			
Oil and gas assets			
Right-of-use assets		3,226,589.00	3,764,353.84
Intangible assets		20,257,100.76	20,723,870.10
Development expenses			
Goodwill			
Long-term deferred expenses		5,438,827.18	975,264.79
Deferred income tax assets		905,277.90	899,816.16
Other non-current assets			175,000.00
Total non-current assets		89,974,282.79	88,200,243.07
Total assets		236,956,119.51	228,115,946.19
Current liabilities:			
Short-term borrowings		69,634,232.09	55,531,229.64
Financial liabilities held for trading			

Derivative financial liabilities			
Notes payable			
Accounts payable		27,540,843.82	32,280,002.61
Advance receipts			
Contract liabilities		77,503.28	52,230.40
Financial assets sold under agreements to repurchase			
Employee remuneration payable		1,327,467.93	1,683,582.91
Taxes payable		2,482,493.26	1,342,980.22
Other payables		8,268,485.37	8,332,693.49
Including: Interest payable			
Dividend payable			
Liabilities held for sales			
Non-current liabilities due within one year		1,053,298.00	1,032,111.55
Other current liabilities		4,700.74	4,700.74
Total current liabilities		110,389,024.49	100,259,531.56
Non-current liabilities:			
Long-term borrowings			4,011,838.18
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Lease liabilities		1,997,211.56	2,647,637.96
Long-term payables			
Long-term employee remuneration payables			
Estimated liabilities			
Deferred revenue		2,649,140.60	3,223,726.18
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		4,646,352.16	9,883,202.32
Total liabilities		115,035,376.65	110,142,733.88
Owners' equity:			
Share capital		42,600,000.00	42,600,000.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserves		3,143,108.23	3,143,108.23
Less: Treasury shares			
Other comprehensive income			
Special reserves			
Surplus reserves		12,502,000.21	11,110,407.16
General risk provisions			
Retained earnings		63,675,634.42	61,119,696.92
Total owners' equity		121,920,742.86	117,973,212.31
Total liabilities and owners' equity		236,956,119.51	228,115,946.19

(III) Consolidated Income Statement

Unit: RMB

Item	Note	January to June 2023	January to June 2022
I. Total operating income		144,591,700.40	123,223,447.49
Including: Operating income	V(XXX)	144,591,700.40	123,223,447.49
Interest income			
Premiums earned			
Fee and commission income			
II. Total operating costs		128,981,860.98	109,129,826.34
Including: Operating costs	V(XXX)	120,694,961.96	99,602,600.19
Interest expense			
Fee and commission expenses			
Surrender payment			
Net expenses of claim settlement			
Net provision for insurance contracts			
Expenditures for policy dividend			
Reinsurance expenditures			
Tax and surcharges	V(XXXI)	324,692.47	192,836.88
Selling expenses	V(XXXII)	485,880.29	455,247.70
Administrative expenses	V(XXXIII)	3,053,063.88	2,392,914.15
R&D expenses	V(XXXIV)	3,159,584.10	5,520,776.14
Financial expenses	V(XXXV)	1,263,678.28	965,451.28
Including: Interest expenses	V(XXXV)	1,243,001.76	933,172.27
Interest income	V(XXXV)	14,801.89	7,076.88
Add: Other revenue	V(XXXVI)	574,585.58	1,576,733.28
Investment income (loss represented by “-”)	V(XXXVII)	22,851.02	12,069.19
Including: Gains from investment in associates and joint ventures			
Gains on derecognition of financial assets at amortized cost (loss represented by “-”)			

Exchange gain (loss represented by “-”)			
Net exposure hedging income (loss represented by “-”)			
Gains on changes in fair value (loss represented by “-”)			
Credit impairment losses (loss represented by “-”)	V (XXXVIII)	-200,932.25	235,020.61
Assets impairment losses (loss represented by “-”)			
Gains on disposals of assets (loss represented by “-”)	V (XXXIX)		7,632.5
III. Operating profit (loss represented by “-”)		16,006,343.77	15,925,076.73
Add: Non-operating income	V (XL)	4,457.18	16,955.69
Less: Non-operating expenses	V (XLI)	104,178.26	294.09
IV. Total profit (total loss represented by “-”)		15,906,622.69	15,941,738.33
Less: Income tax expense	V (XLII)	1,869,607.94	1,783,978.60
V. Net profit (net loss represented by “-”)		14,037,014.75	14,157,759.73
Including: Net profit achieved by the acquiree prior to the acquisition			
(I) By continuity of operations:	-	-	-
1. Net profit from continuing operations (net loss represented by “-”)		14,037,014.75	14,157,759.73
2. Net profit from discontinued operations (net loss represented by “-”)			
(II) By ownership:	-	-	-
1. Profits or losses attributable to minority shareholders (net loss represented by “-”)		18,051.09	-1,412.93
2. Net profit attributable to owners of the parent company (net loss represented by “-”)		14,018,963.66	14,159,172.66
VI. Other comprehensive income, net of tax			
(I) Other comprehensive income attributable to owners of the parent company, net of tax			
1. Other comprehensive income that may not be reclassified to profit or loss			
(1) Changes arising from the re-measurement of defined benefit plan			
(2) Other comprehensive income that may not be reclassified to profit or loss under the equity method			
(3) Change in fair value of investments in other equity instruments			
(4) Change in fair value of credit risk of corporate			
(5) Others			
2. Other comprehensive income that will be reclassified to profit or loss			
(1) Other comprehensive income that may be reclassified to profit or loss under the equity method			
(2) Changes in fair value of other debt investments			
(3) Financial assets reclassified into other comprehensive income			
(4) Provision for credit impairment of other debt investments			
(5) Cash flow hedge reserve			
(6) Exchange differences on translation of financial statements in foreign currency			
(7) Others			

(II) Other comprehensive income attributable to minority shareholders, net of tax			
VII. Total comprehensive income		14,037,014.75	14,157,759.73
(I) Total comprehensive income attributable to owners of the parent company		14,018,963.66	14,159,172.66
(II) Total comprehensive income attributable to minority shareholders		18,051.09	-1,412.93
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		0.33	0.33
(II) Diluted earnings per share (RMB/share)		0.32	0.33

Legal representative: Zhang Yan

Principal in charge of accounting: Zhao Shufen

Head of accounting department: Yang Yibo

(IV) Parent Company Income Statement

Unit: RMB

Item	Note	January to June 2023	January to June 2022
I. Operating Income	XII(IV)	135,757,440.82	120,892,287.55
Less: Operating costs	XII(IV)	112,713,298.26	97,264,662.96
Tax and surcharges		322,631.55	191,677.35
Selling expenses		440,668.34	435,116.63
Administrative expenses		2,497,553.87	2,363,296.98
R&D expenses		3,159,584.10	5,520,776.14
Financial expenses		1,260,989.69	962,798.53
Including: Interest expenses			933,172.27
Interest income			6,330.42
Add: Other gains		574,585.58	1,576,733.28
Investment income (loss represented by "-")	XII(V)	22,851.02	12,069.19
Including: Gains from investment in associates and joint ventures			
Gains on derecognition of financial assets at amortized cost (loss represented by "-")			
Exchange gain (loss represented by "-")			
Net exposure hedging income (loss represented by "-")			
Gains on changes in fair value (loss represented by "-")			
Credit impairment losses (loss represented by "-")		-36,411.63	279,878.10
Assets impairment losses (loss represented by "-")			
Gains on disposals of assets (loss represented by "-")			7,632.5
II. Operating profit (loss represented by "-")		15,923,739.98	16,030,272.03
Add: Non-operating income		4,279.05	16,599.74
Less: Non-operating expenses		103,989.37	294.09
III. Total profit (total loss represented by "-")		15,824,029.66	16,046,577.68

Less: Income tax expense		1,908,099.14	1,795,192.97
IV. Net profit (net loss represented by “-”)		13,915,930.52	14,251,384.71
(I) Net profit from continuing operations (net loss represented by “-”)		13,915,930.52	14,251,384.71
(II) Net profit from discontinued operations (net loss represented by “-”)			
V. Other comprehensive income, net of tax			
(I) Other comprehensive income that may not be reclassified to profit or loss			
1. Changes arising from the re-measurement of defined benefit plan			
2. Other comprehensive income that may not be reclassified to profit or loss under the equity method			
3. Change in fair value of investments in other equity instruments			
4. Change in fair value of credit risk of corporate			
5. Others			
(II) Other comprehensive income that will be reclassified to profit or loss			
1. Other comprehensive income that may be reclassified to profit or loss under the equity method			
2. Changes in fair value of other debt investments			
3. Financial assets reclassified into other comprehensive income			
4. Provision for credit impairment of other debt investments			
5. Cash flow hedge reserve			
6. Exchange differences on translation of financial statements in foreign currency			
7. Others			
VI. Total comprehensive income		13,915,930.52	14,251,384.71
VII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

(V) Consolidated Cash Flow Statement

Unit: RMB

Item	Note	January to June 2023	January to June 2022
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		144,887,094.83	142,385,783.43
Net increase in deposits from customer and interbank			
Net increase in borrowings from central bank			
Net increase in placements from other financial institutions			
Cash received from premiums under original insurance contracts			
Net cash received from reinsurance business			
Net increase in deposits and investments from policyholders			
Cash received from interest, fee and commission			
Net increase in placements			

Net increase in capital from repurchase business			
Net cash from brokerage for trading securities			
Refund of taxes and surcharges		1,088,260.95	24,982.57
Cash received from other operation related activities	V(XLIII)	5,192,956.42	6,769,850.66
Sub-total of cash inflows from operating activities		151,168,312.20	149,180,616.66
Cash paid for purchase of goods and receipt of services		115,915,180.43	110,080,957.04
Net increase in loans and advances to customers			
Net increase in deposits with central bank and other banks			
Cash paid for compensation payments under original insurance contracts			
Net increase in financial assets held for trading			
Net increase in placements with banks			
Cash paid for interest, fee and commission			
Cash paid for policyholder dividends			
Cash paid to and on behalf of employees		11,209,928.87	8,898,076.49
Tax and charges paid		4,385,173.50	3,913,448.32
Cash paid for other operation related activities	V(XLIII)	6,494,557.70	13,742,754.49
Sub-total of cash outflows from operating activities		138,004,840.50	136,635,236.34
Net cash flows from operating activities	V(XLIV)	13,163,471.70	12,545,380.32
II. Cash flows from investing activities:			
Cash received from disposal of investments		30,500,991.12	9,750,000.00
Cash received from investment income		21,859.90	12,069.19
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		233,000.00	
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investment related activities			
Sub-total of cash inflows from investing activities		30,755,851.02	9,762,069.19
Cash paid for purchasing and constructing fixed assets, intangible assets and other long-term assets		6,121,500.00	8,149,957.57
Cash paid for investment		30,500,000.00	9,750,000.00
Net increase in pledged loans			
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investment related activities			
Sub-total of cash outflows from investing activities		36,621,500.00	17,899,957.57
Net cash flows from investing activities		-5,865,648.98	-8,137,888.38
III. Cash flows from financing activities:			
Cash received from capital contribution			
Including: Cash received from capital contributions by minority shareholders of subsidiaries			
Cash received from borrowings		36,579,271.35	13,360,000.00
Cash received from issuance of bonds			
Cash received from other financing related activities			

Sub-total of cash inflows from financing activities		36,579,271.35	13,360,000.00
Cash repayments of borrowings		26,476,085.00	17,111,119.04
Cash payments for distribution of dividends, profits or interest expenses		11,224,420.65	548,740.59
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries			
Cash paid for other financing related activities	V(XLIII)		
Sub-total of cash outflows from financing activities		37,700,505.65	17,659,859.63
Net cash flows from financing activities		-1,121,234.30	-4,299,859.63
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase in cash and cash equivalents		6,176,588.42	107,632.31
Add: Balance of cash and cash equivalents at the beginning of the period	V(XLIV)	15,260,060.97	14,371,554.73
VI. Balance of cash and cash equivalents at the end of the period	V(XLIV)	21,436,649.39	14,479,187.04

Legal representative: Zhang Yan
Head of accounting department: Yang Yibo

Principal in charge of accounting: Zhao Shufen

(VI) Cash Flows Statement of the Parent Company

Unit: RMB

Item	Note	January to June 2023	January to June 2022
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		140,472,351.61	139,868,530.51
Refund of taxes and surcharges		1,087,914.28	
Cash received from other operation related activities		3,589,918.14	6,969,761.40
Sub-total of cash inflows from operating activities		145,150,184.03	146,838,291.91
Cash paid for purchase of goods and receipt of services		110,517,184.39	105,143,477.47
Cash paid to and on behalf of employees		9,526,152.88	8,804,165.81
Tax and charges paid		4,302,353.97	3,911,853.77
Cash paid for other operation related activities		8,791,542.33	14,086,290.08
Sub-total of cash outflows from operating activities		133,137,233.57	131,945,787.13
Net cash flows from operating activities		12,012,950.46	14,892,504.78
II. Cash flows from investing activities:			
Cash received from disposal of investments		30,500,991.12	9,750,000.00
Cash received from investment income		21,859.90	12,069.19
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		233,000.00	
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investment related activities			
Sub-total of cash inflows from investing activities		30,755,851.02	9,762,069.19
Cash paid for purchasing and constructing fixed assets, intangible assets and other long-term assets		6,121,500.00	8,149,957.57

Cash paid for investment		30,500,000.00	9,750,000.00
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investment related activities			
Sub-total of cash outflows from investing activities		36,621,500.00	17,899,957.57
Net cash flows from investing activities		-5,865,648.98	-8,137,888.38
III. Cash flows from financing activities:			
Cash received from capital contribution			
Cash received from borrowings		36,579,271.35	13,360,000.00
Cash received from issuance of bonds			
Cash received from other financing related activities			
Sub-total of cash inflows from financing activities		36,579,271.35	13,360,000.00
Cash repayments of borrowings		26,476,085.00	17,111,119.04
Cash payments for distribution of dividends, profits or interest expenses		11,224,420.65	548,740.59
Cash paid for other financing related activities			
Sub-total of cash outflows from financing activities		37,700,505.65	17,659,859.63
Net cash flows from financing activities		-1,121,234.30	-4,299,859.63
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
V. Net increase in cash and cash equivalents		5,026,067.18	2,454,756.77
Add: Balance of cash and cash equivalents at the beginning of the period		14,853,363.28	11,660,195.51
VI. Balance of cash and cash equivalents at the end of the period		19,879,430.46	14,114,952.28

III. NOTES TO FINANCIAL STATEMENTS

(I) Index of Notes Concerning Certain Matters

Matters	Yes/No	Index
1. Whether the accounting policies adopted in the half-yearly report have changed from those in the previous year's financial statements	<input type="checkbox"/> Yes√No	
2. Whether the accounting estimates used in the half-yearly report have changed from those in the previous year's financial statements	<input type="checkbox"/> Yes√No	
3. Whether there is any correction of prior period errors	<input type="checkbox"/> Yes√No	
4. Whether there are any seasonal or cyclical characteristics of the Company's operations	√Yes□No	III.(I).(1)
5. Whether there is any change in related parties with controlling relationship with the Company	<input type="checkbox"/> Yes√No	
6. Whether there is any change in the scope of consolidation for the consolidated financial statements	<input type="checkbox"/> Yes√No	
7. Whether there are any issuance, repurchase and repayment of securities	<input type="checkbox"/> Yes√No	
8. Whether there is any profit distribution to the owners	<input type="checkbox"/> Yes□No	III.(I).(2)
9. Whether segment reporting is disclosed in accordance with relevant requirements of the accounting standards	<input type="checkbox"/> Yes√No	
10. Whether there are any non-adjusting events between the half-yearly balance sheet date and the approval date of the half-yearly financial report	<input type="checkbox"/> Yes√No	
11. Whether there are any changes in contingent liabilities and contingent assets that occurred after the previous year's balance sheet date	<input type="checkbox"/> Yes√No	
12. Whether there are any changes in corporate structure	<input type="checkbox"/> Yes√No	
13. Whether there is any transfer or disposal of material long-term assets	<input type="checkbox"/> Yes√No	
14. Whether there are any changes in material fixed assets and intangible assets	<input type="checkbox"/> Yes√No	
15. Whether there are any material research and development expenses	<input type="checkbox"/> Yes√No	
16. Whether there are any significant asset impairment Losses	<input type="checkbox"/> Yes√No	
17. Whether there are any estimated liabilities	<input type="checkbox"/> Yes√No	

Description of index of notes concerning certain matters:

- (1) The Company's transportation business is affected by market sales and has a certain seasonality as January to June every year is the off-season, and July to October is the peak season. The seasonality has a certain degree of impact on the Company's operations. In order to cope with the impact of the off-season, the Company will conduct business from logistics, warehousing, distribution and other aspects, and develop more new customers to reduce the impact.
- (2) In the 2022 profit distribution proposal reviewed and approved at the Company's 2022 annual general meeting, the Company distributed a cash dividend of RMB2.34 for every 10 shares (including tax) to all shareholders with undistributed profits. A total of RMB9,968,400 was distributed in this equity distribution.

(II). Notes to Financial Statements

Notes to Financial Statements of An Jie Supply Chain Management Co., Ltd.

(Expressed in RMB in these notes, unless otherwise stated)

I. Basic Corporate Information

(I) Place of registration, type of organization and address of headquarter.

An Jie Supply Chain Management Co., Ltd. (the "Company") was established on 17 June 2016 after the completion of the financial restructuring of Jiangmen An Jie Logistics Co., Ltd. and has obtained the business licence from Jiangmen City Industrial and Commercial Administrative Bureau. The Company's Uniform Social Credit Code is 91440703760601562R.

Form of the corporate organisation: joint stock company.

Registered address: No.3 (No.01, self-define) Baoxing Road, Tangxia Town, Pengjiang District, Jiangmen City.

(II) The business nature of the Company and its main business activities.

The industry in which the Company operates: roads and transportation businesses.

Scope of business of the Company: supply chain management; road dangerous cargo transport; road cargo transport (excluding dangerous cargo); general cargo warehousing services (excluding hazardous chemicals and other items that require license approval); operations of road cargo transport station; uploading and unloading; domestic cargo transport agency; motorcycle and spare parts retail; development of software; sales of software; cryogenic warehousing (excluding hazardous chemicals and other items that require license approval); international cargo transport agency; international cargo transport agency by land; information system integration services; domestic container cargo transport agency; bazaar management services; import and export of goods; technology import and export; NVOCC business. (The items that require approval by law can only be dealt in after being approved by the relevant departments.)

(III) Approver of the financial report and the date of approval.

The financial statements were approved by the Board of Directors of the Company on 29 August 2023.

(IV) The scope of consolidation of the Company's financial statements for the year

As of 30 June 2023, the scope of consolidation of the Company's financial statements covers An Jie Supply Chain Management Co., Ltd., Jiangmen Jiasijie Coating Engineering Co., Ltd. (江门嘉思捷涂装工程有限公司), Jiangmen Ruiyuan Supply Chain Management Co., Ltd. (江门市锐源供应链管理有限公司), Sichuan Dingjie Supply Chain Management Co., Ltd. (四川鼎捷供应链管理有限公司), Guangdong Anyang Supply Chain Management Co., Ltd. (广东安扬供应链管理有限公司) and Guangdong Jieyun Environmental Service Co., Ltd. (广东捷运环境服务有限公司). For changes in the scope of consolidation during the reporting period and the Company's interests in other entities, please refer to Notes "VI. Change in Scope of Consolidation" and "VII. Interest in Other Entities", respectively.

II. Basis of Preparation of Financial Statements

(I) Basis of Preparation: The Company prepares its financial statements on a going concern basis, based on actual transactions and events, in accordance with the Accounting Standards for Business Enterprises - Basic Standards and specific accounting standards issued by the Ministry of Finance (collectively the "ASBEs"), and on the basis of the significant accounting policies and accounting estimates described below.

(II) Going Concern: The Company has had the ability to continue as a going concern for 12 months from the end of the reporting period.

III. Significant Accounting Policies and Estimates

(I) Statement of compliance with corporate accounting standards

The financial statements prepared by the Company conform to the requirements of the Accounting Standards for Business Enterprises and reflect truthfully and completely the Company's financial position as at 30 June 2023, and half-yearly operating results and cash flows in 2023, as well as other relevant information.

(II) Accounting period

The accounting year of the Company is the calendar year, i.e. from 1 January to 31 December.

(III) Operating cycle

The Company takes one year or 12 months as its normal operating cycle that serves as the division standard for the liquidity of assets and liabilities.

(IV) Reporting currency

The Company uses Renminbi as its reporting currency.

(V) Business combinations

1. Business combination under common control

For long-term equity investments resulting from a business combination under common control where the acquirer pays cash, transfers non-cash assets or assumes debts as consideration for the combination, the Company's share of the carrying value of the acquiree's equity in the consolidated financial statements of the ultimate controlling party acquired at the date of the combination is used as the initial investment cost of the long-term equity investment. In case the acquirer pays the consideration for the combination by issuing equity instruments, the aggregate nominal value of shares issued will be recognised as share capital. The difference between the initial investment cost of long-term equity investments and the carrying amount of combination consideration (or aggregate nominal value of shares issued) shall be adjusted under capital reserve; or against the retained earnings of the Company in case of insufficient capital reserve.

2. Business combination not under common control

For a business combination not under common control, the combination cost is the aggregate fair value of assets paid, liabilities incurred or assumed and equity securities issued by the acquirer in exchange for the control of the acquiree on the acquisition date. Identifiable assets, liabilities and contingent liabilities of the acquiree acquired in a business combination not under common control that meet the criteria for recognition are measured at fair value at the date of acquisition. Where the cost of combination is greater than the acquirer's interest in the fair value of the acquiree's identifiable net assets acquired in the combination, the difference shall be recognised as goodwill. Where the cost of combination is less than acquirer's interest in the fair value of the acquiree's identifiable net assets acquired in the combination, the difference shall be recognised in the non-operating income for the current period if confirmed after review.

(VI) Preparation of consolidated financial statements

1. Scope of consolidated financial statements

The Company incorporated all of its subsidiaries (including the separate entities controlled by the Company) into the scope of consolidated financial statements, including enterprises under control of the Company, separable parts in the investees and structured entities.

2. Harmonisation of accounting policies, balance sheet date and accounting period between parent company and its subsidiaries

In preparing consolidated financial statements, if the accounting policies or accounting periods adopted by a subsidiary are different from those of the Company, the necessary adjustments are made to the financial statements of the subsidiary in accordance with the Company's accounting policies and accounting periods.

3. Offset matters in the consolidated financial statements

The consolidated financial statements shall be prepared on the basis of the financial statements of the Company and subsidiaries, which offset the internal transactions incurred between the Company and subsidiaries and between subsidiaries. The portion of a subsidiary's equity that is not attributable to the Company is treated as minority interests and presented as "minority interest" in the consolidated balance sheet under shareholders' equity. Long-term equity investments in the Company held by the subsidiaries are treated as treasury stock of the Company and presented in "Less: Treasury shares" as a deduction from shareholders' equity in the consolidated balance sheet under shareholders' equity.

4. Accounting treatment of subsidiaries acquired from business combination

For a subsidiary acquired in a business combination under common control, the assets, liabilities, operating results and cash flows of the subsidiary are included in the consolidated financial statements starting from the beginning of the period of the combination, as if the business combination had occurred from the time the ultimate controlling party assumed effective control; For subsidiaries acquired through business combination not under common control, in preparing the consolidated financial statements, their individual financial statements are adjusted based on the fair value of identifiable net assets as at the acquisition date.

5. Accounting treatment of disposal of subsidiaries

As for the difference between the disposal price received from the partial disposal of the long-term equity investment in a subsidiary without loss of control and shares of the subsidiary's net assets (which is calculated on an ongoing basis from the acquisition date or the combination date) corresponding to the disposal of the long-term equity investment, it shall be adjusted against the capital reserves (capital premium or equity premium) in the consolidated financial statements, and adjusted against retained earnings if the capital reserves is insufficient.

Where control over an investee is lost due to partial disposal of the equity investment or any other reasons, the remaining equity shall be remeasured at fair value on the date in which control is lost when preparing consolidated financial statements. The difference between the sum of the consideration received from disposal of equity interest and the fair value of the remaining equity interest, and the net assets of the former subsidiary attributable to the Company calculated on a continuous basis since the acquisition date or the combination date, is recognised as the investment income for the period when the control is lost and offset against goodwill. Other comprehensive income related to equity investments in former subsidiaries, among others, is transferred to investment income for the period when the control is lost.

(VII) Recognition criteria for cash and cash equivalents

Cash determined in the preparation of statements of cash flows by the Company represents the cash on hand and deposits readily available for payment of the Company. Cash equivalents determined in the preparation of statements of cash flows refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(VIII) Financial instruments

1. Classification and reclassification of financial instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

(1) Financial assets

The Company classifies a financial asset as a financial asset measured at amortised cost if it also meets the following criteria: ① The Company's business model for managing this financial asset is to collect contractual cash flows; ② The contractual terms of the financial asset provide that the cash flow arising on a particular date is solely the repayment of the principal and the payment of interest on the outstanding principal.

The Company classifies financial assets as financial assets measured at fair value through other comprehensive income if they also meet the following criteria: ① The Company's business model for managing this financial assets is to both receive its contractual cash flows and sell this financial asset; ② The contractual terms of the financial asset provide that the cash flow arising on a particular date is solely the repayment of the principal and the payment of interest on the outstanding principal.

For investments in non-trading equity instruments, the Company may irrevocably designate them as financial assets at fair value through other comprehensive income on initial recognition. Such designation is made on individual basis and underlying investment meets the definition of an equity instrument from the issuer's perspective.

Financial assets other than those classified as financial assets at amortised cost and those at fair value through other comprehensive income are classified by the Company as financial assets at fair value through profit or loss. On initial recognition, the Company may irrevocably designate a financial asset as at fair value through profit or loss if it can eliminate or reduce accounting mismatches.

When the Company changes its business model for managing financial assets, it reclassifies all affected underlying financial assets at the first day of the first reporting period following the change in business model and applies the related accounting treatment from the date of reclassification on a prospective basis without retrospective adjustment to previously recognised gains, losses (including impairment losses or gains) or interest.

(2) Financial liabilities

Financial liabilities are classified on initial recognition as: Financial liabilities at fair value through profit or loss; Financial liabilities arising when the transfer of financial assets do not qualify for derecognition or involve financial liabilities transferred; Financial liabilities at amortised cost. All financial liabilities are not reclassified.

2. Measurement of financial instruments

The Company measures its financial instruments at fair value on initial recognition. For financial assets and financial liabilities at fair value through profit or loss, related transaction costs are charged directly to profit or loss for the period. For other types of financial assets or financial liabilities, related transaction costs are included in initially recognised amounts. Accounts receivable or notes receivable arising from sales of goods or rendering services, without significant financing component, are initially recognised based on the transaction price expected to be entitled by the Company. Subsequent measurement of financial instruments depends on their classifications.

(1) Financial assets

① Financial assets at amortised cost. Subsequent to initial recognition, such financial assets are measured at amortised cost using the effective interest method. Gains or losses arising from financial assets at amortised cost that are not the subject of any hedging relationship are recognised in profit or loss for the period when derecognised, reclassified, amortised under the effective interest method or impaired.

② Financial assets at fair value through profit or loss. Subsequent to initial recognition, financial assets in this category (except for the portion of financial assets that is part of a hedging relationship) are subsequently measured at fair value, with the resulting gain or loss (including interest and dividend income) recognised in profit or loss for the period.

③ Debt instrument investment at fair value through other comprehensive income. Subsequent to initial recognition, such financial assets are subsequently measured at fair value. Interest, impairment loss or gain and exchange gain and loss calculated using the effective interest method are recognised in profit or loss for the period when they incur, and other gains or losses are all recognised in other comprehensive income. When derecognised, the accumulated gains or losses previously recognised in other comprehensive income are transferred out from other comprehensive income and recognised in profit or loss for the period when they incur.

(2) Financial liabilities

① Financial liabilities at fair value through profit or loss. Such financial liabilities comprise financial liabilities held for trading (including derivatives that are financial liabilities) and financial liabilities designated as at fair value through profit or loss. Subsequent to initial recognition, such financial liabilities are subsequently measured at fair value and gains or losses (including interest expense) arising from changes in the fair value of financial liabilities held for trading are recognised in profit or loss for the period, except when they relate to hedge accounting. Where a financial liability is designated as at fair value through profit or loss, the amount of change in the fair value of that financial liability arising from changes in the Company's own credit risk is recognised in other comprehensive income and other changes in fair value are recognised in profit or loss for the period. If the effect of changes in the financial liability's own credit risk included in other comprehensive income would create or enlarge an accounting mismatch in profit or loss, the Company includes all gains or losses on the financial liability in profit or loss for the period.

② Financial liabilities at amortised cost. Subsequent to initial recognition, such financial liabilities are measured at amortised cost using the effective interest method.

3. How the Company determines the fair value of financial instruments

Where there is an active market for a financial instrument, the Company uses quoted prices in the active market to determine its fair value; Valuation techniques are adopted to determine the fair value of a financial instrument for which there is no active market. Valuation techniques mainly include market method, income method and cost method. In limited cases, if the short-term information used to determine fair value is insufficient, or if the possible estimated amount of fair value is widely distributed, and the cost represents the best estimate of fair value in the range, the cost can represent its proper estimate of fair value in the range of distribution. The Company uses all information available after initial recognition regarding the investee's results and operations to determine whether the cost is representative of fair value.

4. Basis for recognition and method for measurement of transfers of financial asset and financial liabilities

(1) Financial assets

The Company derecognises a financial asset when one of the following conditions is met: ① the contractual right to receive cash flows from the financial asset is terminated; ② the financial asset has been transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial asset; ③ the financial asset has been transferred, where the Company has neither transferred nor retained substantially all the reward on the ownership of the financial asset, but doesn't retain the control over the financial asset.

Where the Company neither transfers nor retains substantially all the rewards on ownership of a financial asset and retains control over the financial asset, it recognises the financial asset to the extent of its continuing involvement in the transferred financial asset, and recognises the liability accordingly.

Where a transfer of a financial asset in its entirety satisfies the derecognition criteria, the Company recognises the difference between the following two amounts in profit or loss for the period: ① the carrying amount of the transferred financial assets on the date of derecognition; ② the sum of the consideration received for the transfer of the financial asset and the amount corresponding to the derecognised portion of the cumulative amount of changes in fair value that would otherwise be included directly in other comprehensive income (financial assets involved in the transfer are classified as financial asset at fair value through other comprehensive income).

When the partial transfer of a financial asset satisfies the derecognition criteria, the overall carrying amount of the financial asset transferred is allocated between the derecognised portion and not derecognised portion by their respective fair values on the date of transfer first, and the difference between the two amounts below is then recognised in profit or loss for the period: ① the carrying amount of the derecognised portion at the date of derecognition; ② the sum of the consideration received for the derecognised part and the amount corresponding to the derecognised portion of the cumulative amount of changes in fair value that would otherwise be included in other comprehensive income (financial assets involved in the transfer are classified as financial asset at fair value through other comprehensive income).

(2) Financial liabilities

If the current obligation of the financial liability has been discharged in whole or in part, the Company shall derecognise the financial liability (or its corresponding part).

If a financial liability (or part thereof) is derecognised, the Company records the difference between its carrying amount and the consideration paid (including non-cash assets transferred or liabilities assumed) in profit or loss for the period.

(IX) Method for determination of expected credit losses and accounting treatment

1. Method for determination of expected credit losses

The Company accounts for financial assets (including receivables) measured at amortised cost, financial assets (including receivables financing) classified as at fair value through other comprehensive income, and lease receivables, on the basis of expected credit losses, and recognises a provision for impairment.

The Company assesses on each balance sheet date whether there has been a significant increase in the credit risk of the underlying financial instruments since initial recognition, dividing the process of credit impairment of financial instruments into three stages, with different accounting treatment for different stages of impairment of financial instruments: (1) In the first stage, if the credit risk of a financial instrument has not increased significantly since initial recognition, the Company measures the provision for losses based on the expected credit loss of the financial instrument over the next 12 months and calculates interest income based on its carrying amount (i.e. before provision for impairment being made) and the effective interest rate; (2) In the second stage, if the credit risk of a financial instrument has increased significantly since initial recognition but no credit impairment has occurred, the Company measures the provision for losses based on the expected credit loss over the entire life of the financial instrument and calculates interest income based on its carrying amount and the effective interest rate; (3) In the third stage, if a credit impairment occurs after initial recognition, the Company measures the provision for loss based on the expected credit loss over the entire life of the financial instrument and calculates interest income based on its amortised cost (carrying amount less provision for impairment) and the effective interest rate.

(1) Method for measuring loss provision of financial instruments with lower credit risk

For financial instruments with lower credit risk at the balance sheet date, the Company can directly make the assumption that the credit risk of the instrument has not increased significantly since initial recognition without comparing with the credit risk at the time of initial recognition.

A financial instrument is considered to have low credit risk if the risk of default is low, the debtor's ability to meet its contractual cash flow obligations in the short term is strong and, even if there are adverse changes in economic conditions and operating environment in the longer term, this may not necessarily reduce the debtor's ability to meet its contractual cash flow obligations.

(2) Method of measuring loss provision for accounts receivable

① For trade receivables (whether or not containing significant financing components) resulting from transactions subject to ASBE 14 - Revenue, the Company applies a simplified approach whereby the provision for losses is always measured on the basis of expected credit losses over the entire life of the receivable.

Based on the nature of financial instruments, the Company assesses whether the credit risk has increased significantly on the basis of a single financial asset or a group of financial assets. The Company divides trade receivables into certain portfolios based on credit risk characteristic while measuring expected credit loss based on portfolio. The basis to determine the portfolio is as follows:

Trade receivables Group 1: trade receivables other than in Group 2

Trade receivables Group 2: related party-based grouping in the scope of the consolidation

For the trade receivables classified as a group, the Company refers to the historical credit loss experience, combined with the current situation and forecast of the future economic conditions, to prepare a comparison table of the ageing of trade receivables and the lifetime expected credit loss rate to calculate the expected credit loss.

(A) Groups are determined based on the following basis:

Item	Basis for determining the groups
Group 1: trade receivables other than in Group 2	In addition to the trade receivables that are individually assessed for impairment, provision for bad debts shall be made by the Company to various receivables on the percentage determined based on the actual loss of identical or similar trade receivables for previous years with similar credit risk characteristics as well as their current situation.
Group 2: related party-based grouping in the scope of the consolidation	Receivables from related party in the scope of the consolidation

(B) Method for making bad debt provision for different groups:

Item	Method for making provision
Group 1: trade receivables other than in Group 2	Ageing analysis
Group 2: related party-based grouping in the scope of the consolidation	No bad debt provision provided

(C) Within the group, for the trade receivables classified as Group 1, the Company refers to the historical credit loss experience, combined with the current condition and forecast of the future economic condition to calculate the expected credit loss according to the account receivable age and expected credit loss rate through full lifetime in reference:

Ageing	Provision ratio for accounts receivable (%)
Within 1 year (inclusive, the same below)	3.00
1 to 2 years	10.00
2 to 3 years	20.00
3 to 4 years	30.00
4 to 5 years	50.00
More than 5 years	100.00

(3) Method of measuring loss provision for other financial assets

For financial assets other than those mentioned above, such as: debt investments, other debt investments, other receivables, and long-term receivables other than lease receivables among others, the Company measures their provision for losses in accordance with the general method, i.e. the "three-stage" model.

The Company divides other receivable into certain portfolios based on their nature while measuring expected credit loss based on portfolio. For the grouping basis and measurement of impairment loss of other receivables, it is treated in accordance with the measurement method of impairment loss of the aforementioned accounts receivable.

2. Accounting method for expected credit loss

To reflect changes in the credit risk of a financial instrument since initial recognition, the Company re-measures the expected credit losses on each balance sheet date. The resulting increase or reversal in the provision for losses is recognised as an impairment loss or gain in profit or loss for the period and is offset against the carrying amount of the financial asset as shown in the balance sheet, or included in the expected liabilities (loan commitments or financial guarantee contracts) or in other comprehensive income (debt investments at fair value through other comprehensive income), depending on the type of financial instrument.

(X) Inventories

1. Classification of inventories

Inventories means, among others, finished goods or merchandise held for sale in the ordinary course of business, work in process in the process of production, materials or supplies used in the process of production or rendering of services. These include, among others, reusable material and low value consumables.

2. Accounting method for dispatching inventories

When inventories are dispatched, the weighted-average method is used to determine the actual cost of the dispatch.

3. Method of provision for decline in value of inventories

On the balance sheet date, inventories are measured at the lower of cost and net realizable value. The provision for decline in value of inventories is made on an item-by-item basis. The provision for decline in the value of inventories with large quantity and of low unit cost is made according to their inventory category.

4. Inventory system

The Company adopts a perpetual inventory system.

5. Amortisation of low value consumables and packaging materials

Low-value consumables and packaging materials are amortised using one-off method.

(XI) Contractual assets and contractual liabilities

1. Contractual Assets

The Company presents as contractual assets rights to receive consideration for goods or services that have been transferred to customers (and that are dependent on factors other than the passage of time). Provision for impairment of contractual assets is made based on the expected credit loss method for financial instruments. For contractual assets that do not contain or have a significant financing component, the Company uses the simplified method to measure the provision for losses. For contractual assets that contain a significant financing component, the Company measures the provision for losses using the general method.

An impairment loss on a contractual asset is debited to "Impairment loss on assets" and is credited to "provision for impairment of contractual assets" according to the amount written down. Reverse entries are made upon reversing a provision for impairment of an asset that has been made.

2. Contractual liabilities

The Company presents obligations to transfer goods or provide services to customers for consideration received or receivable as contractual liabilities.

A contract asset and a contract liability under the same contract are presented on a net basis.

(XII) Long-term equity investments

1. Determination of initial investment cost

For long-term equity investment acquired through business combination, if under common control, the initial investment cost of the long-term equity investment represents the proportion of the carrying value of the acquiree's equity in the consolidated financial statements of the ultimate controlling party on the date of acquisition; if not under common control, the initial investment cost of long-term equity investment represents the combination cost determined on the date of acquisition; For long-term equity investments acquired by payment in cash, the initial investment cost represents the purchase price actually paid; For long-term equity investments acquired through the issue of equity securities, the initial investment cost represents the fair value of the equity securities issued; For the long-term equity investment acquired through debt restructuring, the initial investment cost of the long-term equity investment is determined in accordance with the relevant provisions of ASBE No. 12 - Debt Restructuring; For long-term equity investments acquired in exchange for non-monetary assets, the initial investment cost is determined in accordance with the relevant provisions of ASBE No. 7 - Non-monetary Asset Exchanges.

2. Subsequent measurement and recognition of profit or loss

Where the Company has control over an investee, the long-term equity investment in such investee is measured using the cost method. Long-term equity investments in associates and joint ventures shall be measured using the equity method. If a portion of the Company's equity investment in an associate is held indirectly through a venture capital entity, mutual fund, trust company or similar entity (including an investment-linked insurance fund), the Company shall, regardless of whether the above entities have significant influence over this portion of the investment, treat them in accordance with the relevant provisions of ASBE 22 - Recognition and Measurement of Financial Instruments, with the remainder accounted for using the equity method.

3. Basis for determination of common control and significant influence over an investee

Common control over an investee means that decisions on activities that materially affect the return on an arrangement must be made with the unanimous consent of the participants sharing control, including the sale and purchase of goods or services, the management of financial assets, the purchase and disposal of assets, research and development activities and financing activities; significant influence over an investee refers to the following circumstances: when holding more than 20% but less than 50% of the capital with voting rights in the investee; or even if below 20%, there is still significant influence if any of the following conditions is met: be represented the board of directors or similar governing body of the investee; participate in the policy development process of the investee; assign management personnel to the investee; the investee relies on the technology or technical information of the investor; there are major transactions with the investee.

(XIII) Fixed assets

1. Criteria for recognition of fixed assets

Fixed assets are tangible assets held for producing goods, rendering of services, leasing out to other parties or administrative purposes, with useful life more than one accounting year. Fixed assets are recognised when the following criteria are all met: it is likely that the economic benefits associated with the fixed asset will flow to the Company; the cost of the fixed asset can be measured reliably.

2. Classification and depreciation of fixed assets

The Company's fixed assets are mainly classified as: buildings and structures, electronic equipment, transportation equipment and furniture among others; the fixed assets are depreciated using the straight-line method. The useful life and estimated net residual value of a fixed asset are determined according to the nature and use pattern of the fixed asset. At the end of each year, the useful life, estimated net residual value and the method of depreciation of the fixed asset will be reviewed, and shall be adjusted accordingly if they differ from previous estimates. The Company makes provision for depreciation for all of its fixed assets other than fully depreciated fixed assets that are still in use and lands accounted for on an individual basis.

Categories of Assets	Estimated useful life (years)	Estimated net residual value rate (%)	Annual depreciation rate (%)
Buildings and structures	40	5.00	2.375
Electronic equipment	2-5	5.00	19.00—47.50
Means of transportation	5-10	5.00	9.50—19.00
Furniture and others	5	5.00	19.00

(XIV) Construction in progress

There are two types of construction in progress for the Company: self-construction and sub-contracting construction. Construction in progress is transferred to fixed assets when the project is completed and ready for its intended use. A fixed asset is ready for intended use if any of the following criteria is met: the construction (including installation) work of the fixed assets has been completed or substantially completed; the fixed asset has been put into trial production or trial operation and it is evidenced that the asset can operate ordinarily or produce steadily qualified products; or the result of trial operation proves that it can run or operate normally; little or no expenditure will be incurred for construction of the fixed asset; or the fixed asset constructed has achieved or almost achieved, or is complied with the requirement of design or contract.

(XV) Intangible assets

1. Measurement method of intangible assets

Intangible assets of the Company are initially measured at cost. The actual cost of a purchased intangible asset includes the considerations and relevant expenses paid. The actual cost of an intangible asset contributed by investors is the price contained in the investment contract or agreement. If the price contained in the investment contract or agreement is not a fair value, the fair value of the intangible asset is regarded as the actual cost. The cost of a self-developed intangible asset is the total expenditures incurred in bringing the asset to its intended use.

Subsequent measurement of the Company's intangible assets: intangible assets with finite useful lives are amortised on a straight-line basis over the useful lives of the intangible assets; at the end of each year, the useful lives and amortization policy are reviewed, and adjusted accordingly if there are variance with original estimates; intangible assets with indefinite useful lives are not amortised and the useful lives are reviewed at the end of each year. If there is objective evidence that the useful life of an intangible asset is finite, the intangible asset is amortised using the straight line method according to the estimated useful life.

The amortisation methods for the intangible assets with finite useful life are as follows:

Type of assets	Useful life (year)	Method of amortisation
Land use rights	50	Straight-line method
Software	3-10	Straight-line method

2. Determination basis of infinite useful life

An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Company or it has no definite useful life. The judgment basis of intangible assets with indefinite useful life: derived from the contractual rights or other legal rights but the contract or the law does not specify certain useful life; in light of the conditions of the competitors and the opinions of relevant experts, the specific period that intangible asset generating economic benefits to the Company still cannot be determined.

At the end of each year, the useful life shall be reviewed for those intangible assets with indefinite useful life by mainly using the bottom-up method. The relevant department that uses intangible asset will perform the basic review and evaluate whether there are changes in the basis for judgments of the indefinite useful life, etc.

(XVI) Impairment of long-term assets

Long-term assets such as long-term equity investments, investment properties measured under the cost model, fixed assets, construction in progress, productive biological assets measured under the cost model, oil and gas assets and intangible assets are tested for impairment if there is any indication that such assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on an individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill separately presented on the financial statements is tested for impairment at least every year, irrespective of whether there is any indication that the asset may be impaired. For the purpose of impairment testing, the carrying amount of goodwill is allocated to asset groups or sets of asset groups expected to benefit from the synergy of business combination. The testing result shows that, where the recoverable amount of the asset group or the set of asset groups allocated with goodwill is lower than the carrying amount, impairment loss is recognised accordingly. The amount of impairment loss is first reduced against the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then reduced against the carrying amounts of other assets (other than the goodwill) within the asset group or set of asset groups on pro rata basis.

Once the impairment loss of such assets is recognised, the reversible part will not be reversed in subsequent periods.

(XVII) Long-term deferred expenses

Long-term deferred expenses of the Company are expenses which have been paid but the benefit period is over one year (not including one year). Long-term deferred expenses are amortised over the benefit period. If a long-term deferred expenses cannot bring benefit in future accounting periods, its residue value not yet amortised shall be transferred in full to current profit or loss.

Item	Useful life (year)
Storage fence fee	3-5
E-commerce technical services	As agreed in the contract

(XVIII) Employee remuneration

Employee remuneration are all forms of rewards or compensation provided by the Company in exchange for services rendered by employees or for the termination of employment. Employee remuneration mainly include short-term benefits, post-employment benefits, termination benefits and other long-term employee benefits.

1. Short-term benefits

In the accounting period in which employees provide service for the Company, short-term benefits actually incurred are recognised as liabilities and charged to current profit or loss, or if otherwise required or permitted by ASBEs to costs of assets. At the time of actual occurrence, the Company's employee benefits are recorded in the current profit or loss or costs of relevant assets as incurred. The non-monetary employee welfare expenses are measured at fair value. With regard to the medical insurance, work-related injury insurance, maternity insurance and other social insurance and housing provident fund contributed and labour union expenses and employee education expenses paid as required by regulations, the Company should calculate and recognise the corresponding employees benefits payables according to the appropriation basis and proportion as stipulated by relevant requirements, recognise the corresponding liabilities in the accounting period in which employees provide service, and record the same in current profit or loss or costs of relevant assets.

1. Post-employment benefits

During the accounting period in which an employee provides service, the amount payable calculated under defined contribution scheme shall be recognised as a liability and recorded in current profit or loss or in costs of related assets. In respect of the defined benefit scheme, the Company shall attribute the welfare obligations under the defined benefit scheme in accordance with the estimated accrued benefit method to the service period of relevant employee, and record the obligation in current profit loss or costs of relevant assets.

2. Termination benefits

Termination benefits provided to employees by the Company are included as an employee remuneration liability arising from termination benefits, with a corresponding charge to current profit or loss at the earlier of the following dates: when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; when the Company recognises cost or expenses related to a restructuring that involves the payment of termination benefits.

3. Other long-term employee benefits

When other long-term employee benefits provided to the employees by the Company satisfied the conditions of defined contribution plans, those benefits shall be accounted for in accordance with the requirements relating to defined contribution plans. In addition, the Company recognises and measures the net liabilities or net assets of other long-term employee benefits according to relevant requirements of the defined benefit scheme.

(XIX) Revenue

The Company recognises revenue based on the transaction price allocated to such performance obligation when a performance obligation in the contract is satisfied, i.e. when customer obtained the right to control the relevant goods. Obtaining the right to control the relevant goods means that it is able to dominate the use of the goods and derive almost all economic benefits therefrom. A performance obligation represents the contractual commitment that a distinct good shall be transferred by the Company to the customer. Transaction price refers to the consideration that the Company is expected to receive due to the transfer of goods to customer, but it does not include payments received on behalf of third parties and amounts that the Company expects to return to the customer.

Whether the performance obligation is to be fulfilled within a specified period of time or at a particular point of time depends on the terms of the contract and the relevant legal provisions. If the performance obligation is performed within a specified period of time, the Company recognizes revenue in accordance with the progress of performance. Otherwise, the Company recognizes revenue at a particular point of time when the client obtains control of the underlying assets.

The Company's revenue recognition methodology

The Company's service revenue is mainly for the transportation and warehousing of goods. Revenue recognition principle for the transportation of goods: revenue is recognized for the provision of transportation services confirmed by the reconciliation of the parties after the contract of transportation has been entered into, the goods have been delivered to the consignee, and the transportation task has been completed. Revenue recognition principle for warehousing services: revenue is recognized for the provision of warehousing services confirmed by the reconciliation of the parties after the contract of warehousing services has been entered into and the provision of warehousing services has been completed.

(XX) Contract cost

Contract cost of the Company includes the incremental costs of obtaining a contract and the cost to fulfill a contract. Incremental costs of obtaining a contract (“costs of obtaining a contract”) represents costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Group recognises the incremental costs of obtaining a contract with a customer as an asset if it expects to recover those costs.

If the costs to fulfill a contract with a customer are not within the scope of inventories or other accounting standards, the Group recognises an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria:

1. the costs relate directly to an existing contract or to a specifically identifiable anticipated contract, including direct labour, direct materials, allocations of overheads (or similar costs), costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract;
2. the costs enhance resources of the Group that will be used in satisfying performance obligations in the future;
3. the costs are expected to be recovered.

The costs to fulfill a contract that Company will recognize as assets are included in the “inventory” item on the balance sheet if the amortisation period does not exceed one year or a normal business cycle at the initial recognition; and shall be included in “other non-current assets” item in the balance sheet if the amortization period is over one year or the normal business cycle at the initial recognition.

The costs to obtain a contract that Company will recognize as assets are included in the “other current assets” item on the balance sheet if the amortisation period does not exceed one year or a normal business cycle at the initial recognition; and shall be included in “other non-current assets” item in the balance sheet if the amortization period is over one year or the normal business cycle at the initial recognition.

Assets recognised for the incremental costs of obtaining a contract and assets recognised for the costs to fulfill a contract (the “assets related to contract costs”) are amortised on the same basis as the revenue recognition of the goods related to the assets and are included in the current profit and loss. The Company recognises the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less.

The Company recognises an impairment loss in profit or loss to the extent that the carrying amount of an asset related to contract costs exceeds:

1. remaining amount of consideration the Company expects to receive in exchange for the goods or services to which the asset relates; less
2. the costs to be incurred that relate to providing those goods or services expenses.

If the depreciation factors in the previous period change subsequently, and the difference between the aforementioned two items is higher than the book value of the asset, the original provision for impairment of the asset should be reversed and included in the current profit and loss, provided that the book value of the asset after the reversal shall not exceed the book value of the asset on the date of reversal under the assumption that no impairment provision is made.

(XXI) Government grants

1. Types of government grants and accounting treatment

Government grants are monetary assets or non-monetary assets (excluding the capital invested by the government as the owner) obtained by the Company from the government for free. A government grant in monetary asset shall be recognised at the amount received or to be received. A government grant in non-monetary asset shall be recognised at its fair value; if the fair value is not reliably measured, the grant is measured at nominal amount.

The government grants related to business activities are recognised as other income in the light of the nature of such business. The government grants non-related to business activities are recognised as non-operating income or expense.

The government grants which are clearly defined in the government documents to be used for acquisition, construction or other project that forms a long-term asset are recognised as asset-related government grants. Regarding the government grant not clearly defined in the official documents, the government grants related to assets are recognised as deferred income, the amount of which shall be recorded in the current profit or loss in installments with a reasonable and systematic method over the useful lives of relevant assets.

The government grants other than those related to assets are recognised as government grants related to income. The income-related government grants used to compensate relevant expenses or losses to be incurred by the enterprise in subsequent periods are recognised as deferred income and recorded in profit and loss for the current period when such expenses are recognised while those used to compensate relevant expenses or losses that have been incurred by the enterprise are recorded directly in profit or loss for the current period.

The Company has obtained policy-related loan interest discounts. Where the finance function allocates the interest discount funds to the lending bank, and the lending bank offers loans for the Company at a policy-related interest rate, the actual borrowing amount received is recognised as the value of borrowing and the relevant borrowing expenses are measured in accordance with the principal amount of the borrowing and such policy-related interest rate discount; Where the finance directly allocates the interest discount funds to the Company, the corresponding loan interest will be used to offset the relevant borrowing expenses.

2. Timing for recognition of governmental grants

A government grants shall be recognised when the enterprise fulfills the conditions attaching to the grant and the enterprise can receive the grant. The governmental grants measured at the amount receivable will be recognised when there is unambiguous evidence suggesting the conformance to related conditions as provided in financial support policies and financial support fund is expected to be received. Other government grants other than those measured at the amount receivable will be recognised at the actual time of receiving such grants.

(XXII) Deferred income tax assets and deferred income tax liabilities

1. Deferred income tax assets or deferred income tax liabilities are calculated and recognised based on the difference between the carrying amount and tax base of assets and liabilities (for items not recognised as assets and liabilities but with their tax base being able to be determined according to tax laws, tax base is recognised as the difference) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

2. A deferred income tax asset is recognised to the extent of the amount of the taxable income, which it is most likely to obtain to deduct from the deductible temporary difference. At the balance sheet date, if there is any exact evidence that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized, the deferred tax assets unrecognised in prior periods are recognised. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized.

3. As for taxable temporary difference related to the investments of subsidiaries and associated enterprises, the deferred income tax liabilities shall be recognised unless the Company can control the time for the reversal of temporary differences and such differences are very unlikely to be reversed in the foreseeable future. As for the deductible temporary difference related to investments of subsidiaries and associated enterprises, the deferred income tax assets shall be recognised when such temporary differences are much likely to be reversed in the foreseeable future and the taxable profit are available against which the deductible temporary difference can be utilized.

(XXIII) Lease

1. The Company recognises the right-of-use assets and lease liabilities for leases other than short-term leases and low-value asset leases, and separately recognises the depreciation expense and interest expense over the lease term.

The Company adopts the straight-line method for each period of the lease term, and the lease payments for short-term leases and low-value assets leases are included in the current expenses.

(1) Right-of-use assets

The right-of-use asset is defined as the right of underlying assets in the lease term for lessee. At the commencement date, the right-of-use is initially measured at cost. The cost of the right-of-use assets shall comprise: ① the amount of the initial measurement of the lease liability; ② any lease payments made at or before the commencement date, less any lease incentives received; ③ any initial direct costs incurred by the lessee; and ④ an estimate of costs to be incurred by the lessee in dismantling and removing the leased asset, restoring the site on which it is located or restoring the leased asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated by categories using the straight-line method. If there is reasonable certainty that the Group will obtain ownership of a leased asset at the end of the lease term, depreciation are provided by reference to categories of right-of-use assets and estimated residual value rates over the estimated remaining useful life of leased asset; if there is no reasonable certainty that the Group will obtain ownership of a leased asset at the end of the lease term, depreciation are provided by reference to categories of right-of-use assets over the shorter of the lease term and the estimated remaining useful life.

The Company recognizes whether the right-of-use assets are impaired or not and accounts for impairment under relevant regulations of the “Accounting Standard for Business Enterprises No. 8 – Impairment of Asset”.

(2) Lease liabilities

The lease liability is measured at the present value of lease payments that are unpaid at that date. Lease payments include: ① fixed payments (including in-substance fixed payments) less any lease incentives receivable; ② variable lease payments that depend on an index or a rate; ③ amounts expected to be paid under residual value of the lessee’s guarantees; ④ the exercise price of a purchase option reasonably certain to be exercised by lessee; ⑤ payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate;

The Company adopts the interest rate implicit in the lease as the discount rate. If that rate cannot be determined, the Company’s incremental borrowing rate is used. The Company shall calculate the interest expenses of lease liabilities over the lease term at the fixed periodic interest rate, and include it into financial expenses. The periodic interest rate refers to the discount rate adopted by the Company or the revised discount rate.

Variable lease payments not included in the measurement of lease liabilities are charged to profit or loss in the period in which they actually arise.

When the Company’s evaluation results on extension, termination or purchase options change, the lease liabilities are remeasured by the present value calculated from the changed lease payments and revised discount rate and the carrying amount of the right-of-use assets will be adjusted accordingly. When the in-substance leased payments, amounts expected to be payable under the guaranteed residual value and the variable lease payments that depend on an index or a rate change, the lease liabilities are remeasured by the present value calculated from the changed lease payments and original discount rate and the carrying amount of the right-of-use assets will be adjusted accordingly.

2. Accounting treatment of assets leased out

(1) Accounting treatment of operating leases

The Company recognizes the lease payments derived from operating leases as rental income on a straight-line basis over the respective lease terms. Initial direct costs relating to operating leases incurred by the Company shall be capitalized and then included in the current income by stages at the same base as the recognition of rental income over the whole lease term.

(2) Accounting treatment of financing leases

At the commencement date of lease term, the Company recognizes the difference between the sum of financing lease receivable and the unguaranteed residual value, and the present value thereof as unrealized financing income, and recognizes the same as rental income over the periods when rent is received in the future. The Company's initial direct costs associated with rental transactions shall be included in the initial measurement of the finance lease receivables.

(XXIV) Explanation of Changes in Critical Accounting Policies and Changes in Accounting Estimates

1. Changes in Accounting Policies

There was no change in accounting policies during the period.

2. Changes in Accounting Estimates

The Company had no change in accounting estimates during the period.

IV.TAXATION

(I) Major taxes and tax rates

ssw	Tax bases	Tax rates
Value-added tax (VAT)	Taxable income	9%,6%,3%
Urban maintenance and construction tax	Turnover tax payable	7%
Educational surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%
Enterprise income tax	Taxable income	15%,25%

Enterprise income tax rates of the Company and its subsidiaries

Name of Taxable Entity	Income tax rates
The Company	15%
Jiangmen Jiasijie Painting Engineering Co., Ltd. (江门嘉思捷涂装工程有限公司)	25%
Jiangmen Ruiyuan Supply Chain Management Co.,Ltd. (江门市锐源供应链管理有限公司)	25%
Sichuan Dingjie Supply Chain Management Co., Ltd. (四川鼎捷供应链管理有限公司)	25%
Guangdong Anyang Supply Chain Management Co., Ltd. (广东安扬供应链管理有限公司)	25%
Guangdong Jieyun Environmental Service Co., Ltd. (广东捷运环境服务有限公司)	25%

Note: The Company is a high and new technology enterprise and the applicable enterprise income tax rate during the current period is 15%.

(II) Significant preferential tax and official approval

On 31 December 2021, the Company obtained the High and New Technology Enterprise Certificate (Certificate No. GR202144012172) approved by the Department of Science and Technology of Guangdong Province, the Department of Finance of Guangdong Province and Guangdong Provincial Tax Service, which is valid for three years. The Company is subject to the preferential tax rate of 15% from 2021 to 2023.

V. NOTES TO SIGNIFICANT ITEMS OF CONSOLIDATED FINANCIAL STATEMENTS

(I) Monetary Funds

Type	Closing balance	Opening balance
Cash	67,027.00	67,027.00
Cash in bank	21,369,622.39	15,193,033.97
Total	21,436,649.39	15,260,060.97

(II) Notes receivable

Type	Closing balance	Opening balance
Bank acceptance bills	757,600.00	1,300,000.00
Commercial acceptance bills	26,256,853.01	8,964,563.94
Total	27,014,453.01	10,264,563.94

(III) Accounts receivable

1. Disclosure by ages

Ages	Closing balance	Opening balance
Within 1 year	93,123,805.27	110,780,123.50
1-2 years	6,455,016.47	1,867,557.60
2-3 years	1,069,247.30	1,268,959.53
3-4 years	180,850.00	692,663.73
4- 5 years	690,899.93	49,683.00
Over 5 years	91,582.00	83,808.30
Less: bad debt provision	4,144,352.23	4,080,400.31
Total	97,467,048.74	110,662,395.35

2. Disclosure by bad debt provision methods

Type	Closing balance			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Provision Ratio (%)
Accounts receivable with provision assessed for bad debts on an individual basis				
Accounts receivable with provision made for bad debts using portfolios	101,611,400.97	100	4,144,352.23	4.08
Including: Group 1;accounts receivable other than Group 2	101,611,400.97	100	4,144,352.23	4.08
Group 2: portfolio of related parties within the scope of consolidation				
Total	101,611,400.97	100	4,144,352.23	4.08

Type	Closing balance			
	Book balance		Bad debt provision	
	Amount	Proportion (%)	Amount	Provision Ratio (%)
Accounts receivable with provision assessed for bad debts on an individual basis				
Accounts receivable with provision made for bad debts using portfolios	114,742,795.66	100.00	4,080,400.31	3.56
Including: Group 1: accounts receivable other than Group 2	114,742,795.66	100.00	4,080,400.31	3.56
Group 2: portfolio of related parties within the scope of consolidation	0.00	0.00	0.00	0.00
Total	114,742,795.66	100.00	4,080,400.31	3.56

(1) Accounts receivable with provision made for bad debts using portfolios

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

① Group 1:

Ages	Closing balance			Opening balance		
	Book balance	Expected credit loss rate (%)	Bad debt provision	Book balance	Expected credit loss rate (%)	Bad debt provision
Within 1 year	93,123,805.27	3	2,793,714.14	110,780,123.50	3.00	3,323,403.71
1-2 years	6,455,016.47	10	645,501.65	1,867,557.60	10.00	186,755.76
2-3 years	1,069,247.30	20	213,849.46	1,268,959.53	20.00	253,791.91
3-4 years	180,850.00	30	54,255.00	692,663.73	30.00	207,799.13
4-5 years	690,899.93	50	345,449.98	49,683.00	50.00	24,841.50
Over 5 years	91,582.00	100	91,582.00	83,808.30	100.00	83,808.30
Total	101,611,400.97	—	4,144,352.23	114,742,795.66	—	4,080,400.31

3. Bad debt provision

Type	Opening balance	Amount of change for the current period				Closing balance
		Provision	Collection or reversal	Write-off	Other changes	
Bad debt provision	4,080,400.31	63,951.92	0	0	0	4,144,352.23
Total	4,080,400.31	63,951.92	0	0	0	4,144,352.23

4. Details of the top 5 accounts receivable by closing balance of debtors

Name of entity	Closing balance	Proportion to total accounts receivable (%)	Balance of provision for bad debts
Jiangmen Yamen New Fortune Environmental Protection Industry Co., Ltd. (江门市崖门新财富环保工业有限公司)	10,121,242.30	9.96	303,637.27
Jingdong Logistics Transportation Co., Ltd. (京东物流运输有限公司)	6,246,641.77	6.15	187,399.25
Huizhou BYD Battery Company Limited (惠州比亚迪电池有限公司)	5,041,666.88	4.96	151,250.01
Shanghai 17SoonNetwork Technology Co., Ltd. (上海一起送网络科技有限公司)	4,413,250.52	4.34	132,397.52
Guangdong Carpoly Science and Technology Material Co., Ltd. (广东嘉宝莉科技材料有限公司)	3,782,929.18	3.72	113,487.88
Total	29,605,730.65	29.13	888,171.93

(IV) Prepayments

1. Prepayments shown by ages

Ages	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	2,841,773.16	93.85	2,925,393.78	93.48
1-2 years	186,223.15	6.15	203,962.69	6.52
Total	3,027,996.31	100	3,129,356.47	100

2. Details of the top 5 entities with largest prepayment balances

Name of entity	Closing balance	Proportion to total prepayments (%)
Sinopec Marketing Co., Ltd. Guangdong Jiangmen Branch(中国石化销售股份有限公司广东江门石油分公司)	893,397.50	29.5
Guangdong Qiantian Logistics Science & Technology Co.,Ltd. (广东千田物流科技有限公司)	294,680.76	9.73
Chongqing Baoyu Supply Chain Co., Ltd. (重庆宝玉供应链有限公司)	186,223.15	6.15
Guangxi Rongshui Rongsheng Forestry Co., Ltd. (广西融水融升木业有限公司)	149,904.00	4.95
Guangdong United Electronic Services Co., Ltd.(广东联合电子服务股份有限公司)	138,306.90	4.57
Total	1,662,512.31	54.9

(V) Other receivables

Type	Closing balance	Opening balance
Other receivables	10,548,385.34	9,170,117.74
Less: bad debt provision	2,346,195.43	2,209,215.10
Total	8,202,189.91	6,960,902.64

1. Disclosure by nature

Nature of the amount	Closing balance	Opening balance
Deposits and guarantee deposits	9,176,895.67	8,848,100.81
Petty cash, withholding payment and others	1,371,489.67	322,016.93
Bad debt provision	2,346,195.43	2,209,215.10
Total	8,202,189.91	6,960,902.64

2. Disclosure by Ages

Ages	Closing balance	Opening balance
Within 1 year	5,446,700.43	5,305,954.07
1-2 years	2,297,860.00	1,346,340.00
2-3 years	554,000.24	575,489.00
3-4 years	552,309.00	1,664,700.00
4- 5 years	1,516,700.00	18,060.00
Over 5 years	180,815.67	259,574.67
Less: bad debt provision	2,346,195.43	2,209,215.10
Total	8,202,189.91	6,960,902.64

3. Provisions made for bad debts

Bad debt provision	Stage 1	Stage 2	Stage 3	合计
	Expected credit loss over the next 12 months	Lifetime expected credit loss – not credit-impaired	Lifetime expected credit loss – credit-impaired	
Opening balance	734,515.10	0	1,474,700.00	2,209,215.10
Opening balance in the current period after assessment	734,515.10	0	1,474,700.00	2,209,215.10
Provision for the current period	136,980.33	0	0	136,980.33
Closing balance	871,495.43	0	1,474,700.00	2,346,195.43

4. Bad debt provision

Type	Opening balance	Amount of change for the current period				Closing balance
		Provision	Collection or reversal	Write-off	Other changes	
Bad debt provision	2,209,215.10	136,980.33	0	0	0	2,346,195.43
Total	2,209,215.10	136,980.33	0	0	0	2,346,195.43

5.Details of the top 5 other receivables by closing balance of debtors

Name of debtors	Nature of receivables	Closing balance	Age	Proportion to the closing balance of other receivables (%)	Balance of bad debt provision
Jiangmen Xinyu Motorcycle Parts Co., Ltd.(江门市新宇摩托车配件有限公司)	Deposit	1,474,700.00	4-5 years	13.98	1,474,700.00
Jiangmen Shuangying Supply Chain Management Co., Ltd.(江门双盈供应链管理有限公司)	Deposit	800,000.00	1-2 years	7.58	80,000.00
BYD Auto Industry Co., Ltd.(比亚迪汽车工业有限公司)	Deposit	700,000.00	Within 1 year (inclusive)	6.64	21,000.00
Carpoly Chemical Group Co., Ltd.(嘉宝莉化工集团股份有限公司)	Deposit	650,000.00	Within 1 year (inclusive)	6.16	19,500.00
CALB Group Co., Ltd.(中创新航科技集团股份有限公司)	Deposit	600,000.00	Within 1 year (inclusive)	5.69	18,000.00
Total		4,224,700.00		40.05	1,613,200.00

Note: Deposit of Jiangmen Xinyu Motorcycle Parts Co., Ltd. (江门市新宇摩托车配件有限公司) amounted to RMB1,474,700.00. Such deposit was expected to be difficult to recover due to the poor operation of the counterparty and the current lack of business cooperation between the two parties, a full provision for impairment has been made.

(VI) Other current assets

Item	Closing balance	Opening balance
VAT before deduction	980,351.92	1,178,687.48
Total	980,351.92	1,178,687.48

(VII) Fixed assets

Type	Closing balance	Opening balance
Fixed assets	52,308,846.08	55,115,441.13
Less: Provision for impairment	0	0
Total	52,308,846.08	55,115,441.13

Details of fixed assets

Item	Buildings and structures	Electronic device	Transport facilities	Furniture and others	Total
I. Original carrying amount					
1. Opening balance	28,539,104.44	1,239,039.89	26,071,175.50	22,045,604.65	77,894,924.48
2. Increase in the current period		5,104.87	623,893.82	940,783.84	1,569,782.53
(1) Acquisition		5,104.87	623,893.82	940,783.84	1,569,782.53
(2) Transferred from construction in progress					
3. Decrease in the current period			573,451.03		573,451.03
(1) Disposal or retirement			573,451.03		573,451.03

Item	Buildings and structures	Electronic device	Transport facilities	Furniture and others	Total
4. Closing balance	28,539,104.44	1,244,144.76	26,121,618.29	22,986,388.49	78,891,255.98
II. Accumulated depreciation					
1. Opening balance	892,218.78	1,003,736.98	12,112,628.42	8,770,899.17	22,779,483.35
2. Increase in the current period	215,803.92	85,170.84	1,360,193.78	2,251,617.30	3,912,785.84
(1) Provision	215,803.92	85,170.84	1,360,193.78	2,251,617.30	3,912,785.84
3. Decrease in the current period			109,859.29		109,859.29
(1) Disposal or retirement			109,859.29		109,859.29
4. Closing balance	1,108,022.70	1,088,907.82	13,362,962.91	11,022,516.47	26,582,409.90
III. Provision for impairment					
1. Opening balance					
2. Increase in the current period					
(1) Provision					
3. Decrease in the current period					
(1) Disposal or retirement					
4. Closing balance					
IV. Carrying amount					
1. Closing carrying amount	27,431,081.74	155,236.94	12,758,655.38	11,963,872.02	52,308,846.08
2. Opening carrying amount	27,646,885.66	235,302.91	13,958,547.08	13,274,705.48	55,115,441.13

(VIII) Construction in progress

Item	Closing balance	Opening balance
Projects of construction in progress	1,020,715.92	
Less: Provision for impairment		
Total	1,020,715.92	

1. Projects of construction in progress

(1) Basic situation of projects of construction in progress

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Plant construction	1,020,715.92		1,020,715.92			
Total	1,020,715.92		1,020,715.92			

(2) Changes in significant projects of construction in progress

Name of project	Budgets (0'000)	Opening balance	Increase in the current period	Transferred to fixed assets	Other decrease	Closing balance
Plant construction	8,341		1,020,715.92			1,020,715.92
Total	8,341		1,020,715.92			1,020,715.92

Changes in significant projects of construction in progress (continued)

Name of project	Investment to budget of construction (%)	Completion progress (%)	Accumulated amount of interest capitalisation	Including: Amount of interest capitalisation in current period	Interest capitalisation rate in the current period (%)	Source of funding
Plant construction	35.44	35.44	0.00	0.00	0.00	Self-generated funds
Total	---	---	0.00	0.00	0.00	

(IX) Right-of-use assets

Item	Buildings and structures	Total
I. Original carrying amount		-
1. Amount at the beginning of the year	3,943,608.79	3,943,608.79
2. Increase in the current period		
3. Decrease in the current period		
4. Closing balance	3,943,608.79	3,943,608.79
II. Accumulated depreciation		
1. Amount at the beginning of the year	179,254.95	179,254.95
2. Increase in the current period	537,764.84	537,764.84
3. Decrease in the current period		
4. Closing balance	717,019.79	717,019.79
III. Provision for impairment		
1. Amount at the beginning of the year		
2. Increase in the current period		
3. Decrease in the current period		
4. Closing balance		
IV. Carrying amount		
1. Closing carrying amount	3,226,589.00	3,226,589.00
2. Amount at the beginning of the year	3,764,353.84	3,764,353.84

(X) Intangible assets

1. Intangible assets

Item	Land use rights	Software	Total
I. Original carrying amount			
1. Opening balance	21,114,950.00	6,839,122.39	27,954,072.39
2. Increase in the current period			
(1) Acquisition			
3. Decrease in the current period			
(1) Disposal			
4. Closing balance	21,114,950.00	6,839,122.39	27,954,072.39
II. Accumulated amortization			
1. Opening balance	2,217,069.71	5,013,132.58	7,230,202.29
2. Increase in the current period	211,149.48	255,619.86	466,769.34
(1) Provision	211,149.48	255,619.86	466,769.34
3. Decrease in the current period			
(1) Disposal			
4. Closing balance	2,428,219.19	5,268,752.44	7,696,971.63

III. Provision for impairment			
1. Opening balance			
2. Increase in the current period			
3. Decrease in the current period			
4. Closing balance			
IV. Carrying amount			
1. Closing carrying amount	18,686,730.81	1,570,369.95	20,257,100.76
2. Opening carrying amount	18,897,880.29	1,825,989.81	20,723,870.10

(XI) Goodwill

1. Original carrying amount of goodwill

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Jiangmen Jiasijie Painting Engineering Co., Ltd.* (江 门嘉思捷涂装工程有 限公司)	14,361.58	0.00	0.00	14,361.58
Total	14,361.58	0.00	0.00	14,361.58

2. Impairment provision for goodwill

Item	Opening balance	Provision for the current period	Decrease in the current period	Closing balance
Jiangmen Jiasijie Painting Engineering Co., Ltd.* (江 门嘉思捷涂装工程有 限公司)	14,361.58	0.00	0.00	14,361.58
Total	14,361.58	0.00	0.00	14,361.58

(XII) Long term deferred expenses

Type	Opening balance	Increase in the current period	Amortization in the current period	Other decrease	Closing balance
Storage fence fee	7,838.74		7838.68		0.06
Renovation costs	967,426.05	5,031,542.87	560,141.80		5,438,827.12
Total	975,264.79	5,031,542.87	567,980.48		5,438,827.18

(XIII) Deferred income tax assets and deferred income tax liabilities

1. Deferred income tax assets and deferred income tax liabilities are not presented in the net value after offset

Item	Closing balance		Opening balance	
	Deferred income tax assets/ liabilities	Deductible Taxable temporary difference	Deferred income tax assets/ liabilities	Deductible Taxable temporary difference
Deferred income tax assets:				
Provision for impairment of assets	1,019,118.31	64,905,547.66	972,526.42	6,289,615.41
Subtotal	1,019,118.31	64,905,547.66	972,526.42	6,289,615.41

2. Breakdown of unrecognized deferred income tax assets

Item	Closing balance	Opening balance
Deductible loss	513,221.46	513,221.46
Total	513,221.46	513,221.46

3. Deductible losses of unrecognized deferred income tax assets will expire in the following years

Year	Closing balance	Opening balance	Remarks
2023	1,611.51	1,611.51	
2024	1,399.05	1,399.05	
2025	1,403.25	1,403.25	
2026	8,881.09	8,881.09	
2027	499,926.56	499,926.56	
Total	513,221.46	513,221.46	

(XIV) Other non-current assets

Item	Closing balance	Opening balance
Prepayment for equipment		175,000.00
Total		175,000.00

(XV) Short-term borrowings

1. Classification of short-term borrowings

Borrowing conditions	Closing balance	Opening balance
Mortgaged and guaranteed borrowings	69,579,271.35	55,470,000.00
Interest payable on short-term borrowings	54,960.74	61,229.64
Total	69,634,232.09	55,531,229.64

(XVI) Accounts payable

Item	Closing balance	Opening balance
Within 1 year (inclusive)	33,071,689.75	34,639,874.20
Over 1 year	874,015.45	744,188.91
Total	33,945,705.20	35,384,063.11

(XVII) Contract liabilities

Item	Closing balance	Opening balance
Advance received on contract	78,502.36	53,229.48
Total	78,502.36	53,229.48

(XVIII) Employee remuneration payable

1. Employee remuneration payable shown by category

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Short-term remuneration	1,902,126.18	9,908,912.91	10,280,242.57	1,530,796.52
II. Post-employment benefits-defined contribution plan	0	732,626.78	732,626.78	0.00
Total	1,902,126.18	10,641,539.69	11,012,869.35	1,530,796.52

2. Remuneration of short-term employees

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Wage, bonus, allowance and subsidy	1,827,990.10	9,299,717.19	9,640,113.30	1,487,593.99
2. Employee welfare premium	0	0	0	0.00
3. Social welfare premium	0	319,635.08	319,635.08	0.00
Including: Medicare premium	0	310,553.75	310,553.75	0.00
Occupational injuries premium	0	9081.33	9,081.33	0.00
4. Housing provident funds	312	153,274.56	153,274.56	312.00
5. Labor union fund and employee education fund	73,824.08	136,286.08	167,219.63	42,890.53
Total	1,902,126.18	9,908,912.91	10,280,242.57	1,530,796.52

3. Defined contribution plan

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Basic endowment insurance premium	0	719,801.88	719,801.88	0.00
Unemployment insurance premium	0	12,824.90	12,824.90	0.00
Total	0	732,626.78	732,626.78	0.00

(XIX) Taxes payable

Taxes	Closing balance	Opening balance
VAT	809,257.91	58,889.87
Urban maintenance and construction tax	55,790.30	1,427.34
Education surcharge	23,955.75	1,432.55
Enterprise income tax	1,487,064.23	1,232,885.96
Individual income tax	71,034.93	83,034.79
Others	54,761.01	29,495.26
Total	2,501,864.13	1,407,165.77

(XX) Other payables

Type	Closing balance	Opening balance
Interests payable	0.00	0.00
Other payables	2,790,181.70	2,838,955.49
Total	2,790,181.70	2,838,955.49

Other payables shown by item

Item	Closing balance	Opening balance
Deposits and guarantee deposits	2,152,139.68	2,445,082.36
Accruals and others	638,042.02	393,873.13
Total	2,790,181.70	2,838,955.49

(XXI) Non-current liabilities due within one year

Item	Closing balance	Opening balance
Lease liabilities due within one year	1,053,298.00	1,032,111.55
Total	1,053,298.00	1,032,111.55

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(XXII) Other current liabilities

Item	Closing balance	Opening balance
Output VAT to be carried forward	4,790.66	4,790.66
Total	4,790.66	4,790.66

(XXIII) Long-term borrowings

Borrowing conditions	Closing balance	Opening balance	Range of the interest rates (%)
Mortgage borrowings		4,006,085.00	
Interest payable on long-term borrowings		5,753.18	
Total		4,011,838.18	

(XXIV) Lease liabilities

Item	Closing balance	Opening balance
Lease payments	3,209,653.43	3,897,733.33
Less: unrecognised financing fee	159,143.87	217,983.82
Less: lease liabilities due within one year	1,053,298.00	1,032,111.55
Total	1,997,211.56	2,647,637.96

(XXV) Deferred income

1. Deferred income shown by category

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reasons
Government grants	3,223,726.18		574,585.58	2,649,140.60	Funding from the Government
Total	3,223,726.18		574,585.58	2,649,140.60	

2. Items of government grants

Item	Balance at the beginning of the year	Amount of grants increased for the period	Amount included in profit or loss for the period	Closing balance	Related to assets/related to income
Guide funds for the development of provincial modern service industry	400,997.45		127,011.24	273,986.21	Related to assets
Construction project of agricultural product chain distribution center	2,822,728.73		447,574.34	2,375,154.39	Related to assets
Total	3,223,726.18		574,585.58	2,649,140.60	

(XXVI) Share capital

Item	Opening balance	Movements (+, -) for the period					Closing balance
		Issue of new shares	Bonus shares	Reserves transferred to shares	Other	Subtotal	
Total shares	42,600,000.00	0.00	0.00	0.00	0.00	0.00	42,600,000.00

(XXVII) Capital reserve

Type	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Capital premium	3,143,108.23	0.00	0.00	3,143,108.23

Type	Opening Balance	Increase in the current period	Decrease in the current period	Closing balance
Total	3,143,108.23	0.00	0.00	3,143,108.23

(XXVIII) Surplus reserve

Type	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserve	11,110,407.16	1,391,593.05		12,502,000.21
Total	11,110,407.16	1,391,593.05		12,502,000.21

(XXIX) Undistributed profits

Item	Amount incurred in the period	Amount incurred in the last period
Undistributed profits before adjustment at the end of preceding period	62,914,395.91	40,480,272.89
Adjustments to total undistributed profits at the beginning of the period (increase+, decrease-)	258.56	
Undistributed profits after adjustment at the beginning of the period	62,914,137.35	40,480,272.89
Add: Net profit attributable to owners of the parent company for the current period	14,018,963.66	33,851,112.89
Less: Appropriation of statutory surplus reserve	1,391,593.05	3,408,189.87
Ordinary share dividend payable	9,968,399.97	8,008,800.00
Undistributed profits at the end of the period	65,573,107.99	62,914,395.91

(XXX) Operating revenue and operating cost

Item	Amount for current period		Amount for previous period	
	Revenue	Cost	Revenue	Cost
Main operation	144,591,700.40	120,694,961.96	123,127,324.95	99,538,798.03
Other operation			96,122.54	63,802.16
Total	144,591,700.40	120,694,961.96	123,223,447.49	99,602,600.19

(XXXI) Taxes and surcharges

Item	Amount for current period	Amount for previous period
Urban maintenance and construction tax	147,412.28	55,636.35
Education surcharge	63,220.08	21,694.98
Local education surcharge	42,146.71	15,466.28
Stamp duty	71,913.40	100,039.27
Housing property tax		
Land use tax		
Vehicle and vessel use tax		
Total	324,692.47	192,836.88

(XXXII) Selling expenses

Item	Amount for current period	Amount for previous period
Employee remuneration	473,358.77	368,038.68
Business entertainment expenses		17,549.72
Travel expenses		
Others	12,521.52	69,659.30
Total	485,880.29	455,247.70

(XXXIII) Administrative expenses

Item	Amount for current period	Amount for previous period
Office expenses	107,760.19	77,740.62
Employee remuneration	1,270,363.85	563,647.47
Vehicle usage expenses	44,275.53	
Amortization of intangible assets	211,149.48	211,149.48
Communication expenses	88,987.01	91,804.90
Depreciation	181,865.85	381,066.08
Consultancy expenses	291,509.43	301,323.07
Business entertainment expenses	139,005.06	119,965.44
Travel expenses	78,641.25	7,888.29
Utility	80,549.49	112,777.10
Others	558,956.74	525,551.70
Total	3,053,063.88	2,392,914.15

(XXXIV) Research and development expenses

Item	Amount for current period	Amount for previous period
Employee remuneration	2,498,961.37	2,882,989.51
Depreciation and amortization	255,619.86	1,457,149.76
Materials and testing expenses and others	405,002.87	1,180,636.87
Total	3,159,584.10	5,520,776.14

(XXXV) Financial expenses

Item	Amount for current period	Amount for previous period
Interest expenses	1,243,001.76	933,172.27
Less: Interest income	14,801.89	7,076.88
Bank charges	94,318.36	39,355.89
Interest expenses of lease liabilities	-58,839.95	
Total	1,263,678.28	965,451.28

(XXXVI) Other income

Item	Amount for current period	Amount for previous period
Guide funds for the development of provincial modern service industry	127,011.24	127,011.21
Construction project of agricultural product chain distribution center	447,574.34	1,449,722.07
Total	574,585.58	1,576,733.28

(XXXVII) Investment income

Item	Amount for current period	Amount for previous period
Gains on wealth management products	22,851.02	12,069.19
Investment income from equity transfer		
Total	22,851.02	12,069.19

(XXXVIII) Credit impairment loss

Item	Amount for current period	Amount for previous period
Credit impairment loss of accounts receivable	63,951.92	-297,759.54
Credit impairment loss of other receivables	136,980.33	62,738.93
Total	200,932.25	-235,020.61

(XXXIX) Gain from disposal of assets

Item	Amount for current period	Amount for previous period
Gain from disposal of fixed assets		7,632.50
Total		7,632.50

(XL) Non-operating income

1. Non-operating income is presented separately

Item	Amount for current period	Amount for previous period	Amount charged to the current non-recurring profit or loss
Government grant	178.12	16,599.74	
Others	4,279.06	355.95	4,279.06
Total	4,457.18	16,955.69	4,279.06

2. Government grants included in non-operating income

Item	Amount for current period	Amount for previous period	Related to assets/related to income
Refunds of individual income tax handling fees	178.12		Related to income
Social security payables - unemployment benefits		16,419.74	Related to income
Thematic education subsidies carried out by the Party branch under Jiangmen City Pengjiang District Du Ruan Town People's Government (江门市蓬江区杜阮镇人民政府)		180.00	Related to income
Total	178.12	16,599.74	

(XLI) Non-operating expenses

Item	Amount for current period	Amount for previous period	Amount charged to the current non-recurring profit or loss
1. Total losses from disposal of non-current assets	103,376.07		103,376.07
Including: Losses from disposal of fixed assets	103,376.07		103,376.07
2. External donations			
3. Delay charges	130.62		130.62
4. Others	671.57	294.09	671.57
Total	104,178.26	294.09	104,178.26

(XLII) Income tax expenses

1. Details of income tax expenses

Item	Amount for the current period	Amount for the previous period
Income tax expenses for the current period calculated according to tax laws and relevant requirements	1,916,368.38	1,752,212.64
Deferred income tax expenses	-46,591.89	30,767.35
Differences in income tax settlement	-168.55	998.61
Total	1,869,607.94	1,783,978.60

2. Reconciliation between accounting profit and income tax expenses

Item	Amount
Total profit	15,906,622.69
Income tax expenses based on statutory/applicable tax rate	2,385,993.40
Effect of non-deductible costs, expenses and losses	11,561.71
Research and development expenses and additional deductions	-473,937.61
Differences in income tax settlement	-168.55
Effect of different tax rates of subsidiaries	45,710.90
Effect of using the deductible losses of previously unrecognized deferred income tax assets	-103,599.05
Effect of deductible temporary differences or deductible losses unrecognized as deferred income tax assets in current period	4,047.14
Income tax expenses	1,869,607.94

(XLIII) Cash flow statement

1. Other cash receipts or payments related to operating activities

Item	Amount for the current period	Amount for the previous period
Other cash receipts related to operating activities	5,192,956.42	6,769,850.66
Including: Borrowings from related parties	5177976.41	5,746,174.04
Interest Income		1,000,000.00
Government grants	14,801.89	7,076.88
Others	178.12	16,599.74
Other cash payment related to operating activities	6,494,557.70	13,742,754.49
Including: Payment of Margin Deposit and Advance	1,645,836.91	3,435,085.19
Cash received from borrowings from related parties		6,000,000.00
Administrative expenses, research and development expenses, and selling expenses	4,754,402.43	4,268,313.41
Handling fee and other expenses	94,318.36	39,355.89

(XLIV) Supplemental information to the cash flow statement

1. Supplemental information to the cash flow statement

Item	Amount for the current period	Amount for the previous period
1. Reconciliation of net profit to cash flow from operating activities		
Net profit	14,037,014.75	14,216,869.11
Add: Credit impairment loss	200,932.25	-235,020.61
Provision for assets impairment		
Depreciation of fixed assets, oil and gas assets, productive biological assets	3,912,785.84	2,734,791.42
Depreciation of right-of-use assets	537,764.84	
Amortization of intangible assets	466,769.34	1,628,126.34

Item	Amount for the current period	Amount for the previous period
Amortization of long-term prepayments	567,980.48	256,807.56
Loss on disposal of fixed assets, intangible assets and other long-term assets (Gain represented by “-”)	103,376.07	
Fixed assets retirement loss (Gain represented by “-”)		-7632.5
Net loss on hedging exposure (Gain represented by “-”)		
Losses on changes in fair value (Gain represented by “-”)		
Financial expenses (Gain represented by “-”)	1,243,001.76	933,172.27
Investments losses (Gain represented by “-”)	-22,851.02	-12,069.19
Decrease of deferred income tax assets (Increase represented by “-”)	-46,591.89	41,198.41
Increase of deferred income tax liabilities (Decrease represented by “-”)		
Decrease in inventories (Increase represented by “-”)		
Decrease in operating receivables (Increase represented by “-”)	15,849,511.87	7,670,740.78
Increase of operating payables (Decrease represented by “-”)	-23,686,222.59	-14,681,603.27
Others		
Net cash flow from operating activities	13,163,471.70	12,545,380.32
2. Significant investing and financing activities not related to cash receipts and payments		
Conversion of debt into share capital		
Convertible corporate bonds due within one year		
Fixed assets rented under leases		
3. Net changes in cash and cash equivalents		
Closing balance of cash	21,436,649.39	14,479,187.04
Less: Opening balance of cash	15,260,060.97	14,371,554.73
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase of cash and cash equivalents	6,176,588.42	107,632.31

2. Cash and cash equivalents

Item	Amount for the current period	Amount for the previous period
I. Cash	21,436,649.39	14,479,187.04
Including: Cash on hand	67,027.00	67,027.00
Cash in bank on demand for payment	21,369,622.39	14,412,160.04
II. Cash equivalents		
Including: Bond investment with maturity within 3 months		
III. Closing balance of cash and cash equivalents	21,436,649.39	14,479,187.04
Including: Restricted cash and cash equivalents used by the Parent Company or subsidiaries within the Group	0.00	0.00

(XLV) Assets subject to restrictions on ownership or rights of use

Item	Closing carrying amount	Reason for such restrictions
Intangible assets - Land Use Rights	18,686,730.81	Bank Borrowings-Pledge of Land Use Rights
Fixed assets - Housing and Building Structure	27,431,081.74	Bank Borrowing-Pledge of Housing and Building Structure
Total	46,117,812.55	

VI. CHANGE IN SCOPE OF CONSOLIDATION

There was no change in the entities included in the consolidated financial statements during the reporting period.

VII. INTEREST IN OTHER ENTITIES

Interest in subsidiaries

Name of subsidiaries	Place of registration	Principal place of operation	Nature of business	Proportion of shareholding (%)		Acquisition method
				Directly	Indirectly	
Jiangmen Jiasijie Painting Engineering Co., Ltd.* (江 门嘉思捷涂装 工程有限公司)	Jiangmen	Jiangmen	Road freight transportation	100.00	0.00	Merger and acquisition
Jiangmen Ruiyuan Supply Chain Management Co., Ltd.* (江 门市锐源 供应链管理 有限公司)	Jiangmen	Jiangmen	Supply chain management and related supporting services	100.00	0.00	Establishment
Sichuan Dingjie Supply Chain Management Co., Ltd.* (四 川鼎捷供 应链管理 有限公司)	Sichuan	Sichuan	Freight transportation and warehousing	55.00	0.00	Establishment
Guangdong Anyang Supply Chain Management Co., Ltd.* (广 东安扬供 应链管理 有限公司)	Jiangmen	Jiangmen	Supply chain management, warehousing, road freight transportation	70.00	0.00	Establishment
Guangdong Jieyun Environmental Service Co., Ltd.* (广 东捷运环 境服务 有限公司)	Jiangmen	Jiangmen	Supply chain management, warehousing, road freight transportation	51.00	0.00	Establishment

VIII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(I) De facto controllers of the Company

The de facto controllers of the Company are Zhang Yan (张艳) and Yang Yongming (杨永明). Zhang Yan (张艳) and Yang Yongming (杨永明) are in a spousal relationship. As of the end of the reporting period, Zhang Yan (张艳) held 63.04% of the Company's shares and Yang Yongming (杨永明) held 2.05% of the Company's shares. They jointly held 65.09% of the Company's shares.

(II) Subsidiaries of the Company

Please refer to Note "VII. INTEREST IN OTHER ENTITIES" for details.

(III) Other related party of the Company

Name of other related party	Relationships of other related party with the Company
Guangzhou Dingyi Food Co.,Ltd. (广州鼎一食品有限公司)	Holding 45% of the shares of Sichuan Dingjite Supply Chain Management Co., Ltd. * (四川鼎捷供应链管理有限公司), a controlling subsidiary of the Company
Jiangmen New Fortune Environment Technology Co., Ltd. (江门市新财富环境科技有限公司)	Holding 30% of the shares of Guangdong Anyang Supply Chain Management Co., Ltd. *(广东安扬供应链管理有限公司), a controlling subsidiary of the Company
Jiangmen Yamen New Fortune Environmental Protection Industry Co., Ltd. (江门市崖门新财富环保工业有限公司)	A shareholder of Jiangmen New Fortune Environment Technology Co., Ltd. (江门市新财富环境科技有限公司)
Jiangmen Yamen New Fortune Investment Management Co., Ltd. (江门市崖门新财富投资管理有限公司)	A wholly-owned subsidiary of Jiangmen Yamen New Fortune Environmental Protection Industry Co., Ltd. (江门市崖门新财富环保工业有限公司)

(IV) Related party transactions

1. Related party transactions for sale and purchase of goods and rendering and acceptance of services

Name of related party	Type of related party transaction	Content of related party transaction	Amount for the current period	Amount for the previous period
Sale of goods and rendering of services:				
Guangzhou Dingyi Food Co.,Ltd. (广州鼎一食品有限公司)	Rendering of services	Provision of transportation services	10,050.20	2,573,437.00
Jiangmen Yamen New Fortune Environmental Protection Industry Co., Ltd. (江门市崖门新财富环保工业有限公司)	Rendering of services	Provision of transportation services	5,521,166.98	

2. Related party guarantees

Guarantor	Guaranteed party	Guarantee amount	Start date of guarantee	End date of guarantee	Guarantee fulfilled or not
Zhang Yan (张艳), Yang Yongming (杨永明)	The Company	30,000,000.00	2020-5-20	2030-5-19	否
Zhang Yan (张艳), Yang Yongming (杨永明)	The Company	15,000,000.00	2018-1-16	2028-12-31	否
Zhang Yan (张艳), Yang Yongming (杨永明)	The Company	12,000,000.00	2022-12-26	2026-12-25	否

(V) Receivables and payables from/to related party

1. Accounts receivable

Item	Related parties	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Jiangmen Yamen New Fortune Environmental Protection Industry Co., Ltd. (江门市崖门新财富环保工业有限公司)	10,121,242.30	303,637.27	2,277,246.50	68,317.40
Accounts receivable	Guangzhou Dingyi Food Co., Ltd. (广州鼎一食品有限公司)	1,727,761.62	172,776.16	1,811,921.62	54,357.65
Total		11,849,003.92	476,413.43	4,089,168.12	122,675.04

IX. COMMITMENTS AND CONTINGENCIES

(I) Commitments

As of 30 June 2023, the Company has no commitments that should be disclosed.

(II) Contingencies

As of 30 June 2023, the Company has no pending litigation, external guarantees and other contingencies that should be disclosed.

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X. EVENTS AFTER THE BALANCE SHEET DATE

As of the date of this report, the Company has no events after the balance sheet date that should be disclosed.

XI. OTHER SIGNIFICANT EVENTS

As of 30 June 2023, the Company has no other material matters that should be disclosed.

XII. NOTES TO MAJOR FINANCIAL STATEMENT ITEMS OF THE PARENT COMPANY

(I) Accounts receivable

1. Disclosure by ageing

Ages	Closing balance	Opening balance
Within 1 year	81,771,441.09	104,757,287.14
1 to 2 years	6,455,016.47	1,867,557.60
2 to 3 years	727,743.09	927,455.32
3 to 4 years	180,850.00	692,663.73
4 to 5 years	690,899.93	49,683.00
Over 5 years	91,582.00	83,808.30
Less: Provision for bad debts	3,712,304.66	3,811,792.31
Total	86,205,227.92	104,566,662.78

2. Disclosure by the category of the bad debt provision method

Category	Closing balance			
	Book balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Provision ratio (%)
Accounts receivable with provision assessed for bad debts on an individual basis				
Accounts receivable with provision for bad debts by group	89,917,532.58	100.00	3,712,304.66	4.13
Of which: Group 1: receivables other than Group 2	89,145,005.78	99.14	3,712,304.66	4.16
Group 2: related parties within the scope of consolidation	772,526.80	0.86		
Total	89,917,532.58	100.00	3,712,304.66	4.13

Category	Opening balance			
	Book balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Provision ratio (%)
Accounts receivable with provision assessed for bad debts on an individual basis				
Accounts receivable with provision for bad debts by group	108,378,455.09	100.00	3,811,792.31	3.52
Of which: Group 1: receivables other than Group 2	107,724,386.34	99.40	3,811,792.31	3.54
Group 2: related parties within the scope of consolidation	654,068.75	0.60		
Total	108,378,455.09	100.00	3,811,792.31	3.52

Group 1:

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

Ages	Closing balance			Opening balance		
	Book balance	Expected credit loss rate (%)	Provision for bad debts	Book balance	Expected credit loss rate (%)	Provision for bad debts
Within 1 year (inclusive)	80,998,914.29	3.00	2,429,967.43	104,103,218.39	3.00	3,123,096.55
1 to 2 years	6,455,016.47	10.00	645,501.65	1,867,557.60	10.00	186,755.76
2 to 3 years	727,743.09	20.00	145,548.62	927,455.32	20.00	185,491.07
3 to 4 years	180,850.00	30.00	54,255.00	692,663.73	30.00	207,799.13
4 to 5 years	690,899.93	50.00	345,449.97	49,683.00	50.00	24,841.50
Over 5 years	91,582.00	100.00	91,582.00	83,808.30	100.00	83,808.30
Total	89,145,005.78		3,712,304.66	107,724,386.34	—	3,811,792.31

3. Provision for bad debts

Category	Opening balance	Changes in the period				Closing balance
		Provision	Recover or reversal	Write-off	Other changes	
Provision for bad debts	3,811,792.31	-99,487.65				3,712,304.66
Total	3,811,792.31	-99,487.65				3,712,304.66

4. Details of the top 5 accounts receivable by closing balance of debtors

Company names	Closing balance	Proportion to total accounts receivable (%)	Balance of provision for bad debts
Jingdong Logistics Transportation Co., Ltd. (京东物流运输有限公司)	6,246,641.77	6.95	187,399.25
Huizhou BYD Battery Company Limited (惠州比亚迪电池有限公司)	5,041,666.88	5.61	151,250.01
Shanghai 17SoonNetwork Technology Co., Ltd. (上海一起送网络科技有限公司)	4,413,250.52	4.91	132,397.52
Guangdong Carpoly Science and Technology Material Co., Ltd. (广东嘉宝莉科技材料有限公司)	3,670,783.34	4.08	110,123.50
Shaoguan BYD Industrial Co., Ltd. (韶关比亚迪实业有限公司)	3,368,542.55	3.75	101,056.28
Total	22,740,885.06	25.30	682,226.56

(II) Other receivables

Category	Closing balance	Opening balance
Other receivables	12,770,584.70	9,016,852.08
Less: Provision for bad debts	2,322,881.36	2,186,982.08
Total	10,447,703.34	6,829,870.00

1. Other receivables categorised by nature

Nature of receivables	Closing balance	Opening balance
Deposits and guarantee deposits	9,011,895.67	8,732,500.81
Internal transactions	2,432,668.32	21,168.32
Reserves, withholding payments and others	1,326,020.71	263,182.95
Less: Provision for bad debts	2,322,881.36	2,186,982.08
Total	10,447,703.34	6,829,870.00

2. Aging analysis of other receivables

Ages	Closing balance	Opening balance
Within 1 year	7,768,899.79	5,231,520.09
1 to 2 years	2,297,860.00	1,347,340.00
2 to 3 years	454,000.24	475,489.00
3 to 4 years	552,309.00	1,684,868.32
4 to 5 years	42,000.00	18,060.00
Over 5 years	1,655,515.67	259,574.67
Less: Provision for bad debts	2,322,881.36	2,186,982.08
Total	10,447,703.34	6,829,870.00

3. Bad debt provision

Provision for bad debts	Stage 1	Stage 2	Stage 3	Total
	Expected credit loss over the next 12 months	Lifetime expected credit loss – not credit-impaired	Lifetime expected credit loss – credit-impaired	
Opening balance	712,282.08		1,474,700.00	2,186,982.08
Opening balance after reassessment for the current period	712,282.08		1,474,700.00	2,186,982.08
Provision for the current period	135,899.28			135,899.28
Closing balance	848,181.36		1,474,700.00	2,322,881.36

4. Provision for bad debts

Type	Opening balance	Changes for this period				Closing balance
		Provision	Collection or reversal	Write-off	Other changes	
Provision for bad debts	2,186,982.08	135,899.28				2,322,881.36
Total	2,186,982.08	135,899.28				2,322,881.36

5. Details of the top 5 other receivables by closing balance of debtors

Name of debtors	Nature of receivables	Closing balance	Ages	Proportion to the total closing balance of other receivables (%)	Balance of bad debt provision
Jiangmen Xinyu Motorcycle Parts Co., Ltd. (江门市新宇摩托车配件有限公司)	Guarantee deposit	1,474,700.00	4 to 5 years	11.55	1,474,700.00
Jiangmen Shuangying Supply Chain Management Co., Ltd. (江门双盈供应链管理有限公司)	Guarantee deposit	800,000.00	1 to 2 years	6.26	80,000.00
BYD Auto Industry Co., Ltd. (比亚迪汽车工业有限公司)	Guarantee deposit	700,000.00	Within 1 year (inclusive)	5.48	21,000.00
Carpoly Chemical Group Co., Ltd. (嘉宝莉化工集团股份有限公司)	Guarantee deposit	650,000.00	Within 1 year (inclusive)	5.09	19,500.00
CALB Group Co., Ltd. (中创新航科技集团股份有限公司)	Guarantee deposit	600,000.00	Within 1 year (inclusive)	4.7	18,000.00
Total		4,224,700.00		33.08	1,613,200.00

Note: Jiangmen Xinyu Motorcycle Parts Co., Ltd. (江门市新宇摩托车配件有限公司) has a deposit of RMB1,474,700.00; due to its poor operation, the two parties have no business cooperation at present, and it is expected to be difficult to recover, and the impairment provision is fully made.

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(III) Long-term equity investments						
Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investment in subsidiaries	9,268,000.00	0.00	9,268,000.00	9,268,000.00	0.00	9,268,000.00
Total	9,268,000.00	0.00	9,268,000.00	9,268,000.00	0.00	9,268,000.00

1. Investment in subsidiaries						
Investees	Opening balance	Increase for the period	Decrease for the period	Closing balance	Provision for impairment made in current period	Closing balance of provision for impairment
Jiangmen Jiasijie Painting Engineering Co., Ltd.* (江门市嘉思捷涂装工程有限公司)	268,000.00	0.00	0.00	268,000.00	0.00	0.00
Sichuan Dingjie Supply Chain Management Co., Ltd.* (四川鼎捷供应链管理集团有限公司)	5,500,000.00	0.00	0.00	5,500,000.00	0.00	0.00
Guangdong Anyang Supply Chain Management Co., Ltd. (广东安扬供应链管理集团有限公司)	3,500,000.00	0.00	0.00	3,500,000.00	0.00	0.00
Total	9,268,000.00	0.00	0.00	9,268,000.00	0.00	0.00

Among which, the Company has not yet invested in its subsidiaries Jiangmen Ruiyuan Supply Chain Management Co., Ltd. (江门市锐源供应链管理集团有限公司) and Guangdong Jieyun Environmental Service Co., Ltd. (广东捷运环境服务有限公司).

(IV) Operating revenue and operating cost

Items	Amount for the current period		Amount for the previous period	
	Revenue	Costs	Revenue	Costs
Main operation	135,757,440.82	112,713,298.26	120,799,834.73	97,200,860.80
Other operation			92,452.82	63,802.16
Total	135,757,440.82	112,713,298.26	120,892,287.55	97,264,662.96

(V) Investment income

Type	Amount for the current period	Amount for the previous period
Investment income from wealth management products	22,851.02	12,069.19
Total	22,851.02	12,069.19

XIII. SUPPLEMENTARY INFORMATION

(I) Breakdown of non-recurring profit or loss for the current period

Items	Amount	Remarks
1. Gain and loss from disposal of non-current assets, including write-off of provision for asset impairment	103,376.07	
2. Government grants included in profit or loss for the current period (exclusive of those that are closely related to the enterprise business and received in a certain amount or fixed quantity according to the State standards)	574,585.58	
3. The profit or loss of entrusting others to invest or manage assets	22,851.02	
4. Other non-operating income and expenses other than aforesaid items	3,476.87	
5. Impact of income tax	-105,643.43	
Total	598,646.11	

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

(II) RONA and EPS

Profit of the reporting period	Weighted average RONA (%)		EPS	
			Basic EPS	
	Amount for the current period	Amount for the previous period	Amount for the current period	Amount for the previous period
Net profit attributable to shareholders of ordinary shares	11.06	14.02	0.33	0.12
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	10.59	12.66	0.32	0.11

An Jie Supply Chain Management Co., Ltd.

29 August 2023

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APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

B. SUPPLEMENTARY FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below is supplemental financial information of the Target Group for each of the three years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 (the “**Relevant Periods**”) which is required for an accountants’ report under Appendix 16 to the Listing Rules but not disclosed in the Target Group’s published consolidated financial statements.

(Amounts are presented in thousands of Renminbi, and are rounded down to the nearest whole thousands, unless otherwise stated).

1. Directors’ emoluments

Directors’ emoluments for the Relevant Periods were as follows:

	For the year ended 31 December 2020				
	Fees <i>RMB’000</i>	Salaries, allowance and benefits in kind <i>RMB’000</i>	Discretionary bonus <i>RMB’000</i>	Retirement schemes contributions <i>RMB’000</i>	Total <i>RMB’000</i>
Zhang yan	—	378	—	2	380
Yang Yong Ming	—	272	—	1	273
Chen Hai Quan	50	—	—	—	50
Jia Li Ping	—	60	—	2	62
Shi Sheng Mei	—	—	—	—	—
	<u>50</u>	<u>710</u>	<u>—</u>	<u>5</u>	<u>765</u>

	For the year ended 31 December 2021				
	Fees <i>RMB’000</i>	Salaries, allowance and benefits in kind <i>RMB’000</i>	Discretionary bonus <i>RMB’000</i>	Retirement schemes contributions <i>RMB’000</i>	Total <i>RMB’000</i>
Zhang yan	—	343	—	10	353
Yang Yong Ming	—	283	—	1	284
Chen Hai Quan	—	60	—	10	70
Shi Sheng Mei	—	—	—	—	—
	<u>—</u>	<u>686</u>	<u>—</u>	<u>21</u>	<u>707</u>

For the year ended 31 December 2022

	Fees <i>RMB'000</i>	Salaries, allowance and benefits in kind <i>RMB'000</i>	Discretionary bonus <i>RMB'000</i>	Retirement schemes contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Zhang yan	—	343	—	11	354
Yang Yong Ming	—	247	—	1	248
Chen Hai Quan	—	—	—	—	—
Wang Zhi	—	150	—	4	154
Jia Li Ping	—	35	—	7	42
Shi Sheng Mei	—	—	—	—	—
	—	775	—	23	798

For the six months ended 30 June 2022

	Fees <i>RMB'000</i>	Salaries, allowance and benefits in kind <i>RMB'000</i>	Discretionary bonus <i>RMB'000</i>	Retirement schemes contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Zhang yan	—	171	—	5	176
Yang Yong Ming	—	123	—	1	124
Jia Li Ping	—	30	—	5	35
Chen Hai Quan	—	—	—	—	—
Shi Sheng Mei	—	—	—	—	—
	—	324	—	11	335

For the six months ended 30 June 2023

	Fees <i>RMB'000</i>	Salaries, allowance and benefits in kind <i>RMB'000</i>	Discretionary bonus <i>RMB'000</i>	Retirement schemes contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Zhang yan	—	171	—	5	176
Yang Yong Ming	—	123	—	1	124
Chen Hai Quan	50	—	—	—	50
Wang Zhi	—	180	—	5	185
Shi Sheng Mei	—	—	—	—	—
	50	474	—	11	535

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

2. Five highest paid individuals

The emoluments of the five highest paid individuals included 2, 2, 2 and 3 directors during the Relevant Periods (six months ended 30 June 2022: 2). The aggregate of the emoluments in respect of the other individuals were as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, allowances and benefits in kind	1,082	1,083	1,041	511	605
Pension scheme contributions	<u>10</u>	<u>51</u>	<u>53</u>	<u>22</u>	<u>27</u>
	<u>1,092</u>	<u>1,134</u>	<u>1,094</u>	<u>533</u>	<u>632</u>

The number of employees, other than directors, whose emoluments fell within the following band were as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
Within RMB1,000,000	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>2</u>

3. Ageing analysis of trade and bill receivables

The ageing analysis of trade receivables based on invoice date was as follows:

	As at 31 December			As at 30 June	
	2020	2021	2022	2022	2023
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0-30 days	57,074	71,569	99,543	79,955	79,955
31-60 days	846	1,202	10,205	6,418	6,418
61-90 days	198	3,590	2,748	3,310	3,310
91-120 days	88	1,823	490	4,700	4,700
Over 120 days	<u>1,313</u>	<u>3,158</u>	<u>1,757</u>	<u>7,228</u>	<u>7,228</u>
	59,519	81,342	114,743	101,611	101,611
Less: Loss allowance	<u>(2,006)</u>	<u>(3,227)</u>	<u>(4,081)</u>	<u>(4,144)</u>	<u>(4,144)</u>
	<u>57,513</u>	<u>78,115</u>	<u>110,662</u>	<u>97,467</u>	<u>97,467</u>

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

The ageing analysis of bill receivables based on invoice date is as follows:

	As at 31 December			As at
	2020	2021	2022	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2023
				<i>RMB'000</i>
0-180 days	—	2,146	10,265	27,014
	<u>—</u>	<u>2,146</u>	<u>10,265</u>	<u>27,014</u>
	<u>—</u>	<u>2,146</u>	<u>10,265</u>	<u>27,014</u>

4. Ageing analysis of trade payables

The ageing analysis of trade payables based on invoice date was as follows:

	As at 31 December			As at
	2020	2021	2022	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2023
				<i>RMB'000</i>
0-30 days	38,320	40,346	29,216	22,257
31-60 days	523	460	4,336	441
61-90 days	—	—	489	782
91-120 days	—	—	—	5,566
Over 120 days	573	674	1,343	4,900
	<u>39,416</u>	<u>41,480</u>	<u>35,384</u>	<u>33,946</u>

C. DIFFERENCES BETWEEN ACCOUNTING POLICIES ADOPTED BY THE COMPANY (INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)) AND THE TARGET GROUP (CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISE (“CAS”))

As described in the section headed “Letter from the Board — Waiver from Strict Compliance with Rules 14.69(4)(a)(i) and 14.69(7) of the Listing Rules” of this circular, the Company has applied to The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for, and been granted, a waiver from the requirement to include in this circular an accountants’ report on the Target Group in accordance with Rule 14.67(6)(a)(i) and Chapter 4 of the Rules Governing the Listing of Securities on the Stock Exchange.

Instead, Section A of this Appendix contains a copy of the:

- (a) Consolidated financial statements of the Target Group for the three financial years ended 31 December 2020, 2021 and 2022, which were prepared in accordance with CAS and audited by WUYIGE Certified Public Accountants LLP, Beijing, the People’s Republic of China (“**Daxin**”); and
- (b) Unaudited interim consolidated financial statements of the Target Group for the six months ended 30 June 2023, which were prepared in accordance with CAS.

The financial information included in Section A of this Appendix are referred hereinafter as “**Target Group Historical Financial Information**”. The Target Group Historical Financial Information cover the financial positions of the Target Group as at 31 December 2020, 2021 and 2022 and 30 June 2023 and the financial performance of the Target Group for each of the three years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 (the “**Relevant Periods**”).

The accounting policies adopted in the preparation of the Target Group Historical Financial Information differ in certain material respects from the accounting policies presently adopted by the Company which comply with IFRS. Differences, other than presentational differences, which would have a significant effect on the Target Group Historical Financial Information had they been prepared in accordance with the accounting policies presently adopted by the Company rather than in accordance with CAS for the Target Group Historical Financial Information, are set out below in the section entitled “**Target Group’s Unaudited Adjusted Financial Information under the Company’s Policies**”.

In particular, disclosure is set out providing:

- (a) a comparison between the Target Group’s consolidated income statements for the Relevant Periods as extracted from the Target Group Historical Financial Information on the one hand (prepared in accordance with CAS), and a restatement of such consolidated income statements had they instead been prepared in accordance with the accounting policies presently adopted by the Company which are in compliance with IFRS. The process applied in the preparation of such restatement is set out below;
- (b) a comparison between the Target Group’s consolidated balance sheets for the Relevant Periods as extracted from the Target Group Historical Financial Information on the one hand (prepared in accordance with CAS), and a restatement of such consolidated balance sheets had they instead been prepared in accordance with the accounting policies presently adopted by the Company which are in compliance with IFRS. The process applied in the preparation of such restatement is also set out below;

- (c) a comparison between the Target Group’s consolidated cash flow statement for the year ended 31 December 2020 as extracted from the Target Group Historical Financial Information on the one hand (prepared in accordance with CAS), and a restatement of such consolidated cash flow statement had they instead been prepared in accordance with the accounting policies presently adopted by the Company which are in compliance with IFRS. The process applied in the preparation of such restatement is also set out below; and
- (d) a discussion of the material financial statements line item differences arising out of the restatement exercise outlined in (a) and (b) above.

(The reconciliation for the Target Group Historical Financial Information is referred to as the “**Reconciliation Information**”).

Basis of Preparation

The Reconciliation Information for the Relevant Periods restates the “**Unadjusted Financial Information under CAS**” of the Target Group which are extracted from the Target Group Historical Financial Information and quantified adjustments to financial information as if it had been prepared in accordance with the accounting policies adopted by the Company which are in compliance with IFRS.

Reconciliation Process

The Reconciliation Information has been prepared by the directors of the Company by comparing the differences between the accounting policies adopted by the Target Group for the preparation of Unadjusted Financial Information under CAS of the Target Group for the Relevant Periods, and the accounting policies presently adopted by the Company which are in compliance with IFRS, and quantifying the relevant material financial effects of such differences, if any.

Your attention is drawn to the fact that the Reconciliation Information has not been subject to an independent audit. Accordingly, no opinion is expressed by an auditor on whether it presents a true and fair view of the Target Group’s financial positions as at 31 December 2020, 2021 and 2022 and 30 June 2023, nor its financial performance for each of the Relevant Periods then ended under the accounting policies presently adopted by the Company which are in compliance with IFRS.

PKF Hong Kong Limited (“**PKF Hong Kong**”) was engaged by the Company to conduct work in accordance with the International Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” (“**ISAE 3000 (Revised)**”) issued by the International Auditing and Assurance Standards Board (the “**IAASB**”) on the Reconciliation Information. The work consisted primarily of:

- (i) comparing the “Unadjusted Financial Information under CAS” as set out below in the section entitled “Target Group’s Unaudited Adjusted Financial Information under the Company’s Policies” with the Target Group Historical Financial Information that has been included in Section A of the Appendix II of this circular;
- (ii) considering the adjustments made and evidence supporting the adjustments made in arriving at the “**Adjusted Financial Information under the Company’s Policies**” that is also set out below in the section entitled “Target Group’s Unaudited Adjusted Financial Information under the Company’s Policies”, which included examining the differences between the Target Group’s accounting policies and the Company’s accounting policies; and
- (iii) checking the arithmetic accuracy of the computation of the “Adjusted Financial Information under the Company’s Policies”.

PKF Hong Kong's engagement did not involve independent examination of any of the underlying financial information. The work carried out in accordance with ISAE 3000 (Revised) is different in scope from an audit or review conducted in accordance with International Standards on Auditing or International Standards on Review Engagements issued by the IAASB and consequently, PKF Hong Kong did not express an audit opinion nor a review conclusion on the Reconciliation Information. PKF Hong Kong's engagement was intended solely for the use of the directors of the Company in connection with this circular and may not be suitable for another purpose. Based on the work performed, PKF Hong Kong has concluded that:

- (i) the "Unadjusted Financial Information under CAS" as set out in the section entitled "Target Group's Unaudited Adjusted Financial Information under the Company's Policies" is in agreement with the Target Group Historical Financial Information;
- (ii) the adjustments reflect, in all material respects, the differences between the Target Group's accounting policies and the Company's accounting policies; and
- (iii) the computation of the "Adjusted Financial Information under the Company's Policies" is arithmetically accurate.

Target Group's Unaudited Adjusted Financial Information under the Company's Policies

The Target Group Historical Financial Information for the Relevant Periods has been prepared and presented in accordance with CAS. Except for presentation difference, there are no material differences between the Target Group Historical Financial Information, compared to that applying the accounting policies adopted by the Company which are in compliance with IFRS other than as set out below:

- (1) Matters relating to the application of IFRS 16 "Leases" ("GAAP difference adjustments")
- (2) Matters related to reclassification adjustments of accounts ("Reclassification adjustments")

Presentation adjustments for the consolidated balance sheet and consolidated income statement in report of each of the Relevant Periods are set out in "(3) Matters related to presentation adjustments ("**Presentation adjustments**")".

The consolidated cash flow statement for the two years ended 31 December 2021 and 2022 and the six months ended 30 June 2023 are not presented as there are no significant differences except for presentation differences. The consolidated cash flow statement for the year ended 31 December 2020 is presented to reflect the application of IFRS 16 "Leases" for the year then ended.

(Amounts are presented in thousands of Renminbi, and are rounded down to the nearest whole thousands, unless otherwise stated).

Consolidated balance sheet

As at 31 December 2020

	Unadjusted financial information under CAS (audited) <i>RMB'000</i>	GAAP difference adjustments (unaudited) <i>RMB'000</i> <i>(Note 1)</i>	Reclassification adjustments (unaudited) <i>RMB'000</i> <i>(Note 2)</i>	Presentation adjustments (unaudited) <i>RMB'000</i> <i>(Note 3)</i>	Adjusted financial information under the Company's policies (unaudited) <i>RMB'000</i>
Assets					
<i>Non-current assets</i>					
Fixed assets	11,843	—	55	(11,898)	—
Construction in progress	20,996	—	—	(20,996)	—
Right-of-use assets	—	1,700	19,742	(21,442)	—
Property, plant and equipment and right-of-use assets	—	—	—	54,336	54,336
Intangible assets	22,311	—	(19,742)	—	2,569
Long-term deferred expenses	55	—	(55)	—	—
Deferred tax assets	610	—	—	—	610
Deposit	—	—	—	800	800
	<u>55,815</u>	<u>1,700</u>	<u>—</u>	<u>800</u>	<u>58,315</u>
<i>Current assets</i>					
Trade receivables	57,513	—	—	—	57,513
Prepayments	3,654	—	—	—	3,654
Other receivables	5,981	—	27	(800)	5,208
Other current assets	27	—	(27)	—	—
Cash and cash equivalents	22,145	—	—	—	22,145
	<u>89,320</u>	<u>—</u>	<u>—</u>	<u>(800)</u>	<u>88,520</u>
Total assets	<u><u>145,135</u></u>	<u><u>1,700</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>146,835</u></u>

As at 31 December 2020

	Unadjusted financial information under CAS (audited) <i>RMB'000</i>	GAAP difference adjustments (unaudited) <i>RMB'000</i> <i>(Note 1)</i>	Reclassification adjustments (unaudited) <i>RMB'000</i> <i>(Note 2)</i>	Presentation adjustments (unaudited) <i>RMB'000</i> <i>(Note 3)</i>	Adjusted financial information under the Company's policies (unaudited) <i>RMB'000</i>
Liabilities					
<i>Current liabilities</i>					
Trade payables	39,416	—	—	—	39,416
Employee benefits payable	1,271	—	—	(1,271)	—
Taxes payables	1,863	—	(1,863)	—	—
Other payables	3,832	—	1,056	1,271	6,159
Short-term borrowings and borrowings due within one year	17,020	—	—	—	17,020
Current tax payable	—	—	807	—	807
Lease liabilities	—	880	—	—	880
Deferred income	—	—	—	1,132	1,132
	<u>63,402</u>	<u>880</u>	<u>—</u>	<u>1,132</u>	<u>65,414</u>
<i>Non-current liabilities</i>					
Long-term borrowings	2,052	—	—	—	2,052
Lease liabilities	—	1,013	—	—	1,013
Deferred income	7,509	—	—	(1,132)	6,377
	<u>9,561</u>	<u>1,013</u>	<u>—</u>	<u>(1,132)</u>	<u>9,442</u>
Total liabilities	<u>72,963</u>	<u>1,893</u>	<u>—</u>	<u>—</u>	<u>74,856</u>
Equity					
<i>Equity attributable to owners of the Company</i>					
Share capital	42,600	—	—	—	42,600
Capital reserves	3,143	—	—	—	3,143
Surplus reserves	5,460	—	—	—	5,460
Retained profits	20,969	(193)	—	—	20,776
Total equity	<u>72,172</u>	<u>(193)</u>	<u>—</u>	<u>—</u>	<u>71,979</u>
Total equity and liabilities	<u>145,135</u>	<u>1,700</u>	<u>—</u>	<u>—</u>	<u>146,835</u>

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

Consolidated income statement

For the year ended 31 December 2020

	Unadjusted financial information under CAS (audited) <i>RMB'000</i>	GAAP difference adjustments (unaudited) <i>RMB'000</i> <i>(Note 1)</i>	Reclassification adjustments (unaudited) <i>RMB'000</i> <i>(Note 2)</i>	Presentation adjustments (unaudited) <i>RMB'000</i> <i>(Note 3)</i>	Adjusted financial information under the Company's policies (unaudited) <i>RMB'000</i>
Revenue	192,883	—	—	—	192,883
Cost of sales	(157,475)	45	—	—	(157,430)
Gross profit	35,408	45	—	—	35,453
Tax and surcharges	(306)	—	—	306	—
Other revenue	354	—	—	243	597
Selling and distribution costs	(1,285)	—	—	—	(1,285)
Administrative expenses	(4,416)	—	(6)	(382)	(4,804)
Research and development expenses	(8,144)	—	—	—	(8,144)
Impairment losses under expected credit loss (“ECL”) model	(2,759)	—	—	—	(2,759)
Loss on non-financial asset impairment	(14)	—	—	—	(14)
Financial expenses	(842)	—	842	—	—
Operating profit	17,996	45	836	167	19,044
Finance income	—	—	13	—	13
Finance costs	—	(92)	(849)	—	(941)
Investment income	238	—	—	(238)	—
Non-operating income	5	—	—	(5)	—
Non-operating expenses	(76)	—	—	76	—
Profit before taxation	18,163	(47)	—	—	18,116
Taxation	(1,862)	—	—	—	(1,862)
Profit for the year attributable to owners of the Company	16,301	(47)	—	—	16,254

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

Consolidated cash flow statement

For the year ended 31 December 2020

	Unadjusted financial information under CAS (audited) <i>RMB'000</i>	GAAP difference adjustments (unaudited) <i>RMB'000</i> <i>(Note 1)</i>	Reclassification adjustments (unaudited) <i>RMB'000</i> <i>(Note 2)</i>	Presentation adjustments (unaudited) <i>RMB'000</i> <i>(Note 3)</i>	Adjusted financial information under the Company's policies (unaudited) <i>RMB'000</i>
Cash flows from operating activities					
Cash generated from operations	28,535	972	—	1,566	31,073
Tax paid	—	—	—	(1,566)	(1,566)
Net cash generated from operating activities	28,535	972	—	—	29,507
Cash flows from investing activities					
Receipts on return of investment	59,700	—	—	—	59,700
Receipts on return on investment	238	—	—	—	238
Payments to acquire fixed assets, intangible assets and long-term deferred expenses	(20,657)	—	—	—	(20,657)
Payments for investments	(51,900)	—	—	—	(51,900)
Net cash used in investing activities	(12,619)	—	—	—	(12,619)
Cash flows from financing activities					
Proceeds from new loans	19,180	—	—	—	19,180
Proceeds from other advances	850	—	—	—	850
Repayment of loans	(18,911)	—	—	—	(18,911)
Capital element of lease rentals paid	—	(880)	—	—	(880)
Interest element of lease rentals paid	—	(92)	—	—	(92)
Interest payment	—	—	—	(859)	(859)
Dividend payment	—	—	—	(9,798)	(9,798)
Payment of dividend and interest	(10,657)	—	—	10,657	—
Net cash used in financing activities	(9,538)	(972)	—	—	(10,510)
Net increase in cash and cash equivalents	6,378	—	—	—	6,378
Cash and cash equivalents at 1 January	15,767	—	—	—	15,767
Cash and cash equivalents at 31 December	22,145	—	—	—	22,145

Consolidated balance sheet

As at 31 December 2021

	Unadjusted financial information under CAS (audited) <i>RMB'000</i>	GAAP difference adjustments (unaudited) <i>RMB'000</i> <i>(Note 1)</i>	Reclassification adjustments (unaudited) <i>RMB'000</i> <i>(Note 2)</i>	Presentation adjustments (unaudited) <i>RMB'000</i> <i>(Note 3)</i>	Adjusted financial information under the Company's policies (unaudited) <i>RMB'000</i>
Assets					
<i>Non-current assets</i>					
Fixed assets	44,375	—	31	(44,406)	—
Construction in progress	2,212	—	—	(2,212)	—
Right-of-use assets	676	96	19,320	(20,092)	—
Property, plant and equipment and right-of-use assets	—	—	—	66,710	66,710
Intangible assets	23,516	—	(19,320)	—	4,196
Long-term deferred expenses	521	—	(521)	—	—
Deferred tax assets	807	—	—	—	807
Other non-current assets	1,776	—	—	(1,776)	—
Prepayments for property, plant and equipment	—	—	—	1,776	1,776
	<u>73,883</u>	<u>96</u>	<u>(490)</u>	<u>—</u>	<u>73,489</u>
<i>Current assets</i>					
Trade receivables	78,115	—	—	—	78,115
Bill receivables	2,146	—	—	—	2,146
Prepayments	4,965	—	490	—	5,455
Other receivables	5,376	—	471	—	5,847
Other current assets	471	—	(471)	—	—
Cash and cash equivalents	14,372	—	—	—	14,372
	<u>105,445</u>	<u>—</u>	<u>490</u>	<u>—</u>	<u>105,935</u>
Total assets	<u><u>179,328</u></u>	<u><u>96</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>179,424</u></u>

As at 31 December 2021

	Unadjusted financial information under CAS (audited) <i>RMB'000</i>	GAAP difference adjustments (unaudited) <i>RMB'000</i> <i>(Note 1)</i>	Reclassification adjustments (unaudited) <i>RMB'000</i> <i>(Note 2)</i>	Presentation adjustments (unaudited) <i>RMB'000</i> <i>(Note 3)</i>	Adjusted financial information under the Company's policies (unaudited) <i>RMB'000</i>
Liabilities					
<i>Current liabilities</i>					
Trade payables	41,480	—	—	—	41,480
Employee benefits payable	1,570	—	—	(1,570)	—
Taxes payables	1,372	—	(1,372)	—	—
Other payables	6,727	—	150	1,570	8,447
Non-current liabilities due within one year	808	—	—	(808)	—
Short-term borrowings and borrowings due within one year	18,752	—	—	—	18,752
Current tax payable	—	—	1,222	—	1,222
Lease liabilities	—	72	—	808	880
Deferred income	—	—	—	3,153	3,153
	<u>70,709</u>	<u>72</u>	<u>—</u>	<u>3,153</u>	<u>73,934</u>
<i>Non-current liabilities</i>					
Long-term borrowings	8,318	—	—	—	8,318
Lease liabilities	—	19	—	—	19
Deferred income	6,377	—	—	(3,153)	3,224
	<u>14,695</u>	<u>19</u>	<u>—</u>	<u>(3,153)</u>	<u>11,561</u>
Total liabilities	<u>85,404</u>	<u>91</u>	<u>—</u>	<u>—</u>	<u>85,495</u>
Equity					
<i>Equity attributable to owners of the Company</i>					
Share capital	42,600	—	—	—	42,600
Capital reserves	3,143	—	—	—	3,143
Surplus reserves	7,701	—	—	—	7,701
Retained profits	40,480	5	—	—	40,485
	<u>93,924</u>	<u>5</u>	<u>—</u>	<u>—</u>	<u>93,929</u>
Non-controlling interests	—	—	—	—	—
Total equity	<u>93,924</u>	<u>5</u>	<u>—</u>	<u>—</u>	<u>93,929</u>
Total equity and liabilities	<u><u>179,328</u></u>	<u><u>96</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>179,424</u></u>

Consolidated income statement

For the year ended 31 December 2021

	Unadjusted financial information under CAS (audited) <i>RMB'000</i>	GAAP difference adjustments (unaudited) <i>RMB'000</i> <i>(Note 1)</i>	Reclassification adjustments (unaudited) <i>RMB'000</i> <i>(Note 2)</i>	Presentation adjustments (unaudited) <i>RMB'000</i> <i>(Note 3)</i>	Adjusted financial information under the Company's policies (unaudited) <i>RMB'000</i>
Revenue	238,021	—	—	—	238,021
Cost of sales	(196,519)	(72)	—	—	(196,591)
Gross profit	41,502	(72)	—	—	41,430
Tax and surcharges	(686)	—	—	686	—
Other revenue	1,132	—	—	241	1,373
Other losses	—	—	—	(223)	(223)
Selling and distribution costs	(1,682)	—	—	—	(1,682)
Administrative expenses	(5,528)	—	(145)	(742)	(6,415)
Research and development expenses	(7,189)	—	—	—	(7,189)
Impairment losses under ECL model	(1,313)	—	—	—	(1,313)
Financial expenses	(1,069)	(53)	1,122	—	—
Loss on disposal of fixed assets	(223)	—	—	223	—
Operating profit	24,944	(125)	977	185	25,981
Finance income	—	—	11	—	11
Finance costs	—	—	(988)	—	(988)
Investment income	88	—	—	(88)	—
Non-operating income	153	—	—	(153)	—
Non-operating expenses	(56)	—	—	56	—
Profit before taxation	25,129	(125)	—	—	25,004
Taxation	(3,052)	—	—	—	(3,052)
Profit for the year	<u>22,077</u>	<u>(125)</u>	<u>—</u>	<u>—</u>	<u>21,952</u>
Profit attributable to:					
Owners of the Company	22,077	(125)	—	—	21,952
Non-controlling interests	—	—	—	—	—
	<u>22,077</u>	<u>(125)</u>	<u>—</u>	<u>—</u>	<u>21,952</u>

Consolidated balance sheet

As at 31 December 2022

	Unadjusted Financial Information under CAS (audited) RMB'000	GAAP difference adjustments (unaudited) RMB'000 (Note 1)	Reclassification adjustments (unadjusted) RMB'000 (Note 2)	Presentation adjustments (unadjusted) RMB'000 (Note 3)	Adjusted Financial Information under the Company's Policies (unaudited) RMB'000
Assets					
<i>Non-current assets</i>					
Fixed assets	55,115	—	975	(56,090)	—
Right-of-use assets	3,764	—	18,898	(22,662)	—
Property, plant and equipment and right-of-use assets	—	—	—	78,752	78,752
Intangible assets	20,724	—	(18,898)	—	1,826
Long-term deferred expenses	975	—	(975)	—	—
Deferred tax assets	973	—	—	—	973
Other non-current assets	175	—	(175)	—	—
Deposit and prepayments	—	—	175	800	975
	81,726	—	—	800	82,526
Assets					
<i>Current assets</i>					
Trade receivables	110,662	—	—	—	110,662
Bill receivables	10,265	—	—	—	10,265
Prepayments	3,129	—	—	—	3,129
Other receivables	6,961	—	1,179	(800)	7,340
Other current assets	1,179	—	(1,179)	—	—
Cash and cash equivalents	15,260	—	—	—	15,260
	147,456	—	—	(800)	146,656
Total assets	229,182	—	—	—	229,182

As at 31 December 2022

	Unadjusted Financial Information under CAS (audited) <i>RMB'000</i>	GAAP difference adjustments (unaudited) <i>RMB'000</i> (Note 1)	Reclassification adjustments (unadjusted) <i>RMB'000</i> (Note 2)	Presentation adjustments (unadjusted) <i>RMB'000</i> (Note 3)	Adjusted Financial Information under the Company's Policies (unaudited) <i>RMB'000</i>
Liabilities					
<i>Current liabilities</i>					
Trade payables	35,384	—	—	—	35,384
Contract liabilities	53	—	—	—	53
Employee benefits payable	1,902	—	—	(1,902)	—
Taxes payables	1,407	—	(1,407)	—	—
Other payables	2,839	—	179	1,902	4,920
Other current liabilities	5	—	(5)	—	—
Non-current liabilities due within one year	1,032	—	—	(1,032)	—
Short-term borrowings and borrowings due within one year	55,531	—	—	—	55,531
Current tax payable	—	—	1,233	—	1,233
Lease liabilities	—	—	—	1,032	1,032
Deferred income	—	—	—	3,077	3,077
	98,153	—	—	3,077	101,230
<i>Non-current liabilities</i>					
Long-term borrowings	4,012	—	—	—	4,012
Lease liabilities	2,648	—	—	—	2,648
Deferred income	3,224	—	—	(3,077)	147
	9,884	—	—	(3,077)	6,807
Total liabilities	108,037	—	—	—	108,037
Equity					
<i>Equity attributable to owners of the Company</i>					
Share capital	42,600	—	—	—	42,600
Capital reserves	3,143	—	—	—	3,143
Surplus reserves	11,110	—	—	—	11,110
Retained profits	62,914	—	—	—	62,914
	119,767	—	—	—	119,767
Non-controlling interests	1,378	—	—	—	1,378
Total equity	121,145	—	—	—	121,145
Total equity and liabilities	229,182	—	—	—	229,182

Consolidated income statement

For the year ended 31 December 2022

	Unadjusted Financial Information under CAS (audited) <i>RMB'000</i>	GAAP difference adjustments (unaudited) <i>RMB'000</i> <i>(Note 1)</i>	Reclassification adjustments (unaudited) <i>RMB'000</i> <i>(Note 2)</i>	Presentation adjustments (unaudited) <i>RMB'000</i> <i>(Note 3)</i>	Adjusted Financial Information under the Company's Policies (unaudited) <i>RMB'000</i>
Revenue	313,029	—	—	—	313,029
Cost of sales	(256,370)	(5)	—	—	(256,375)
Gross profit	56,659	(5)	—	—	56,654
Tax and surcharges	(919)	—	—	919	—
Other revenue	3,259	—	—	85	3,344
Other losses	—	—	—	(148)	(148)
Selling and distribution costs	(1,131)	—	—	—	(1,131)
Administrative expenses	(6,665)	—	(730)	(929)	(8,324)
Research and development expenses	(9,719)	—	—	—	(9,719)
Impairment lossess under ECL model	(949)	—	—	—	(949)
Financial expenses	(2,036)	—	2,036	—	—
Gain on disposal of fixed assets	7	—	—	(7)	—
Operating profit	38,506	(5)	1,306	(80)	39,727
Finance income	—	—	18	—	18
Finance costs	—	—	(1,324)	—	(1,324)
Investment income	13	—	—	(13)	—
Non-operating income	71	—	—	(71)	—
Non-operating expenses	(164)	—	—	164	—
Profit before taxation	38,426	(5)	—	—	38,421
Taxation	(4,798)	—	—	—	(4,798)
Profit for the year	<u>33,628</u>	<u>(5)</u>	<u>—</u>	<u>—</u>	<u>33,623</u>
Profit attributable to:					
Owners of the Company	33,850	(5)	—	—	33,845
Non-controlling interests	(222)	—	—	—	(222)
	<u>33,628</u>	<u>(5)</u>	<u>—</u>	<u>—</u>	<u>33,623</u>

Consolidated balance sheet

As at 30 June 2023

	Unadjusted Financial Information under CAS (unaudited) <i>RMB'000</i>	GAAP difference adjustments (unaudited) <i>RMB'000</i> <i>(Note 1)</i>	Reclassification adjustments (unaudited) <i>RMB'000</i> <i>(Note 2)</i>	Presentation adjustments (unaudited) <i>RMB'000</i> <i>(Note 3)</i>	Adjusted Financial Information under the Company's Policies (unaudited) <i>RMB'000</i>
Assets					
<i>Non-current assets</i>					
Fixed assets	52,309	—	5,439	(57,748)	—
Construction in progress	1,021	—	—	(1,021)	—
Right-of-use assets	3,227	—	18,687	(21,914)	—
Property, plant and equipment and right-of-use assets	—	—	—	80,683	80,683
Intangible assets	20,257	—	(18,687)	—	1,570
Long-term deferred expenses	5,439	—	(5,439)	—	—
Deferred tax assets	1,019	—	—	—	1,019
Deposit and prepayments	—	—	—	800	800
	<u>83,272</u>	<u>—</u>	<u>—</u>	<u>800</u>	<u>84,072</u>
<i>Current assets</i>					
Trade receivables	97,467	—	—	—	97,467
Bill receivables	27,014	—	—	—	27,014
Prepayments	3,028	—	—	—	3,028
Other receivables	8,202	—	980	(800)	8,382
Other current assets	980	—	(980)	—	—
Cash and cash equivalents	21,437	—	—	—	21,437
	<u>158,128</u>	<u>—</u>	<u>—</u>	<u>(800)</u>	<u>157,328</u>
Total assets	<u><u>241,400</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>241,400</u></u>

As at 30 June 2023

	Unadjusted Financial Information under CAS (unaudited) <i>RMB'000</i>	GAAP difference adjustments (unaudited) <i>RMB'000</i> <i>(Note 1)</i>	Reclassification adjustments (unaudited) <i>RMB'000</i> <i>(Note 2)</i>	Presentation adjustments (unaudited) <i>RMB'000</i> <i>(Note 3)</i>	Adjusted Financial Information under the Company's Policies (unaudited) <i>RMB'000</i>
Liabilities					
<i>Current liabilities</i>					
Trade payables	33,946	—	—	—	33,946
Contract liabilities	79	—	—	—	79
Employee benefits payable	1,531	—	—	(1,531)	—
Taxes payables	2,502	—	(2,502)	—	—
Other payables	2,790	—	1,020	1,531	5,341
Other current liabilities	5	—	(5)	—	—
Non-current liabilities due within one year	1,053	—	—	(1,053)	—
Short-term borrowings	69,634	—	—	—	69,634
Current tax payable	—	—	1,487	—	1,487
Lease liabilities	—	—	—	1,032	1,032
Deferred income	—	—	—	2,620	2,620
	<u>111,540</u>	<u>—</u>	<u>—</u>	<u>2,599</u>	<u>114,139</u>
<i>Non-current liabilities</i>					
Lease liabilities	1,997	—	—	21	2,018
Deferred income	2,649	—	—	(2,620)	29
	<u>4,646</u>	<u>—</u>	<u>—</u>	<u>(2,599)</u>	<u>2,047</u>
Total liabilities	<u>116,186</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>116,186</u>
Equity					
<i>Equity attributable to owners of the Company</i>					
Share capital	42,600	—	—	—	42,600
Capital reserves	3,143	—	—	—	3,143
Surplus reserves	12,502	—	—	—	12,502
Retained profits	65,573	—	—	—	65,573
	<u>123,818</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>123,818</u>
Non-controlling interests	1,396	—	—	—	1,396
Total equity	<u>125,214</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>125,214</u>
Total equity and liabilities	<u>241,400</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>241,400</u>

Consolidated income statement

For the six months ended 30 June 2023

	Unadjusted Financial Information under CAS (unaudited) <i>RMB'000</i>	GAAP difference adjustments (unaudited) <i>RMB'000</i> <i>(Note 1)</i>	Reclassification adjustments (unaudited) <i>RMB'000</i> <i>(Note 2)</i>	Presentation adjustments (unaudited) <i>RMB'000</i> <i>(Note 3)</i>	Adjusted Financial Information under the Company's Policies <i>RMB'000</i>
Revenue	144,592	—	—	—	144,592
Cost of sales	(120,695)	—	—	—	(120,695)
Gross profit	23,897	—	—	—	23,897
Tax and surcharges	(325)	—	—	325	—
Other revenue	575	—	—	27	602
Other losses	—	—	—	(103)	(103)
Selling and distribution costs	(486)	—	—	—	(486)
Administrative expenses	(3,053)	—	(95)	(326)	(3,474)
Research and development expenses	(3,160)	—	—	—	(3,160)
Impairment losses under ECL model	(200)	—	—	—	(200)
Financial expenses	(1,264)	—	1,264	—	—
Operating profit	15,984	—	1,169	(77)	17,076
Finance income	—	—	15	—	15
Finance costs	—	—	(1,184)	—	(1,184)
Investment income	23	—	—	(23)	—
Non-operating income	4	—	—	(4)	—
Non-operating expenses	(104)	—	—	104	—
Profit before taxation	15,907	—	—	—	15,907
Taxation	(1,870)	—	—	—	(1,870)
Profit for the year	<u>14,037</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>14,037</u>
Profit attributable to:					
Owners of the Company	14,018	—	—	—	14,018
Non-controlling interests	19	—	—	—	19
	<u>14,037</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>14,037</u>

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

1. Matters related to the application of IFRS 16 “Leases”

Pursuant to the Target Group’s Historical Financial Information for the Relevant Periods, the Target Group adopted Accounting Standards for Business Enterprises No. 21 — Leases (“CAS 21”) for the first time on 1 January 2021. Under the Group’s accounting policies, the Group adopted IFRS 16 “Leases” (“IFRS 16”) for the first time on 1 January 2019. Accordingly, this adjustment presents the financial impacts on the Target Group Historical Financial Information as though the adoption of IFRS 16 had taken place since 1 January 2019, which primarily concerning:

- i. the recognition of right-of-use assets and lease liabilities for leases other than short-term leases and leases of low value assets;
- ii. the cease of recognition of rental expenses for leases other than short-term leases and leases of low value assets, on straight line basis; and
- iii. the recognition of depreciation of right-of-use assets and interest expenses on lease liabilities.

In addition, in the view of the Directors, except for certain presentation differences, the adoption of CAS 21 does not result in material differences to the Target Group’s financial position as at 31 December 2022 and 30 June 2023 and financial performance for the six months ended 30 June 2023 and cash flows for the two years ended 31 December 2021, 2022 and six months ended 30 June 2023, compared to the Company’s accounting policies which applied IFRS 16 instead.

Had Target Company adopted the Company’s IFRS accounting policies, the impact of the adjustments on the Target Group’s consolidated balance sheets as at 31 December 2020, 2021 and 2022 and 30 June 2023 and consolidated income statements for the three years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2023 and consolidated cash flow statement for the year ended 31 December 2020 would have been as follows:

Consolidated balance sheets

	As at 31 December			As at
	2020	2021	2022	30 June
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	<i>Dr./(Cr.)</i>	<i>Dr./(Cr.)</i>	<i>Dr./(Cr.)</i>	<i>Dr./(Cr.)</i>
Right-of-use assets	1,700	96	—	—
Lease liabilities — current	(880)	(72)	—	—
Lease liabilities — non-current	(1,013)	(19)	—	—
Retained profits	193	(5)	—	—

Consolidated income statements

	For the year ended 31 December			For the six
	2020	2021	2022	months ended
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	30 June
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	2021
	<i>Dr./(Cr.)</i>	<i>Dr./(Cr.)</i>	<i>Dr./(Cr.)</i>	<i>Dr./(Cr.)</i>
Costs of services	(45)	72	5	—
Finance costs	92	53	—	—

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

Consolidated cash flow statement

	For the year ended 31 December 2020 <i>RMB'000</i> <i>Unaudited</i> <i>Inflow/(Outflow)</i>
Cash flows from operating activities	
Cash generated from operations	972
Cash flows from financing activities	
Capital element of lease rentals paid	(880)
Interest element of lease rentals paid	(92)

2. Matters related to reclassification adjustments of accounts

Under Target Company's CAS accounting policies, several items of Target Group's Historical Financial Information have been presented differently in regard to the presentation or classification under the Company's IFRS accounting policies. The details are as follows:

i. Finance costs, other finance charges and interest income

Under Target Company's CAS accounting policies, Target Group has presented bank charges and interest income in "Financial expenses". According to IFRS 7.20, an entity shall present the amount of interest income from financial assets that are measured at amortised cost or measured at fair value through other comprehensive income in the income statement or in the notes separately. In addition, bank charges did not fall into the scope of the definition of finance costs and shall be presented as an expense other than "Finance costs".

Had Target Company adopted the Company's IFRS accounting policies, the impact of the adjustments on the Target Group's consolidated income statements for the three years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2023 would have been as follows:

Consolidated income statements

	For the years ended 31 December			For the six months ended
	2020	2021	2022	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	<i>Dr./(Cr.)</i>	<i>Dr./(Cr.)</i>	<i>Dr./(Cr.)</i>	<i>Dr./(Cr.)</i>
Finance income	(13)	(11)	(18)	(15)
Administrative expenses	6	145	730	95
Finance costs	849	988	1,324	1,184
Financial expenses	(842)	(1,122)	(2,036)	(1,264)

ii. Land use rights and leasehold improvement

Under the Target Company's CAS accounting policies, Target Group has presented land use rights in "Intangible assets" and leasehold improvement in "Long-term deferred expenses", respectively. According to IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. According to IAS 36.6, tangible assets that are held for use in the production or supply of goods or services and are expected to be used during more than one period shall be presented as "Property, plant and equipment". Therefore, land use rights and leasehold improvement shall be reclassified from "Intangible assets" and "Long-term deferred expenses" to "Right-of-use assets" and "Property, plant and equipment", respectively.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

Had Target Company adopted the Company's IFRS accounting policies, the impact of the adjustments on the Target Group's consolidated balance sheets as at 31 December 2020, 2021 and 2022 and 30 June 2023 would have been as follows:

Consolidated balance sheets

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
	Unaudited	Unaudited	Unaudited	Unaudited
	Dr./(Cr.)	Dr./(Cr.)	Dr./(Cr.)	Dr./(Cr.)
Intangible assets	(19,742)	(19,320)	(18,898)	(18,687)
Long-term deferred expenses	(55)	(31)	(975)	(5,439)
Fixed assets	55	31	975	5,439
Right-of-use assets	19,742	19,320	18,898	18,687

iii. Income tax payables

Under Target Company's CAS accounting policies, Target Group has presented current tax recoverable/payable and other domestic tax or levies recoverable/payable in "Other current assets", "Taxes payables" and "Other current liabilities. According to IAS 12.5, current tax is the amount of income tax recoverable/payable in respect of the taxable profit for a period. According to IAS 1.54, an entity shall present assets/liabilities for current tax as defined in IAS 12 "Income Taxes" in the consolidated balance sheet. Since other domestic tax or levies recoverable/payable are not arisen from the taxable profit, such assets/liabilities shall be presented in "Other receivables" and "Other payables" respectively under the Company's IFRS accounting policies and presentation.

Had Target Company adopted the Company's IFRS accounting policies, the impact of the adjustments on the Target Group's consolidated balance sheets as at 31 December 2020, 2021 and 2022 and 30 June 2023 would have been as follows:

Consolidated balance sheets

	As at 31 December			As at
	2020	2021	2022	30 June
	RMB'000	RMB'000	RMB'000	RMB'000
	Unaudited	Unaudited	Unaudited	Unaudited
	Dr./(Cr.)	Dr./(Cr.)	Dr./(Cr.)	Dr./(Cr.)
Other current assets	(27)	(471)	(1,179)	(980)
Other current liabilities	—	—	5	5
Other receivables	27	471	1,179	980
Taxes payables	1,863	1,372	1,407	2,502
Current tax payable	(807)	(1,222)	(1,233)	(1,487)
Other payables	(1,056)	(150)	(179)	(1,020)

iv. Other material balances of receivables and payables

Under Target Company's CAS accounting policies, Target Group has presented certain material balances of receivables and payables in "Other non-current assets", "Other receivables", "Other current assets", "Other payables", "Other current liabilities", "Long-term payables" and "Non-current liabilities due within one year". According to IAS 1.15, financial statements shall be presented in a true and fair view which requires the faithful representation of the effects of transactions, events and conditions in accordance with the definitions and recognition criteria of assets, liabilities, income and expenses. According to IAS 1.54, an entity shall present additional line items in the consolidated balance sheet when such presentation is relevant to an understanding of the entity's financial position.

APPENDIX II FINANCIAL INFORMATION OF THE TARGET GROUP

Had Target Company adopted the Company's IFRS accounting policies, the impact of the adjustments on the Target Group's consolidated balance sheets as at 31 December 2020, 2021 and 2022 and 30 June 2023 would have been as follows:

Consolidated balance sheets

	As at 31 December			As at
	2020	2021	2022	30 June
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	<i>Dr./(Cr.)</i>	<i>Dr./(Cr.)</i>	<i>Dr./(Cr.)</i>	<i>Dr./(Cr.)</i>
Other non-current assets	—	—	(175)	—
Other receivables, deposits and prepayment	—	490	175	—
Long-term deferred expenses	—	(490)	—	—

3. Matters related to presentation adjustments

These adjustments for each of the Relevant Periods are presentation adjustments to bring in line the Target Group's Historical Financial Information with the Company's financial statements presentation as if they are prepared under the Company's Policies.

A. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE GROUP

Set out below is the management discussion and analysis of the Group for the three years ended 31 March 2021, 2022 and 2023, which are extracted respectively from the Company's annual reports for the year ended 31 March 2021 (from pages 10 to 18), the year ended 31 March 2022 (from pages 11 to 19) and the year ended 31 March 2023 (from pages 10 to 18).

I. For the year ended 31 March 2021**GROUP OVERVIEW**

Integrated Waste Solutions Group Holdings Limited is one of the major solid-waste solutions providers in Hong Kong, specialised in waste collection, recycling and treatment businesses. The Group provides waste management services related to Confidential Materials Destruction Services ("CMDS"), Waste Electrical and Electronic Equipment ("WEEE") and other recyclable waste to a broad range of customers in both public and private sectors.

The Group recognises the importance of its business in contributing to resolution of the waste handling and disposal problem in Hong Kong and Mainland China. We have been diversifying our waste management and recycling business. We expanded our business to cover Mainland China in 2020 through our investment in the hazardous waste treatment project located in Lianyungang, Jiangsu Province. The first phase of operations has been fully operational while the second phase is expected to commence operation in the second half of 2021. Another project in Kaifeng, Henan Province has undergone environmental impact assessment and approval was granted in December 2020. The facilities provide hazardous waste treatment solution services to respective cities.

MARKET REVIEW

Hong Kong has been facing the waste management problem as quantities of solid waste being disposed at landfills is high and the recycling rate is relatively low. Stringent global regulations related to waste have made it challenging for Hong Kong's waste recycling industry. The complete ban on imports of waste in Mainland China and the embodiment of Basel Convention in 2021 has adversely affected the local recycling industry. The ongoing global outbreak of COVID-19 pandemic continues to impact the recycling performance. Anti-pandemic regulations and lockdown measures such as remote work are resulting in a drop in waste collection and recycling activities. However, as the impacts of COVID-19 subside, the recycling business is expected to gather pace, albeit slowly. Future policy initiatives by the Hong Kong SAR government on waste management and municipal solid waste, including the Producer Responsibility Scheme implemented for municipal solid waste, plastic bags and plastic beverage containers, are part of the solutions of waste management that lead to new opportunities for the recycling industry.

FINANCIAL REVIEW

Loss attributable to equity shareholders of the Company for the year ended 31 March 2021 (“FY2021”) amounted to HK\$23.9 million, a decrease of HK\$53.7 million compared to the year ended 31 March 2020 (“FY2020”).

	FY2021	FY2020	Fav./(Unfav.)	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
			Change	
Results of Operating Segments	13,998	(14,704)	28,702	195.2
Net Corporate expenses	<u>(43,766)</u>	<u>(45,948)</u>	<u>2,182</u>	4.7
	<u>(29,768)</u>	<u>(60,652)</u>	<u>30,884</u>	50.9
Share of results of an associate	3,563	389	3,174	815.9
Share of results of joint ventures	6,460	(460)	6,920	1,504.3
Non-operating item:				
Impairment loss of property, plant and equipment	<u>(4,148)*</u>	<u>(16,866)</u>	<u>12,718</u>	75.4
Loss attributable to equity shareholders of the Company	<u>(23,893)</u>	<u>(77,589)</u>	<u>53,696</u>	69.2

* The amount was recognised in the share of results of joint ventures of the Group in FY2021.

	FY2021	FY2020	Fav./(Unfav.)	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
			Change	
Revenue Analysis				
Sales of recovered paper and materials				
— Sales of recovered paper	19,294	66,599	(47,305)	(71.0)
— Sales of recycled plastic pellets	1,893	9,790	(7,897)	(80.7)
— Sales of other waste materials	34	330	(296)	(89.7)
	21,221	76,719	(55,498)	(72.3)
CMDS service income	20,452	19,169	1,283	6.7
Sales of tissue paper products	224	35	189	540.0
Logistics service income	<u>9,429</u>	<u>8,372</u>	<u>1,057</u>	12.6
	<u>51,326</u>	<u>104,295</u>	<u>(52,969)</u>	(50.8)

Revenue from **Recovered Paper** business declined by HK\$47.3 million or 71.0%. The total ban on waste imports into Mainland China brought a significant impact to the business. The Group decided to cease the operation of outside recovered paper depots in May 2020, given the worsening of performance of the segment. We are constantly monitoring the external environment and shall take appropriate measures that are most beneficial to the Group’s long-term development.

Revenue of **Confidential Materials Destruction Services** (“CMDS”) increased to approximately HK\$ 20.4 million, representing a 6.7% increase. As economic activities in Hong Kong gradually resumed, the impact of COVID-19 towards the CMDS service was relatively low. We serve a wide range of customers from government authorities to financial and professional institutions and private corporations in Hong Kong. We expect the income from this service to rise steadily after home office arrangements due to COVID-19 pandemic are revoked.

RGF Environmental New Material Limited, our joint venture for the production of **recycled engineering plastic pellets**, has been operating under difficult conditions due to tightening of restraints under the Basel Convention on import and export of wastes, while the global manufacturing sector was at a standstill for quite some time due to the pandemic lockdown which further undermined sales volume and profit margin. However, despite external challenges, we are actively seeking opportunities to transform the current business model into an OEM solution provider for plastic wastes. During the year ended 31 March 2021, an impairment loss on property, plant and equipment of HK\$8.5 million was provided by the joint venture due to the decline in profitability of the **recycled engineering plastic pellets** business. Accordingly, the Group has recognised its share of HK\$4.1 million in the share of results of joint ventures for the year.

The joint venture with ALBA Group for treatment and recycling of **waste electrical and electronic equipment** (“WEEE”) increased its income by 2.4% to HK\$15.7 million. Collection volume of WEEE increased by 7.0% compared to FY2020. We are confident that the WEEE operations will continue to grow and bring further revenue to the Group.

The **Logistics** segment primarily focuses on providing support services to other business segments of the Group. Service income increased by HK\$1.1 million or 12.6%. The marked increase in income from logistics services was due to the expansion of logistics services and management for door-to-door collection services of WEEE.

The investment in Dugong IWS HAZ Limited (“DI”) in January 2020 constituted a new milestone of the Group in expansion of the **Hazardous Waste Treatment** business in Mainland China. Environmental policies in the Mainland China offer vast opportunities for waste treatment. The Sino-American trade war, COVID-19 pandemic and intense market competition are factors affecting profit performance and margin. However, the performance of this business improved during FY2021 as volume began to grow as China’s economy recovered swiftly. DI had completed the second phase expansion of its Lianyungang plant in Jiangsu and, its new project in Kaifeng, Henan is expected to commence operations in 2022. We expect to see growth in capacity and revenue after it begins operations.

Gross Profit and Gross Profit Margin

The Group recorded a gross profit of HK\$29.1 million in FY2021, increased by HK\$9.9 million or 51.4% when compared to FY2020. The gross profit margin of the Group increased from 18.4% to 56.7% in FY2021 compared to FY2020. The increase in both gross profit and gross profit margin was due to the increase in total service income and the significant decrease in the total revenue of **Recovered Paper** and **Recycled LDPE Pellets** which have lower profit margins.

Selling, Distribution, Administrative and Other Operating Expenses

Selling, distribution, administrative and other operating expenses amounted to a total of HK\$81.2 million, representing a decrease of HK\$15.6 million compared to FY2020. The reduction in these expenditures was due to the cost control measures initiated by the management throughout the year.

Loss before Interest, Tax, Depreciation and Amortisation (“LBITDA”)

With the increase in total gross profit and share of profits from joint ventures and associate, together with the reduction in expenditures as a result of the cost control measures throughout the year, LBITDA for the year has been significantly improved by approximately HK\$51.2 million from HK\$52.2 million in FY2020 to HK\$1.0 million in FY2021.

Liquidity and Financial Resources

The Group operates a centralized treasury function to monitor its cash position, cashflow and its funding requirements. The Group recognises the need to achieve an adequate profit margin and considers it prudent to finance the Group’s long-term growth by long-term financing, especially in the form of equity, which will not increase the Group’s finance costs. The Group also acknowledges that it will encounter difficulty in raising funds from financial institutions by way of debt financing in light of its recent financial performance and positions. During the current financial year, the Group had no financing exercise undertaken and all capital expenditure incurred was financed by internal resources.

As at 31 March 2021, the Group had unrestricted bank deposits and cash of approximately HK\$78.3 million (2020: HK\$99.0 million). The Group had no bank loans and overdrafts as at 31 March 2021 (2020: Nil).

As at 31 March 2021, the Group had net current assets of approximately HK\$135.3 million, as compared to net current assets of approximately HK\$142.3 million as at 31 March 2020. The current ratio of the Group was 10.0 as at 31 March 2021 as compared to 7.1 as at 31 March 2020.

Foreign Exchange Exposure

The Group mainly operates in Hong Kong with most of its sales denominated in Hong Kong dollars and United States dollars. Most of raw materials purchases are denominated in Hong Kong dollars. Furthermore, most of the Group’s monetary assets and liabilities are denominated in Renminbi, United States dollars and Hong Kong dollars. Certain associate/joint venture companies have local currency project loans in place and these are naturally hedged against the investments in the same local currency of the entity concerned.

For the year ended 31 March 2021, the Group recorded a net foreign exchange gain of HK\$1.2 million (2020: loss of HK\$0.9 million) as a result of the appreciation of Renminbi during the year. The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

Major Capital Expenditure and Commitments

During the current financial year, the Group incurred HK\$0.3 million for the capital expenditure in respect of the headquarters of the Group in Tseung Kwan O Industrial Estate, Hong Kong. As at 31 March 2021, the Group has capital commitments of approximately HK\$0.5 million, which are mainly related to the capital contribution in I-Talent Paper Product (HK) Limited, a company established with a third party on 24 September 2020 for the purpose of developing business in trading and manufacturing of assorted paper products in which the Group holds 51% equity interest. Details of the capital commitment of the Group are set out in Note 15.

Pledge of Assets

As at 31 March 2021, the Group had no restricted and pledged bank deposits (2020: Nil).

Capital Structure

Details of the capital structure of the Company are set out in Note 14.

Contingent Liabilities

As at 31 March 2021, the Group has, upon legal advice, lodged certain claims against its former director and employee and the outcomes of which remain to be seen.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group has been striving to become a trusted integrated waste solutions provider in Hong Kong and Mainland China. We are committed to bearing our share of environmental and social responsibility to ensure a sustainable future. We have been integrating environmental, social and governance (“ESG”) considerations into our daily business operations. By engaging our stakeholders actively through various channels, we continue to identify material topics and align them with the United Nation Sustainable Development Goals. We hope to contribute to resolution of sustainability issues by adopting environment-friendly measures and responsible operating practices.

Detailed ESG performance will be published in the Group’s ESG report in August 2021 on websites of the Stock Exchange and the Group, in compliance with the ESG Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the “Listing Rules”). This section explains the Group’s environmental policy and relationship with its key stakeholder groups.

Environmental Policy and Compliance

As an integrated waste solutions provider, we are committed to providing efficient waste management services and implementing effective practices to safeguard the environment. We have established quantitative environmental control objectives including water saving measures and wastewater reduction in accordance with our ISO 14001:2015 certified environmental management system.

The Group identifies environmental risks that its operations might entail and develops remedial initiatives. Control procedures and measures are implemented to minimise the environmental impacts of our business operations. Our logistics fleet ensures emission control through strategic route planning.

We strictly adhere to all relevant environmental laws and regulations, including but not limited to the Waste Disposal Ordinance, Water Pollution Control Ordinance and Air Pollution Control Ordinance. During the year, one case of non-compliance of environmental laws and regulations was recorded. The case has been investigated internally and rectification measures implemented.

Engagement with Stakeholders

The Group spares no efforts to maintain a close relationship with its stakeholders. In order to ensure effective communication with internal and external stakeholders, we have established various communication channels to engage and consult stakeholders from different sectors and backgrounds including employees, customers, investors, NGOs, suppliers and subcontractors. By identifying material issues in sustainability related topics, we continue to address stakeholders’ concerns and expectations.

Employees

As of 31 March 2021, the Group had a total of 128 employees. Employee costs, including directors’ emoluments, amounted to HK\$46.2 million for FY2021 (FY2020: HK\$58.8 million). In addition to compliance with relevant employment laws, we respect the rights of our employees and

adhere to fair employment practices in recruitment, appraisal and provision of welfare and benefits. The Group respects each individual employee at every stage of employment and has zero tolerance to any form of discrimination. We maintain two-way communication via a grievance mechanism to address employees' concerns and needs.

The Group considers health and safety of employees as its first priority. We strictly comply with relevant laws and regulations related to occupational health and safety. A Safety Management Committee is in place to ensure occupational health and safety policies are up-to-date, by serving as a channel to facilitate actions related to safety issues within the Group.

We value the contribution of our employees to the Group and are committed to build an inclusive workforce and support employees' career development. A wide range of internal and external training schemes are offered to employees to enhance their professional skills.

Customers

The Group strives to exceed customers' expectations and ensure high quality products and services are delivered. We collect feedback and take corresponding rectification measures by facilitating communication with customers. A customer satisfaction survey is conducted annually to better understand their needs and expectations of our products and services. To handle complaints in an efficient and professional manner, a complaint mechanism has been established to examine complaints and to carry out improvement measures to maintain service quality.

Suppliers

We collaborate with a broad network of suppliers and subcontractors who share environmental and social responsibilities related to our operations. We have developed a selection criterion to ensure the suppliers meet our standards on quality and ESG requirements. Every year, we conduct sample assessment of existing suppliers to evaluate their performance based on price, product and service quality, cooperation, on-time delivery and environmental requirements. Suppliers with environment-friendly measures are given priority. We remove unqualified suppliers from our supplier list if their performance remains unsatisfactory.

Community

The Group always seeks opportunities to contribute to the well-being of the community where it operates. In order to support the community on combating the COVID-19 pandemic, we donated tissue paper to nursing homes. We also encouraged employees to participate in Earth Hour so as to raise awareness on climate change and nature conservation.

PROSPECTS

The impacts of stringent global regulatory regimes and the COVID-19 pandemic continue to pose challenges to the recycling business. Despite a rather volatile business environment, we will continue to manage and monitor risks in a professional manner, while transforming ourselves into a high value-added business.

We expect to continue to maintain high-quality CMDS services and an efficient logistics fleet, optimization of the WEEE collection service and treatment and ensure smooth operations of the hazardous waste treatment facilities in China. The resumption of tissue paper manufacturing aims to cater for the growing domestic demand resulting from a change of living habits and the increase in health awareness and is expected to bring new sources of income to the Group.

With the Group's devotion and professionalism, we are moving towards the goal of becoming one of the most reputable integrated waste solutions providers in Hong Kong and the Greater China.

II. For the year ended 31 March 2022**GROUP REVIEW**

Integrated Waste Solutions Group Holdings Limited is one of the major solid-waste solutions providers in Hong Kong, specialised in waste collection, recycling and treatment businesses. The Group provides waste management services related to Confidential Materials Destruction Services (“CMDS”), handling of Waste Electrical and Electronic Equipment (“WEEE”) and other recyclable waste to a broad range of customers in both public and private sectors.

Waste streams are becoming increasingly complex. The Group aims to address the current needs of its customers, while anticipating their evolving and growing needs in advance. Recognising the importance of our business in resolutions of the waste handling and disposal in Hong Kong and Mainland China, we have been diversifying our waste management and recycling business and expanding it to cover Mainland China. We have already invested in a hazardous waste treatment project in Lianyungang City, Jiangsu Province. The first phase of the project has become fully operational while the second phase commenced operations in March 2022. Thus, the total treatment capacity is being ramped up to handle more waste in a safe, efficient and sophisticated manner. The second invested hazardous waste treatment facility is located in Kaifeng City, Henan Province, which is under construction and expected to be operational in 2023.

MARKET REVIEW

The COVID-19 pandemic continues to impact the industry. While the Group continues to be optimistic about volume recovery, uncertainty remains because of the probability of new variants of the COVID-19 virus appearing in the future, which may lead to business suspension.

Stringent global regulations related to waste, such as the complete ban on imports of waste in China and acceptance of the Basel Convention, have made things challenging for Hong Kong’s waste recycling industry. Locally, the Municipal Solid Waste Charging Bill was passed during the financial year ended 31 March 2022, a pivotal step towards reducing waste at various sources. Recent policy measures by the Hong Kong SAR government on waste management, including the Producer Responsibility Scheme (“PRS”) implemented for municipal solid waste, plastic bags and plastic beverage containers, are part of the solutions of waste management that bring new opportunities for the recycling industry.

FINANCIAL REVIEW

Loss attributable to equity shareholders of the Company for the year ended 31 March 2022 (“FY2022”) amounted to HK\$27.6 million, an increase of HK\$3.7 million compared to the year ended 31 March 2021 (“FY2021”).

	FY2022	FY2021	Fav./(Unfav.)	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
			Change	
Results of Operating Segments	7,869	13,998	(6,129)	(43.8)
Net Corporate expenses	<u>(39,511)</u>	<u>(43,766)</u>	<u>4,255</u>	9.7
	<u>(31,642)</u>	<u>(29,768)</u>	<u>(1,874)</u>	(6.3)
Share of results of an associate	(2,373)	3,563	(5,936)	(166.6)
Share of results of joint ventures	6,436	6,460	(24)	(0.4)
Non-operating item:				
Impairment loss of property, plant and equipment	<u>—</u>	<u>(4,148)*</u>	<u>4,148</u>	100.0
Loss attributable to equity shareholders of the Company	<u>(27,579)</u>	<u>(23,893)</u>	<u>(3,686)</u>	(15.4)

* The amount was recognized in the share of results of joint ventures of the Group in FY2021.

Loss attributable to equity shareholders of the Company increased in FY2022, as there was subsidy income of HK\$7.9 million received from the Hong Kong SAR government in FY2021. Net corporate expenses maintained at a similar level as FY2021. During FY2022, the Group has recognised a share of loss of HK\$2.4 million of its **hazardous waste treatment** project, an associate acquired in January 2020, while a share of profit of HK\$3.6 million was recorded in FY2021.

	FY2022	FY2021	Fav./(Unfav.)	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
			Change	
Revenue Analysis				
Sales of recovered paper and materials				
— Sales of recovered paper	20,040	19,294	746	3.9
— Sales of recycled plastic pellets	—	1,893	(1,893)	(100.0)
— Sales of other waste materials	70	34	36	105.9
	20,110	21,221	(1,111)	(5.2)
CMDS service income	15,944	20,452	(4,508)	(22.0)
Sales of tissue paper products	1,639	224	1,415	631.7
Logistics service income	<u>4,431</u>	<u>9,429</u>	<u>(4,998)</u>	(53.0)
	<u>42,124</u>	<u>51,326</u>	<u>(9,202)</u>	(17.9)

Revenue from **Recovered Paper** business increased by HK\$0.7 million or 3.9%. Although the sales volume dropped, the performance was compensated by a rise in product price. We are constantly monitoring the external environment and shall take appropriate measures for long-term development.

Revenue of **Confidential Materials Destruction Services** (“CMDS”) dropped to approximately HK\$15.9 million, representing a 22.0% decrease. The segment performance was on track until a new COVID-19 virus variant hit hard the economy in February. Serving a wide range of customers from government authorities to financial and professional institutions and private corporations in Hong Kong, we expect the income from this segment to grow back steadily after the work from home rules and practices are rescinded.

RGF Environmental New Material Limited, our joint venture for the production of **recycled engineering plastic pellets**, which we have currently transformed its business model into an OEM solution provider for plastic wastes. The loss incurred by this joint venture in FY2022 was substantially reduced which reflects the cost optimization of change of business model.

The joint venture with ALBA Group for treatment and recycling of **waste electrical and electronic equipment** (“WEEE”) contributed income of HK\$10.4 million to the Group for FY2022. We are confident that the WEEE operation will continue to grow and bring further contribution to the Group. Our **Logistics** Division plays a major role in the transportation of WEEE items. **Logistics** services income decreased by HK\$5.0 million or 53.0% when compared to FY2021, it was mainly due to the lower rate of WEEE household collection charges applied since July 2020, and the lackluster performance was also due to COVID-19 driven volume declined in CMDS and door-to-door collection of WEEE.

The **Hazardous Waste Treatment** business in Mainland China, operating through Dugong IWS HAZ Limited, was impacted negatively due to COVID-19 pandemic. While the waste treatment volume remained stable, the performance of Lianyungang plant was affected by higher costs. The plant’s second phase commenced operations at the end of FY2022, with significant increase in total treatment capacity. Environmental policies in the Mainland China offer vast opportunities for waste treatment and we are confident that the joint venture will be a major profit contributor of the Group.

Gross Profit and Gross Profit Margin

The Group recorded a gross profit of HK\$25.2 million in FY2022, a decrease of HK\$3.9 million or 13.5% when compared to FY2021. However, the gross profit margin of the Group has increased from 56.7% to 59.7%, mainly due to the shift of the Group’s focus on businesses with higher profit margins.

Selling, Distribution, Administrative and Other Operating Expenses

Selling, distribution, administrative and other operating expenses amounted to a total of HK\$76.5 million, representing a decrease of HK\$4.7 million compared to FY2021. The reduction in these expenditures was due to the continuing cost control measures initiated by the management throughout the year.

Loss before Interest, Tax, Depreciation and Amortisation (“LBITDA”)

The Group recorded a LBITDA of HK\$7.1 million in FY2022, while a LBITDA of HK\$1.0 million was recorded in which an amount of HK\$7.9 million being total subsidy income received from the HKSAR Government in FY2021.

Liquidity and Financial Resources

The Group operates a centralized treasury function to monitor its cash position, cashflow and funding requirements. The Group recognises the need to achieve an adequate profit margin and considers it prudent to finance the Group's long-term growth by long-term financing, especially in the form of equity, which will not increase the Group's finance costs. The Group also acknowledges that it will encounter difficulty in raising funds from financial institutions by way of debt financing because of its recent financial performance and positions. During the current financial year, the Group had no financing exercise undertaken and all capital expenditure incurred was financed by internal resources.

As at 31 March 2022, the Group had unrestricted bank deposits and cash of approximately HK\$76.5 million (2021: HK\$78.3 million). The Group had no bank loans and overdrafts as at 31 March 2022 (2021: Nil).

As at 31 March 2022, the Group had net current assets of approximately HK\$142.3 million, as compared to approximately HK\$135.3 million as at 31 March 2021. The current ratio of the Group was 11.4 as at 31 March 2022 as compared to 10.0 as at 31 March 2021.

Foreign Exchange Exposure

The Group mainly operates in Hong Kong with most of its sales denominated in Hong Kong dollars and United States dollars. Most of raw materials purchases are denominated in Hong Kong dollars. Furthermore, most of the Group's monetary assets and liabilities are denominated in Renminbi, United States dollars and Hong Kong dollars. Certain associate/joint venture companies have local currency project loans in place and these are naturally hedged against the investments in the same local currency of the entity concerned.

For the year ended 31 March 2022, the Group recorded a net foreign exchange gain of HK\$2.0 million (2021: HK\$1.2 million) due to appreciation of the Renminbi during the year. The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

Major Capital Expenditure and Commitments

During the current financial year, the Group incurred capital expenditure of HK\$1.7 million for capital expenditure in respect of the headquarters of the Group in Tseung Kwan O Industrial Estate, Hong Kong. As at 31 March 2022, the Group has no material capital expenditure commitments.

Pledge of Assets

As at 31 March 2022, the Group had no restricted or pledged bank deposits (2021: Nil).

Capital Structure

Details of the capital structure of the Company are set out in Note 23.

Contingent Liabilities

As at 31 March 2022, the Group has, upon receiving legal advice, lodged certain claims against a former director and employee, the outcomes of which remain to be seen.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group has been striving to become a trusted integrated waste solutions provider in Hong Kong and Mainland China. The Group's goals on environmental sustainability align with demand from its customers who want more of recovery from waste materials. We are committed to bearing our share of environmental and social responsibilities to ensure a sustainable future. By gradually integrating environmental, social and governance ("ESG") considerations into our daily business operations, we strive to contribute to resolution of sustainability issues.

The Group is committed to putting its people first, positioning them to serve and care for customers, the environment, the communities where we have operations and our shareholders. Details of our ESG performance has been published in the Group's ESG report available on websites of the Stock Exchange and the Group, in compliance with the ESG Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "Listing Rules"). This section explains the Group's environmental policy and relationship with its key stakeholder groups.

Environmental Policy and Compliance

As an integrated waste solutions provider, we are committed to providing efficient waste management services and implementing effective practices to safeguard the environment. Quantitative environmental control objectives are in place, including water saving measures and wastewater reduction in accordance with our ISO 14001:2015 certified environmental management system.

The Group identifies environmental risks that its operations might entail and develops remedial initiatives on an ongoing basis. Control procedures and measures are implemented to mitigate the environmental impacts of our business operations, for example, our logistics fleet ensures emission control through strategic route planning.

We strictly adhere to all applicable environmental laws and regulations, including but not limited to the Waste Disposal Ordinance, Water Pollution Control Ordinance and Air Pollution Control Ordinance. During the year, we were not aware of any instance of non-compliance of laws and regulations that have a significant impact on the Group relating to environmental laws and regulations.

Engagement with Stakeholders

The Group spares no efforts to maintain a close relationship with its stakeholders. In order to ensure effective communication with internal and external stakeholders, we have established various communication channels to engage stakeholders from different sectors and backgrounds including employees, customers, investors, NGOs, suppliers and subcontractors. The process forms an integral part of the process of learning how the Group's operations have a substantive influence on the stakeholders' decision making.

Employees

Our success depends upon contribution of each employee, and the ability to give them the tools they need to safely execute their roles as well as to develop and excel in their careers. As of 31 March 2022, the Group had a total of 113 employees. Employee costs, including directors' emoluments, amounted to HK\$44.7 million for FY2022 (FY2021: HK\$46.2 million). In addition to compliance with relevant employment laws, we respect the rights of our employees and adhere to fair employment practices in recruitment, appraisal and provision of welfare and benefits. The Group respects each individual employee at every stage of employment and has zero tolerance to any form of discrimination. An employee grievance mechanism is in place to address employees' concerns and needs.

Focusing on the imperatives of keeping employees safe, we strictly comply with relevant laws and regulations related to occupational health and safety. A large number of our employees work as drivers, heavy equipment operators and sorters, jobs which carry inherent risks. We have enhanced employees' safety through our Safety Management Committee which serves as a governing body to facilitate actions related to safety issues within the Group.

We value the contribution of our employees to the Group and are committed to supporting their career development. A wide range of internal and external training schemes are offered to employees to enhance their professional skills. Our training and development programs include but not limited to Code of Conduct, safety, environmental protection, and professional development.

Customers

The Group is uniquely equipped to meet the needs of its customers related to waste management, both today and those evolving as we work together to create a more sustainable future. We have the expertise necessary to collect and handle waste efficiently and responsibly, maximizing resource value and minimizing environmental impact, so that both our customers and our environment can thrive. We engage our customers through an annual satisfaction survey and grievance mechanism, ensuring feedback is collected, rectification measures are taken, and service quality is improved on an ongoing basis.

Suppliers

We value the relationship with our suppliers and maintain a broad network of suppliers and subcontractors who share environmental and social responsibilities related to our operations. A selection criterion is in place to ensure the suppliers meet our standards on quality and ESG requirements, with priority given to suppliers with environment- friendly measures. For existing suppliers, we assess their performance annually based on price, product and service quality, cooperation, on-time delivery and performance in meeting environmental requirements. Suppliers with unsatisfactory performance are removed from our supplier list.

Community

The Group seeks opportunities to contribute to the well-being of the community where it operates. This year, we joined the campaign of Earth Hour to raise awareness among our employees on climate change, and donated tissue paper to nursery homes to support the community in combating the COVID-19 pandemic.

PROSPECTS

Although uncertainty remains with respect to the probability of resurgence of COVID-19 variants or other pandemic conditions which could impact our businesses in the future and hinder growth, we continue to be optimistic about volume recovery. We expect stable revenue streams coming from our high-quality CMDS services and an efficient logistics fleet. Our joint venture operations in WEEE, hazardous waste treatment and tissue paper manufacturing will also bring steady sources of income.

Transforming itself into a high value-added business, the Group will continue to strive towards the goal of becoming one of the most reputable integrated waste solutions providers in Hong Kong and Greater China.

III. For the year ended 31 March 2023**GROUP REVIEW**

Integrated Waste Solutions Group Holdings Limited is a leading solid-waste solutions provider in Hong Kong, specializing in waste collection, recycling, and treatment businesses. Our Group offers waste management services related to Confidential Materials Destruction Services (“CMDS”), Waste Electrical and Electronic Equipment (“WEEE”) treatment and recycling, and other recyclable waste to a diverse range of customers in both the public and private sectors.

As a responsible business, we understand the importance of our role in resolving waste handling and disposal issues in Hong Kong and Mainland China, and we strive to address our customers’ current and evolving needs proactively. Therefore, we have been diversifying our waste management and recycling businesses and expanding them to cover Mainland China. Our hazardous waste treatment project in Lianyungang City, Jiangsu Province, is fully operational and to increase our total treatment capacity, our second hazardous waste treatment facility located in Kaifeng City, Henan Province, commenced operations in January 2023.

MARKET REVIEW

The Group is cautiously optimistic about a potential volume recovery in the aftermath of the global pandemic. Recent policy measures by the Hong Kong SAR government on waste management, such as the Producer Responsibility Scheme (“PRS”) implemented for municipal solid waste, plastic bags, and plastic beverage containers, present new opportunities for the recycling industry and are part of the solutions to efficient waste management.

FINANCIAL REVIEW

Loss attributable to equity shareholders of the Company for the year ended 31 March 2023 (“FY2023”) amounted to HK\$39.8 million, an increase of HK\$12.2 million compared to the year ended 31 March 2022 (“FY2022”).

Results of operating segments improved by HK\$2.4 million, as there was subsidy income of HK\$2.6 million received from the Hong Kong SAR government in FY2023. Net corporate expenses, however, increased by HK\$7.9 million or 20.1%, was mainly due to the recognition of foreign exchange loss of HK\$4.2 million in FY2023 (FY2022: foreign exchange gain of HK\$2.0 million), causing by the depreciation of the Renminbi.

Due to the decline in profitability of the business, an impairment loss on property, plant and equipment of HK\$16.7 million was provided by the joint venture, RGF Environmental New Material Limited (“RGF”), during the year ended 31 March 2023. Accordingly, the Group has recognized its share of HK\$8.2 million loss in the share of results of joint ventures for the year.

	FY2023	FY2022	Fav./(Unfav.)	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
			Change	
Results of Operating Segments	10,295	7,869	2,426	30.8
Net Corporate expenses	<u>(47,452)</u>	<u>(39,511)</u>	<u>(7,941)</u>	(20.1)
	<u>(37,157)</u>	<u>(31,642)</u>	<u>(5,515)</u>	(17.4)
Share of results of an associate	(2,111)	(2,373)	262	(11.0)
Share of results of joint ventures	7,647	6,436	1,211	18.8
Non-operating item:				
Impairment loss of property, plant and equipment	<u>(8,179)*</u>	<u>—</u>	<u>(8,179)</u>	N/A
Loss attributable to equity shareholders of the Company	<u>(39,800)</u>	<u>(27,579)</u>	<u>(12,221)</u>	(44.3)

* The amount was recognized in the share of results of joint ventures of the Group in FY2023.

Revenue Analysis

	FY2023	FY2022	Fav./(Unfav.)	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
			Change	
Sales of recovered paper and materials				
— Sales of recovered paper	21,882	20,040	1,842	9.2
— Sales of other waste materials	181	70	111	158.6
	22,063	20,110	1,953	9.7
CMDS service income	15,848	15,944	(96)	(0.6)
Sales of tissue paper products	809	1,639	(830)	(50.6)
Logistics service income	<u>3,618</u>	<u>4,431</u>	<u>(813)</u>	(18.3)
	<u>42,338</u>	<u>42,124</u>	<u>214</u>	0.5

The Group’s revenue from **Recovered Paper** business increased by HK\$1.8 million or 9.2% despite a drop in sales volume of 3.2%. This stable performance was due to a rise in product price of 12.8%. Sales revenue of recovered office paper generated from the CMDS services has increased by 1.3%, due to the increase in selling price of 13.0%. We are continuously exploring opportunities to acquire new clients and taking appropriate measures for long-term development.

The Group's revenue from service income of **CMDS** decreased slightly by HK\$0.1 million or 0.6%, to approximately HK\$15.8 million. The overall sentiment and activity level improved, and the segment's performance was on track, particularly after the impact of COVID-19 subsided since January 2023. With a diverse customer base that includes government authorities, financial and professional institutions, and private corporations in Hong Kong, we expect the income from this segment to steadily improve.

Our joint venture with ALBA Group for the treatment and recycling of **WEEE** contributed income of HK\$12.3 million to the Group in FY2023, represents an increase of HK\$1.8 million or 17.4% compared to FY2022. We are confident that the Group will be able to expand the scope of WEEE operation to enhance revenue growth.

Our **Logistics** division primarily focuses on providing support services to other business segments of the Group, and it also plays a major role in the transportation of WEEE items. In FY2023, the number of trips decreased due to the impact of COVID-19, and service income declined by HK\$0.8 million or 18.3%.

RGF, our joint venture for the production of **recycled engineering plastic pellets**, has transformed itself into an OEM solution provider for plastic wastes. During the year ended 31 March 2023, an impairment loss on property, plant and equipment of HK\$16.7 million was provided by the joint venture due to the decline in profitability of the business. Accordingly, the Group has recognized its share of HK\$8.2 million loss in the share of results of joint ventures for the year.

The Group's **Hazardous Waste Treatment** project in Mainland China operates through Dugong IWS HAZ Limited. While the operation in Lianyungang, Jiangsu, was impacted by the shutdown of operations due to the COVID-19 pandemic, our second project located in Kaifeng, Henan, commenced operations in January 2023. Environmental policies in Mainland China offer vast opportunities for waste treatment, and we are confident that the total treatment capacity will continue to ramp up, which will boost the Group's revenue.

Gross Profit and Gross Profit Margin

The Group recorded a gross profit of HK\$25.0 million in FY2023, which decreased by HK\$0.2 million or 0.6% when compared to FY2022. The gross profit margin of the Group decreased slightly from 59.7% in FY2022 to 59.0% in FY2023. Both gross profit and gross profit margin of FY2023 remained stable as FY2022.

Selling, Distribution, Administrative and Other Operating Expenses

Selling, distribution, administrative and other operating expenses amounted to a total of HK\$73.0 million, representing a decrease of HK\$3.4 million compared to FY2022. The reduction in these expenditures was due to the cost control measures initiated by the management throughout the year.

Loss Before Interest, Tax, Depreciation and Amortisation ("LBITDA")

With the increase in total share of loss from joint ventures and associate, together with the recognition of foreign exchange loss in FY2023, LBITDA for the year rose by approximately HK\$12.5 million, from HK\$7.1 million in FY2022 to HK\$19.6 million in FY2023.

Liquidity and Financial Resources

The Group operates a centralized treasury function to monitor its cash position, cashflow and funding requirements. The Group recognizes the need to achieve an adequate profit margin and considers it prudent to finance the Group's long-term growth by long-term financing, especially in the form of equity, which will not increase the Group's finance costs. The Group also acknowledges that it will encounter difficulty in raising funds from financial institutions by way of debt financing because of its recent financial performance and positions. During the current financial year, the Group had no financing exercise undertaken, except for the grant of loan from non-controlling interests shareholder of HK\$0.4 million, and all capital expenditure incurred was financed by internal resources.

As at 31 March 2023, the Group had unrestricted bank deposits and cash of approximately HK\$74.4 million (2022: HK\$76.5 million). The Group had no bank loans and overdrafts as at 31 March 2023 (2022: Nil).

As at 31 March 2023, the Group had net current assets of approximately HK\$117.6 million, as compared to approximately HK\$142.3 million as at 31 March 2022. The current ratio of the Group was 9.7 as at 31 March 2023 as compared to 11.4 as at 31 March 2022.

Foreign Exchange Exposure

The Group mainly operates in Hong Kong with most of its sales denominated in Hong Kong dollars. Most of raw materials purchases are denominated in Hong Kong dollars. Furthermore, most of the Group's monetary assets and liabilities are denominated in Hong Kong dollars, Renminbi and United States dollars. Certain associate/ joint venture companies have local currency project loans in place and these are naturally hedged against the investments in the same local currency of the entity concerned.

For the year ended 31 March 2023, the Group recorded a net foreign exchange loss of HK\$4.2 million (2022: foreign exchange gain of HK\$2.0 million) due to depreciation of the Renminbi during the year. The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

Major Capital Expenditure and Commitments

During the current financial year, the Group incurred approximately HK\$1.7 million for the capital expenditure in respect of the headquarters of the Group in Tseung Kwan O Industrial Estate, Hong Kong. As at 31 March 2023, the Group has capital commitments of approximately HK\$0.6 million, which are mainly related to the acquisition of I.T. infrastructure.

Pledge of Assets

As at 31 March 2023, the Group had no restricted or pledged bank deposits (2022: Nil).

Capital Structure

Details of the capital structure of the Company are set out in Note 22.

Contingent Liabilities

As at 31 March 2023, the Group has, upon receiving legal advice, lodged certain claims against a former director and employee, the outcomes of which remain to be seen.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group is a trusted integrated waste solutions provider in Hong Kong and Mainland China, with a commitment to sustainability that aligns with the demand from our customers for more recovery from waste materials. We recognize our share of environmental and social responsibilities and are dedicated to ensuring a sustainable future. By integrating environmental, social, and governance (“ESG”) considerations into our daily business operations, we aim to contribute to the resolution of sustainability issues.

We have published details of our ESG performance in the Group’s ESG report, which is available on the websites of the Stock Exchange and the Group, in compliance with the ESG Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the “Listing Rules”). This section explains the Group’s environmental policy and our relationship with our key stakeholder groups.

Environmental Policy and Compliance

As an integrated waste solutions provider, we are committed to providing efficient waste management services and implementing effective practices to safeguard the environment. We have set quantitative environmental objectives, including water-saving measures and wastewater reduction, in accordance with our ISO 14001:2015 certified environmental management system.

The Group identifies environmental risks that our operations might entail and develops remedial initiatives on an ongoing basis. We implement control procedures and measures to mitigate the environmental impacts of our business operations, such as strategic route planning to ensure emission control in our logistics fleet. During the year, we expanded our rooftop solar energy system by adding another 430 panels and conducted an LED retrofit in our CMDS workshop.

We strictly adhere to all applicable environmental laws and regulations, including but not limited to the Waste Disposal Ordinance, Water Pollution Control Ordinance, and Air Pollution Control Ordinance. During the Reporting Period, we were not aware of any instances of non-compliance with laws and regulations that have a significant impact on the Group relating to environmental laws and regulations.

Engagement with Stakeholders

The Group values its relationship with stakeholders and spares no effort to maintain close ties with them. We have established various communication channels to engage stakeholders from different sectors and backgrounds, including employees, customers, investors, NGOs, suppliers, and subcontractors. This process forms an integral part of our determination of the influence our operations have on stakeholders’ decision-making and the impact on the environment, economy, and community.

We believe that engaging with our stakeholders is crucial to understanding their expectations and needs. This enables us to develop and implement effective strategies that address their concerns and contribute to the sustainable development of our business.

Employees

At the Group, we recognize that our success depends on the contribution of each employee, and we strive to provide them with the tools they need to safely execute their roles and develop and excel in their careers. As of 31 March 2023, we had a total of 98 employees, and employee costs, including directors’ emoluments, amounted to HK\$40.4 million for FY2023 (FY2022: HK\$44.7 million).

In addition to complying with relevant employment laws, we respect the rights of our employees and adhere to fair employment practices in recruitment, appraisal, and the provision of welfare and benefits. We recognize each individual employee at every stage of employment and have zero tolerance for any form of discrimination. An employee grievance mechanism is in place to address employees' concerns and needs.

A large number of our employees work as drivers, heavy equipment operators, and sorters, jobs that involve risk hazards. Our Safety Management Committee is responsible for overseeing employees' health and safety and ensuring compliance with relevant laws and regulations related to occupational health and safety. During the Reporting Period, our CMDS and RGF operations were both awarded accolades for health and safety.

We value the contribution of our employees to the Group and are committed to supporting their career development. We offer a wide range of internal and external training schemes to enhance their professional skills. Our training and development programs include but are not limited to the Code of Conduct, safety, environmental protection, and professional development.

Customers

The Group is uniquely equipped to meet the needs of our customers related to waste management, both today and in the future as we work together to create a more sustainable world. We have the expertise necessary to collect and handle waste efficiently and responsibly, maximizing resource value and minimizing environmental impact, so that both our customers and our environment can thrive.

We engage our customers through an annual satisfaction survey and grievance mechanism, ensuring that feedback is collected, rectification measures are taken, and service quality is improved on an ongoing basis. This allows us to understand our customers' needs and expectations, and tailor our services to meet those requirements. We believe that open communication with our customers is essential to building long-term relationships and contributing to the sustainable development of our business.

By continuously improving our services and processes, we aim to be the preferred partner for waste management solutions for our customers. We are committed to providing quality services that exceed our customers' expectations while minimizing our environmental impact.

Suppliers

We value our relationship with our suppliers and maintain a broad network of suppliers and subcontractors who share environmental and social responsibilities related to our operations. We have a selection criterion in place to ensure suppliers meet our standards on quality and ESG requirements, with priority given to suppliers with environment-friendly measures. For existing suppliers, we assess their performance annually based on price, product and service quality, cooperation, on-time delivery, and performance in meeting environmental requirements. Suppliers with unsatisfactory performance are removed from our supplier list.

We believe that working closely with our suppliers and subcontractors is essential to achieving our sustainability goals. By selecting and working with suppliers who share our values and commitment to sustainability, we can create a more sustainable supply chain and minimize our environmental impact.

Community

We seek opportunities to contribute to the well-being of the communities where we operate. This year, we collaborated with an NGO to offer free logistic services for waste collection, with the goal of expanding this service in the future. We believe that this initiative can help to reduce the environmental impact of waste and promote sustainable waste management practices.

We also continued to participate in Earth Hour, an annual global event that raises awareness about climate change. This event is an opportunity for us to engage our employees and encourage them to take action to reduce their carbon footprint. By participating in this event, we hope to inspire our employees to adopt environmentally friendly practices in their daily lives and contribute to a more sustainable future.

PROSPECTS

Although there is still uncertainty regarding the possibility of a resurgence of COVID-19 variants or other pandemic conditions that could impact our business in the future, we remain optimistic about volume recovery. We expect stable revenue streams from our high-quality CMDS services and an efficient logistics fleet. Additionally, our joint venture operations in WEEE and hazardous waste treatment will also provide steady sources of income.

As we transform into a high value-added business, we will continue to strive towards our goal of becoming one of the most reputable integrated waste solutions providers in Hong Kong and Greater China. We are committed to providing innovative and sustainable solutions that meet our customers' evolving needs while minimizing our environmental impact. We will continue to invest in technology, infrastructure, and talent development to enhance our capabilities and maintain our competitive edge.

We believe that our commitment to sustainability and our strong relationship with our stakeholders, including customers, employees, and suppliers, will enable us to navigate the challenges ahead and emerge as a more resilient and successful business. We remain focused on creating long-term value for all our stakeholders and contributing to the sustainable development of our communities.

B. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE TARGET GROUP

The following management discussion and analysis of the results of the Target Company is extracted from the annual reports of the Target Company for the years ended 31 December 2020, 2021 and 2022 and the interim report of the Target Company for the six months ended 30 June 2023. These information are originally published in Chinese and the English translated version is provided for information purposes only. In case of discrepancies between the two versions, the Chinese version shall prevail.

The Directors wish to emphasise that the extracts reproduced below are not prepared for incorporation into this circular and the Group has not participated in their preparation. As such, the Directors do not express any view as to their truth, accuracy or completeness, and the Shareholders and investors should exercise caution and should not place undue reliance on such information.

I. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE TARGET COMPANY FOR THE YEAR ENDED 31 DECEMBER 2020

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS HIGHLIGHTS

Business Model

The company is a third-party logistics enterprise principally engaged in integrated supply chain logistics services, including integrated warehousing and logistics, e-commerce logistics, supply chain finance and transportation of hazardous chemicals. The company also has a road transportation license for ordinary goods and dangerous goods, and is the only enterprise with dangerous goods transportation qualification in Jiangmen. With the Internet and the Internet of Things as technical means and with the support of the logistics information system, the company has established a 24-hour, all-round and full-process three-dimensional service system to help customers optimise supply chain management, reduce logistics costs and improve the overall operation and management level. The company is principally engaged in the provision of professional supply chain logistics services for manufacturing and retail circulation industries. The company's business mainly focuses on the provision of overall optimisation and solution of supply chain logistics for production customers. The company conducts business negotiations and enters into service contracts mainly through door-to-door visits, organising customers to participate in logistics information learning and exchange meetings, and tracks and gives feedback on the implementation of supply chain logistics services, so as to provide customers with comprehensive supply chain solutions and improve customer stickiness. By providing production customers with integrated supply chain logistics solutions, supporting logistics and distribution, warehousing, processing and loading, the company has integrated and coordinated customer needs and logistics resources of all parties to reduce overall operating costs of customers and improve operational efficiency of customer supply chain, so as to achieve profitability. The company's major customers involve various industries such as food, chemical, metal and paper making. Dachangjiang Group, Toyo Ink, Tiandi Yihao, Guangdong Jiashili Food Group Co., Ltd. and Jiangmen Pengjiang Haojue Commercial Co., Ltd. are all long-term strategic partners of the company.

During the reporting period and subsequent to the reporting period and up to the date of this report, the company's business development was healthy and orderly, and there was no significant change in the company's business model.

Changes during the reporting period:

Events	Yes or No
Whether there are changes in the industry	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Whether the main business has changed	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Whether the major products or services have changed	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Whether customer type has changed	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Whether key resources have changed	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Whether sales channels have changed	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Whether the source of income has changed	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Whether the business model has changed	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

II. REVIEW OF OPERATION

(I) Business Plan

In 2020, the company, in accordance with its established business strategy, endeavoured to build a one-stop supply chain service model and enhance the company's market influence in order to achieve the company's business objectives and achieved certain results. During the reporting period, the company achieved operating income of RMB 192,882,744.98, representing an increase of 30.83% as compared with the same period of last year. During the reporting period, there was no change in the principal business of the company, details of which are as follows:

1. Financial position of the company

During the reporting period, the total assets of the company amounted to RMB 145,135,321.48, representing an increase of 46.29% as compared with the same period of last year, which was mainly due to the increase in accounts receivable of RMB 31,210,106.37, the increase in construction in progress of RMB 16,566,501.65, the increase in fixed assets of RMB 3,176,674.35, the increase in accounts payable of RMB 28,982,204.19, the increase in tax payable of RMB 1,532,733.58, the increase in other payables of RMB 2,534,301.77, the increase in deferred income of RMB 6,245,691.81, the increase in surplus reserve of RMB 1,653,826.84, and the increase in undistributed profits of RMB 4,848,971.51, as compared with last year.

During the reporting period, the owners' equity of the company amounted to RMB 72,172,380.09, representing an increase of 9.90% as compared with the same period of last year, mainly due to the increase in net profit of RMB 5,474,435.67 during the reporting period.

2. Operating results of the company

During the reporting period, the operating income of the company amounted to RMB 192,882,744.98, representing an increase of 30.83% as compared with the same period of last year, and the total operating cost was RMB 172,639,203.57, representing an increase of 25.64% as compared with the same period of the previous year. Total profit amounted to RMB 18,162,790.29, representing an increase of 52.76% as compared with the same period of the previous year. Net profit attributable to the shares of the listed company amounted to RMB 16,300,798.35, representing an increase of 50.57% as compared with the same period of the previous year, mainly due to the company's exploration of new customers and the increase in business volume of some old customers during the reporting period.

3. Cash flows

During the reporting period, the cash flows of the company was good, the cash inflow from operating activities was RMB 189,776,868.06, and the cash outflow from operating activities was RMB 161,241,545.09, and net cash flows from operating activities was RMB 28,535,322.97, representing an increase of 19.40% as compared with the same period of last year, which was mainly due to the fact that the company strengthened its efforts to collect accounts receivable during the reporting period and achieved better results.

During the reporting period, the company's net cash flows from investing activities amounted to RMB -12,619,145.22, and the net cash flows for the previous period amounted to RMB -12,957,770.89.

During the reporting period, the company's net cash flows from financing activities was RMB -9,537,870.77, and the net cash flows in the previous period was RMB -17,507,589.18, mainly due to: 1. bank borrowings in the current period increased by RMB 13,680,000.00 compared with the previous period, 2. cash dividends distributed to shareholders in the current period amounted to RMB 9,798,000.00, representing an increase of RMB 4,686,000.00 as compared with the previous period.

(II) Industry Situation

The company is located in Jiangmen City, Guangdong Province. Jiangmen has been a transportation and logistics hub in the Pearl River Delta region since ancient times. Jiangmen is located in the key node of the Guangdong-Hong Kong-Macao Greater Bay Area bounded by the east and the west, and has a broad hinterland. Jiangmen is the region with the most development potential in the Guangdong-Hong Kong-Macao Greater Bay Area. The "Belt and Road Initiative" currently promoted by China will also bring good prospects to supply chain logistics managers. In the next 10 years, China's external investment will reach US\$1.25 trillion, which was almost zero in 2004. With the operation of the "Belt and Road Initiative" and the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, there will be a rare development opportunity.

The company has acquired a land of 37934.01 square metres in the Jiangsha Demonstration Park of Advanced Manufacturing Industry (先進製造業江沙示範園區) in Jiangmen City. In line with the development of the macro-economy, the company will vigorously develop the Anjie Jiangmen E-commerce Industrial Park (安捷江門電商產業園), build an integrated e-commerce warehouse and distribution, and realise the supporting services of supply chain, e-commerce front-end display and operation, to the integrated supporting services of cross-border tax guarantee and warehouse and distribution. The service area will radiate the entire western Pearl River Delta region, providing support for the development of e-commerce industry in the western Pearl River Delta region. At the same time, the company will make good use of the state's investment in the construction of logistics infrastructure and the benefits of supporting policies to reduce the overall social logistics costs and support the economic development of real enterprises, so as to ensure the healthy, stable and long-term development of logistics enterprises.

(III) Financial Analysis**1. Analysis of Asset and Liability Structure**

Unit: RMB

Items	End of the period		Beginning of the period		Increase/decrease in the end of the period compared with the beginning of the period
	Amount	As a percentage of total assets	Amount	As a percentage of total assets	
Monetary funds	22,145,301.57	15.26%	16,616,994.59	16.75%	33.27%
Bills receivable	0	0.00%	0	0.00%	0.00%
Accounts receivable	57,512,817.67	39.63%	26,302,711.30	26.51%	118.66%
Inventories	0	0.00%	0	0.00%	0.00%
Investment property	0	0.00%	0	0.00%	0.00%
Long-term equity investments	0	0.00%	0	0.00%	0.00%
Fixed assets	11,842,546.67	8.16%	8,665,872.32	8.73%	36.66%
Construction in progress	20,996,342.98	14.47%	4,429,841.33	4.46%	373.98%
Intangible assets	22,310,711.46	15.37%	23,148,336.87	23.33%	-3.62%
Goodwill	0	0.00%	14,361.58	0.01%	-100.00%
Short-term borrowings	17,019,833.33	11.73%	5,500,000.00	5.54%	209.45%
Long-term borrowings	2,051,818.42	1.41%	9,560,000.00	9.64%	-78.54%
Total assets	145,135,321.48		99,212,853.54		46.29%

Reasons for material changes in assets and liabilities:

- As at the end of the reporting period, monetary funds increased by 33.27% as compared with the end of the previous year, mainly due to the fact that the company strengthened its efforts to collect accounts receivable during the reporting period and achieved better results;
- As at the end of the reporting period, accounts receivable increased by 118.66% as compared with the end of the previous year, mainly due to the fact that the company explored new customers during the reporting period, and the business volume of some old customers increased, and the operating income increased by RMB45,453,941.90 as compared with the same period of the previous year, resulting in a significant increase in accounts receivable at the end of the period;
- As at the end of the reporting period, fixed assets increased by 36.66% as compared with the end of the previous year, mainly due to the increase in operating income during the reporting period, and the increase in purchase of equipment to better serve customers and business needs;
- As at the end of the reporting period, construction in progress increased by 373.98% as compared with the end of the previous year, mainly due to the construction of the first phase of e-commerce industrial park during the reporting period;
- As at the end of the reporting period, goodwill decreased by 100.00% as compared with the end of the previous year, mainly due to the provision for asset impairment losses during the reporting period;
- As at the end of the reporting period, short-term borrowings increased by 209.45% as compared with the end of the previous year, mainly due to the decrease in the interest rate of bank loans during the reporting period, the early repayment of long-term borrowings with higher interest rate and the re-borrowing of short-term borrowings from banks;
- As at the end of the reporting period, long-term borrowings decreased by 78.54% as compared with the end of the previous year, mainly due to the early repayment of bank borrowings during the reporting period.

2. Business Analysis**(1) Composition of profit**

Unit: RMB

Items	This Period		Corresponding period of last year		Percentage of change(%)
	Amount	As a percentage of operating revenue	Amount	As a percentage of operating income	
Operating income	192,882,744.98	-	147,428,803.08	-	30.83%

Operating costs	157,474,757.98	81.64%	124,739,912.74	84.61%	26.24%
Gross profit margin	18.36%	-	15.39%	-	-
Selling expenses	1,284,608.63	0.67%	1,272,754.60	0.86%	0.93%
Administrative expenses	4,416,023.89	2.29%	4,211,507.85	2.86%	4.86%
Research and development expenses	8,143,590.17	4.22%	5,747,403.59	3.90%	41.69%
Finance costs	842,419.75	0.44%	1,204,610.54	0.82%	-30.07%
Credit impairment losses	-2,758,766.76	-1.43%	915,832.61	0.62%	-401.23%
Assets impairment losses	-14,361.58	-0.01%	0.00	0.00%	0.00%
Other revenue	354,308.19	0.18%	391,451.04	0.27%	-9.49%
Investment revenue	237,566.82	0.12%	222,601.61	0.15%	6.72%
Gain from changes in fair value	0.00	0.00%	0.00	0.00%	0.00%
Gain on disposal of assets	0.00	0.00%	0.00	0.00%	0.00%
Exchange gain	0.00	0.00%	0.00	0.00%	0.00%
Operating profit	18,234,338.08	9.45%	11,555,788.54	7.84%	57.79%
Non-operating income	4,546.76	0.00%	452,800.00	0.31%	-99.00%
Non-operating expenses	76,094.55	0.04%	118,700.00	0.08%	-35.89%
Net profit	16,300,798.35	8.45%	10,826,362.68	7.34%	50.57%

Reasons for major changes in the item:

1. Operating income during the reporting period increased by 30.83% as compared with the same period of last year, mainly due to the Company's exploration of new customers and the increase in business volume of some old customers during the reporting period;
2. Research and development expenses during the reporting period increased by 41.69% as compared with the same period of last year, mainly due to the continuous innovation of the Company according to business needs and market changes, resulting in an increase in research and development expenses;
3. Credit impairment losses during the reporting period decreased by 401.23% as compared with the same period of last year, mainly due to the increase in the closing balance of accounts receivable and the increase in the ageing of other accounts receivable of the Company during the reporting period, resulting in an increase in the provision for impairment losses;
4. Financial expenses during the reporting period decreased by 30.07% as compared with the same period of last year, mainly due to the offsetting of interest expenses by the Company's receipt of bank loan interest subsidy of RMB172,050.00 during the reporting period;
5. Operating profit for the reporting period increased by 57.79% as compared with the same period of last year, mainly due to the fact that the operating income of the Company during the reporting period increased by 30.83% as compared with the same period of last year, and the gross profit margin increased by 2.97% as compared with the same period of last year;
6. Non-operating income during the reporting period decreased by 99.00% as compared with the same period of last year, mainly due to the receipt of national high-tech enterprise subsidies of RMB450,000 in the same period of last year;
7. Non-operating expenses during the reporting period decreased by 35.89% as compared with the same period of last year, mainly due to the decrease in the amount of vehicle traffic offences during the reporting period;
8. Net profit for the reporting period increased by 50.57% as compared with the same period of last year, mainly due to the fact that the operating income increased by 30.83% as compared with the same period of last year and the gross profit margin increased by 2.97% as compared with the same period of last year.

(2) Composition of revenue

Unit: RMB

Items	Amount for the period	Amount for the previous period	Percentage of change (%)
Revenue from principal operations	192,190,801.37	146,726,800.19	30.99%
Other operating income	691,943.61	702,002.89	-1.43%
Cost of principal operations	157,265,851.50	124,548,506.26	26.27%
Other operating costs	208,906.48	191,406.48	9.14%

Analysed by product type:

√ Applicable □ Not applicable

Unit: RMB

Category/item	Operating income	Operating cost	Gross profit margin %	Increase/decrease in operating income as compared to the same period of last year	Increase/decrease in operating cost as compared to the same period of last year	Increase/decrease in gross profit margin as compared to the same period of last year
Transportation services	156,154,079.45	132,472,233.72	15.17%	39.21%	34.38%	3.05%
Storage services	36,036,721.92	24,793,617.78	31.20%	4.30%	-4.52%	6.35%
Other businesses	691,943.61	208,906.48	69.81%	-1.43%	9.14%	-2.93%
Total	192,882,744.98	157,474,757.98	18.36%	30.83%	26.24%	2.97%

Analysed by geographical sector:

□ Applicable √ Not applicable

Reasons for the change in revenue composition:

During the reporting period, the revenue from principal operations increased by 30.99% as compared with the same period of last year, mainly due to the Company's exploration of new customers and the increase in business volume of some old customers during the reporting period.

(3) Information on major customers

Unit: RMB

No.	Customers	Sales amount	Percentage of annual sales revenue	Whether connected relationship existed
1	Jiangmen Pengjiang Haojue Commercial Co., Ltd.	32,904,491.73	17.06%	No
2	Tiandi Yihao Beverage Co., Ltd.	20,205,661.66	10.48%	No
3	Jiangmen Toyo Ink Co., Ltd.	10,367,332.94	5.37%	No
4	Jiangmen Dachangjiang Group Co., Ltd.	10,139,235.23	5.26%	No
5	Guangdong Jiashili Food Group Co., Ltd.	9,939,539.17	5.15%	No
	Total	83,556,260.73	43.32%	-

(4) Information on major suppliers

Unit: RMB

No.	Suppliers	Purchase amount	Percentage of annual purchase revenue	Whether connected relationship existed
1	Anhui Gongsheng Logistics Technology Co., Ltd. Tongling Branch (安徽共生物流科技有限公司銅陵分公司)	14,308,861.60	9.09%	No
2	Shenzhen Nanchen International Logistics Co., Ltd. (深圳市南晨國際物流有限公司)	14,293,220.87	9.08%	No
3	Huaian Ruihai Transportation Co., Ltd. (淮安瑞海運輸有限公司)	9,683,351.95	6.15%	No
4	Fuzhou Xiaoniu Logistics Co., Ltd. (撫州小牛物流有限公司)	7,586,379.48	4.82%	No
5	Jiangsu Jingjun Logistics Co., Ltd. (江蘇景軍物流有限公司)	6,335,034.94	4.02%	No
	Total	52,206,848.84	33.16%	-

3. Cash Flows Position

Unit: RMB

Item	Amount of the period	Amount of the previous period	Change (%)
Net cash flows from operating activities	28,535,322.97	23,898,431.65	19.40%
Net cash flows from investing activities	-12,619,145.22	-12,957,770.89	2.61%
Net cash flows from financing activities	-9,537,870.77	-17,507,589.18	45.52%

Cash flows analysis:

As at the end of the reporting period, net cash flows from financing activities decreased by 45.52% as compared with the amount of the previous period, mainly due to 1. the increase of RMB13,680,000.00 in bank borrowings for the current period as compared with the previous period, and 2. the distribution of cash dividends of RMB9,798,000.00 to shareholders for the current period, representing an increase of RMB4,686,000.00 as compared with the previous period.

(IV) Analysis of Investment

1. Major subsidiaries and investees

√ Applicable □ Not applicable

Unit: RMB

Company name	Company type	Principal activities	Total assets	Net assets	Operating income	Net profit
Jiangmen Jiasijie Painting Engineering Co., Ltd.* (江門嘉思捷塗裝工程有限公司)	Subsidiary	Dangerous goods transportation, general freight; domestic land freight forwarding.	3,746,390.31	2,554,401.74	10,375,073.27	370,627.67
Zhuhai Ruiyuan Supply Chain Management Co., Ltd.* (珠海市銳源供應鏈管理有限公司)	Subsidiary	Enterprise management consulting; supply chain management and related supporting services; computer software and hardware development; wholesale and sales of pre-packaged food.	8,559.03	-15,761.97	0	-1,403.25
Jiangmen Xinglian International Logistics Co., Ltd.* (江門星聯國際物流有限公司)	Subsidiary	International freight forwarding, domestic freight forwarding; warehousing services.	0	0	0	0
Sichuan Dingjie Supply Chain Management Co., Ltd.* (四川鼎捷供應鏈管理有限公司)	Subsidiary	General projects: supply chain management services; software development; software sales; domestic freight forwarding; general cargo warehousing services.	0	0	0	0

Description of major subsidiaries and investees

As of the end of the reporting period, the company owned 2 wholly-owned subsidiaries, namely Jiangmen Jiasijie Painting Engineering Co., Ltd.* (江門嘉思捷塗裝工程有限公司) and Zhuhai Ruiyuan Supply Chain Management Co., Ltd.* (珠海市銳源供應鏈管理有限公司) and 2 subsidiaries, namely Jiangmen Xinglian International Logistics Co., Ltd.* (江門星聯國際物流有限公司) and Sichuan Dingjie Supply Chain Management Co., Ltd.* (四川鼎捷供應鏈管理有限公司). Jiangmen Jiasijie Painting Engineering Co., Ltd.* (江門嘉思捷塗裝工程有限公司) was established on 7 November 2002 with a registered capital of RMB3,000,000. Its registered address is 1/F, 11 Baotang Road, Tangxia Town, Pengjiang District, Jiangmen City (江門市蓬江區棠下鎮堡棠路11號1樓). The scope of business is dangerous goods transportation, general freight; domestic land freight forwarding. During the reporting period, the operating income and net profit amounted to RMB192,882,744.98 and RMB16,300,798.35, respectively. As of the end of the period, Jiangmen Yongjie Technology Co., Ltd.* (江門市永捷科技有限公司), Sichuan Dingjie Supply Chain Management Co., Ltd.* (四川鼎捷供應鏈管理有限公司) and Zhuhai Ruiyuan Supply Chain Management Co., Ltd.* (珠海市銳源供應鏈管理有限公司) have not yet commenced business.

Structured entities under the control of the company

Applicable Not applicable

2. Whether the consolidation scope of the consolidated financial statements includes private fund managers

Yes No

(V) Research and Development**Research and development expenses:**

Item	Amount/ratio of the period	Amount/ratio of the previous period
Amount of research and development expenses	8,143,590.17	5,747,403.59
Research and development expenses as a percentage of operating income	4.22%	3.90%
Percentage of capitalised research and development expenses	-	-

Research and development staff:

Education level	Number of personnel at the beginning of the period	Number of personnel at the end of the period
Doctor's degree	0	0
Master's degree	0	0
Below Bachelor's degree	56	92
Total research and development staff	56	92
Research and development staff as a percentage of total staffs	27.86%	46.23%

Patents:

Item	Amount of the period	Amount of the previous period
Number of patents owned by the company	6	5
Number of invention patents owned by the company	1	1

Research and development projects:

In 2020, An Jie expanded its operation and was committed to intelligent development and integrated services. It vigorously developed digital and networked transportation platforms, and continuously improved the efficiency of on-site operation coordination to enhance the industry competitiveness. During the year, it obtained software copyright for research and development, and established research and development topics for five projects, namely “Research and Development of An Jie Forklift Scanning System Management Software (安捷叉車掃碼系統管理軟件的研發)”, “Research and Development of An Jie Intelligent Touch Delivery Management Software (安捷智慧觸控派工管理軟件的研發)”, “Research and Development of An Jie CTM Integrated Collaborative Transportation Management System (安捷CTM一體化協同運輸管理系統的研發)”, “Research and Development of An Jie Intelligent Transportation Dispatch Management System (安捷智能化運輸調度管理系統的研發)” and “Research and Development of Automatic Loading and Unloading Structure of Forklift Based on RFID Technology (基於RFID技術自動裝載叉車裝卸結構的研發)”.

(VI) Audit**1. Description of non-standard audit opinions**

Applicable Not applicable

2. Description of key audit matters:

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(I) Income recognition**1. Description of the matter**

As disclosed in Note V. (XXV) to the financial statements of the company, in 2020, the company recognised income from principal activities of RMB192,190,801.37, which was mainly attributable to income from the provision of transportation service and storage service. We identified income from principal activities as a key audit matter because the authenticity, accuracy and completeness of income from principal activities has a greater impact on the company's profit, and considering that income is one of the company's key performance indicators, which results in the inherent risk that income may be recognized in an incorrect period or be manipulated to achieve target or expected levels.

2. Audit response

Our audit procedures to assess the recognition of revenue included: 1. obtaining an understanding of and assessing the design and operating effectiveness of management's key internal controls relating to revenue recognition; 2. inspecting service contracts on a sample basis, identifying contract terms and conditions and assessing whether the timing of revenue recognition was in accordance with the requirements of the Accounting Standards for Business Enterprises; 3. selecting samples of service revenue transactions recorded during the year, checking invoices, contracts, receipt records and reconciliation records, and evaluating whether the related revenue recognition was in accordance with the company's accounting policies for revenue recognition; 4. selecting samples of revenue transactions recorded before and after the balance sheet date, checking the confirmation documents for the provision of services and other supporting documents to evaluate whether the revenue was recorded in the appropriate accounting period; and 5. issuing confirmations to major customers to verify whether the operating income was true and recorded in the correct period.

(II) Provision for bad debts of accounts receivable**1. Description of the matter**

As stated in Note V. (III) to the financial statements of the company, as of 31 December 2020, the book balance of the company's accounts receivable was RMB59,518,534.58 with provision for bad debts of RMB2,005,716.91 and carrying amount of RMB57,512,817.67. We identified the provision for bad debts of accounts receivable as a key audit matter due to the significant accounting estimates and judgements involved in the determination of provision for bad debts by the management and the significance of the provision for bad debts of accounts receivable to the financial statements.

2. Audit response

The main audit procedures we implemented for the provision for bad debts of receivables included: 1. obtaining an understanding of the key internal controls related to the impairment of accounts receivable, evaluating the design of these controls, determining whether they have been implemented, and testing the effectiveness of the operation of relevant internal controls; 2. reviewing the relevant consideration and objective evidence of the management's credit risk assessment or impairment test on accounts receivable, and evaluating whether the management appropriately identified the credit risk characteristics of accounts receivable or impaired accounts receivable; 3. for accounts receivable with expected credit losses measured on a collective basis, evaluating the rationality of the management's grouping based on credit risk characteristics; evaluating the reasonableness of the comparison table of the ageing analysis of accounts receivable against the expected credit loss rates determined by the management based on historical credit loss experience and forward-looking estimates; testing the accuracy and completeness of the data used by management and the accuracy of the calculation of the provision for bad debts; 4. selecting samples to confirm the large accounts receivable or a portion of accounts receivable with small amount but with large occurrences at the end of the period; and 5. checking whether the information related to the impairment of accounts receivable has been properly presented in the financial statements.

(VII) Changes in Accounting Policies and Accounting Estimates or Rectification of Material Accounting Errors

Applicable Not applicable

1. Changes in accounting policies and their basis

The Ministry of Finance issued the revised Accounting Standards for Business Enterprises 14 - Revenue (the "new revenue standards") in 2017. The company implemented the new revenue standards as well as the circular on 1 January 2020 to adjust the relevant part of its accounting policies.

The new revenue standards replaced Accounting Standards for Business Enterprises 14 - Revenue, and Accounting Standards for Business Enterprises 15 - Construction Contracts issued by the Ministry of Finance in 2006 (collectively, the "previous revenue standards"). Under the previous revenue standards, the company used risk-reward transfers as the standard for determining the point of revenue recognition. The new revenue standards introduced a "five-step approach" to revenue recognition and measurement and provided more guidance on specific transactions or events. Under the new revenue standards, the company used the transfer of control as the criteria for determining the point of revenue recognition. For particulars of the accounting policies for revenue recognition and measurement, please refer to Note III. (XIX).

The company has adjusted the related accounting policies in accordance with the specific provisions of the new revenue standards regarding specific events or transactions. In accordance with the new revenue standards, contractual assets or contractual liabilities were presented in the balance sheet based on relationship between performance of obligation and customer payment. Meanwhile, the company provided more disclosures in accordance with requirements of the new revenue standards on information disclosures in relation to revenue, such as information related to important contracts or businesses and performance obligations, as well as information related to transaction prices allocated to remaining performance obligations, including the general performance time of performing obligations, important payment terms, the nature of commodities which the company undertook to transfer, similar obligations such as payment borne by the company which expected to be refunded to the customers, types of quality assurance and relevant obligations.

The company conducted a review of revenue streams and customer contract processes to assess the impact of the new revenue standards on the financial statements. The revenue of the company mainly included the revenue from providing transportation services and storage services to customers, and the revenue generated from the service contracts entered into with customers with verified prices, and revenue remained to be recognized at the point of time when services were completed for and recognized by customers. The adoption of the new revenue standards had no material impact on the company except the presentation of the financial statements.

The company adjusted the retained profits and the amounts of other relevant items in the financial statement as of 1 January 2020 based on the cumulative effect of the first implementation of the new revenue standards. No adjustment to the information of the comparable period was required, and the company only adjusted the cumulative effect of contracts that have not been completed on the first implementation date.

2. Impacts of changes in accounting policies

There were no impacts of the implementation of the new revenue standards on the consolidated balance sheet and parent company balance sheet items as of 1 January 2020.

(VIII) Changes in the Scope of the Consolidated Financial Statements

Applicable Not applicable

On 2 December 2020, as considered and passed at the 9th meeting of the second session of the board of directors of the company, the company has established holding subsidiary Sichuan Dingjie Supply Chain Management Co. Ltd. (四川鼎捷供應鏈管理有限公司), and holds 55% of its shares. The subsidiary has been consolidated in the financial statements since its establishment.

(IX) Corporate Social Responsibility

1. Performance of social responsibility in poverty alleviation

Applicable Not applicable

2. Other performance of social responsibility

Applicable Not applicable

The company always adhered to the core values of health, people oriented and aggressiveness, served customers with professional and responsible attitude, and strived to perform its social responsibility as an enterprise. The company attached high importance to the return for shareholders and formulated interests distribution plan; cared the growth of employees and gave high importance to employee development, and constantly improved the labor employment system; conducted business with honesty and paid taxes according to regulations; and participated in philanthropic work. The company carried out every work beneficial to the society with serious attitude, and tried its best to be responsible to the society, all shareholders of the company and every employee.

III. GOING CONCERN ASSESSMENT

1. After 16 years of development, the company has grown into a professional supply chain management company integrating integrated supply chain services, integrated logistics services, e-commerce logistics, supply chain finance, and hazardous chemical storage and transportation, etc. Major customers involve various industries such as food, chemical, metal and paper making. Dachangjiang Group, Toyo Ink, Tiandi Yihao, Carpoly Chemical Group Co., Ltd. (嘉寶莉化工集團股份有限公司) and Jiangmen Pengjiang Haojue Commercial Co., Ltd. (江門市蓬江區豪爵商務有限公司) are all long-term strategic partners of the company.

2. During the reporting period, the company achieved an operating income of RMB192,882,744.98 and a net profit of RMB16,300,798.35 for the year. The company's business remained stable, the asset and liability structure was reasonable, the financial policies were stable, and the working capital liquidity was good. The company has the ability to continue as a going concern.

3. During the reporting period, the company strictly complied with a series of basic rules and regulations such as the Company Law, the Articles of Association, the Rules of Procedure of the Board of directors, the Rules of Procedure of the Supervisory Committee and the Rules of Procedure of General Meeting to give full play to the check and balance between the general meeting, the board of directors and the supervisory committee in the implementation of the system, control operational risks and ensure the standardisation of corporate governance.

In conclusion, the company has the ability to continue as a going concern and there are no major adverse factors affecting the ability to continue as a going concern.

IV. PROSPECTS

Voluntary disclosure

Yes No

(I) Industry Development Trend

The development of foreign logistics industry is significantly better than that of domestic logistics industry in terms of start-up, scale and technology, forming a modern logistics equipment technology pattern with information technology as the core and transportation technology, distribution technology, loading and unloading handling technology, automatic warehousing technology, inventory control technology, packaging technology and other professional technologies as the support. In comparison, the domestic logistics industry mainly presents the following trends:

(1) Informatization and intelligence

At present, China's small and medium-sized logistics enterprises have the characteristics of insufficient informatization, which makes them unable to process logistics information through information systems and rely more on manual and traditional ways to coordinate scheduling. The informatization and intelligence of logistics enterprises will be a major trend in the future. The information technology system processes a large amount of logistics information, makes overall arrangements, and optimizes for distribution routes, effectively reducing the vehicle empty loading rate. At the same time, the warehousing of goods has changed from static management to dynamic management, accelerating the turnover rate, improving the usage efficiency of warehousing facilities, and reducing the cost of logistics services.

(2) Transition of supply chain

With the development of industry and commerce in various places, the trend of synergetic development of different regions is highlighted. Correspondingly, the proportion of logistics costs of enterprises has gradually increased, and the upstream and downstream transportation modes of enterprises have been affected by segmented and separate management patterns, resulting in long-term separation of transportation modes, which is not conducive to improving the efficiency of production and operation of enterprises. While the traditional logistics model is engaged in simple special services, with the transportation, distribution, warehousing and other functions divided and single; when logistics activities are scattered in different enterprises and different departments, it is difficult for various logistics elements to give full play to their due role. Therefore, the transition of logistics supply chain is a customized service for production enterprises to reduce logistics costs and improve production efficiency. Combine such upstream production factors as transportation, warehousing, loading and unloading required by enterprises and the distribution of downstream enterprises, formulate supply chain logistics projects for different enterprises, and form an enterprise logistics network with exclusive third-party logistics services.

(3) Standardization and professionalization

At present, due to the uneven level of small and medium-sized logistics enterprises in the market, many private enterprises have not yet moved towards standardization in management; at the same time, the relevant laws and regulations of the industry still need to be improved, resulting in the logistics industry having the characteristics of imperfect standardization, franchise and subcontracting chaos, and a management level yet to be improved. In the future, with the improvement of relevant specifications of the logistics industry, promulgation of storage and transportation standards for various industries one after another, and the increasement of the qualification, quality control and management thresholds of enterprises, the logistics industry will become more standardized and serve in a more professional way.

(4) Scale and integration

As an intermediate industry serving industrial and commercial activities, the logistics industry has high requirements for the efficiency of goods flow; while the business models featuring small-scale, fragmentation and extensiveness of some small logistics enterprises greatly limit the efficiency of the logistics industry. With the improvement of relevant industry norms, the scale operation of the logistics industry will be a general trend, and the industry integration will surely accelerate. The integration of the logistics industry can be achieved in two ways, one of which is the scale of the enterprise itself, expanding the scale of the enterprise efficiently and continuously through its own development norms; the other is the realization of the advantages of the platform by relying on IT systems and other methods, integrating different special lines, and achieving integration while improving the quality of transportation with the same standardized process.

(II) Development Strategies of the Company

The company's short-term strategy is to strengthen logistics business capabilities, expand market service radius, and build a competitive logistics enterprise in Guangdong; the long-term strategy is to build a network information service management platform for small and medium-sized transporters in the logistics industry, further tapping the subdivision potential of logistics and transportation business based on existing businesses.

(III) Operation Plan or Target**1. Expand business channels and increase business development efforts to achieve the goal of high business growth.**

First, maintain effective communication with old customers for the purpose of ensuring the stability of the original business on one hand and tapping new business on the other, achieving effective business growth; second, conduct in-depth investigation and research, market analysis and effective collection of bidding information, actively participate in bidding work, securing new business growth; third, the sales department strengthens business contacts and formulates practical sales plans, ensuring new growth of business; fourth, carry out targeted work on the transportation of dangerous goods and waste. At present, the transportation market for dangerous goods and waste is large while the competitiveness is relatively small, we should make use of the company's qualification advantages to develop dangerous goods and waste transportation business in a targeted manner, achieving new business and growth; fifth, we will enhance the development of cold chain and refrigeration business of agricultural products. In view of the advantage of relatively abundant resources of local agricultural products in Jiangmen, the company will vigorously carry out cold chain and refrigeration business in line with the purpose of reducing costs and increasing efficiency for farmers and providing consumers with quality and fresh-keeping agricultural products, to achieve rapid growth of cold chain business.

2. Implement the construction of Phase 1 project of the An Jie E-commerce Industrial Park to ensure that the project will complete on schedule.

With RMB20 million invested in the fundamental project of Phase 1 project of the An Jie E-commerce Industrial Park, and RMB25 million invested in the Cold Chain Circulation Center project, the design and construction of this project emphasizes the concept of green ecology, saving and environmental protection, recycling, health and harmony as well as modern science and technology. The project establishes a comprehensive supply chain management platform with the cold chain control system as the core, provides the whole cold chain technical support for the centralized procurement, pre-coldness, processing, warehousing, transportation and other links of agricultural products; realizes the whole cold chain of agricultural products, the whole process of information processing of the agricultural product supply chain and the interconnection of upstream and downstream data in the supply chain. After the completion of the project, it will effectively promote the construction of regional agricultural products cold chain circulation system and agricultural product supply chain system and become a model for post-commercialization treatment of agricultural products and cold chain circulation supply chain management in Pengjiang District and even Jiangmen City, and significantly boost the company's business income and profit.

3. Make full use of the capital market, actively carry out various financing work, and promote the upgrading and development of the company's business.

In 2020, according to the development strategy, the company will continue to explore a variety of financing means for development through investment, acquisition, merger around its core business under the premise of reasonable risk control and market conditions, effectively integrate resources and improve operational efficiency, thus consistently improving the company's scale and competitive strength. Meanwhile, the company will make full use of the capital market financing platform, strengthen financing planning, actively explore a variety of financing channels and methods, to promote the company's rapid development and logistics supply chain layout as well as its industry status and comprehensive competitiveness.

4. Strengthen brand building and continuously enhance core competitiveness.

We will strengthen the brand building of An Jie. With resources of customers, locations, facilities and technologies, An Jie vigorously develop third-party logistics business, and strive to strengthen supply chain integration services. Especially in the field of production logistics, An Jie set a benchmark for the linkage development of manufacturing and logistics, with a focus on strengthening customer service personnel training, service mode expansion and service quality improvement, further strengthening the brand building and continuously enhancing the core competitiveness of An Jie.

5. Intensify technological development and innovation, build a smart logistics public service platform for An Jie, and constantly improve the technological content to further enhance our core competitiveness.

On the basis of the traditional logistics industry, a smart logistics public service platform for An Jie is built by carrying out integration on diversified business through utilization of the Internet technology with a view to integrate the dedicated resources in the industry through the platform, launch integrated solutions for downstream enterprises, promote the intelligent development of logistics, and create a regional vehicle benchmarking information platform. Through the smart logistics platform, the better logistics supply chain service is provided for domestic manufacturing industry to reduce the operation cost of manufacturing industry and improve their comprehensive competitiveness of domestic manufacturing industry. In terms of technological development and innovation, the company implements the strategy of technology innovation and structure optimization to promote the company's overall pace of innovation. Starting with the deep integration of both Internet of Things and advanced Information Technology in the logistics industry, An Jie grasps the new trends of technology and industrial development in the logistics industry and accelerates the promotion of construction on information engineering such as big data and cloud computing. Based on the Internet of Things and big data technology, an advanced supply chain integrated service platform is built, which mainly includes two systematic function modules such as WMS/TMS.

6. Broaden the channels of talent training and introduction, coordinate and improve the construction of talent team to promote the sustainable development of the company.

In order to meet the company's future sustainable development, the company will, under the guidance of the talent strategy of the board of directors, continue to adhere to the "people-oriented (以人為本)" principle. In 2020, the company will continue to strengthen the construction and training of talent team, and stick to "An Jie development driven by joint efforts (安捷發展、共同創造)", "Growth dividend shared by all (發展紅利、共同分享)" and "Advancing with the times together (與時俱進、共同成長)". The company will focus on cultivating high-caliber and highly skilled talents, with excellent project managers as priority, coordinate and improve the building of various talent teams, and adhere to the combination of internal training and promotion and external absorption and introduction, so that the company's talent pool continues to expand, thus promoting the sustainable development of the company.

7. Strengthen project management and control, strictly control management risks, and comprehensively improve management level.

To better manage costs in 2020, the company will implement strict cost control, advocate scientific and efficient management, carry out planning, implementation, supervision and control for every single project, and conduct multi-dimensional assessment and evaluation in terms of cost, quality, progress, payment collection and other aspects of the project for relevant departments. In 2020, the company will strengthen the electronic informatization of internal control, strengthen compliance and standardization, strictly control management risks, comprehensively improve management level and make information transmission more accurate and timelier with double efficiency.

8. Pay close attention to standardized management, attach importance to "law"-based corporate governance, and lay a foundation for the long-term sustainable and healthy development of the enterprise.

Standardized management is a basic requirement for both a modern enterprise and a public listed company, and even a requirement for aspiring to build a century-old enterprise. "Law" represents national laws and policies as well as rules and regulations and operational logics of an enterprise. To this end, we will strive to strengthen the standardization of the enterprise from three aspects; first, further establish and improve the company's systems, especially the internal control system and process such as production and operation, quality control, cost reduction, safe and civilized production, to form a more complete system; second, intensify the implementation and supervision of the systems, and intensify the implementation and supervision of system by the board of supervisors, the audit department and other authorities, so as to ensure that orders and prohibitions are enforced; third, strengthen the study and training of standardized management, arm the thinking of executives, managers and ordinary employees with the legal system, promote a consistent thinking of employees with a consistent system, and lay the systemic and ideological foundation for the sustainable and stable development of the company.

(IV) Uncertainty Factors

At present, the company does not have any uncertainties that have a material effect on the company's operations.

V. RISK FACTORS

(I) Risk factors persisted into the current year

1. Risk of increased competition

The company is mainly engaged in third-party logistics services. From the competitive landscape, the state-owned, foreign-invested and other large logistics enterprises stand out in the market; small and medium private logistics enterprises have disadvantages such as small business radius and relatively backward technology, although they have absolute dominance in a particular region and sub-sector within the industry. However, with the stabilization of the market scale, the large-scale logistics enterprises are expanding into the sub-sector, the small and medium logistics enterprises will be faced with the risk of intensified competition.

Counter measures: To address this risk, the company will further expand the market radius, gradually radiate from the Jiangmen to Guangdong and even all over the country, carry out market integration through the establishment of a logistics service platform, to expand the company's scale and improve its competitiveness.

2. Risk of relative concentration of major customers

In 2020, the company's sales to its five largest customers amounted to RMB83,556,260.73, accounting for 43.32% of operating income in the current period. Among which, Jiangmen Pengjiang Haojue Commercial Co., Ltd., Tiandi Yihao Beverage Co., Ltd., Jiangmen Toyo Ink Co., Ltd., Jiangmen Dachangjiang Group Co., Ltd. and Guangdong Jiashili Food Group Co., Ltd are old customers that the company has served for more than three years. The company has the risk of relative concentration of customers. If the company's current major customers reduce their purchases of the company's services due to changes in business conditions or other factors, the company's operations may be affected to a certain extent.

Counter measures: To address this risk, on the one hand, the company will establish a more solid cooperative relationship with its customers in various aspects such as logistics, warehousing and distribution through integrated supply chain projects to reduce the risk of loss of customer; on the other hand, the company will proactively expand its business, accumulate customer resources and develop more high-value customers, currently, the company has a number of new customer projects in the pipeline.

3. Risk of bad debts in the accounts receivable

The company's principal business is to provide professional integrated logistics and warehousing services to customers in manufacturing, retail distribution and other industries. As at 31 December 2019 and 31 December 2020, the company's net accounts receivable were RMB57,512,817.67 and RMB26,302,711.3, respectively. The company's receivable balances are relatively large, and the average settlement period of the company's customers is 2.69 months. With the expansion of the company's operation scale, the receivable balances may continue to increase. If the company fails to collect the accounts receivable or if there are any unfavorable changes in the creditworthiness and financial condition of the company's customers, the company may be exposed to the risk of bad debts, which may in turn affect the company's cash flows and profitability.

Counter measures: To address this risk, the company will, on the one hand, strengthen the investigation and analysis of the credit status of its customers and formulate corresponding credit policies based on the actual operation of the company and the creditworthiness of its customers; on the other hand, the company will intensify its efforts to collect its accounts receivable and analyze the year and amount of arrears respectively and take different measures to obtain the best collection results.

4. Transportation safety risk

The company is engaged in road freight transportation (including the qualification of dangerous goods transport). Although the company has formulated detailed and strict internal control management system in the various links such as warehousing, delivery, and purchased carrier's liability insurance for vehicles in transit, there are transportation safety risks due to weather, road conditions, vehicle malfunctions, drivers in accordance with the characteristics of the transportation industry. If there are accidents, it will cause adverse impacts to the company's operation.

Counter measures: To address this risk, the company will comply strictly with the internal management system to minimize the artificial risk; and hedge the risk through purchasing insurance to minimize the losses.

During the reporting period, there were no changes in other risk factors that persisted into the current year, except the risk of insufficient liquidity, which has been eliminated.

5. Supply chain management risk

It is an inevitable trend for private logistics enterprises to develop from single function to comprehensiveness. The diversified demands of customers require logistics enterprises to provide integrated services from supplying place to place of consumption. It makes private logistics enterprises to face complexity and uncertainty of supply chain management during the transition process of providing supply chain management solution to customers, which leads to problems of supply chain management time risk, safety risk and cooperation risk.

Counter measures: 1. establish strategic cooperation partnership. 2. conduct daily management of risks. 3. strengthen information sharing, and establish information technology exchange platform. 4. optimize cooperation partners, realize cultural integration and strengthen trust and incentives.

(II) New Risk Factors During the Reporting Period

There are no new risk factors during the reporting period.

SIGNIFICANT EVENTS

I. INDEX OF SIGNIFICANT EVENTS

Items	Yes or No	Index
Any lawsuits or arbitrations	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any external guarantees	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any loans provided to external parties	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any appropriation or transferring of the company's funds, assets and other resources by the shareholder(s) and its related parties	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any daily related party transactions	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	V. II. (I)
Any other major related party transactions	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any acquisitions, sales of assets, foreign investment matters that had been considered and approved by the shareholders' meeting and corporate mergers that occurred during the reporting period	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	V. II. (II)
Any share incentive scheme, employee stock ownership scheme or other employee incentive measures	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any share repurchases	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any disclosed commitments	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	V. II. (III)
Any cases where assets were attached, seized, frozen or mortgaged or pledged	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	V. II. (IV)
Any matters of being investigated and punished	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any situations of dishonesty	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any other significant events which shall be disclosed	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any other events of voluntary disclosure	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	V. II. (V)

II. DETAILS OF SIGNIFICANT EVENTS (IF THE MATTER EXISTS, SELECT THE FORM BELOW TO FILL OUT)

(I) Litigations and arbitrations

There were no major litigations and arbitrations during the reporting period

1. Litigations and arbitrations arising during the reporting period

Yes No

2. Major litigation and arbitration disclosed in the provisional announcements and pending during the reporting period

Applicable Not applicable

3. Major litigation and arbitration disclosed in the provisional announcements and closed during the reporting period

Applicable Not applicable

(II) Appropriation or transferring of the company's funds, assets and other resources by the shareholder(s) and its related parties

There was no appropriation or transferring of the company's funds, assets and other resources by the shareholder(s) and its related parties during the reporting period.

(III) The daily related party transactions of the company during the reporting period

Unit: RMB

Types of specific matters	Estimated amount	Amount incurred
1. Purchase of raw materials, fuel and power	0	0
2. Sales of products and goods, provision or receipt of services	1,100,000.00	0
3. The types of daily related party transactions that are applicable to the company stipulated in the company's articles of association	0	0
4. Others	0	0

(IV) Acquisitions, disposals of assets, foreign investment matters considered and approved by the shareholders' meeting and corporate mergers that occurred during the reporting period

Unit: RMB

Type of item	Date of signing the agreement	Disclosure date of provisional announcement	Counterparty	Subject of the transaction/ investment/ merger	Consideration for the transaction/ investment/ merger	Amount of consideration	Whether it constituted a connected transaction	Whether it constituted a material assets restructuring
External investment	-	4 March 2021	Bank	Open-ended wealth management product of banks	Cash	8 million	No	No

Details of the matter and its impact on the company's continuity of business, management stability and other aspects:

In order to improve the company's capital income and give full play to the use efficiency of the company's capital, without affecting the main businesses, the company used idle funds to purchase short-term principal -guaranteed wealth management products from the bank of no more than RMB8 million. As of 31 December 2020, the balance of wealth management products was RMB0, the cumulative amount was RMB84,750,000, and the investment income was RMB237,566.82. During the reporting period, the total amount of unexpired wealth management products held by the company at any time did not exceed RMB8 million (inclusive). The above investment has been considered and approved at the sixth meeting of the second session of the board of directors of the company on 4 March 2020, disclosed in the relevant provisional announcement (see announcement: 2020-002 for details), and considered and approved at the first extraordinary general meeting in 2020 held on 23 March 2020.

(V) Fulfillment of commitments

Subject of commitment	Commencement date of commitment	Ending date of commitment	Source of commitment	Type of commitment	Details of commitment	Fulfillment of commitment
De facto controllers or controlling shareholder	1 December 2016	-	Listing	Industry Competition commitment	See detail 1 below	In progress
The company	1 December 2016	-	Listing	Commitment to appropriate funds	See detail 2 below	In progress
De facto controllers or controlling shareholder	1 December 2016	-	Listing	Labour, social security contributions	See detail 3 below	In progress

De facto controllers or controlling shareholder, directors, supervisors and senior management	1 December 2016	-	Issuance	Corporate governance	See detail 4 below	In progress
De facto controllers or controlling shareholder, directors, supervisors and senior management	1 December 2016	-	Listing	Fund regulation	See detail 5 below	In progress

Details of commitment:

1. The commitment of controlling shareholder and de facto controllers to avoid competition in the same industry. During the reporting period, the company's controlling shareholder Zhang Yan (張艷), de facto controllers Zhang Yan (張艷) and Yang Yongming (楊永明) strictly complied with the commitment.
2. The commitment of the company to the external guarantees, appropriation of funds and measures taken during the reporting period. No circumstances occurred during the reporting period that triggered the need to fulfill the commitment.
3. For the company's labor and social security contributions, the company's controlling shareholder and de facto controllers have issued a written commitment to gradually standardize the social insurance and housing fund contributions and will assume full compensation obligations to the company if the company is held accountable for administrative or civil liability due to the labor contract, social insurance and housing fund contributions matters. During the reporting period, the controlling shareholder and de facto controllers of the company strictly complied with the commitment.
4. In order to further strengthen the corporate governance and improve the internal control, the company will prevent the recurrence of the above situation in the subsequent operation. The company and the de facto controllers made a commitment that from 19 October 2016, cash will no longer be used for receipt and payment in daily operations. The controlling shareholder, directors, supervisors and senior management strictly complied with the commitment during the reporting period.
5. The company made a commitment to require all employees to apply for payroll cards in its future operations and will no longer use cash payment to pay wages to employees. The controlling shareholder, directors, supervisors and senior management strictly complied with the commitment during the reporting period.

(VI) Information of assets which were attached, seized, frozen, mortgaged or pledged

Unit: RMB

Asset	Type of asset	Type of restricted rights	Book Value	Percentage of total assets %	Causes
Land use rights	Intangible assets	Mortgage	19,742,478.38	13.60%	Land use rights were mortgaged for the loan
Total	-	-	19,742,478.38	13.60%	-

The impact of restricted rights of the asset on the company:

The above-mentioned mortgage of land use rights was necessary for the company to achieve normal business development and operation, and supplemented the company's capital needs through bank loans, which was conducive to improving the company's financial condition, increasing the company's operating strength, promoting the company's business development, and benefiting the interests of shareholders as a whole.

(VII) Other events of voluntary disclosure

It was fined RMB6,000 for Yuejiangjiaofang No.[2020]00843-47/00667 (粵江交罰[2020]00843-47/00667號) due to the failure to carry out vehicle comprehensive performance testing and technical grade assessment in accordance with the prescribed period and frequency.

It was fined RMB10,000 for Yuejiangjiaofang No.[2020]02363/01971 (粵江交罰[2020]02363/01971號) due to the failure to prepare the transport documents of dangerous goods in accordance with the regulations.

CHANGES IN SHARES, FINANCING AND PROFIT DISTRIBUTION

I. ORDINARY SHARES

(I) Share capital structure of ordinary shares

Unit: shares

Nature of shares		At the beginning of the period		Changed	At the end of the period	
		Number of shares	Proportion %		Number of shares	Proportion %
Selling unrestricted shares	Total number of selling unrestricted shares	23,172,000	54.39%	2,445,000	20,727,000	48.65%
	Of which: controlling shareholder, de facto controllers	9,730,000	22.84%	2,797,500	6,932,500	16.27%
	Directors, supervisors and senior management officers	6,000	0.01%	-7,285,000	7,291,000	17.12%
	Core staff					0.00%
Selling restricted shares	Total number of selling restricted shares	19,428,000	45.61%	-2,445,000	21,873,000	51.35%
	Of which: controlling shareholder, de facto controllers	18,000,000	42.25%	-2,797,500	20,797,500	48.82%
	Directors, supervisors and senior management officers	1,428,000	3.35%	-20,445,000	21,873,000	51.35%
	Core staff	0	0.00%			
Total share capital		42,600,000	-	0	42,600,000	-
Total number of shareholders with ordinary shares		60				

Changes in share capital structure:

 Applicable Not applicable

(II) Top ten holders of ordinary shares

Unit: shares

No.	Name of shareholders	Total number of shares held at the beginning of the period	Change of shareholdings	Total number of shares held at the end of the period	Proportion of shareholdings at the end of the period %	Total number of selling restricted shares held at the end of the period	Total number of selling unrestricted shares held at the end of the period	Total number of pledged shares held at the end of the period	Total number of judicially frozen shares held at the end of the period
1	Zhang Yan (張艷)	26,856,000	0	26,856,000	63.04%	20,142,000	6,714,000	0	0
2	Ningbo Ruijie Investment Management Partnership (Limited Partnership) (寧波銳捷投資管理合夥企業(有限合伙))	5,208,000	0	5,208,000	12.23%		5,208,000	0	0
3	Wu Yongxiong (吳永雄)	2,678,000	-3,600	2,674,400	6.28%		2,674,400	0	0

4	Hanyu Group Co., LTD.	2,600,000	0	2,600,000	6.10%		2,600,000	0	0
5	Jia Liping (賈禮萍)	1,434,000	0	1,434,000	3.37%	1,075,500	358,500	0	0
6	Liang Yuzhan (梁宇戰)	1,153,000	25,000	1,155,500	2.71%		1,155,500	0	0
7	Ma Shaoshu (馬少舒)	1,144,000	0	1,144,000	2.69%		1,144,000	0	0
8	Yang Yongming (楊永明)	874,000	0	874,000	2.05%	655,500	218,500	0	0
9	Huang Shuirong (黃水榮)	600,000	0	600,000	1.41%		600,000	0	0
10	Liu Gongyu (劉公宇)	2,000	0	2,000	0.0047%		2,000	0	0
Total		42,549,000	21,400	42,547,900	99.885%	21,873,000	20,674,900	0	0

Explanation of the connected relationship among the top ten holders of ordinary shares: Zhang Yan (張艷) and Yang Yongming (楊永明) who are in a spousal relationship hold 63.04% and 2.05% of the shares of the company, respectively.

II. BASIC SITUATION OF PREFERRED SHARES

Applicable Not applicable

III. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLERS

Any combined disclosure:

Yes No

(I) Controlling shareholder

As of the end of the reporting period, Zhang Yan (張艷) held 63.04% of the company's shares, the voting rights attached to which have a significant impact on the resolutions of the shareholders' meeting and shareholders' general meeting. Therefore, Zhang Yan (張艷) was the controlling shareholder of the company. The basic information of the controlling shareholder of the company is as follows:

Zhang Yan (張艷), female, Chinese nationality, born in 1976, without right of abode overseas, has a college degree. From August 1998 to March 2000, she served as the manager of Guangdong region of Jiangmen office of the business department of Henan Luoyang Second Transportation Company (河南洛陽第二運輸公司); from April 2000 to February 2004, she served as the manager of the business department of Jiangmen Likeda Transportation Co., Ltd. (江門利科達運輸有限公司); from March 2004 to May 2016, she served as the executive director of An Jie Supply Chain Management Co., Ltd.; and since May 2016, she has served as the chairman of An Jie Supply Chain Management Co., Ltd..

During the reporting period, there were no changes in the controlling shareholder of the company.

(II) De facto controllers

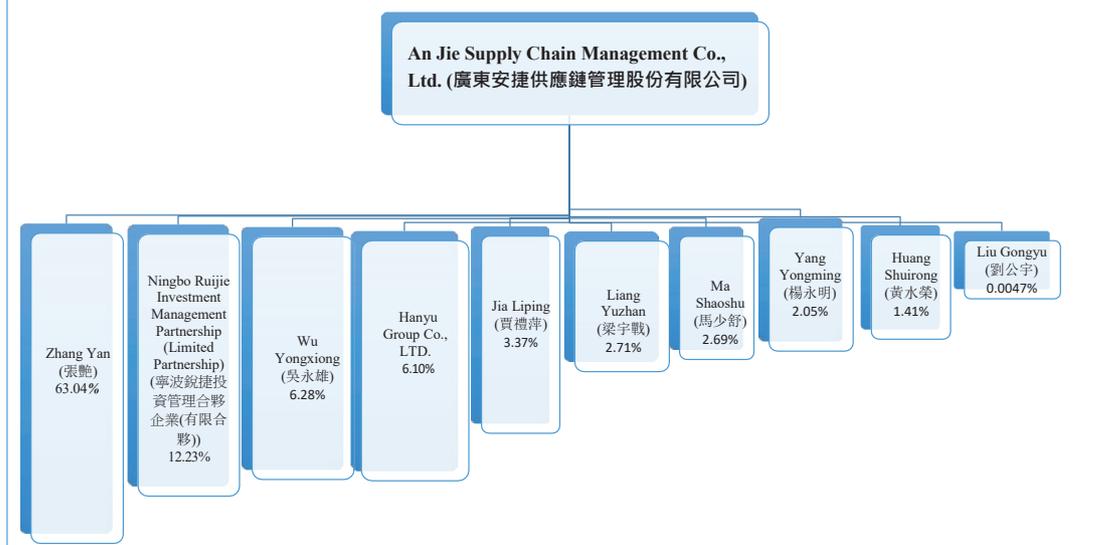
As of the end of the reporting period, Zhang Yan (張艷) held 63.04% of the company's shares and Yang Yongming (楊永明) held 2.05% of the company's shares. They are in a spousal relationship and jointly hold 65.09% of the company's shares, which can have a significant impact on the resolutions of the shareholders' general meeting and can actually control the company's behavior. Therefore, Zhang Yan (張艷) and Yang Yongming (楊永明) are the de facto controllers of the company. The basic information of the de facto controllers of the company are as follows:

Zhang Yan (張艷), female, Chinese nationality, born in 1976, without right of abode overseas, has a college degree. From August 1998 to March 2000, she served as the manager of Guangdong region of Jiangmen office of the business department of Henan Luoyang Second Transportation Company (河南洛陽第二運輸公司); from April 2000 to February 2004, she served as the manager of the business department of Jiangmen Likeda Transportation Co., Ltd. (江門利科達運輸有限公司); from March 2004 to May 2016, she served as the executive director of An Jie Supply Chain Management Co., Ltd.; and since May 2016, she has served as the chairman of An Jie Supply Chain Management Co., Ltd..

Yang Yongming (楊永明), male, Chinese nationality, born in 1972, without right of abode overseas, has a bachelor degree. From July 1995 to December 2010, he successively served as the instructor, the leader of combat training unit (作訓股股長), and the leader of training team (教導隊隊長) of Jiangmen Squadron of Jiangmen Armed Police Detachment (江門市武警支隊江門市中隊); from January 2011 to May 2016, he worked in An Jie Supply Chain Management Co., Ltd.; since May 2016, he has served as the director and general manager of An Jie Supply Chain Management Co., Ltd..

During the reporting period, there were no changes in the de facto controllers of the company.

The diagram of the property rights and controlling relationship between the company and the de facto controllers is as follows:



IV. ISSUANCE OF ORDINARY SHARES AND USE OF FUND RAISED DURING THE REPORTING PERIOD

(I) Issuance of Ordinary Shares During the Reporting Period

Applicable Not applicable

(II) Use of Fund Raised that Continued to Exist During the Reporting Period

Applicable Not applicable

V. INFORMATION OF PREFERRED SHARES THAT CONTINUED TO EXIST DURING THE CURRENT PERIOD

Applicable Not applicable

VI. BOND FINANCING THAT CONTINUED TO EXIST DURING THE CURRENT PERIOD

Applicable Not applicable

VII. CONVERTIBLE BOND THAT CONTINUED TO EXIST DURING THE CURRENT PERIOD

Applicable Not applicable

VIII. OCCURRENCE OF INDIRECT FINANCING OF BANK AND NON-BANK FINANCIAL INSTITUTIONS

Applicable Not applicable

Unit: RMB

No.	Form of Loans	Loan Provider	Type of Loan Provider	Size of Loan	Duration		Interest Rate
					Start Date	End Date	
1	Long-term Loans		Bank	14,000,000.00	01.10.2017	23.06.2020	6.18%

		Jiangmen Rural Commercial Bank Tangxia Sub-Branch					
2	Long-term Loan	Bank of China (Jiangmen) Jiangsha Sci. & Tech Sub-Branch	Bank	3,000,000.00	25.09.2018	02.04.2020	6.18%
3	Short-term Loan	Bank of China (Jiangmen) Jiangsha Sci. & Tech Sub-Branch	Bank	1,500,000.00	08.05.2019	07.05.2020	6.18%
4	Short-term Loan	Bank of China (Jiangmen) Jiangsha Sci. & Tech Sub-Branch	Bank	4,000,000.00	23.08.2019	02.04.2020	6.18%
5	Long-term Loan	Bank of China (Jiangmen) Jiangsha Sci. & Tech Sub-Branch	Bank	2,180,000.00	01.04.2020	29.03.2023	4.60%
6	Short-term Loan	Jiangmen Rural Commercial Bank Tangxia Sub-Branch	Bank	3,000,000.00	25.05.2020	20.05.2021	4.20%
7	Short-term Loan	Jiangmen Rural Commercial Bank Tangxia Sub-Branch	Bank	4,000,000.00	16.06.2020	20.06.2021	4.20%
8	Short-term Loan	Bank of China (Jiangmen) Jiangsha Sci. & Tech Sub-Branch	Bank	4,000,000.00	18.06.2020	17.06.2021	4.20%
9	Short-term Loan	Jiangmen Rural Commercial Bank Tangxia Sub-Branch	Bank	3,000,000.00	24.06.2020	20.06.2021	4.20%
10	Short-term Loan	Bank of China (Jiangmen) Jiangsha Sci. & Tech Sub-Branch	Bank	3,000,000.00	06.11.2020	05.11.2021	4.20%
11	Long-term Loan	Bank of China (Jiangmen) Jiangsha Sci. & Tech Sub-Branch	Bank	2,000,000.00	08.03.2021	07.02.2024	4.20%
Total	-	-	-	43,680,000.00	-	-	-

IX. INTERESTS DISTRIBUTION**(I) Profit Distribution and Capitalization of Capital Reserve During the Reporting Period**

Applicable Not applicable

Unit: RMB or shares

Dividend Distribution Date	Cash Dividend for every 10 Shares (Tax Inclusive)	Number of Bonus Shares for Every 10 Shares	Number of Scrip Shares for Every 10 Shares
16.11.2020	2.3	0	0
Total	2.3	0	0

Profit Distribution and Capitalization of Capital Reserve not Executed Completely During the Reporting Period

Applicable Not applicable

(II) Proposals for Interest Distribution

Applicable Not applicable

X. ARRANGEMENTS FOR SPECIAL VOTING RIGHTS

Applicable Not applicable

Section 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND CORE STAFF

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Basic Information

Name	Position	Gender	Date of Birth	Tenure	
				Start Date	End Date
Zhang Yan (張艷)	Chairman	F	October 1976	23 May 2019	14 May 2022
Zhang Yan (張艷)	Director	F	October 1976	15 May 2019	14 May 2022
Yang Yongming (楊永明)	General Manager	M	August 1972	23 May 2019	14 May 2022
Yang Yongming (楊永明)	Director	M	August 1972	15 May 2019	14 May 2022
Jia Liping (賈禮萍)	Board Secretary, Chief Financial Officer	F	April 1977	23 May 2019	14 May 2022
Jia Liping (賈禮萍)	Director	F	April 1977	15 May 2019	14 May 2022
Shi Shengmei (石胜美)	Director	M	September 1983	15 May 2020	14 May 2022
Chen Haiquan (陳海權)	Director	M	February 1970	15 May 2019	14 May 2022
Chen Xueyao (陳雪瑤)	Chairman of the Supervisory Committee	F	July 1979	23 May 2019	14 May 2022
Chen Xueyao (陳雪瑤)	Supervisor	F	July 1979	15 May 2019	14 May 2022
Gu Xiaojun (古小軍)	Employees Representative Supervisor	M	February 1989	25 April 2019	14 May 2022
Tan Peimin (譚佩敏)	Supervisor	F	October 1990	15 May 2019	14 May 2022
Number of Board members:				5	
Number of members of Supervisory Committee:				3	
Number of senior management officers				2	

The relationship between Directors, Supervisors, Senior Management Officers and Shareholders:

Zhang Yan (張艷) and Yang Yongming (楊永明) are in a spousal relationship, and Shi Shengmei (石胜美) is the Deputy General Manager and Board Secretary of Shareholder Hanyu Group Co., LTD.. Apart from the above, there is no relationship between other Directors, Supervisors, Senior Management Officers or between the Shareholders.

(II) Details of Shareholding of the Company

Unit: shares

Name	Position	Number of ordinary shares held as at the beginning of the period	Change	Number of ordinary shares held as at the end of the period	Proportion of ordinary shares held at the end of the period %	Number of stock options held at the end of the Period	Number of Restricted shares granted at the end of the period
Zhang Yan (張艷)	Chairman	26,856,000	0	26,856,000	63.04%	0	0
Yang Yongming (楊永明)	Director/Manager	874,000	0	874,000	2.05%	0	0
Jia Liping (賈禮萍)	Director/Board Secretary/Chief Financial Officer	1,434,000	0	1,434,000	3.37%	0	0
Total	-	29,164,000	-	29,164,000	68.46%	0	0

(III) Details of Change

Information statistics	Any change in the Chairman?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
	Any change in the General Manager?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
	Any change in the Board Secretary?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
	Any change in the Chief Financial Officer?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Change of directors, supervisors and senior management officers during the reporting period

Applicable Not applicable

Name	Position at the beginning of the period	Type of change	Position at the end of the period	Reasons for change
Fuse Kemmei (布施健明)	Director	Resignation	None	Personal reasons
Shi Shengmei (石胜美)	-	New appointment	Director	Nomination and election

Professional background and major working experience of newly appointed directors, supervisors and senior management officers during the reporting period:

Applicable Not applicable

Shi Shengmei (石胜美), male, born in 27 September 1983, Chinese, has no right of permanent overseas residence. He received a bachelor's degree in Machine Design and Manufacturing and Automation. From 2006 to 2009, he worked at Futaijing Precision Electronics (Beijing) Co., Ltd. (富泰京精密电子(北京)有限公司) and served as products development engineer; from 2012 to July 2019, he served as research and development engineer, IP engineer, team leader of research and development projects and manager of IP department of Hanyu Group Co., LTD. successively. Since July 2019, He served as Deputy General Manager and Board Secretary of Hanyu Group Co., LTD.

(IV) Details of Equity Incentives of Directors and Senior Management Officers

Applicable Not applicable

II. EMPLOYEES**(I) Details of In-service Employees (the company and its holding subsidiaries)**

Classified by nature of work	Number of personnel at the beginning of the period	Increase during the period	Decrease during the period	Number of personnel at the end of the period
Management	4	2		6
Administration	3			3
Finance	7	1		8
Sales	28			28
Research and development	56	36		92
Transportation	38	9		47
Warehousing	65	0	50	15
Temporary	0			0
Total	201	48	50	199

Education level	Number of personnel at the beginning of the period	Number of personnel at the end of the period
PhD		
Master		
Bachelor	7	10
College Diploma	28	43
Diploma Below	166	146
Total	201	199

Employee remuneration Policy, training programme and number of retired employees who need the Company to bear the cost

1. Remuneration Policy

During the reporting period, the company signed labour contracts with employees in accordance with the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), and the company's Remuneration Management System (《薪酬管理制度》), providing them with competitive compensation, handling social insurance for retirement, medical treatment, work-related injury, unemployment, and childbirth, handling housing provident fund, and paying and withholding personal income tax for employees.

2. Training

In order to ensure staff to adapt to the needs of rapid development of the company, during the reporting period, the company : 1)established a comprehensive training system(professional skills training and management skills training, internal training plus external training of the company);2)formulated training programs at the company's level, enabling employees' ability to improve;3) supplemented and improved training materials, employee training brochures;4) attached great importance to the application of employee's professional titles and skill levels and provide help and platforms for various types of employees to apply for professional titles and skill levels.

During the reporting period, there were no retired employees who need the company to bear the cost.

(II) Basic Information and Changes of Core Employees (the company and its holding subsidiaries)

Applicable Not applicable

III. UPDATES AFTER THE REPORTING PERIOD

Applicable Not applicable

II. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE TARGET COMPANY FOR THE YEAR ENDED 31 DECEMBER 2021

Section 4 MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS HIGHLIGHTS

Business Model

The company is a third-party logistics enterprise principally engaged in integrated supply chain logistics services, including integrated warehousing and logistics, e-commerce logistics, supply chain finance and transportation of hazardous chemicals. The company also has a road transportation license for ordinary goods and dangerous goods, and is the only enterprise with dangerous goods transportation qualification in Jiangmen. With the Internet and the Internet of Things as technical means and with the support of the logistics information system, the company has established a 24-hour, all-round and full-process three-dimensional service system to help customers optimise supply chain management, reduce logistics costs and improve the overall operation and management level. The company is principally engaged in the provision of professional supply chain logistics services for manufacturing and retail circulation industries. The company's business mainly focuses on the provision of overall optimisation and solution of supply chain logistics for production customers. The company conducts business negotiations and enters into service contracts mainly through door-to-door visits, organising customers to participate in logistics information learning and exchange meetings, and tracks and gives feedback on the implementation of supply chain logistics services, so as to provide customers with comprehensive supply chain solutions and improve customer stickiness. By providing production customers with integrated supply chain logistics solutions, supporting logistics and distribution, warehousing, processing and loading, the company has integrated and coordinated customer needs and logistics resources of all parties to reduce overall operating costs of customers and improve operational efficiency of customer supply chain, so as to achieve profitability. The company's major customers involve various industries such as food, chemical, metal and paper making. Dachangjiang Group, Toyo Ink, Tiandi Yihao, Guangdong Jiashili Food Group Co., Ltd. and Jiangmen Pengjiang Haojue Commercial Co., Ltd. are all long-term strategic partners of the company.

During the reporting period and subsequent to the reporting period and up to the date of this report, the company's business development was healthy and orderly, and there was no significant change in the company's business model.

Recognition related to innovation attributes

Applicable Not applicable

“Specialised and New” recognition	<input type="checkbox"/> National <input type="checkbox"/> Provincial (municipal) level
“Single Champion” recognition	<input type="checkbox"/> National <input type="checkbox"/> Provincial (municipal) level
“High-tech Enterprise” recognition	<input checked="" type="checkbox"/> Yes
“Technology-based SMEs” recognition	<input type="checkbox"/> Yes
“Advanced Technology Service Enterprise” recognition	<input type="checkbox"/> Yes
Other recognition related to innovative attributes	- - -
Details	On 31 December 2021, the company received the High-tech Certificate (High-tech Enterprise Certificate No. GR202144012172) issued by the Department of Science and Technology of Guangdong Province, which is valid for three years.

Changes during the reporting period:

Events	Yes or No
Whether there are changes in the industry	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Whether the main business has changed	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Whether the major products or services have changed	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Whether customer type has changed	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Whether key resources have changed	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Whether sales channels have changed	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Whether the source of income has changed	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Whether the business model has changed	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

II. REVIEW OF OPERATION

(I) Business Plan

In 2021, the company, in accordance with its established business strategy, endeavoured to build a one-stop supply chain service model and enhance the company's market influence in order to achieve the company's business objectives and achieved certain results. During the reporting period, the company achieved operating income of RMB 238,021,155.45, representing an increase of 23.40% as compared with the same period of last year. During the reporting period, there was no change in the principal business of the company, details of which are as follows:

1. Financial position of the company

During the reporting period, the total assets of the company amounted to RMB 179,328,352.74, representing an increase of 23.56% as compared with the same period of last year, which was mainly due to the increase in accounts receivable of RMB 20,602,314.14, the decrease in construction in progress of RMB 18,783,953.48, the increase in fixed assets of RMB 32,532,116.39, the increase in accounts payable of RMB 2,064,230.07, the increase in prepayments of RMB 1,310,500.69, the increase in other payables of RMB 2,894,641.66, the decrease in deferred income of RMB 1,131,849.67, the increase in surplus reserve of RMB 2,242,353.97, and the increase in undistributed profits of RMB 19,510,864.35, as compared with last year.

During the reporting period, the owners' equity of the company amounted to RMB 93,925,339.84, representing an increase of 30.14% as compared with the same period of last year, mainly due to the increase in net profit of RMB 5,775,597.25 during the reporting period.

2. Operating results of the company

During the reporting period, the operating income of the company amounted to RMB 238,021,155.45, representing an increase of 23.40% as compared with the same period of last year, and the total operating cost was RMB 212,673,156.73, representing an increase of 23.31% as compared with the same period of the previous year. Total profit amounted to RMB 25,128,246.44, representing an increase of 38.35% as compared with the same period of the previous year. Net profit attributable to the shares of the listed company amounted to RMB 22,076,654.17, representing an increase of 35.43% as compared with the same period of the previous year, mainly due to the company's exploration of new customers and the increase in business volume of some old customers during the reporting period.

3. Cash flow

During the reporting period, the cash flow of the company was good, the cash inflow from operating activities was RMB 239,224,017.84, and the cash outflow from operating activities was RMB 230,933,819.84, and net cash flow from operating activities was RMB 8,290,198.00, representing a decrease of 70.95% as compared with the same period of last year, which was mainly due to an increase in revenue from principal operations of 23.40% as compared with the end of the previous year, and longer credit period of BYD, a newly added customer.

During the reporting period, the company's net cash flow from investing activities amounted to RMB -22,123,781.60, and the net cash flow for the previous period amounted to RMB -12,619,145.22, which was mainly due to the increase in accounts receivable during the reporting period, slower recovery of funds compared with the previous period, and the decrease in the amount of wealth management products with banks purchased during this Period.

During the reporting period, the company's net cash flow from financing activities was RMB 6,059,836.76, and the net cash flow in the previous period was RMB -9,537,870.77, mainly due to the increase in bank loans of RMB 6,668,153.47 as compared with the same period of last year, representing an increase of 34.77% as compared with the same period of last year due to the operating capital needs of the company.

(II) Industry Situation

The company is located in Jiangmen City, Guangdong Province. Jiangmen has been a transportation and logistics hub in the Pearl River Delta region since ancient times. Jiangmen is located in the key node of the Guangdong-Hong Kong-Macao Greater Bay Area bounded by the east and the west, and has a broad hinterland. Jiangmen is the region with the most development potential in the Guangdong-Hong Kong-Macao Greater Bay Area. The "Belt and Road Initiative" currently promoted by China will also bring good prospects to supply chain logistics managers. In the next 10 years, China's external investment will reach US\$1.25 trillion, which was almost zero in 2004. With the operation of the "Belt and Road Initiative" and the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, there will be a rare development opportunity.

The company has acquired a land of 37934.01 square metres in the Jiangsha Demonstration Park of Advanced Manufacturing Industry (先進製造業江沙示範園區) in Jiangmen City. In line with the development of the macro-economy, the company will vigorously develop the Anjie Jiangmen E-commerce Industrial Park (安捷江門電商產業園), build an integrated e-commerce warehouse and distribution, and realise the supporting services of supply chain, e-commerce front-end display and operation, to the integrated supporting services of cross-border tax guarantee and warehouse and distribution. The service area will radiate the entire western Pearl River Delta region, providing support for the development of e-commerce industry in the western Pearl River Delta region. At the same time, the company will make good use of the state's investment in the construction of logistics infrastructure and the benefits of supporting policies to reduce the overall social logistics costs and support the economic development of real enterprises, so as to ensure the healthy, stable and long-term development of logistics enterprises.

(III) Financial Analysis

1. Analysis of Asset and Liability Structure

Unit: RMB

Items	End of the period		Beginning of the period		Increase/decrease in the end of the period compared with the beginning of the period
	Amount	As a percentage of total assets	Amount	As a percentage of total assets	
Monetary funds	14,371,554.73	8.01%	22,145,301.57	15.26%	-35.10%
Bills receivable	2,145,683.20	1.20%			
Accounts receivable	78,115,131.81	43.56%	57,512,817.67	39.63%	35.82%
Inventories					
Investment property					
Long-term equity investments					
Fixed assets	44,374,663.06	24.74%	11,842,546.67	8.16%	274.71%
Construction in progress	2,212,389.50	1.23%	20,996,342.98	14.47%	-89.46%
Intangible assets	23,515,668.46	13.11%	22,310,711.46	15.37%	5.40%
Goodwill					
Short-term borrowings	18,751,953.20	10.46%	17,019,833.33	11.73%	10.18%
Long-term borrowings	8,317,909.39	4.64%	2,051,818.42	1.41%	305.39%
Prepayments	4,964,762.10	2.77%	3,654,261.41	2.52%	35.86%
Long-term deferred expenses	521,453.76	0.29%	54,870.82	0.04%	850.33%
Deferred tax assets	806,901.07	0.45%	610,286.11	0.42%	32.22%
Other current assets	471,350.89	0.26%	27,466.78	0.02%	1,616.08%
Right-of-use assets	676,408.48	0.38%			
Other non-current assets	1,776,207.00	0.99%			
Non-current liabilities due within one year	807,711.99	0.45%			
Other payables	6,726,885.78	3.75%	3,832,244.12	2.64%	75.53%

Reasons for material changes in assets and liabilities:

- As at the end of the reporting period, monetary funds decreased by 35.10 % as compared with the end of the previous year, accounts receivable increased by 35.82 % as compared with the end of the previous year, mainly due to the increase in deposit for bidding from new customers during the reporting period and longer accounts receivable collection period of BYD project, a new customer.
- As at the end of the reporting period, bills receivable accounted for 1.2% of total assets, mainly due to the receipt of bank drafts from the Toyo project during the reporting period.

3. As at the end of the reporting period, fixed assets increased by 274.71 % as compared with the end of the previous year, construction in progress decreased by 89.46 % as compared with the end of the previous year mainly due to the carry-over of 9,460 square meters of warehouse in the Tongxia Factory (棠下廠), the construction in progress and the purchase of several transportation vehicles and forklifts.
4. As at the end of the reporting period, short-term borrowings changed by 10.18 % as compared with the same period of last year, long-term borrowings changed by 305.39 % as compared with the same period of last year, mainly due to the increase in bank loans as compared with the same period of last year according to the operating capital needs of the company.
5. As at the end of the reporting period, prepayments increased by 35.86 % as compared with the end of the previous year, mainly due to advances on fuel and freight costs for the BYD project, new customer.
6. As at the end of the reporting period, long-term deferred expenses increased by 850.33 % as compared with the end of the previous year, mainly due to increase in R&D software TMS, network cargo system and WMS smart storage system.
7. As at the end of the reporting period, other payables increased by 75.53 % as compared with the end of the previous year, mainly due to the increase in security deposit of warehousing operations for new customers.
8. As at the end of the reporting period, right-of-use assets, other non-current assets and non-current liabilities due within one year recorded were mainly due to the implementation of the new leasing standards from 1 January 2021.

2. Business Analysis

(1) Composition of profit

Unit: RMB

Items	Period		Corresponding period of last year		Percentage of change (%)
	Amount	As a percentage of operating revenue	Amount	As a percentage of operating revenue	
Operating income	238,021,155.45	-	192,882,744.98	-	23.40%
Operating costs	196,518,941.71	82.56%	157,474,757.98	81.64%	24.79%
Gross profit margin	17.44%	-	18.36%	-	-
Selling expenses	1,682,133.68	0.71%	1,284,608.63	0.67%	30.95%
Administrative expenses	5,528,268.39	2.32%	4,416,023.89	2.29%	25.19%
Research and development expenses	7,189,449.82	3.02%	8,143,590.17	4.22%	-11.72%
Finance costs	1,068,707.16	0.45%	842,419.75	0.44%	26.86%
Credit impairment losses	-1,313,280.01	-0.55%	-2,758,766.76	-1.43%	52.40%
Assets impairment losses	0	0.00%	-14,361.58	-0.01%	100.00%
Other revenue	1,131,849.67	0.48%	354,308.19	0.18%	219.45%
Investment revenue	88,305.89	0.04%	237,566.82	0.12%	-62.83%
Gain from changes in fair value	0	0.00%	0	0.00%	0.00%
Gain on disposal of assets	-223,377.90	-0.09%	0	0.00%	0.00%
Exchange gain	0	0.00%	0	0.00%	0.00%
Operating profit	25,031,496.37	10.52%	18,234,338.08	9.45%	37.28%
Non-operating income	152,915.94	0.06%	4,546.76	0.00%	3,263.18%
Non-operating expenses	56,165.87	0.02%	76,094.55	0.04%	-26.19%
Net profit	22,076,395.60	9.27%	16,300,798.35	8.45%	35.43%

Reasons for major changes in the item:

1. During the reporting period, operating income increased by 23.40 % as compared with the same period of last year, operating costs increased by 24.79 % as compared with the same period of last year, mainly due to the increase in new customers and the use of new plants by the company during the reporting period.
2. Selling expenses during the reporting period increased by 30.95 % as compared with the same period of last year, mainly because the company has improved the performance appraisal of the sales department and increased performance salary and business entertainment expense, in order to improve the motivation of employees.

3. During the reporting period, administrative expenses increased by 25.19 % as compared with the same period of last year, research and development expenses decreased by 11.72% as compared with the same period of last year, mainly due to the decrease in the research and development expenses.
4. Financial expenses during the reporting period increased by 26.86 % as compared with the same period of last year, mainly due to the increase in bank loans.
5. Credit impairment losses during the reporting period increased by 52.40% as compared with the same period of last year, mainly due to longer accounts receivable collection period during the reporting period.
6. Other revenue for the reporting period increased by 219.45 % as compared with the same period of last year, mainly due to receipt of government grants.
7. Investment revenue during the reporting period decreased by 62.83% as compared with the same period of last year, mainly due to the decrease in liquidity, resulting in the decrease in wealth management products with Banks.
8. Non-operating income during the reporting period increased by RMB148,369.18 as compared with the same period of last year, mainly because Jiasi, a subsidiary of the company was not required to pay other payables.
9. During the reporting period, operating profit for the reporting period increased by 37.28% as compared with the same period of last year, net profit increased by 35.45% as compared with the same period of last year, mainly due to the increase of new plants, business expansion and the decrease in the research and development expenses.

(2) Composition of revenue

Unit: RMB

Items	Amount for the period	Amount for the previous period	Percentage of change (%)
Revenue from principal operations	237,463,789.5	192,190,801.37	23.56%
Other operating income	557,365.98	691,943.61	-19.45%
Cost of principal operations	196,327,535.2	157,265,851.50	24.84%
Other operating costs	191,406.48	208,906.48	-8.38%

Analysed by product type:✓ Applicable Not applicable

Unit: RMB

Category/item	Operating income	Operating cost	Gross profit margin %	Increase/ decrease in operating income as compared to the same period of last year	Increase/ decrease in operating cost as compared to the same period of last year	Increase/ decrease in gross profit margin as compared to the same period of last year
Transportation services	191,625,717.6	167,723,970.7	12.47%	22.72%	26.61%	-2.69%
Storage services	45,838,071.87	28,603,564.56	37.60%	27.20%	15.37%	6.40%
Other businesses	557,365.98	191,406.48	65.66%	-19.45%	-8.38%	-4.15%
Total	238,021,155.45	196,518,941.71	17.44%	23.40%	24.79%	-0.92%

Analysed by geographical sector: Applicable ✓ Not applicable**Reasons for the change in revenue composition:**

During the reporting period, the revenue from principal operations increased by 23.40 % as compared with the same period of last year, mainly due to the company's exploration of new customers and the commissioning of new plants during the reporting period.

(3) Information on major customers

Unit: RMB

No.	Customers	Sales amount	Percentage of annual sales revenue	Whether connected relationship existed
1	Jiangmen Pengjiang Haojue Commercial Co., Ltd. (江門市蓬江區豪爵商務有限公司)	18,726,796.61	7.87%	No
2	Tiandi Yihao Beverage Co., Ltd. (天地壹號飲料股份有限公司)	18,686,774.40	7.85%	No
3	Zhuhai Yuelong Transportation Co., Ltd. (珠海市粵隆運輸有限公司)	17,999,685.78	7.56%	No

4	Vinda Paper (China) Company Limited (維達紙業(中國)有限公司)	17,242,839.99	7.24%	No
5	BYD (Shangluo) Industrial Co., Ltd. (商洛比亞迪實業有限公司)	13,126,622.75	5.51%	No
Total		85,782,719.53	36.03%	-

(4) Information on major suppliers

Unit: RMB

No.	Suppliers	Purchase amount	Percentage of annual purchase revenue	Whether connected relationship existed
1	Anhui Gongsheng Logistics Technology Co., Ltd. Tongling Branch (安徽共生物流科技有限公司銅陵分公司)	21,088,414.21	10.73%	No
2	Shenzhen Nanchen International Logistics Co., Ltd. (深圳市南晨國際物流有限公司)	18,550,481.25	9.44%	No
3	Lanling Puhua Transportation Co., Ltd. (蘭陵縣朴華運輸有限公司)	11,674,161.78	5.94%	No
4	China Petroleum & Chemical Corporation (中國石化銷售有限公司廣東江門石油分公司)	9,767,175.62	4.97%	No
5	Jiangsu Jingjun Logistics Co., Ltd. (江蘇景軍物流有限公司)	6,316,348.15	3.21%	No
Total		67,396,581.01	34.29%	-

3. Cash Flows Position

Unit: RMB

Item	Amount of the period	Amount of the previous period	Change (%)
Net cash flows from operating activities	8,290,198.00	28,535,322.97	-70.95%
Net cash flows from investing activities	-22,123,781.60	-12,619,145.22	-75.32%
Net cash flows from financing activities	6,059,836.76	-9,537,870.77	163.53%

Cash flows analysis:

As at the end of the reporting period, net cash flows from operating activities changed by -70.95% as compared with the same period of last year, net cash flows from investing activities changed by -75.32% as compared with the same period of last year, mainly due to the increase in accounts receivable during the reporting period, slower recovery of funds compared with the previous period, and the decrease in the amount of wealth management products with banks purchased during this period. Net cash flows from financing activities changed by 163.53% as compared with the same period of last year, mainly due to the increase in bank loans of RMB 6,668,153.47 as compared with the same period of last year due to the operating capital needs of the company.

(IV) Analysis of Investment**1. Major subsidiaries and investees**√ Applicable Not applicable

Unit: RMB

Company name	Company type	Principal activities	Registered capital	Total assets	Net assets	Operating income	Net profit
Jiangmen Jiasijie Painting Engineering Co., Ltd.* (江門嘉思捷塗裝工程有限公司)	Subsidiary	Dangerous goods transportation, general freight; domestic land freight forwarding.	RMB3 million	3,781,171.97	2,314,119.29	4,135,560.50	-18,577.20

Jiangmen Ruiyuan Supply Chain Management Co., Ltd. * (江門市銳源供應鏈管理有限公司)	Subsidiary	Enterprise management consulting; supply chain management and related supporting services; computer software and hardware development; wholesale and sales of pre-packaged food.	RMB10 million	4,002.55	-20,318.45	0	-4,556.48
Sichuan Dingjie Supply Chain Management Co., Ltd. * (四川鼎捷供應鏈管理有限公司)	Subsidiary	General projects: supply chain management services; software development; software sales; domestic freight forwarding; general cargo warehousing services.	RMB10 million	425.39	-574.61	0	-574.61

Business analysis of major subsidiaries and investees

Applicable Not applicable

Structured entities under the control of the company

Applicable Not applicable

2. Whether the consolidation scope of the consolidated financial statements includes private fund managers

Yes No

(V) Research and Development**Research and development expenses:**

Item	Amount/ratio of the period	Amount/ratio of the previous period
Amount of research and development expenses	7,189,449.82	8,143,590.17
Research and development expenses as a percentage of operating income	3.02%	4.22%
Percentage of capitalised research and development expenses	-	-

Research and development staff:

Education level	Number of personnel at the beginning of the period	Number of personnel at the end of the period
Doctor's degree	0	0
Master's degree	0	0
Below bachelor's degree	92	56
Total research and development staff	92	56
Research and development staff as a percentage of total staffs	46.23%	31.28%

Patents:

Item	Amount of the period	Amount of the previous period
Number of patents owned by the company	7	6
Number of invention patents owned by the company	1	1

Research and development projects:

The company has been committed to research and development of logistics operation technology, information technology and other modern supply chain logistics management technologies that breaks through the traditional constraints of the logistics industry. In 2021, we carried out research and development projects on warehousing intelligent forklift, real-time monitoring and positioning of logistics trucks, hazardous waste transportation management platforms, visual carrier loading management system and other research and development projects, which have achieved results to realize scientific logistics management through computer communication network technology, identification technology, data transmission and tracking technology, database technology, intelligent technology and other modern logistics information technologies in the transportation, warehousing, loading, unloading, packing, distribution, circulation and processing, etc., greatly improving the efficiency of logistics management and logistics benefits.

(VI) Audit**1. Description of non-standard audit opinions**

Applicable Not applicable

2. Description of key audit matters:

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(I) Income recognition**1. Description of the matter**

As disclosed in Note V. (XXVIII) to the financial statements of the company, in 2021, the company recognised income from principal activities of RMB237,704,174.37, which was mainly attributable to income from the provision of transportation and storage and logistics services. We identified income from principal activities as a key audit matter because the authenticity, accuracy and completeness of the recognition of income from principal activities has a greater impact on the company's profit, and considering that income is one of the company's key performance indicators, which results in the inherent risk that income may be recognized in an incorrect period or be manipulated to achieve target or expected levels.

2. Audit response

Our audit procedures to assess the recognition of revenue included:

(1) obtaining an understanding of and assessing the design and operating effectiveness of management's key internal controls relating to revenue recognition;

(2) inspecting service contracts on a sample basis, identifying contract terms and conditions and assessing whether the timing of revenue recognition was in accordance with the requirements of the Accounting Standards for Business Enterprises;

(3) selecting samples of service revenue transactions recorded during the year, checking invoices, contracts, receipt records and reconciliation records, and evaluating whether the related revenue recognition was in accordance with the company's accounting policies for revenue recognition;

(4) selecting samples of revenue transactions recorded before and after the balance sheet date, checking the confirmation documents for the provision of services and other supporting documents to evaluate whether the revenue was recorded in the appropriate accounting period; and

(5) issuing confirmations to major customers and performing background check procedures to verify whether the operating income was true and recorded in the correct period.

(II) Provision for bad debts of accounts receivable

1. Description of the matter

As stated in Note V. (III) to the financial statements of the company, as of 31 December 2021, the book balance of the company's accounts receivable was RMB 81,342,004.51 with provision for bad debts of RMB3,226,872.70 and carrying amount of RMB78,115,131.81. We identified the provision for bad debts of accounts receivable as a key audit matter due to the significant accounting estimates and judgements involved in the determination of provision for bad debts by the management and the significance of the provision for bad debts of accounts receivable to the financial statements.

2. Audit response

The main audit procedures we implemented for the provision for bad debts of receivables included:

(1) obtaining an understanding of the key internal controls related to the impairment of accounts receivable, evaluating the design of these controls, determining whether they have been implemented, and testing the effectiveness of the operation of relevant internal controls;

(2) reviewing the relevant consideration and objective evidence of the management's credit risk assessment or impairment test on accounts receivable, and evaluating whether the management appropriately identified the credit risk characteristics of accounts receivable or impaired accounts receivable;

(3) for accounts receivable with expected credit losses measured on a collective basis, evaluating the rationality of the management's grouping based on credit risk characteristics; evaluating the reasonableness of the comparison table of the ageing analysis of accounts receivable against the expected credit loss rates determined by the management based on historical credit loss experience and forward-looking estimates; testing the accuracy and completeness of the data used by management and the accuracy of the calculation of the provision for bad debts;

(4) selecting samples to confirm the large accounts receivable or a portion of accounts receivable with small amount but with large occurrences at the end of the period; and

(5) checking whether the information related to the impairment of accounts receivable has been properly presented in the financial statements.

(VII) Changes in Accounting Policies and Accounting Estimates or Rectification of Material Accounting Errors

Applicable Not applicable

The Ministry of Finance issued the revised Accounting Standards for Business Enterprises 21 - Leases in December 2018. The company has implemented the standards since 1 January 2021. For contracts that existed prior to the date of first implementation, the company elected not to reassess whether they were leases or included leases. The company adjusted the retained profits and the amounts of other relevant items in the financial statement at the beginning of the year of first implementation based on the cumulative effect of the first implementation of the standards, without adjusting the information for comparable periods. Please see Note (XXIV) Description of Changes in Significant Accounting Policies and Changes in Accounting Estimates for details.

(VIII) Changes in the Scope of the Consolidated Financial Statements

Applicable Not applicable

In June 2021, the Proposal on Transfer of Equity Interests in Wholly-owned Subsidiary was considered and passed at the thirteenth meeting of the second session of the board of directors of the company. After the completion of the transfer, An Jie Supply Chain Management Co., Ltd. (廣東安捷供應鏈管理股份有限公司) no longer holds 100% equity interest in Jiangmen Yongjie Technology Co., Ltd. (江門市永捷科技有限公司) which is no longer included in the company's consolidated financial statements.

(IX) Corporate Social Responsibility**1. Performance of social responsibility in poverty alleviation**

Applicable Not applicable

2. Other performance of social responsibility

Applicable Not applicable

The company always adhered to the core values of health, people oriented and aggressiveness, served customers with professional and responsible attitude, and strived to perform its social responsibility as an enterprise. The company attached high importance to the return for shareholders and formulated interests distribution plan; cared the growth of employees and gave high importance to employee development, and constantly improved the labor employment system; conducted business with honesty and payed taxes according to regulations; and participated in philanthropic work. The company carried out every work beneficial to the society with serious attitude, and tried its best to be responsible to the society, all shareholders of the company and every employee.

III. GOING CONCERN ASSESSMENT

1. After 16 years of development, the company has grown into a professional supply chain management company integrating integrated supply chain services, integrated logistics services, e-commerce logistics, supply chain finance, and hazardous chemical storage and transportation, etc. Major customers involve various industries such as food, chemical, metal and paper making. Dachangjiang Group, Toyo Ink, Tiandi Yihao, Carpoly Chemical Group Co., Ltd. (嘉寶莉化工集團股份有限公司) and Jiangmen Pengjiang Haojue Commercial Co., Ltd. (江門市蓬江區豪爵商務有限公司) are all long-term strategic partners of the company.

2. During the reporting period, the company achieved an operating income of RMB238,021,155.45 and a net profit of RMB22,076,395.60 for the year. The company's business remained stable, the asset and liability structure was reasonable, the financial policies were stable, and the working capital liquidity was good. The company has the ability to continue as a going concern.

3. During the reporting period, the company strictly complied with a series of basic rules and regulations such as the Company Law, the Articles of Association, the Rules of Procedure of the Board of directors, the Rules of Procedure of the Supervisory Committee and the Rules of Procedure of General Meeting to give full play to the check and balance between the general meeting, the board of directors and the supervisory committee in the implementation of the system, control operational risks and ensure the standardisation of corporate governance.

In conclusion, the company has the ability to continue as a going concern and there are no major adverse factors affecting the ability to continue as a going concern.

IV. PROSPECTS

Voluntary disclosure

Yes No

(I) Industry Development Trend

The development of foreign logistics industry is significantly better than that of domestic logistics industry in terms of start-up, scale and technology, forming a modern logistics equipment technology pattern with information technology as the core and transportation technology, distribution technology, loading and unloading handling technology, automatic warehousing technology, inventory control technology, packaging technology and other professional technologies as the support. In comparison, the domestic logistics industry mainly presents the following trends:

(1) Informatization and intelligence

At present, China's small and medium-sized logistics enterprises have the characteristics of insufficient informatization, which makes them unable to process logistics information through information systems and rely more on manual and traditional ways to coordinate scheduling. The informatization and intelligence of logistics enterprises will be a major trend in the future. The information technology system processes a large amount of logistics information, makes overall arrangements, and optimizes for distribution routes, effectively reducing the vehicle empty loading rate. At the same time, the warehousing of goods has changed from static management to dynamic management, accelerating the turnover rate, improving the usage efficiency of warehousing facilities, and reducing the cost of logistics services.

(2) Transition of supply chain

With the development of industry and commerce in various places, the trend of synergetic development of different regions is highlighted. Correspondingly, the proportion of logistics costs of enterprises has gradually increased, and the upstream and downstream transportation modes of enterprises have been affected by segmented and separate management patterns, resulting in long-term separation of transportation modes, which is not conducive to improving the efficiency of production and operation of enterprises. While the traditional logistics model is engaged in simple special services, with the transportation, distribution, warehousing and other functions divided and single; when logistics activities are scattered in different enterprises and different departments, it is difficult for various logistics elements to give full play to their due role. Therefore, the transition of logistics supply chain is a customized service for production enterprises to reduce logistics costs and improve production efficiency. Combine such upstream production factors as transportation, warehousing, loading and unloading required by enterprises and the distribution of downstream enterprises, formulate supply chain logistics projects for different enterprises, and form an enterprise logistics network with exclusive third-party logistics services.

(3) Standardization and professionalization

At present, due to the uneven level of small and medium-sized logistics enterprises in the market, many private enterprises have not yet moved towards standardization in management; at the same time, the relevant laws and regulations of the industry still need to be improved, resulting in the logistics industry having the characteristics of imperfect standardization, franchise and subcontracting chaos, and a management level yet to be improved. In the future, with the improvement of relevant specifications of the logistics industry, promulgation of storage and transportation standards for various industries one after another, and the increasement of the qualification, quality control and management thresholds of enterprises, the logistics industry will become more standardized and serve in a more professional way.

(4) Scale and integration

As an intermediate industry serving industrial and commercial activities, the logistics industry has high requirements for the efficiency of goods flow; while the business models featuring small-scale, fragmentation and extensiveness of some small logistics enterprises greatly limit the efficiency of the logistics industry. With the improvement of relevant industry norms, the scale operation of the logistics industry will be a general trend, and the industry integration will surely accelerate. The integration of the logistics industry can be achieved in two ways, one of which is the scale of the enterprise itself, expanding the scale of the enterprise efficiently and continuously through its own development norms; the other is the realization of the advantages of the platform by relying on IT systems and other methods, integrating different special lines, and achieving integration while improving the quality of transportation with the same standardized process.

(II) Development Strategies of the Company

The company's short-term strategy is to strengthen logistics business capabilities, expand market service radius, and build a competitive logistics enterprise in Guangdong; the long-term strategy is to build a network information service management platform for small and medium-sized transporters in the logistics industry, further tapping the subdivision potential of logistics and transportation business based on existing businesses.

(III) Operation Plan or Target**1. Innovate the cooperation mode and expand business channels to achieve the goal of sustainable business growth.**

In 2022, we will maintain effective communication with our core customers and reach strategic cooperation agreements to deepen the supply chain integration business and ensure the high growth of our core business.

Anjie will achieve high business growth in the following four areas:

First, Anjie has set the hazardous waste transportation business as a new growth pole. Since the second half of 2021, we have formed a specialized sales team and operation team on hazardous waste transportation, and at the same time, we have increased the training of our customer service personnel, which greatly improved the quality of our services, and gained the trust and support of a number of customers. We have signed strategic cooperation agreements with more than 20 hazardous materials disposal companies and realized high growth of our core business.

Second, the sales department strengthens business contacts and formulates practical sales plans, ensuring new growth of business. fourth, carry out targeted work on the transportation of dangerous goods and waste.

Third, we will enhance the development of cold chain and refrigeration business of agricultural products. In view of the advantage of relatively abundant resources of local agricultural products in Jiangmen, the company will vigorously carry out cold chain and refrigeration business in line with the purpose of reducing costs and increasing efficiency for farmers and providing consumers with quality and fresh-keeping agricultural products, to achieve rapid growth of cold chain business.

Fourth, we will promote the integration of warehousing resources to ensure the stable growth of warehousing business. Since 2022, Anjie has reached a consensus with a number of manufacturing industries on the efficient utilization of warehouse resources and carried out in-depth integration, which not only reduced the cost for customers, but also greatly enriched Anjie's warehouse resources, laying a solid foundation for the realization of stable growth of storage business to ensure stable growth of storage business

2. Implement the construction of Phase 2 project of the An Jie E-commerce Industrial Park to ensure that the project will complete on schedule.

The fundamental project of Phase 2 project of the An Jie E-commerce Industrial Park is expected to invest RMB60 million, mainly to ensure the operational needs of core customers, while increasing investment efforts to introduce high value-added, sticky and sustainable customers to move into the park, to ensure the efficient utilization of the plants after the completion of the plant.

The Cold Chain Circulation Center project was invested RMB25 million and has been completed and put into use. The design and construction of this project emphasizes the concept of green ecology, saving and environmental protection, recycling, health and harmony as well as modern science and technology. The project established a comprehensive supply chain management platform with the cold chain control system as the core, provided the whole cold chain technical support for the centralized procurement, pre-coldness, processing, warehousing, transportation and other links of agricultural products; realized the whole cold chain of agricultural products, the whole process of information processing of the agricultural product supply chain and the interconnection of upstream and downstream data in the supply chain; effectively promoted the construction of regional agricultural products cold chain circulation system and agricultural product supply chain system and became a model for post-commercialization treatment of agricultural products and cold chain circulation supply chain management in Pengjiang District and even Jiangmen City, and significantly boosted the company's business income and profit.

3. Make full use of the capital market, actively carry out various financing work, and promote the upgrading and development of the company's business.

In 2022, according to the development strategy, the company will continue to explore a variety of financing means for development through investment, acquisition, merger around its core business under the premise of reasonable risk control and market conditions, effectively integrate resources and improve operational efficiency, thus consistently improving the company's scale and competitive strength.

Meanwhile, the company strives to introduce state-owned capital and introduce strategic partners into the company to achieve win-win cooperation, expand new businesses of the company, bring strong financial support, promote the company's rapid development and logistics supply chain layout as well as its industry status and comprehensive competitiveness.

4. Strengthen brand building and continuously enhance core competitiveness.

The company will strengthen the brand building of An Jie. With resources of customers, locations, facilities and technologies, An Jie vigorously develops third-party logistics business, and strives to strengthen supply chain integration services. Especially in the field of production logistics, An Jie sets a benchmark for the linkage development of manufacturing and logistics, with a focus on strengthening customer service personnel training, service mode expansion and service quality improvement, further strengthening the brand building and continuously enhancing the core competitiveness of An Jie. In particular, it will increase the training of employees and the introduction of professionals in the transportation business of dangerous goods and hazardous waste, so as to lay a solid foundation for An Jie to become a new energy service provider and to form a core competitiveness in the field of new energy services.

5. Intensify technological development and innovation, build a smart logistics public service platform for An Jie, and constantly improve the technological content to further enhance our core competitiveness.

On the basis of the traditional logistics industry, a smart logistics public service platform for An Jie is built by carrying out integration on diversified business through utilization of the Internet technology with a view to integrate the dedicated resources in the industry through the platform, launch integrated solutions for downstream enterprises, promote the intelligent development of logistics, and create a regional vehicle benchmarking information platform. Through the smart logistics platform, the better logistics supply chain service is provided for domestic manufacturing industry to reduce the operation cost of manufacturing industry and improve their comprehensive competitiveness of domestic manufacturing industry. In terms of technological development and innovation, the company implements the strategy of technology innovation and structure optimization to promote the company's overall pace of innovation. Starting with the deep integration of both Internet of Things and advanced Information Technology in the logistics industry, An Jie grasps the new trends of technology and industrial development in the logistics industry and accelerates the promotion of construction on information engineering such as big data and cloud computing. Based on the Internet of Things and big data technology, an advanced supply chain integrated service platform is built, which mainly includes two systematic function modules such as WMS/TMS.

6. Broaden the channels of talent training and introduction, coordinate and improve the construction of talent team to promote the sustainable development of the company.

In order to meet the company's future sustainable development, the company will, under the guidance of the talent strategy of the board of directors, continue to adhere to the principles of "people-oriented (以人為本)" and "professional people for professional things", strengthen the construction and training of talent team, and stick to "An Jie development driven by joint efforts (安捷發展、共同創造)", "Growth dividend shared by all (發展紅利、共同分享)" and "Advancing with the times together (與時俱進、共同成長)". The company will focus on cultivating high-caliber and highly skilled talents, with excellent project managers as priority, coordinate and improve the building of various talent teams, and adhere to the combination of internal training and promotion and external absorption and introduction, so that the company's talent pool continues to expand, thus promoting the sustainable development of the company.

7. Strengthen project management and control, strictly control management risks, and comprehensively improve management level.

To better manage costs in 2022, the company will implement strict cost control, advocate scientific and efficient management, carry out planning, implementation, supervision and control for every single project, and conduct multi-dimensional assessment and evaluation in terms of cost, quality, progress, payment collection and other aspects of the project for relevant departments. In 2022, the company will strengthen the electronic informatization of internal control, strengthen compliance and standardization, strictly control management risks, comprehensively improve management level and make information transmission more accurate and timelier with double efficiency.

8. Pay close attention to standardized management, attach importance to "law"-based corporate governance, and lay a foundation for the long-term sustainable and healthy development of the enterprise.

Standardized management is a basic requirement for both a modern enterprise and a public listed company, and even a requirement for aspiring to build a century-old enterprise. "Law" represents national laws and policies as well as rules and regulations and operational logics of an enterprise. To this end, we will strive to strengthen the standardization of the enterprise from three aspects; first, further establish and improve the company's systems, especially the internal control system and process such as production and operation, quality control, cost reduction, safe and civilized production, to form a more complete system; second, intensify the implementation and supervision of the systems, and intensify the implementation and supervision of system by the board of supervisors, the audit department and other authorities, so as to ensure that orders and prohibitions are enforced; third, strengthen the study and training of standardized management, arm the thinking of executives, managers and ordinary employees with the legal system, promote a consistent thinking of employees with a consistent system, and lay the systemic and ideological foundation for the sustainable and stable development of the company.

(IV) Uncertainty Factors

At present, the company does not have any uncertainties that have a material effect on the company's operations.

V. RISK FACTORS

(I) Risk factors persisted into the current year

1. Risk of increased competition

The company is mainly engaged in third-party logistics services. From the competitive landscape, the state-owned, foreign-invested and other large logistics enterprises stand out in the market; small and medium private logistics enterprises have disadvantages such as small business radius and relatively backward technology, although they have absolute dominance in a particular region and sub-sector within the industry. However, with the stabilization of the market scale, the large-scale logistics enterprises are expanding into the sub-sector, the small and medium logistics enterprises will be faced with the risk of intensified competition.

Counter measures: To address this risk, the company will further expand the market radius, gradually radiate from the Jiangmen to Guangdong and even all over the country, carry out market integration through the establishment of a logistics service platform, to expand the company's scale and improve its competitiveness.

2. Risk of relative concentration of major customers

In 2021, the company's sales to its five largest customers amounted to RMB85,782,719.53, accounting for 36.03% of operating income in the current period. Among which, Jiangmen Pengjiang Haojue Commercial Co., Ltd., Tiandi Yihao Beverage Co., Ltd., Zhuhai Yuelong Transportation Co., Ltd. (珠海市粤隆運輸有限公司), Vinda Paper (China) Company Limited and BYD (Shangluo) Industrial Co., Ltd. were top five customers. The company has the risk of relative concentration of customers. If the company's current major customers reduce their purchases of the company's services due to changes in business conditions or other factors, the company's operations may be affected to a certain extent.

Counter measures: To address this risk, on the one hand, the company will establish a more solid cooperative relationship with its customers in various aspects such as logistics, warehousing and distribution through integrated supply chain projects to reduce the risk of loss of customer; on the other hand, the company will proactively expand its business, accumulate customer resources and develop more high-value customers, currently, the company has a number of new customer projects in the pipeline.

3. Risk of bad debts in the accounts receivable

The company's principal business is to provide professional integrated logistics and warehousing services to customers in manufacturing, retail distribution and other industries. As at 31 December 2021 and 31 December 2020, the company's net accounts receivable were RMB78,115,131.81 and RMB57,512,817.67, respectively. The company's receivable balances are relatively large, and the average settlement period of the company's customers is 3.38 months. With the expansion of the company's operation scale, the receivable balances may continue to increase. If the company fails to collect the accounts receivable or if there are any unfavorable changes in the creditworthiness and financial condition of the company's customers, the company may be exposed to the risk of bad debts, which may in turn affect the company's cash flows and profitability.

Counter measures: To address this risk, the company will, on the one hand, strengthen the investigation and analysis of the credit status of its customers and formulate corresponding credit policies based on the actual operation of the company and the creditworthiness of its customers; on the other hand, the company will intensify its efforts to collect its accounts receivable and analyze the year and amount of arrears respectively and take different measures to obtain the best collection results.

4. Transportation safety risk

The company is engaged in road freight transportation (including the qualification of dangerous goods transport). Although the company has formulated detailed and strict internal control management system in the various links such as warehousing, delivery, and purchased carrier's liability insurance for vehicles in transit, there are transportation safety risks due to weather, road conditions, vehicle malfunctions, drivers in accordance with the characteristics of the transportation industry. If there are accidents, it will cause adverse impacts to the company's operation.

Counter measures: To address this risk, the company will comply strictly with the internal management system to minimize the artificial risk; and hedge the risk through purchasing insurance to minimize the losses.

During the reporting period, there were no changes in other risk factors that persisted into the current year, except the risk of insufficient liquidity, which has been eliminated.

5. Supply chain management risk

It is an inevitable trend for private logistics enterprises to develop from single function to comprehensiveness. The diversified demands of customers require logistics enterprises to provide integrated services from supplying place to place of consumption. It makes private logistics enterprises to face complexity and uncertainty of supply chain management during the transition process of providing supply chain management solution to customers, which leads to problems of supply chain management time risk, safety risk and cooperation risk.

Counter measures: 1. establish strategic cooperation partnership. 2. conduct daily management of risks. 3. strengthen information sharing, and establish information technology exchange platform. 4. optimize cooperation partners, realize cultural integration and strengthen trust and incentives.

(II) New Risk Factors During the Reporting Period

There are no new risk factors during the reporting period.

SIGNIFICANT EVENTS

I. INDEX OF SIGNIFICANT EVENTS

Items	Yes or No	Index
Any lawsuits or arbitrations	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	V. II. (I)
Any guarantees	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Any loans provided to external parties	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any appropriation or transferring of the company's funds, assets and other resources by the shareholder(s) and its related parties	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	V. II. (II)
Any daily related party transactions	<input type="checkbox"/> Yes <input type="checkbox"/> No	V. III
Any other major related party transactions	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	V. IV
Any acquisitions and sales of assets, foreign investment matters that had been considered and approved by the shareholders' meeting and corporate mergers that occurred during the reporting period	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any share incentive scheme, employee stock ownership scheme or other employee incentive measures	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any share repurchases	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any disclosed commitments	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	V. V
Any cases where assets were attached, seized, frozen or mortgaged or pledged	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	V. VI
Any matters of being investigated and punished	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any situations of dishonesty	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any other significant events which shall be disclosed	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any other events of voluntary disclosure	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	

II. DETAILS OF SIGNIFICANT EVENTS (IF THE MATTER EXISTS, SELECT THE FORM BELOW TO FILL OUT)

(I) Litigations and arbitrations

1. Litigations and arbitrations arising during the reporting period

Yes No

Unit: RMB

Nature	Cumulative amount		Total	Percentage of net assets at the end of the period %
	As plaintiff/applicant	As defendant/respondent		
Litigation or arbitration	88,147.97	0	88,147.97	0.09%

(2021) Yue 0703 Zhi No.8427 ((2021)粵0703執8427號): For the labour dispute case between the applicant, Zhang Peirong (張佩容), and the person subject to enforcement, An Jie Supply Chain Management Co., Ltd. (廣東安捷供應鏈管理股份有限公司), as executed by the Pengjiang District People's Court of Jiangmen City, Guangdong Province, the person subject to enforcement has fulfilled all obligations. During the reporting period, the execution of the litigation was completed and the case was closed.

1. Litigations and arbitrations arising during the reporting period

Yes No

2. Major litigation and arbitration disclosed in the provisional announcements and pending during the reporting period

Applicable Not applicable

(II) Appropriation or transferring of the company's funds, assets and other resources by the shareholder(s) and its related parties

There was no appropriation or transferring of the company's funds, assets and other resources by the shareholder(s) and its related parties during the reporting period.

III. THE DAILY RELATED PARTY TRANSACTIONS OF THE COMPANY DURING THE REPORTING PERIOD

Unit: RMB

Types of specific matters	Estimated amount	Amount incurred
1. Purchase of raw materials, fuel and power, receipt of services		
2. Sales of products and goods, provision of services	25,000,000	5,972,383.12
3. The types of daily related party transactions that are applicable to the company stipulated in the company's articles of association		
4. Others		

IV. OTHER MATERIAL RELATED TRANSACTIONS OF THE COMPANY DURING THE REPORTING PERIOD

Unit: RMB

Types of transactions	Audited amount	Transaction amount
Acquisitions and disposals of assets or equity	0	0
Foreign investment with related parties	0	0
Credit and debt transactions or guarantees, etc.	0	0

The necessity and continuity of material related party transactions and their impact on the company's production and operation:

- In June 2021, the Proposal on Transfer of Equity Interests in Wholly-owned Subsidiary was considered and passed at the thirteenth meeting of the second session of the board of directors of the company, and all equity interests were transferred to Shi Xuecheng (史雪成) at a price of RMB0. As of the benchmark date of the transfer, Jiangmen Yongjie Technology Co., Ltd. (江門市永捷科技有限公司), had a registered capital of RMB5 million, a paid-in capital of RMB0, and a net asset of RMB-51,710.10. After the completion of the transfer, An Jie Supply Chain Management Co., Ltd. (廣東安捷供應鏈管理股份有限公司) no longer holds 100% equity interest in Jiangmen Yongjie Technology Co., Ltd. (江門市永捷科技有限公司) which is no longer included in the company's consolidated financial statements.
- As considered and passed at the twelfth meeting of the second session of the board of directors, the comprehensive credit facility applied by the company was secured by a mortgage of the land and buildings of the company located at 3 Baoxing Road, Tangxia Town, Pengjiang District, Jiangmen City (江門市蓬江區棠下鎮堡興路3號), with the real estate certificate of Yue (2021) Jiangmen Real Estate Right No.0002758 (粵(2021)江門市不動產權第0002758號), to Tangxia Sub-branch of Jiangmen Rural Commercial Bank Limited (江門農村商業銀行股份有限公司棠下支行). The maximum claim amount corresponding to the mortgage was RMB seventy-six million eight hundred and sixty-six thousand and three hundred (amount in words) (amount in figures: RMB76,866,300.00), and the comprehensive credit facility applied by the company was guaranteed by Ms. Zhang Yan (張艷) and Mr. Yang Yongming (楊永明), the de facto controllers, on a joint and several liability basis. During the reporting period, the actual occurrence of the aforesaid related guarantees continued the guarantee contract signed in 2020 with an effective date up to 19 May 2030.

V. FULFILLMENT OF COMMITMENTS

Subject of commitment	Commencement date of commitment	Ending date of commitment	Source of commitment	Type of commitment	Details of commitment	Fulfillment of commitment
De facto controllers or controlling shareholder	1 December 2016	-	Listing	Industry Competition commitment	See detail 1 below	In progress
The company	1 December 2016	-	Listing	Commitment to appropriate funds	See detail 2 below	In progress
De facto controllers or controlling shareholder	1 December 2016	-	Listing	Labour, social security contributions	See detail 3 below	In progress
De facto controllers or controlling shareholder, directors, supervisors and senior management	1 December 2016	-	Issuance	Corporate governance	See detail 4 below	In progress
De facto controllers or controlling shareholder, directors, supervisors and senior management	1 December 2016	-	Listing	Fund regulation	See detail 5 below	In progress

Details of commitment:

1. The commitment of controlling shareholder and de facto controllers to avoid competition in the same industry. During the reporting period, the company's controlling shareholder Zhang Yan (張艷), de facto controllers Zhang Yan (張艷) and Yang Yongming (楊永明) strictly complied with the commitment.
2. The commitment of the company to the external guarantees, appropriation of funds and measures taken during the reporting period. No circumstances occurred during the reporting period that triggered the need to fulfill the commitment.
3. For the company's labour and social security contributions, the company's controlling shareholder and de facto controllers have issued a written commitment to gradually standardize the social insurance and housing fund contributions and will assume full compensation obligations to the company if the company is held accountable for administrative or civil liability due to the labour contract, social insurance and housing fund contributions matters. During the reporting period, the controlling shareholder and de facto controllers of the company strictly complied with the commitment.
4. In order to further strengthen the corporate governance and improve the internal control, the company will prevent the recurrence of the above situation in the subsequent operation. The company and the de facto controllers made a commitment that from 19 October 2016, cash will no longer be used for receipt and payment in daily operations. The controlling shareholder, directors, supervisors and senior management strictly complied with the commitment during the reporting period.
5. The company made a commitment to require all employees to apply for payroll cards in its future operations and will no longer use cash payment to pay wages to employees. The controlling shareholder, directors, supervisors and senior management strictly complied with the commitment during the reporting period.

VI. Information of assets which were attached, seized, frozen, mortgaged or pledged

Unit: RMB

Asset	Type of asset	Type of restricted rights	Book Value	Percentage of total assets %	Causes
Land use rights	Intangible assets	Mortgage	19,320,179.25	10.77%	Land use rights were mortgaged for the loan
Buildings	Fixed assets	Mortgage	20,696,638.12	11.54%	Mortgaged by buildings
Total	-	-	40,016,817.37	22.31%	-

The impact of restricted rights of the asset on the company:

The above-mentioned mortgages of land use rights and buildings were necessary for the company to achieve normal business development and operation, and supplemented the company's capital needs through bank loans, which was conducive to improving the company's financial condition, increasing the company's operating strength, promoting the company's business development, and benefiting the interests of shareholders as a whole.

CHANGES IN SHARES, FINANCING AND PROFIT DISTRIBUTION

I. ORDINARY SHARES

(I) Share capital structure of ordinary shares

Unit: shares

Nature of shares		At the beginning of the period		Changed	At the end of the period	
		Number of shares	Proportion %		Number of shares	Proportion %
Selling unrestricted shares	Total number of selling unrestricted shares	20,727,000	48.65%	0	20,727,000	48.65%
	Of which: controlling shareholder, de facto controllers	6,932,500	16.27%	0	6,932,500	16.27%
	Directors, supervisors and senior management officers Core staff	7,291,000	17.12%	0	7,291,000	17.12%
Selling restricted shares	Total number of selling restricted shares	21,873,000	51.35%	0	21,873,000	51.35%
	Of which: controlling shareholder, de facto controllers	20,797,500	48.82%	0	20,797,500	48.82%
	Directors, supervisors and senior management officers Core staff	21,873,000	51.35%	0	21,873,000	51.35%
Total share capital		42,600,000.00	-	0	42,600,000.00	-
Total number of shareholders with ordinary shares						68

Changes in share capital structure:

 Applicable Not applicable

(II) Top ten holders of ordinary shares

Unit: shares

No.	Name of shareholders	Total number of shares held at the beginning of the period	Change of shareholdings	Total number of shares held at the end of the period	Proportion of shareholdings at the end of the period %	Total number of selling restricted shares held at the end of the period	Total number of selling unrestricted shares held at the end of the period	Total number of pledged shares held at the end of the period	Total number of judicially frozen shares held at the end of the period
1	Zhang Yan (張艷)	26,856,000		26,856,000	63.04%	20,142,000	6,714,000	0	0
2	Ningbo Ruijie Investment Management Partnership (Limited Partnership) (寧波銳捷投資管理合夥企業(有限合夥))	5,208,000		5,208,000	12.23%		5,208,000	0	0
3	Hanyu Group Co., LTD. (漢宇集團股份有限公司)	2,600,000		2,600,000	6.10%		2,600,000	0	0

4	Jia Liping (賈禮萍)	1,434,000		1,434,000	3.37%	1,075,500	358,500	0	0
5	Liang Yuzhan (梁宇戰)	1,155,500	-2,200	1,153,300	2.71%		1,153,300	0	0
6	Ma Shaoshu (馬少舒)	1,144,000		1,144,000	2.69%		1,144,000	0	0
7	Wu Yongxiong (吳永雄)	2,674,400	-1,547,600	1,126,800	2.65%		1,126,800	0	0
8	Heshan City Lianzhi Investment Co., Ltd. (鶴山市聯智投資有限公司)	0	970,000	970,000	2.28%		970,000	0	0
9	Yang Yongming (楊永明)	874,000		874,000	2.05%	655,500	218,500	0	0
10	Huang Shuirong (黃水榮)	600,000		600,000	1.41%		600,000	0	0
Total		42,545,900	-579,800	41,966,100	98.53%	21,873,000	20,093,100	0	0

Explanation of the connected relationship among the top ten holders of ordinary shares: Zhang Yan (張艷) and Yang Yongming (楊永明) who are in a spousal relationship hold 63.04% and 2.05% of the shares of the company, respectively.

II. BASIC SITUATION OF PREFERRED SHARES

Applicable Not applicable

III. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLERS

Any combined disclosure:

Yes No

(I) Controlling shareholder

As of the end of the reporting period, Zhang Yan (張艷) held 63.04% of the company's shares, the voting rights attached to which have a significant impact on the resolutions of the shareholders' meeting and shareholders' general meeting. Therefore, Zhang Yan (張艷) was the controlling shareholder of the company. The basic information of the controlling shareholder of the company is as follows:

Zhang Yan (張艷), female, Chinese nationality, born in 1976, without right of abode overseas, has a college degree. From August 1998 to March 2000, she served as the manager of Guangdong region of Jiangmen office of the business department of Henan Luoyang Second Transportation Company (河南洛陽第二運輸公司); from April 2000 to February 2004, she served as the manager of the business department of Jiangmen Likeda Transportation Co., Ltd. (江門利科達運輸有限公司); from March 2004 to May 2016, she served as the executive director of An Jie Supply Chain Management Co., Ltd.; and since May 2016, she has served as the chairman of An Jie Supply Chain Management Co., Ltd..

During the reporting period, there were no changes in the controlling shareholder of the company.

(II) De facto controllers

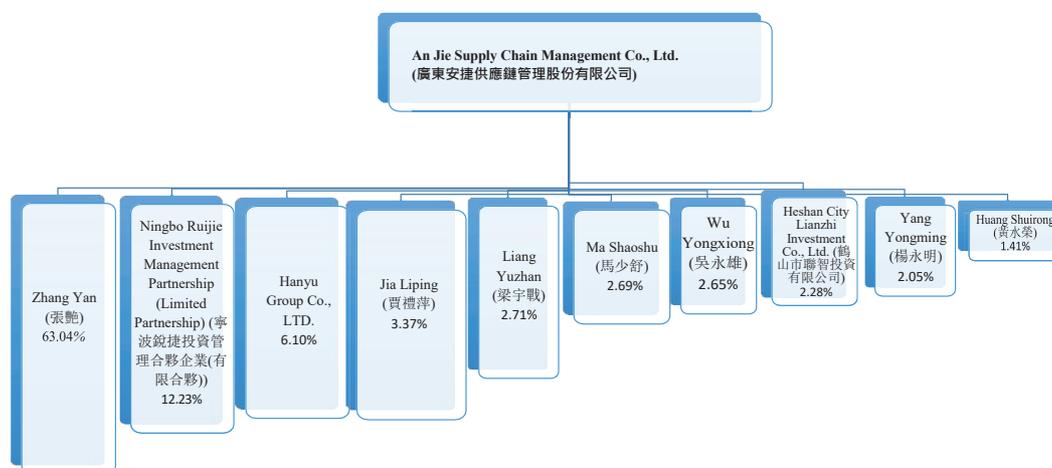
As of the end of the reporting period, Zhang Yan (張艷) held 63.04% of the company's shares and Yang Yongming (楊永明) held 2.05% of the company's shares. They are in a spousal relationship and jointly hold 65.09% of the company's shares, which can have a significant impact on the resolutions of the shareholders' general meeting and can actually control the company's behavior. Therefore, Zhang Yan (張艷) and Yang Yongming (楊永明) are the de facto controllers of the company. The basic information of the de facto controllers of the company are as follows:

Zhang Yan (張艷), female, Chinese nationality, born in 1976, without right of abode overseas, has a college degree. From August 1998 to March 2000, she served as the manager of Guangdong region of Jiangmen office of the business department of Henan Luoyang Second Transportation Company (河南洛陽第二運輸公司); from April 2000 to February 2004, she served as the manager of the business department of Jiangmen Likeda Transportation Co., Ltd. (江門利科達運輸有限公司); from March 2004 to May 2016, she served as the executive director of An Jie Supply Chain Management Co., Ltd.; and since May 2016, she has served as the chairman of An Jie Supply Chain Management Co., Ltd..

Yang Yongming (楊永明), male, Chinese nationality, born in 1972, without right of abode overseas, has a bachelor degree. From July 1995 to December 2010, he successively served as the instructor, the leader of combat training unit (作訓股股長), and the leader of training team (教導隊隊長) of Jiangmen Squadron of Jiangmen Armed Police Detachment (江門市武警支隊江門市中隊); from January 2011 to May 2016, he worked in An Jie Supply Chain Management Co., Ltd.; since May 2016, he has served as the director and general manager of An Jie Supply Chain Management Co., Ltd..

During the reporting period, there were no changes in the de facto controllers of the company.

The diagram of the property rights and controlling relationship between the company and the de facto controllers is as follows:



IV. ISSUANCE OF ORDINARY SHARES AND USE OF FUND RAISED DURING THE REPORTING PERIOD

(I) Issuance of Ordinary Shares During the Reporting Period

Applicable Not applicable

(II) Use of Fund Raised that Continued to Exist During the Reporting Period

Applicable Not applicable

V. INFORMATION OF PREFERRED SHARES THAT CONTINUED TO EXIST DURING THE CURRENT PERIOD

Applicable Not applicable

VI. BOND FINANCING THAT CONTINUED TO EXIST DURING THE CURRENT PERIOD

Applicable Not applicable

VII. CONVERTIBLE BOND THAT CONTINUED TO EXIST DURING THE CURRENT PERIOD

Applicable Not applicable

VIII. OCCURRENCE OF INDIRECT FINANCING OF BANK AND NON-BANK FINANCIAL INSTITUTIONS

Applicable Not applicable

Unit: RMB

No.	Form of Loans	Loan Provider	Type of Loan Provider	Size of Loan	Duration		Interest Rate
					Start Date	End Date	
1	Mortgage, guarantee	Jiangmen Rural Commercial Bank Tangxia Sub-Branch	Bank	3,000,000	25 May 2020	20 May 2021	4.20%
2	Mortgage, guarantee	Jiangmen Rural Commercial Bank Tangxia Sub-Branch	Bank	4,000,000	16 June 2020	20 June 2021	4.20%
3	Mortgage, guarantee	Bank of China (Jiangmen) Jiangsha Sci.& Tech Sub-Branch	Bank	4,000,000	18 June 2020	17 June 2021	4.20%

4	Mortgage, guarantee	Jiangmen Rural Commercial Bank Tangxia Sub-Branch	Bank	3,000,000	24 June 2020	20 June 2021	4.20%
5	Mortgage, guarantee	Bank of China (Jiangmen) Jiangsha Sci.& Tech Sub-Branch	Bank	3,000,000	6 November 2020	5 November 2021	4.20%
6	Mortgage, guarantee	Bank of China (Jiangmen) Jiangsha Sci.& Tech Sub-Branch	Bank	2,180,000	1 April 2020	29 March 2023	4.40%
7	Mortgage, guarantee	Bank of China (Jiangmen) Jiangsha Sci.& Tech Sub-Branch	Bank	2,000,000	8 March 2021	7 March 2024	4.90%
8	Mortgage, guarantee	Bank of China (Jiangmen) Jiangsha Sci.& Tech Sub-Branch	Bank	4,000,000	24 June 2021	4 June 2022	4.20%
9	Mortgage, guarantee	Jiangmen Rural Commercial Bank Tangxia Sub-Branch	Bank	3,427,315	8 May 2021	20 April 2022	4.20%
10	Mortgage, guarantee	Jiangmen Rural Commercial Bank Tangxia Sub-Branch	Bank	1,572,685	8 May 2021	20 April 2026	4.70%
11	Mortgage, guarantee	Jiangmen Rural Commercial Bank Tangxia Sub-Branch	Bank	4,222,000	20 May 2021	20 April 2022	4.20%
12	Mortgage, guarantee	Jiangmen Rural Commercial Bank Tangxia Sub-Branch	Bank	655,000	19 May 2021	20 April 2026	4.70%
13	Mortgage, guarantee	Jiangmen Rural Commercial Bank Tangxia Sub-Branch	Bank	2,360,000	31 May 2021	20 May 2022	4.20%
14	Mortgage, guarantee	Jiangmen Rural Commercial Bank Tangxia Sub-Branch	Bank	2,800,804.04	1 July 2021	20 June 2022	4.20%

15	Mortgage, guarantee	Jiangmen Rural Commercial Bank Tangxia Sub-Branch	Bank	2,007,000	18 September 2021	20 August 2022	4.60%
16	Mortgage, guarantee	Jiangmen Rural Commercial Bank Tangxia Sub-Branch	Bank	793,600	18 September 2021	20 August 2026	4.70%
17	Mortgage, guarantee	Jiangmen Rural Commercial Bank Tangxia Sub-Branch	Bank	1,000,000	5 November 2021	20 October 2026	4.70%
18	Mortgage, guarantee	Jiangmen Rural Commercial Bank Tangxia Sub-Branch	Bank	1,000,000	1 December 2021	20 October 2026	4.70%
Total	-	-	-	45,018,404.04	-	-	-

IX · INTERESTS DISTRIBUTION

(I) Profit Distribution and Capitalization of Capital Reserve During the Reporting Period

Applicable Not applicable

Profit Distribution and Capitalization of Capital Reserve not Executed Completely During the Reporting Period

Applicable Not applicable

(II) Proposals for Interest Distribution

Applicable Not applicable

Unit: RMB or shares

Item	Cash Dividend for every 10 Shares (Tax Inclusive)	Number of Bonus Shares for Every 10 Shares	Number of Scrip Shares for Every 10 Shares
Annual distribution proposal	1.88		

X. ARRANGEMENTS FOR SPECIAL VOTING RIGHTS

Applicable Not applicable

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND CORE STAFF

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Basic Information

Name	Position	Gender	Date of Birth	Tenure	
				Start Date	End Date
Zhang Yan(張艷)	Chairman	F	October 1976	23 May 2019	14 May 2022
Zhang Yan(張艷)	Director	F	October 1976	15 May 2019	14 May 2022
Yang Yongming(楊永明)	General Manager	M	August 1972	23 May 2019	14 May 2022
Yang Yongming(楊永明)	Director	M	August 1972	15 May 2019	14 May 2022
Jia Liping(賈禮萍)	Board Secretary, Chief Financial Officer	F	April 1977	23 May 2019	14 May 2022
Jia Liping(賈禮萍)	Director	F	April 1977	15 May 2019	14 May 2022
Shi Shengmei(石胜美)	Director	M	September 1983	15 May 2020	14 May 2022
Chen Haiquan(陳海權)	Director	M	February 1970	15 May 2019	14 May 2022
Chen Xueyao(陳雪瑤)	Chairman of the Supervisory Committee	F	July 1979	23 May 2019	14 May 2022
Chen Xueyao(陳雪瑤)	Supervisor	F	July 1979	15 May 2019	14 May 2022
Gu Xiaojun(古小軍)	Employees Representative Supervisor	M	February 1989	25 April 2019	14 May 2022
Tan Peimin(譚佩敏)	Supervisor	F	October 1990	15 May 2019	14 May 2022
Number of Board members:				5	
Number of members of Supervisory Committee:				3	
Number of senior management officers				2	

The relationship between Directors, Supervisors, Senior Management Officers and Shareholders:

Zhang Yan (張艷) and Yang Yongming (楊永明) are in a spousal relationship, and Shi Shengmei (石胜美) is the Deputy General Manager and Board Secretary of Shareholder Hanyu Group Co., LTD.. Apart from the above, there is no relationship between other Directors, Supervisors, Senior Management Officers or between the Shareholders.

(II) Details of Shareholding of the Company

Unit: shares

Name	Position	Number of ordinary shares held as at the beginning of the period	Change	Number of ordinary shares held as at the end of the period	Proportion of ordinary shares held at the end of the period %	Number of stock options held at the end of the period	Number of Restricted shares granted at the end of the period
Zhang Yan (張艷)	Chairman	26,856,000	0	26,856,000	63.04%	0	0
Yang Yongming (楊永明)	Director/Manager	874,000	0	874,000	2.05%	0	0
Jia Liping (賈禮萍)	Director/Board Secretary/Chief Financial Officer	1,434,000	0	1,434,000	3.37%	0	0
Total	-	29,164,000	-	29,164,000	68.46%	0	0

(III) Details of Change

Information statistics	Any change in the Chairman?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
	Any change in the General Manager?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
	Any change in the Board Secretary?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
	Any change in the Chief Financial Officer?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Change of directors, supervisors and senior management officers during the reporting period: Applicable Not applicable**Professional background and major working experience of newly appointed directors, supervisors and senior management officers during the reporting period:** Applicable Not applicable**(IV) Details of Equity Incentives of Directors and Senior Management Officers** Applicable Not applicable**II. EMPLOYEES****(I) Details of In-service Employees (the company and its holding subsidiaries)**

Classified by nature of work	Number of personnel at the beginning of the period	Increase during the period	Decrease during the period	Number of personnel at the end of the period
Management	6			6
Administration	3			3
Finance	8		1	7
Sales	28		13	15
Research and development	92		36	56
Transportation	47	28		75
Warehousing	15	2		17
Temporary	0		0	0
Total	199	30	50	179

Education level	Number of personnel at the beginning of the period	Number of personnel at the end of the period
PhD		
Master		
Bachelor	10	10
College Diploma	43	38
Diploma Below	146	131
Total	199	179

Employee remuneration policy, training programme and number of retired employees who need the Company to bear the cost

1. Remuneration Policy

During the reporting period, the company signed labour contracts with employees in accordance with the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), and the company's Remuneration Management System (《薪酬管理制度》), providing them with competitive compensation, handling social insurance for retirement, medical treatment, work-related injury, unemployment, and childbirth, handling housing provident fund, and paying and withholding personal income tax for employees.

2. Training

In order to ensure staff to adapt to the needs of rapid development of the company, during the reporting period, the company: 1) established a comprehensive training system (professional skills training and management skills training, internal training plus external training of the company); 2) formulated training programs at the company's level, enabling employees' ability to improve; 3) supplemented and improved training materials, employee training brochures; 4) attached great importance to the application of employee's professional titles and skill levels and provide help and platforms for various types of employees to apply for professional titles and skill levels.

During the reporting period, there were no retired employees who need the company to bear the cost.

(II) Basic Information and Changes of Core Employees (the company and its holding subsidiaries)

Applicable Not applicable

III. UPDATES AFTER THE REPORTING PERIOD

Applicable Not applicable

III. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE TARGET COMPANY FOR THE YEAR ENDED 31 DECEMBER 2022

Section 4 MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS HIGHLIGHTS

Business Model

The company is a third-party logistics enterprise principally engaged in integrated supply chain logistics services, including integrated warehousing and logistics, e-commerce logistics, supply chain finance and transportation of hazardous chemicals. The company also has a road transportation license for ordinary goods and dangerous goods, and is the largest third-party dangerous goods transport enterprise in Jiangmen, and also ranks among the top in the province in terms of scale. With the Internet and the Internet of Things as technical means and with the support of the logistics information system, the company has established a 24-hour, all-round and full-process three-dimensional service system to help customers optimise supply chain management, reduce logistics costs and improve the overall operation and management level. The company is principally engaged in the provision of professional supply chain logistics services for manufacturing and retail circulation industries. The company's business mainly focuses on the provision of overall optimisation and solution of supply chain logistics for production customers. The company conducts business negotiations and enters into service contracts mainly through door-to-door visits, organising customers to participate in logistics information learning and exchange meetings, and tracks and gives feedback on the implementation of supply chain logistics services, so as to provide customers with comprehensive supply chain solutions and improve customer stickiness. By providing production customers with integrated supply chain logistics solutions, supporting logistics and distribution, warehousing, processing and loading, the company has integrated and coordinated customer needs and logistics resources of all parties to reduce overall operating costs of customers and improve operational efficiency of customer supply chain, so as to achieve profitability. The company's major customers involve various industries such as new energy batteries, industrial hazardous waste, chemicals, food, mechanical and electrical products and paper making. Among which, BYD, New Fortune, Dachangjiang Group, Vinda Group, Lee Kum Kee, Tiandi Yihao and Toyo Ink are all main strategic partners of the company.

During the reporting period and subsequent to the reporting period and up to the date of this report, the company's business development was healthy and orderly, and there was no significant change in the company's business model. New energy batteries, industrial hazardous waste, chemicals and other products belong to the category of dangerous goods. During the reporting period, the company's dangerous goods transportation business volume increased significantly compared with ordinary transportation business. The dangerous goods transportation business has accounted for more than 50% of the company's overall operating income.

Recognition related to innovation attributes

Applicable Not applicable

“Specialised and New” recognition	<input type="checkbox"/> National <input checked="" type="checkbox"/> Provincial (municipal) level
“Single Champion” recognition	<input type="checkbox"/> National <input type="checkbox"/> Provincial (municipal) level
“High-tech Enterprise” recognition	<input checked="" type="checkbox"/> Yes
“Technology-based SMEs” recognition	<input type="checkbox"/> Yes
“Advanced Technology Service Enterprise” recognition	<input type="checkbox"/> Yes
Other recognition related to innovative attributes	Innovative SMEs -
Details	<p>1. On 31 December 2021, the company received the High-tech Certificate (High-tech Enterprise Certificate No. GR202144012172) issued by the Department of Science and Technology of Guangdong Province, which is valid for three years.</p> <p>2. The company was recognised as an innovative small and medium-sized enterprise by the Department of Industry and Information Technology of Guangdong Province with a validity period from 20 December 2022 to 19 December 2025.</p> <p>3. The company was recognised as a specialized and new small and medium-sized enterprise by the Department of Industry and Information Technology of Guangdong Province with a validity period from 20 December 2022 to 19 December 2025.</p>

Changes during the reporting period:

Events	Yes or No
Whether there are changes in the industry	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Whether the main business has changed	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Whether the major products or services have changed	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Whether customer type has changed	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Whether key resources have changed	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Whether sales channels have changed	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Whether the source of income has changed	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Whether the business model has changed	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

II. REVIEW OF OPERATION

(I) Business Plan

In 2022, the company, in accordance with its established business strategy, endeavoured to build a one-stop supply chain service model and enhance the company's market influence in order to achieve the company's business objectives and achieved certain results. During the reporting period, the company achieved operating income of RMB 313,028,646.51, representing an increase of 31.51% as compared with the same period of last year. During the reporting period, there was no change in the principal business of the company, details of which are as follows:

1. Financial position of the company

During the reporting period, the total assets of the company amounted to RMB229,182,423.13, representing an increase of 27.80% as compared with the same period of last year, mainly due to the increase in notes receivable of RMB8,118,880.74, the increase in accounts receivable of RMB32,547,263.54, the decrease in construction in progress of RMB2,212,389.50, the increase in fixed assets of RMB 10,740,778.07, the increase in short-term borrowings of RMB36,779,276.44, the decrease in accounts payable of RMB6,095,947.15, the decrease in other payables of RMB3,887,930.29, the decrease in long-term borrowings of RMB4,306,071.21, the decrease in deferred income of RMB3,153,466.56, the increase in surplus reserve of RMB3,408,189.87, and the increase in unallocated profit of RMB22,434,123.02 during the reporting period, as compared with last year.

During the reporting period, the owners' equity of the company amounted to RMB121,145,548.93, representing an increase of 28.98% as compared with the same period of last year, which was mainly due to the increase in operating income as a result of the development of new customers during the reporting period, representing an increase of 31.51% as compared with the same period of last year, the increase in gross profit margin of sales by 0.66% as compared with the same period of last year, the increase in net profit by 52.33% as compared with the same period of last year, and the increase in undistributed profit by RMB 22,434,123.02.

2. Operating results of the company

During the reporting period, the company's operating income amounted to RMB313,028,646.51, representing an increase of 31.51% as compared with the same period of last year. Operating costs amounted to RMB256,370,117.19, representing an increase of 30.46% as compared with the same period of last year. Total profit amounted to RMB38,427,090.49, representing an increase of 52.92% as compared with the same period of last year. Net profit attributable to the shares of the listed company amounted to RMB33,851,112.89, representing an increase of 53.33% as compared with the same period of last year, which was mainly due to the company's exploration of new customers, such as Xiamen Xinchuan Haitong Logistics Co., Ltd. (廈門新川海通物流有限公司) and Shanghai 17Soon Network Technology Co., Ltd. (上海一起送網絡科技有限公司), and the increase in business volume of some old customers during the reporting period.

3. Cash flow

During the reporting period, the cash inflow from operating activities amounted to RMB298,666,895.27, the cash outflow from operating activities amounted to RMB307,208,617.52, and the net cash flow from operating activities amounted to RMB-8,541,722.25, representing a decrease of 203.03% as compared with the same period of last year, which was mainly due to the increase in operating income by 31.51% in the current period and the increase in accounts receivable by RMB32,547,263.54 as compared with the same period of last year. The main strategy to increase gross profit margin during the reporting period was to reduce the settlement cycle of carriers, resulting in a decrease in accounts payable by 14.7% as compared with the same period of last year, resulting in an increase of 34.52% in cash paid for goods and services during the reporting period as compared with the same period of last year.

During the reporting period, the company's net cash flow from investing activities amounted to RMB-14,202,348.88, and the net cash flow for the previous period amounted to RMB-22,123,781.60, mainly due to the decrease in new fixed assets during the reporting period as compared with the same period of last year.

During the reporting period, the company's net cash flow from financing activities amounted to RMB23,632,577.37, as compared to the net cash flow of RMB6,059,836.76 in the previous period, mainly due to the increase in bank loans of RMB 27,101,046.53 as compared to the same period of last year, representing an increase of 104.85% as compared to the same period of last year, for the company's working capital needs.

(II) Industry Situation

In 2022, the operation of the logistics industry maintained a recovery trend, the total social logistics value achieved a stable growth, and the ratio of total social logistics cost to GDP slightly increased.

I. Steady growth in total social logistics value

In 2022, the total amount of social logistics in China amounted to RMB347.6 trillion, representing a year-on-year increase of 3.4% based on comparable prices. The scale of logistics demand reached a new level and achieved stable growth.

In terms of composition, the total logistics value of industrial products was RMB309.2 trillion, representing a year-on-year increase of 3.6% based on comparable prices. Total agricultural logistics amounted to RMB5.3 trillion, representing an increase of 4.1%; The total logistics value of renewable resources was RMB3.1 trillion, representing an increase of 18.5%; The total logistics value of goods for units and residents was RMB12.0 trillion, representing an increase of 3.4%; Total imported goods logistics amounted to RMB18.1 trillion, representing a decrease of 4.6%.

II. Increase in the ratio of total social logistics expenses to GDP

In 2022, the total social logistics cost was RMB17.8 trillion, representing a year-on-year increase of 4.4%. The ratio of total social logistics cost to GDP is 14.7%, increased by 0.1 percentage point over the previous year.

In terms of structure, transportation expenses amounted to RMB9.55 trillion, representing an increase of 4.0%; custody expenses amounted to RMB5.95 trillion, representing an increase of 5.3%; management expenses amounted to RMB2.26 trillion, representing an increase of 3.7%.

III. Total revenue of the logistics industry maintained recovery growth

In 2022, the total revenue of the logistics industry amounted to RMB12.7 trillion, representing a year-on-year increase of 4.7%.

In 2022, the total amount of social logistics in China was RMB347.6 trillion, representing a year-on-year increase of 3.4%. From the trend of the year, the logistics operation in the first quarter achieved a smooth start, dropped significantly in the second quarter, stabilized and recovered in the third quarter, and slowed down in the fourth quarter. The growth rate of total social logistics basically continued to recover and achieved recovery growth throughout the year.

(III) Financial Analysis

1. Analysis of Asset and Liability Structure

Unit: RMB

Items	End of the period		End of the previous year		Increase/decrease in the end of the period compared with the beginning of the period
	Amount	As a percentage of total assets	Amount	As a percentage of total assets	
Monetary funds	15,260,060.97	6.66%	14,371,554.73	8.01%	6.18%
Bills receivable	10,264,563.94	4.48%	2,145,683.20	1.20%	378.38%
Accounts receivable	110,662,395.35	48.29%	78,115,131.81	43.56%	41.67%
Inventories					

Investment property					
Long-term equity investments					
Fixed assets	55,115,441.13	24.05%	44,374,663.06	24.74%	24.20%
Construction in progress			2,212,389.50	1.23%	-100%
Intangible assets	20,723,870.10	9.04%	23,515,668.46	13.11%	-11.87%
Goodwill					
Short-term borrowings	55,531,229.64	24.23%	18,751,953.20	10.46%	196.14%
Long-term borrowings	4,011,838.18	1.75%	8,317,909.39	4.64%	-51.77%
Prepayment	3,129,356.47	1.37%	4,964,762.10	2.77%	-36.97%
Long-term prepaid expenses	975,264.79	0.43%	521,453.76	0.29%	87.03%
Deferred income tax assets	972,526.42	0.42%	806,901.07	0.45%	20.53%
Other current assets	1,178,687.48	0.51%	471,350.89	0.26%	150.07%
Right-of-use assets	3,764,353.84	1.64%	676,408.48	0.38%	456.52%
Other non-current assets	175,000.00	0.08%	1,776,207.00	0.99%	-90.15%
Non-current liabilities due within one year	1,032,111.55	0.45%	807,711.99	0.45%	27.78%
Other payables	2,838,955.49	1.24%	6,726,885.78	3.75%	-57.8%
Contract liabilities	58,020.14	0.03%	0	0.00%	100%
Lease liabilities	2,647,637.96	1.12%	0	0.00%	100%
Deferred income	3,223,726.18	1.4%	6,377,192.74	3.6%	-49.45%

Reasons for material changes in assets and liabilities:

- As at the end of the reporting period, bills receivable increased by 378.38% as compared with the end of the previous year, and accounts receivable increased by 41.67% as compared with the end of the previous year, mainly due to the fact that the commercial acceptance bill of RMB8,964,563.94 received from BYD, a customer, was not discounted during the reporting period.
- As at the end of the reporting period, short-term borrowings increased by 196.14% as compared with the same period of last year, mainly due to the increase in bank loans as compared with the same period of last year for the Company's working capital needs.
- As at the end of the reporting period, prepayments decreased by 36.97% as compared with the end of the previous year, mainly due to the decrease in oil fees advanced for projects and transportation fees prepaid to carriers.
- As at the end of the reporting period, long-term prepaid expenses increased by 87.03% as compared with the end of the previous year, mainly due to warehouse renovation expenses.
- As at the end of the reporting period, other current assets increased by 150.07% as compared with the same period of last year, mainly due to the increase in value-added tax to be offset by RMB707,336.59 during the reporting period.
- As at the end of the reporting period, right-of-use assets increased by 456.52% as compared with the same period of last year, and lease liabilities increased by 100% as compared with the same period of last year, mainly due to the recognition of right-of-use assets and lease liabilities corresponding to the new 4-year plant lease contract signed with Jiangmen Shuangying Supply Chain Management Co., Ltd. (江門雙盈供應鏈管理有限公司) during the reporting period.
- As at the end of the reporting period, other non-current assets decreased by 90.15% as compared with the same period of last year, mainly due to the fact that the cold storage purchased during the reporting period was ready for its intended use, and the prepayment for equipment of other non-current assets was transferred to construction in progress upon the arrival of the equipment and was finally transferred to fixed assets.
- As at the end of the reporting period, other payables decreased by 57.8% as compared with the end of the previous year, mainly due to the refund of certain customer deposits and partial repayment of borrowings.
- As at the end of the reporting period, construction in progress decreased by 100% as compared with the same period of last year, mainly due to the transfer of cold storage from construction in progress to fixed assets as the cold storage was ready for its intended use during the reporting period.
- As at the end of the reporting period, the change in long-term borrowings was -51.77% as compared with the same period of last year, mainly due to the partial repayment of long-term borrowings during the reporting period.
- As at the end of the reporting period, contract liabilities increased by 100% as compared with the same period of last year, mainly due to the advance payment of freight from customers during the period.
- Deferred income decreased by 49.45% as compared with the same period of last year, mainly due to the decrease of RMB2,899,444.08 in the amortisation of deferred income corresponding to the construction project of agricultural product chain distribution centre during the reporting period.

2. Business Analysis

(1) Composition of profit

Unit: RMB

Items	Period		Corresponding period of last year		Percentage of change(%)
	Amount	As a percentage of operating revenue	Amount	As a percentage of operating revenue	
Operating income	313,028,646.51	–	238,021,155.45	–	31.51%
Operating costs	256,370,117.19	81.90%	196,518,941.71	82.56%	30.46%
Gross profit margin	18.10%	–	17.44%	–	–
Selling expenses	1,131,255.37	0.36%	1,682,133.68	0.71%	–32.75%
Administrative expenses	6,664,980.07	2.13%	5,528,268.39	2.32%	20.56%
Research and development expenses	9,719,356.49	3.10%	7,189,449.82	3.02%	35.19%
Finance costs	2,035,790.15	0.65%	1,068,707.16	0.45%	90.49%
Credit impairment losses	–949,364.89	–0.30%	–1,313,280.01	–0.55%	27.71%
Assets impairment losses	0	0.00%	0	0.00%	0.00%
Other revenue	3,258,863.26	1.04%	1,131,849.67	0.48%	187.92%
Investment revenue	13,436.01	0.00%	88,305.89	0.04%	–84.78%
Gain from changes in fair value	0	0.00%	0	0.00%	0.00%
Gain on disposal of assets	7,632.50	0.00%	–223,377.90	–0.09%	103.42%
Exchange gain	0	0.00%	0	0.00%	0.00%
Operating profit	38,519,115.19	12.31%	25,031,496.37	10.52%	53.88%
Non-operating income	71,690.70	0.02%	152,915.94	0.06%	–53.12%
Non-operating expenses	163,715.40	0.05%	56,165.87	0.02%	191.49%
Net profit	33,629,009.09	10.74%	22,076,395.60	9.27%	52.33%
Tax and surcharges	918,598.93	0.29%	685,655.97	0.29%	33.97%
Income tax expense	4,798,081.40	1.53%	3,051,850.84	1.28%	57.22%

Reasons for major changes in the item:

1. During the reporting period, the operating income increased by 31.51% as compared with the same period of last year, and the operating cost increased by 30.46% as compared with the same period of last year, which was mainly due to the increase in business volume of new and old customers and the increase in revenue from warehousing services of new warehouses put into use by the company during the reporting period.
2. Selling expenses during the reporting period decreased by 32.75% as compared with the same period of the previous year, mainly due to the decrease of RMB285,300 in employee remuneration during the period as compared with the same period of the previous year, representing a decrease of 20.59% as compared with the same period of the previous year. The business structure of customers changed during the period. The company adjusted the sales strategy according to the business nature of customers. The business from new customers, BYD, Redstar, Haitong (海通), Easy To Easy (易迁易) during the period, as well as Mongolia-China business, were managed by the company's senior management, and the salary of senior management was not accounted for in the selling expenses; In addition, due to the decrease in business volume of customers, Tiandi Yihao, Haojue, Jiashili, Vinda, and Toyo Ink in the period, the main calculation method of the salary performance of the sales personnel responsible for the above customers is based on the income, resulting in a significant decrease in business performance salary; Due to the above reasons, there was a reverse change in staff remuneration, and a decrease in entertainment expenses for the period based on the actual operating conditions of the company.
3. During the reporting period, the research and development expenses increased by 35.19% as compared with the same period of last year, mainly due to the increase in research and development expenses as a result of the research and development of cold chain transportation management platform software and network freight platform software for business development needs, and the increase in staff remuneration for research and development personnel.
4. Financial expenses during the reporting period increased by 90.49% as compared with the same period of last year, mainly due to the increase in interest expenses resulting from the increase in bank loans.

5. During the reporting period, other revenue increased by 187.92% as compared with the same period of last year, mainly due to the amortisation of deferred income of RMB 2,899,444.08 corresponding to the construction project of agricultural product chain distribution centre was included in other revenue during the reporting period.
6. During the reporting period, investment revenue decreased by 84.78% as compared with the same period of last year, mainly due to the decrease in wealth management income corresponding to bank wealth management.
7. During the reporting period, gains on disposal of assets increased by 103.42% as compared with the same period of last year, mainly due to the sales of pallets.
8. Non-operating income during the reporting period decreased by 53.12% as compared with the same period of last year, mainly due to the decrease in insurance claims.
9. Operating profit during the reporting period increased by 53.88% as compared with the same period of last year, mainly due to the commencement of leasing of new warehouses and business expansion.
10. Non-operating expenses during the reporting period increased by RMB107,549.53 as compared with the same period of the previous year, mainly due to the company's external donations and losses on scrapping of vehicles.
11. During the reporting period, tax and surcharges increased by 33.97% as compared with the same period of last year, mainly due to the year-on-year increase in urban construction tax, education surcharge and local surcharge based on tax rate as a result of the increase in value-added tax payable during the reporting period as compared with the same period of last year, and the increase in property tax during the period as compared with the same period of last year.
12. Income tax expenses during the reporting period increased by 57.22% as compared with the same period of last year, mainly due to the increase in total profit for the period of RMB13,298,844.05 as compared with the same period of last year, and the year-on-year increase in income tax expenses for the period based on tax rate.
13. During the reporting period, net profit increased by 52.33% as compared with the same period of last year, mainly due to the development of new customers during the reporting period, and the business volume of old customers maintained steady growth, resulting in an increase of 31.51% in operating income as compared with the same period of last year, and an increase of 0.66% in gross profit margin of sales as compared with the same period of last year.

(2) Composition of revenue

Unit: RMB

Items	Amount for the period	Amount for the previous period	Percentage of change (%)
Revenue from principal operations	312,932,523.97	237,704,174.37	31.65%
Other operating income	96,122.54	316,981.08	-69.68%
Cost of principal operations	256,306,315.03	196,327,535.23	30.55%
Other operating costs	63,802.16	191,406.48	-66.67%

Analysed by product type:

 Applicable Not applicable

Unit: RMB

Category/item	Operating income	Operating cost	Gross profit margin %	Increase/ decrease in operating income as compared to the same period of last year	Increase/ decrease in operating cost as compared to the same period of last year	Increase/ decrease in gross profit margin as compared to the same period of last year
Transportation services	279,445,418	239,126,167.95	14.43%	45.83%	42.57%	1.96%
Storage services	33,487,105.97	17,180,147.08	48.70%	-26.95%	-39.94%	11.10%
Other businesses	96,122.54	63,802.16	33.62%	-82.76%	-66.67%	-32.04%
Total	313,028,646.51	256,370,117.19	18.10%	31.51%	30.46%	0.66%

Analysed by geographical sector:

 Applicable Not applicable

Reasons for the change in revenue composition:

The change in revenue and cost of sales of transportation services during the reporting period was mainly due to the development of new customers during the reporting period, namely Dongguan Huapengfei Modern Logistics Co., Ltd. (東莞華鵬飛現代物流有限公司), Xiamen Xinchuan Haitong Logistics Co., Ltd. (廈門新川海通物流有限公司) and Guangdong ETE Logistics Technology Co., Ltd., and the business volume of old customers maintained a steady growth and the results increased significantly.

(3) Information on major customers

Unit: RMB

No.	Customers	Sales amount	Percentage of annual sales revenue	Whether connected relationship existed
1	Zhuhai Yuelong Transportation Co. Ltd. (珠海市粵隆運輸有限公司)	19,653,585.10	6.28%	No
2	Guizhou Redstar Developing Import & Export Co.,Ltd. (貴州紅星發展進出有限責任公司)	16,804,234.41	5.37%	No
3	Jiangmen Dachangjiang Group Co., Ltd. (江門市大長江集團有限公司)	13,670,755.68	4.37%	No
4	Jiangmen Yamen New Fortune Environmental Protection Industry Co. Ltd. (江門市崖門新財富環保工業有限公司)	13,299,521.39	4.25%	Yes
5	Shaoguan BYD Industrial Co. Ltd. (韶關比亞迪實業有限公司)	10,081,409.20	3.22%	No
Total		73,509,505.78	23.49%	-

(4) Information on major suppliers

Unit: RMB

No.	Suppliers	Purchase amount	Percentage of annual purchase revenue	Whether connected relationship existed
1	Shenzhen Nanchen International Logistics Co., Ltd. (深圳市南晨國際物流有限公司)	30,592,364.63	14.02%	No
2	Anhui Gongsheng Logistics Technology Co., Ltd. Tongling Branch (安徽共生物流科技有限公司銅陵分公司)	29,577,695.40	13.55%	No
3	Wells (Guangzhou) Supply Chain Co., Ltd. (威爾斯(廣州)供應鏈有限公司)	17,169,060.91	7.87%	No
4	Shenzhen Liangchen Yuntong Supply Chain Co. Ltd. (深圳市良辰運通供應鏈有限公司)	16,249,511.89	7.44%	No
5	Shenzhen Xiongkun Logistics Co. Ltd. (深圳雄坤物流有限公司)	15,928,178.52	7.30%	No
Total		109,516,811.35	50.18%	-

3. Cash Flows Position

Unit: RMB

Item	Amount of the period	Amount of the previous period	Change (%)
Net cash flows from operating activities	-8,541,722.25	8,290,198.00	-203.03%
Net cash flows from investing activities	-14,202,348.88	-22,123,781.60	35.81%
Net cash flows from financing activities	23,632,577.37	6,059,836.76	289.99%

Cash flows analysis:

As at the end of the reporting period, the net cash flow from operating activities changed by -203.03% as compared with the same period of last year, mainly due to the increase of 31.51% in operating income for the period and the increase of RMB32,547,263.54 in accounts receivable as compared with the same period of last year. The main strategy for improving gross profit margin during the reporting period was to reduce the settlement cycle of carriers, resulting in a decrease of 14.7% in accounts payable as compared with the same period of last year, resulting in an increase of 34.52% in cash paid for goods purchased and services received during the reporting period as compared with the same period of last year.

The net cash flow from investing activities changed by 35.81% as compared with the same period of last year, mainly due to the decrease in new fixed assets during the reporting period as compared with the same period of last year.

The net cash flow from financing activities amounted to RMB23,632,577.37, compared with net cash flow of RMB6,059,836.76 in the previous period, representing a change of 289.99% as compared with the same period of last year, which was mainly due to the increase in bank loans of RMB27,101,046.53 for the working capital needs of the company, representing an increase of 104.85% as compared with the same period of last year.

(IV) Analysis of Investment

1. Major subsidiaries and investees

√ Applicable □ Not applicable

Unit: RMB

Company name	Company type	Principal activities	Registered capital	Total assets	Net assets	Operating income	Net profit
Jiangmen Jiasijie Painting Engineering Co., Ltd.* (江門嘉思捷塗裝工程有限公司)	Subsidiary	Dangerous goods transportation, general freight; domestic land freight forwarding.	RMB 3 million	3,555,391.93	2,587,735.45	9,673,750.75	273,616.16
Jiangmen Ruiyuan Supply Chain Management Co., Ltd.* (江門市銳源供應鏈管理有限公司)	Subsidiary	Enterprise management consulting; supply chain management and related supporting services; computer software and hardware development; wholesale and sales of pre-packaged food.	RMB 10 million	0	-20,962.32	0	-643.87
Sichuan Dingjie Supply Chain Management Co., Ltd.* (四川鼎捷供應鏈管理有限公司)	Subsidiary	General projects: supply chain management services; software development; software sales; domestic freight forwarding; general cargo warehousing services.	RMB 10 million	71,457.14	70,457.14	0	-28,968.25

Guangdong Anyang Supply Chain Management Co., Ltd. *(廣東安揚供應鏈管理有限公司)	Subsidiary	Supply chain management services: general cargo storage services; domestic freight forwarders; road transport of dangerous goods.	RMB 5 million	9,453,292.78	4,303,106.35	5,883,305.03	-696,893.65
Guangdong Jieyun Environmental Service Co., Ltd. *(廣東捷運環境服務有限公司)	Subsidiary	General projects: solid waste management; environmental consulting services; water pollution control; supply chain services: general cargo storage services; packaging services, etc.	RMB 5 million	0	0	0	0

Analysis of major investees' business

Applicable Not applicable

Structured entities under the control of the company

Applicable Not applicable

2. Investment in wealth management products

Applicable Not applicable

Unit: RMB

Type of wealth management products	Funding sources	Outstanding balance	Amount overdue but not recovered	Description of the impact on the Company of the expected non-collection of principal or the existence of other circumstances that may result in impairment
Bank wealth management products	Internal funds	0	0	Nil
Total	-	0	0	-

Entrusted wealth management of non-financial institutions, high-risk entrusted wealth management or entrusted wealth management of individually significant amount

Applicable Not applicable

3. Co-investment and co-operation with private equity fund managers or inclusion of private equity fund managers in the scope of consolidation

Applicable Not applicable

(V) Research and Development

Research and development expenses:

Item	Amount/ratio of the period	Amount/ratio of the previous period
Amount of research and development expenses	9,719,356.49	7,189,449.82
Research and development expenses as a percentage of operating income	3.10%	3.02%
Percentage of capitalised research and development expenses	-	-

Research and development staff:

Education level	Number of personnel at the beginning of the period	Number of personnel at the end of the period
Doctor's degree	0	0
Master's degree	0	0
Below Bachelor's degree	56	56
Total research and development staff	56	56
Research and development staff as a percentage of total staffs	31.28%	26.79%

Patents:

Item	Amount of the period	Amount of the previous period
Number of patents owned by the company	8	7
Number of invention patents owned by the company	0	1

Research and development projects:

The company has been committed to the research and development of modern supply chain logistics management technologies such as logistics operation technology and information technology that break through the constraints of the traditional logistics industry. The R & D projects in relation to warehousing intelligent forklifts, real-time monitoring and positioning of logistics vehicles, hazardous waste transportation management platform, visual carrier loading management system have achieved results transformation, and scientific logistics management has been achieved in transportation, warehousing, loading and unloading, packaging, distribution, circulation and processing through modern logistics information technology such as computer communication network technology, identification technology, data transmission tracking technology, database technology and intelligent technology. Logistics management efficiency and logistics efficiency have been greatly improved.

(VI) Audit

1. Description of non-standard audit opinions

Applicable Not applicable

2. Description of key audit matters:

Applicable Not applicable

Key audit matters	Description of the matter	Audit response
Income recognition	As disclosed in Note V. (XXX) to the financial statements of the company, in 2022, the company recognised income from principal activities of RMB312,932,523.97, which was mainly attributable to income from the provision of transportation and storage and logistics service. We identified income from principal activities as a key audit matter because the authenticity, accuracy and completeness of the recognition of income from principal activities has a greater impact on the company's profit, and considering that income is one of the company's key performance indicators, which results in the inherent risk that income may be recognized in an incorrect period or be manipulated to achieve target or expected levels.	Our audit procedures to assess the recognition of revenue mainly included: (1) obtaining an understanding of and assessing the design and operating effectiveness of management's key internal controls relating to revenue recognition; (2) inspecting service contracts on a sample basis, identifying contract terms and conditions and assessing whether the timing of revenue recognition was in accordance with the requirements of the Accounting Standards for Business Enterprises; (3) selecting samples of service revenue transactions recorded during the year, checking invoices, contracts, receipt records and reconciliation records, and evaluating whether the related revenue recognition was in accordance with the company's accounting policies for revenue recognition; (4) selecting samples of revenue transactions recorded before and after the balance sheet date, checking the confirmation documents for the provision of services and other supporting documents to evaluate whether the revenue was recorded in the appropriate accounting period; (5) issuing confirmations to major customers and performing background investigation procedures to verify whether the operating income was true and recorded in the correct period.
Provision for bad debts of accounts receivable	As stated in Note V. (III) to the financial statements of the company, as of 31 December 2022, the book balance of the company's accounts receivable was RMB114,742,795.66 with provision for bad debts of RMB4,080,400.31 and carrying amount of RMB110,662,395.35.	The main audit procedures we implemented for the provision for bad debts of receivables included: (1) obtaining an understanding of the key internal controls related to the impairment of accounts receivable, evaluating the design of these controls,

	<p>We identified the provision for bad debts of accounts receivable as a key audit matter due to the significant accounting estimates and judgements involved in the determination of provision for bad debts by the management and the significance of the provision for bad debts of accounts receivable to the financial statements.</p>	<p>determining whether they have been implemented, and testing the effectiveness of the operation of relevant internal controls;</p> <p>(2) reviewing the relevant consideration and objective evidence of the management’s credit risk assessment or impairment test on accounts receivable, and evaluating whether the management appropriately identified the credit risk characteristics of accounts receivable or impaired accounts receivable;</p> <p>(3) for accounts receivable with expected credit losses measured on a collective basis, evaluating the rationality of the management’s grouping based on credit risk characteristics; evaluating the reasonableness of the comparison table of the ageing analysis of accounts receivable against the expected credit loss rates determined by the management based on historical credit loss experience and forward-looking estimates; testing the accuracy and completeness of the data used by management and the accuracy of the calculation of the provision for bad debts;</p> <p>(4) selecting samples to confirm the large accounts receivable or a portion of accounts receivable with small amount but with large occurrences at the end of the period;</p> <p>(5) checking whether the information related to the impairment of accounts receivable has been properly presented in the financial statements.</p>
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(VII) Changes in Accounting Policies and Accounting Estimates or Rectification of Material Accounting Errors

√ Applicable Not applicable

1. Changes in accounting policies

(1) Since 1 January 2022, the company has implemented the provision of "Accounting treatment for the sale of products or byproducts produced by the enterprise before fixed assets reaching intended use or in the course of research and development" in the Interpretation No. 15 of the Accounting Standards for Business Enterprises issued by the Ministry of Finance. The change in accounting policy has no impact on the company's financial statements.

(2) Since 1 January 2022, the company has implemented the provision of "Judgment on loss-making contracts" in the Interpretation No. 15 of the Accounting Standards for Business Enterprises issued by the Ministry of Finance. This provision will be implemented for contracts that have not completed all obligations on 1 January 2022. The change in accounting policy has no impact on the company's financial statements.

(3) Since 2022, the company has implemented the provision of "The accounting treatment for the initial recognition exemption is not applicable to the deferred income tax related to assets and liabilities arising from a single transaction" in the Interpretation No. 16 of the Accounting Standards for Business Enterprises issued by the Ministry of Finance. The change in accounting policy has no impact on the company's financial statements.

(4) Since 30 November 2022, the company has implemented the provision of "Accounting treatment for the income tax effect of dividends on financial instruments classified by the issuer as equity instruments" in the Interpretation No. 16 of the Accounting Standards for Business Enterprises issued by the Ministry of Finance. The change in accounting policy has no impact on the company's financial statements.

(5) Since 30 November 2022, the company has implemented the provision of "Accounting treatment for the enterprise's modification of cash-settled share-based payment to equity-settled share-based payment" in the Interpretation No. 16 of the Accounting Standards for Business Enterprises issued by the Ministry of Finance. The change in accounting policy has no impact on the company's financial statements.

2. Changes in accounting estimates

There were no changes in accounting estimates during the period.

3. Correction of significant accounting errors

There was no correction of material accounting errors in the period.

(VIII) Changes in the Scope of the Consolidated Financial Statements

Applicable Not applicable

In June 2022, the Resolution on the Establishment of a Controlling Subsidiary by External Investment was considered and approved at the second meeting of the third session of the Board of the company, pursuant to which the company established a holding subsidiary, Guangdong Anyang Supply Chain Management Co., Ltd. *(廣東安揚供應鏈管理有限公司), in which the company holds 70% of shares. The subsidiary has been included in the scope of consolidation since its establishment.

In December 2022, the Resolution on the Establishment of a Controlling Subsidiary by External Investment was considered and approved at the fifth meeting of the third session of the Board of the company. The company established a holding subsidiary, Guangdong Jieyun Environmental Service Co., Ltd. *(廣東捷運環境服務有限公司), in which the company holds 51% of shares. The subsidiary has been included in the scope of consolidation since its establishment.

(IX) Corporate Social Responsibility**1. Consolidating achievement in poverty alleviation and fulfilling social responsibility for rural revitalization**

Applicable Not applicable

2. Performance of Other Social Responsibility

Applicable Not applicable

The company always adheres to the core values of health, people-oriented and enterprising, serves customers with a professional and responsible attitude, and strives to fulfil its social responsibility as an enterprise. The company focus on shareholder return and formulates equity distribution plan; cares for the growth of employees, attaches importance to employee training and continuously improves the labour employment system; operates with integrity and pays taxes according to regulations; participates in charity work. The company conscientiously carries out every work beneficial to the society, and makes every effort to be responsible for the society, all shareholders and every employee of the company.

III. GOING CONCERN ASSESSMENT

1. After 18 years of development, the company has grown into a professional supply chain management company integrating supply chain integrated services, integrated logistics services, e-commerce logistics, supply chain finance, hazardous chemical storage and transportation, etc. Major customers are involved in various industries such as food, chemical, metal and paper making. Dachangjiang Group, Toyo Ink, Tiandi Yihao, Carpoly Chemical Group Co., Ltd. (嘉寶莉化工集團股份有限公司) and Jiangmen Pengjiang Haojue Commercial Co., Ltd. (江門市蓬江區豪爵商務有限公司) are long-term strategic partners of the company.

2. During the reporting period, the company achieved an operating income of RMB313,028,646.51 and a net profit of RMB33,629,009.09 for the year. The company's business remained stable, the asset and liability structure was reasonable, the financial policy was stable, and the working capital liquidity was good. The company has the ability to continue as a going concern.

3. During the reporting period, the company strictly complied with a series of basic rules and regulations such as the Company Law, the Articles of Association, the Rules of Procedure of the Board of directors, the Rules of Procedure of the Supervisory Committee and the Rules of Procedure of General Meeting to give full play to the check and balance between the general meeting, the board of directors and the supervisory committee in the implementation of the system, control operational risks and ensure the standardisation of corporate governance.

In conclusion, the company has the ability to continue as a going concern and there are no major adverse factors affecting the ability to continue as a going concern.

IV. PROSPECTS

Voluntary disclosure

Yes No

(I) Industry Development Trend

The development of foreign logistics industry is significantly better than that of domestic logistics industry in terms of start-up, scale and technology, forming a modern logistics equipment technology pattern with information technology as the core and transportation technology, distribution technology, loading and unloading handling technology, automatic warehousing technology, inventory control technology, packaging technology and other professional technologies as the support. In comparison, the domestic logistics industry mainly presents the following trends:

(1) Informatization and intelligence

At present, China's small and medium-sized logistics enterprises have the characteristics of insufficient informatization, which makes them unable to process logistics information through information systems and rely more on manual and traditional ways to coordinate scheduling. The informatization and intelligence of logistics enterprises will be a major trend in the future. The information technology system processes a large amount of logistics information, makes overall arrangements, and optimizes for distribution routes, effectively reducing the vehicle empty loading rate. At the same time, the warehousing of goods has changed from static management to dynamic management, accelerating the turnover rate, improving the usage efficiency of warehousing facilities, and reducing the cost of logistics services.

(2) Transition of supply chain

With the development of industry and commerce in various places, the trend of synergetic development of different regions is highlighted. Correspondingly, the proportion of logistics costs of enterprises has gradually increased, and the upstream and downstream transportation modes of enterprises have been affected by segmented and separate management patterns, resulting in long-term separation of transportation modes, which is not conducive to improving the efficiency of production and

operation of enterprises. While the traditional logistics model is engaged in simple special services, with the transportation, distribution, warehousing and other functions divided and single; when logistics activities are scattered in different enterprises and different departments, it is difficult for various logistics elements to give full play to their due role. Therefore, the transition of logistics supply chain is a customized service for production enterprises to reduce logistics costs and improve production efficiency. Combine such upstream production factors as transportation, warehousing, loading and unloading required by enterprises and the distribution of downstream enterprises, formulate supply chain logistics projects for different enterprises, and form an enterprise logistics network with exclusive third-party logistics services.

(3) Standardization and professionalization

At present, due to the uneven level of small and medium-sized logistics enterprises in the market, many private enterprises have not yet moved towards standardization in management; at the same time, the relevant laws and regulations of the industry still need to be improved, resulting in the logistics industry having the characteristics of imperfect standardization, franchise and subcontracting chaos, and a management level yet to be improved. In the future, with the improvement of relevant specifications of the logistics industry, promulgation of storage and transportation standards for various industries one after another, and the increase of the qualification, quality control and management thresholds of enterprises, the logistics industry will become more standardized and serve in a more professional way.

(4) Scale and integration

As an intermediate industry serving industrial and commercial activities, the logistics industry has high requirements for the efficiency of goods flow; while the business models featuring small-scale, fragmentation and extensiveness of some small logistics enterprises greatly limit the efficiency of the logistics industry. With the improvement of relevant industry norms, the scale operation of the logistics industry will be a general trend, and the industry integration will surely accelerate. The integration of the logistics industry can be achieved in two ways, one of which is the scale of the enterprise itself, expanding the scale of the enterprise efficiently and continuously through its own development norms; the other is the realization of the advantages of the platform by relying on IT systems and other methods, integrating different special lines, and achieving integration while improving the quality of transportation with the same standardized process.

(II) Development Strategy of the Company

The company's current strategy is to actively develop large national customers in the fields of new energy and industrial hazardous waste. With the transportation of dangerous goods and customised supply chain business as the company's core growth point, the company will build itself into the largest third-party supply chain enterprise in the dangerous goods sector in the province, continuously improve the company's profitability and professionalism in sub-sectors, and gradually build a dangerous goods information data platform in the province.

(III) Operation plan or Target

1. Innovate cooperation models and expand business channels to achieve the goal of sustainable business growth.

In 2023, the company maintained effective communication with core customers and reached strategic cooperation agreements to deepen the integrated supply chain business and ensure the rapid growth of core business.

An Jie will achieve rapid business growth from the following four aspects:

Firstly, An Jie regards the hazardous waste transportation business as a new growth pole. The company has set up a professional sales team and operation team for hazardous waste transportation. At the same time, it has strengthened the training of customer service personnel and has greatly improved service quality and obtained the trust and support of a number of customers. The company has entered into strategic cooperation agreements with more than 20 hazardous waste disposal enterprises, achieving rapid growth of core business.

Secondly, the sales department strengthens business contacts and formulates practical sales plans, ensuring new growth of business.

Thirdly, we will enhance the development of cold chain and refrigeration business of agricultural products. In view of the advantage of relatively abundant resources of local agricultural products in Jiangmen, the company will vigorously carry out cold chain and refrigeration business in line with the purpose of reducing costs and increasing efficiency for farmers and providing consumers with quality and fresh-keeping agricultural products, to achieve rapid growth of cold chain business

Fourthly, we will strengthen the integration of warehousing resources to ensure the stable growth of warehousing business. Since 2022, An Jie has reached a consensus with a number of manufacturing industries on the efficient utilisation of warehouse resources to deeply integrate with each other, which not only reduces the cost for customers, but also greatly enriches the warehouse resources of An Jie, laying a solid foundation for the stable growth of warehousing business and ensuring the stable growth of warehousing business.

2. Implement the construction of Phase 2 project of the An Jie E-commerce Industrial Park to ensure that the project will complete on schedule.

The infrastructure project of Phase 2 of An Jie E-commerce Industrial Park is expected to invest RMB60,000,000, mainly to ensure the operation needs of core customers, and at the same time, increase efforts in attracting investment, introduce high value-added, loyal and sustainable customers to stay in the park, and ensure the efficient use of the plant after it is completed and put into operation.

The cold chain distribution centre project, with an investment of RMB25,000,000, has been completed and put into use. The design and construction of this project emphasizes the concept of green ecology, saving and environmental protection, recycling, health and harmony as well as modern science and technology. The project establishes a comprehensive supply chain management platform with the cold chain control system as the core, provides the whole cold chain technical support for the centralized procurement, pre-coldness, processing, warehousing, transportation and other links of agricultural products; realizes the whole cold chain of agricultural products, the whole process of information processing of the agricultural product supply chain and the interconnection of upstream and downstream data in the supply chain, which has effectively promoted the construction of regional agricultural products cold chain circulation system and agricultural product supply chain system and become a model for post-commercialization treatment of agricultural products and cold chain circulation supply chain management in Pengjiang District and even Jiangmen City, and significantly boost the company's business income and profit.

3. Make full use of the capital market, actively carry out various financing work, and promote the upgrading and development of the company's business.

In 2023, the company will continue to explore various financing and development channels through investment, acquisition, merger and acquisition in accordance with its development strategy, focusing on its core business, under the premise of reasonably controlling risks and taking into account the market conditions, and effectively integrate resources and improve operational efficiency, so as to continuously enhance the scale and competitiveness of the company.

At the same time, the company will strive to introduce state-owned capital and introduce partners with strategic cooperation to enter the company to achieve win-win cooperation. It will also bring strong financial support for the company to expand new businesses, facilitate the rapid development of the company, further improve the logistics supply chain layout of the company, and enhance the company's industry position and comprehensive competitiveness.

4. Strengthen brand building and continuously enhance core competitiveness.

The company will strengthen the brand building of An Jie. With resources of customers, locations, facilities and technologies, An Jie vigorously develop third-party logistics business, and strive to strengthen supply chain integration services. Especially in the field of production logistics, An Jie set a benchmark for the linkage development of manufacturing and logistics, with a focus on strengthening customer service personnel training, service mode expansion and service quality improvement, further strengthening the brand building and continuously enhancing the core competitiveness of An Jie. In particular, the company will strengthen the training of employees in the transportation of dangerous goods and hazardous waste and the introduction of professional personnel, so as to lay a solid foundation for An Jie to become a new energy service provider and form its core competitiveness in the field of new energy services.

5. Intensify technological development and innovation, build a smart logistics public service platform for An Jie, and constantly improve the technological content to further enhance our core competitiveness.

On the basis of the traditional logistics industry, a smart logistics public service platform for An Jie is built by carrying out integration on diversified business through utilization of the Internet technology with a view to integrate the dedicated resources in the industry through the platform, launch integrated solutions for downstream enterprises, promote the intelligent development of logistics, and create a regional vehicle benchmarking information platform. Through the smart logistics platform, the better logistics supply chain service is provided for domestic manufacturing industry to reduce the operation cost of manufacturing industry and improve their comprehensive competitiveness of domestic manufacturing industry. In terms of technological development and innovation, the company implements the strategy of technology innovation and structure optimization to promote the company's overall pace of innovation. Starting with the deep integration of both Internet of Things and advanced Information Technology in the logistics industry, An Jie grasps the new trends of technology and industrial development in the logistics industry and accelerates the promotion of construction on information engineering such as big data and cloud computing. Based on the Internet of Things and big data technology, an advanced supply chain integrated service platform is built, which mainly includes two systematic function modules such as WMS/TMS.

6. Broaden the channels of talent training and introduction, coordinate and improve the construction of talent team to promote the sustainable development of the company.

In order to meet the company's future sustainable development, the company will, under the guidance of the talent strategy of the board of directors, continue to adhere to the "people-oriented (以人為本)" principle. The company will firmly grasp the principle of professional people to do the professional things, continue to strengthen the construction and training of talent team, and stick to "An Jie development driven by joint efforts (安捷發展、共同創造)", "Growth dividend shared by all (發展紅利、共同分享)" and "Advancing with the times together (與時俱進、共同成長)". The company will focus on cultivating high-caliber and highly skilled talents, with excellent project managers as priority, coordinate and improve the building of various talent teams, and adhere to the combination of internal training and promotion and external absorption and introduction, so that the company's talent pool continues to expand, thus promoting the sustainable development of the company.

7. Strengthen project management and control, strictly control management risks, and comprehensively improve management level.

To better manage costs in 2023, the company will implement strict cost control, advocate scientific and efficient management, carry out planning, implementation, supervision and control for every single project, and conduct multi-dimensional assessment and evaluation in terms of cost, quality, progress, payment collection and other aspects of the project for relevant departments. In 2023, the company will strengthen the electronic informatization of internal control, strengthen compliance and standardization, strictly control management risks, comprehensively improve management level and make information transmission more accurate and timelier with double efficiency.

8. Pay close attention to standardized management, attach importance to "law"-based corporate governance, and lay a foundation for the long-term sustainable and healthy development of the enterprise.

Standardized management is a basic requirement for both a modern enterprise and a public listed company, and even a requirement for aspiring to build a century-old enterprise.

"Law" represents national laws and policies as well as rules and regulations and operational logics of an enterprise. To this end, we will strive to strengthen the standardization of the enterprise from three aspects; first, further establish and improve the company's systems, especially the internal control system and process such as production and operation, quality control, cost reduction, safe and

civilized production, to form a more complete system; second, intensify the implementation and supervision of the systems, and intensify the implementation and supervision of system by the board of supervisors, the audit department and other authorities, so as to ensure that orders and prohibitions are enforced; third, strengthen the study and training of standardized management, arm the thinking of executives, managers and ordinary employees with the legal system, promote a consistent thinking of employees with a consistent system, and lay the systemic and ideological foundation for the sustainable and stable development of the company.

The above operation plans or targets do not constitute performance commitments to investors. Investors are advised to maintain sufficient risk awareness and understand the difference between operation plans and performance commitments.

(IV) Uncertainty Factors

At present, the company does not have any uncertainties that have a material effect on the company's operations.

V. RISK FACTORS

(I) Risk factors persisted into the current year

1. Risk of increased competition

The company is mainly engaged in third-party logistics services. From the competitive landscape, the state-owned, foreign-invested and other large logistics enterprises stand out in the market; small and medium private logistics enterprises have disadvantages such as small business radius and relatively backward technology, although they have absolute dominance in a particular region and sub-sector within the industry. However, with the stabilization of the market scale, the large-scale logistics enterprises are expanding into the sub-sector, the small and medium logistics enterprises will be faced with the risk of intensified competition.

Counter measures: To address this risk, the company will further expand the market radius, gradually radiate from the Jiangmen to Guangdong and even all over the country, carry out market integration through the establishment of a logistics service platform, to expand the company's scale and improve its competitiveness.

2. Risk of relative concentration of major customers

In 2022, the company's sales to its five largest customers amounted to RMB73,509,505.78, accounting for 23.48% of operating income in the current period. Among which, Zhuhai Yuelong Transportation Co. Ltd. (珠海市粵隆運輸有限公司), Guizhou Redstar Developing Import & Export Co.,Ltd. (貴州紅星發展進出口有限責任公司), Jiangmen Dachangjiang Group Co., Ltd., Jiangmen Yamen New Fortune Environmental Protection Industry Co. Ltd. (江門市崖門新財富環保工業有限公司) and Shaoguan BYD Industrial Co. Ltd. (韶關比亞迪實業有限公司) are top five customers of the company. The company has the risk of relative concentration of customers. If the company's current major customers reduce their purchases of the company's services due to changes in business conditions or other factors, the company's operations may be affected to a certain extent.

Counter measures: To address this risk, on the one hand, the company will establish a more solid cooperative relationship with its customers in various aspects such as logistics, warehousing and distribution through integrated supply chain projects to reduce the risk of loss of customer; on the other hand, the company will proactively expand its business, accumulate customer resources and develop more high-value customers, currently, the company has a number of new customer projects in the pipeline.

3. Risk of bad debts in the accounts receivable

The company's principal business is to provide professional integrated logistics and warehousing services to customers in manufacturing, retail distribution and other industries. As at 31 December 2022 and 31 December 2021, the company's net accounts receivable were RMB 110,662,395.35 and RMB 78,115,131.81, respectively. The company's receivable balances are relatively large, and the average settlement period of the company's customers is 3.19 months. With the expansion of the company's operation scale, the receivable balances may continue to increase. If the company fails to collect the accounts receivable or if there are any unfavorable changes in the creditworthiness and financial condition of the company's customers, the company may be exposed to the risk of bad debts, which may in turn affect the company's cash flows and profitability.

Counter measures: To address this risk, the company will, on the one hand, strengthen the investigation and analysis of the credit status of its customers and formulate corresponding credit policies based on the actual operation of the company and the creditworthiness of its customers; on the other hand, the company will intensify its efforts to collect its accounts receivable and analyze the year and amount of arrears respectively and take different measures to obtain the best collection results.

4. Transportation safety risk

The company is engaged in road freight transportation (including the qualification of dangerous goods transport). Although the company has formulated detailed and strict internal control management system in the various links such as warehousing, delivery, and purchased carrier's liability insurance for vehicles in transit, there are transportation safety risks due to weather, road conditions, vehicle malfunctions, drivers in accordance with the characteristics of the transportation industry. If there are accidents, it will cause adverse impacts to the company's operation.

Counter measures: To address this risk, the company will comply strictly with the internal management system to minimize the artificial risk; and hedge the risk through purchasing insurance to minimize the losses.

During the reporting period, there were no changes in other risk factors that persisted into the current year, except the risk of insufficient liquidity, which has been eliminated.

5. Supply Chain Management Risk

It is an inevitable trend for private logistics enterprises to develop from single function to comprehensiveness. The diversified demands of customers require logistics enterprises to provide integrated services from supplying place to place of consumption. It makes private logistics enterprises to face complexity and uncertainty of supply chain management during the transition process of providing supply chain management solution to customers, which leads to problems of supply chain management time risk, safety risk and cooperation risk.

Counter measures: (1) establish strategic cooperation partnership. (2) conduct daily management of risks. (3) strengthen information sharing, and establish information technology exchange platform. (4) optimize cooperation partners, realize cultural integration and strengthen trust and incentives.

(II) New Risk Factors During the Reporting Period

There are no new risk factors during the reporting period.

Significant Events

I. INDEX OF SIGNIFICANT EVENTS

Item	Yes or No	Index
Any lawsuits or arbitrations	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	V. II.(I)
Any providing guarantees	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any loans provided to external parties	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any appropriation or transferring of the company's funds, assets and other resources by the shareholder(s) and its related parties	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	V. II.(II)
Any daily related party transactions	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	V. II. (III).
Any other major related party transactions	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any acquisitions, sales of assets, foreign investment matters that had been considered and approved by the shareholders' meeting and corporate mergers that occurred during the reporting period	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any share incentive scheme, employee stock ownership scheme or other employee incentive measures	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any share repurchases	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any disclosed commitments	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	V. II. (IV)
Any cases where assets were attached, seized, frozen or mortgaged or pledged	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	V. II. (V)
Any matters of being investigated and punished	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any situations of dishonesty	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any other significant events which shall be disclosed	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any other events of voluntary disclosure	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	

(I) DETAILS OF SIGNIFICANT EVENTS (IF THE MATTER EXISTS, SELECT THE FORM BELOW TO FILL OUT)

1. Litigations and arbitrations

2. Litigations and arbitrations arising during the reporting period

Yes No

Unit: RMB

Nature	Cumulative amount		Total	Percentage of net assets at the end of the period %
	As plaintiff/applicant	As defendant/respondent		
Litigations and arbitrations	81,803.97	940,294.38	1,022,098.35	0.85%

(2022) Shan No. 1021 Zhi 420, in the case of a dispute over road freight transportation contract between An Jie Supply Chain Management Co., Ltd. (廣東安捷供應鏈管理股份有限公司), the execution applicant, and Luonan Luotong Trade Logistics Co., Ltd. (洛南洛銅商貿物流有限公司), the person subject to enforcement, according to an enforcement ruling issued by the People's Court of Luonan County, Shaanxi Province (陝西省洛南縣人民法院), the person subject to enforcement has performed RMB400,000 before the reporting period and RMB 6,274.00 during the reporting period, the rest continued after the reporting period.

(2022) Yue 0703 Min Chu No. 6350, in relation to the case of the private lending dispute between An Jie Supply Chain Management Co., Ltd. as the plaintiff and Li Yongtai (李永泰) as the defendant, according to the execution ruling issued by Pengjiang District People's Court Of Jiangmen City, the defendant failed to perform the case during the reporting period.

3. Major litigation and arbitration disclosed in the provisional announcements

Applicable Not applicable

4. Appropriation or transferring of the company's funds, assets and other resources by the shareholder(s) and its related parties

There was no appropriation or transferring of the company's funds, assets and other resources by the shareholder(s) and its related parties during the reporting period.

5. The daily related party transactions of the company during the reporting period

Unit: RMB

Types of specific matters	Estimated amount	Amount incurred
Purchase of raw materials, fuel and power, receipt of services		
Sales of products and goods, provision of services	55,000,000	19,275,677.15
The types of daily related party transactions that are applicable to the company stipulated in the company's articles of association		
Others	56,000	0

The related party transactions of finance companies of enterprise groups

Applicable Not applicable

6. Fulfillment of commitments

Subject of commitment	Commencement date of commitment	Ending date of commitment	Source of commitment	Type of commitment	Details of commitment	Fulfillment of commitment
De facto controllers or controlling shareholder	1 December 2016	-	Listing	Industry Competition commitment	See detail 1 below	In progress
The company	1 December 2016	-	Listing	Commitment to appropriate funds	See detail 2 below	In progress
De facto controllers or controlling shareholder	1 December 2016	-	Listing	Labor, social security contributions	See detail 3 below	In progress
De facto controllers or controlling shareholder, directors, supervisors and senior management	1 December 2016	-	Issuance	Corporate governance	See detail 4 below	In progress
De facto controllers or controlling shareholder, directors, supervisors and senior management	1 December 2016	-	Listing	Fund regulation	See detail 5 below	In progress

Details of commitment:

1. The commitment of controlling shareholder and de facto controllers to avoid competition in the same industry. During the reporting period, the company's controlling shareholder Zhang Yan (張艷), de facto controllers Zhang Yan (張艷) and Yang Yongming (楊永明) strictly complied with the commitment.

2. The commitment of the company to the guarantees, appropriation of funds and measures taken during the reporting period. No circumstances occurred during the reporting period that triggered the need to fulfill the commitment.

3. For the company's labour and social security contributions, the company's controlling shareholder and de facto controllers have issued a written commitment to gradually standardize the social insurance and housing fund contributions and will assume full compensation obligations to the company if the company is held accountable for administrative or civil liability due to the labour contract, social insurance and housing fund contributions matters. During the reporting period, the controlling shareholder and de facto controllers of the company strictly complied with the commitment.

4. In order to further strengthen the corporate governance and improve the internal control, the company will prevent the recurrence of the above situation in the subsequent operation. The company and the de facto controllers made a commitment that from 19 October 2016, cash will no longer be used for receipt and payment in daily operations. The controlling shareholder, directors, supervisors and senior management strictly complied with the commitment during the reporting period.

5. The company made a commitment to require all employees to apply for payroll cards in its future operations and will no longer use cash payment to pay wages to employees. The controlling shareholder, directors, supervisors and senior management strictly complied with the commitment during the reporting period.

7. Information of assets which were seized, detained, frozen, mortgaged or pledged

Unit: RMB

Asset	Type of asset	Type of restricted rights	Book Value	Percentage of total assets %	Causes
Land use rights	Intangible assets	Mortgage	18,897,880.29	8.25%	Land use rights were mortgaged for the loan
Buildings	Fixed assets	Mortgage	27,646,885.66	12.06%	Buildings were mortgaged
Total	-	-	46,544,765.95	20.31%	-

The impact of restricted rights of the asset on the company:

The above-mentioned mortgage of land use rights and buildings were necessary for the company to achieve normal business development and operation, and supplemented the company's capital needs through bank loans, which was conducive to improving the company's financial condition, increasing the company's operating strength, promoting the company's business development, and benefiting the interests of shareholders as a whole.

CHANGES IN SHARES, FINANCING AND PROFIT DISTRIBUTION

I. ORDINARY SHARES

(I) Share capital structure of ordinary shares

Unit: shares

Nature of shares		At the beginning of the period		Change	At the end of the period		
		Number of shares	Proportion %		Number of shares	Proportion %	
Selling unrestricted shares	Total number of selling unrestricted shares	20,727,000	48.65%	-358,500	20,368,500	47.81%	
	Of which: controlling shareholder, de facto controllers	6,932,500	16.27%	0	6,932,500	16.27%	
	Directors, supervisors and senior management officers	7,291,000	17.12%	-7,291,000	0	0.00%	
	Core staff						
Selling restricted shares	Total number of selling restricted shares	21,873,000	51.35%	358,500	22,231,500	52.19%	
	Of which: controlling shareholder, de facto controllers	20,797,500	48.82%	0	20,797,500	48.82%	
	Directors, supervisors and senior management officers	21,873,000	51.35%	-21,873,000	0	0.00%	
	Core staff						
Total share capital		42,600,000	-	0	42,600,000	-	
Total number of shareholders with ordinary shares							66

Changes in share capital structure:

 Applicable Not applicable

(II) Top ten holders of ordinary shares

Unit: shares

No.	Name of shareholders	Total number of shares held at the beginning of the period	Change of shareholdings	Total number of shares held at the end of the period	Proportion of shareholdings at the end of the period %	Total number of selling restricted shares held at the end of the period	Total number of selling unrestricted shares held at the end of the period	Total number of pledged shares held at the end of the period	Total number of judicially frozen shares held at the end of the period
1	Zhang Yan (張艷)	26,856,000	0	26,856,000	63.04%	20,142,000	6,714,000	0	0
2	Ningbo Ruijie Investment Management Partnership (Limited Partnership) (寧波銳捷投資管理合夥企業(有限合夥))	5,208,000	-1,835,200	3,372,800	7.92%	0	3,372,800	0	0

3	Hanyu Group Co., LTD.	2,600,000	0	2,600,000	6.10%	0	2,600,000	0	0
4	Jia Liping (賈禮萍)	1,434,000		1,434,000	3.37%	1,434,000	0	0	0
5	Liang Yuzhan (梁宇戰)	1,153,300	7,497	1,160,797	2.72%	0	1,160,797	0	0
6	Ma Shaoshu (馬少舒)	1,144,000	0	1,144,000	2.69%	0	1,144,000	0	0
7	Jiangmen Jinhai No.1 Investment Fund Partnership (Limited Partnership) (江門市金海一號投資基金合夥企業(有限合夥))	0	1,014,200	1,014,200	2.38%	0	1,014,200	0	0
8	Heshan Lianzhi Investment Co., Ltd. (鶴山市聯智投資有限公司)	970,000	0	970,000	2.28%	0	970,000	0	0
9	Wu Yongxiong (吳永雄)	1,126,800	-175,300	951,500	2.23%	0	951,500	0	0
10	Yang Yongming (楊永明)	874,000	0	874,000	2.05%	655,500	218,500	0	0
Total		41,366,100	-988,803	40,377,297	94.78%	22,231,500	18,145,797	0	0
Explanation of the connected relationship among the top ten holders of ordinary shares: Zhang Yan (張艷) and Yang Yongming (楊永明) who are in a spousal relationship hold 63.04% and 2.05% of the shares of the company, respectively.									

II. BASIC SITUATION OF PREFERRED SHARES

Applicable Not applicable

III. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLERS

Any combined disclosure:

Yes No

(I) Controlling shareholder

As of the end of the reporting period, Zhang Yan (張艷) held 63.04% of the company's shares, the voting rights attached to which have a significant impact on the resolutions of the shareholders' meeting and shareholders' general meeting. Therefore, Zhang Yan (張艷) was the controlling shareholder of the company. The basic information of the controlling shareholder of the company is as follows:

Zhang Yan (張艷), female, Chinese nationality, born in 1976, without right of abode overseas, has a college degree. From August 1998 to March 2000, she served as the manager of Guangdong region of Jiangmen office of the business department of Henan Luoyang Second Transportation Company (河南洛陽第二運輸公司); from April 2000 to February 2004, she served as the manager of the business department of Jiangmen Likeda Transportation Co., Ltd. (江門利科達運輸有限公司); from March 2004 to May 2016, she served as the executive director of An Jie Supply Chain Management Co., Ltd.; and since May 2016, she has served as the chairman of An Jie Supply Chain Management Co., Ltd..

During the reporting period, there were no changes in the controlling shareholder of the company.

(II) De facto controllers

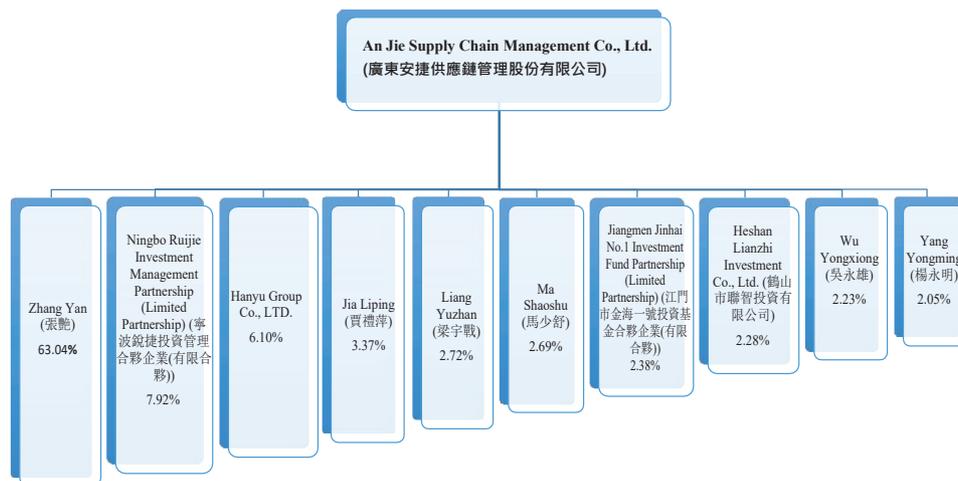
As of the end of the reporting period, Zhang Yan (張艷) held 63.04% of the company's shares and Yang Yongming (楊永明) held 2.05% of the company's shares. They are in a spousal relationship and jointly hold 65.09% of the company's shares, which can have a significant impact on the resolutions of the shareholders' general meeting and can actually control the company's behavior. Therefore, Zhang Yan (張艷) and Yang Yongming (楊永明) are the de facto controllers of the company. The basic information of the de facto controllers of the company are as follows:

Zhang Yan (張艷), female, Chinese nationality, born in 1976, without right of abode overseas, has a college degree. From August 1998 to March 2000, she served as the manager of Guangdong region of Jiangmen office of the business department of Henan Luoyang Second Transportation Company (河南洛陽第二運輸公司); from April 2000 to February 2004, she served as the manager of the business department of Jiangmen Likeda Transportation Co., Ltd. (江門利科達運輸有限公司); from March 2004 to May 2016, she served as the executive director of An Jie Supply Chain Management Co., Ltd.; and since May 2016, she has served as the chairman of An Jie Supply Chain Management Co., Ltd..

Yang Yongming (楊永明), male, Chinese nationality, born in 1972, without right of abode overseas, has a bachelor degree. From July 1995 to December 2010, he successively served as the instructor, the leader of combat training unit (作訓股股長), and the leader of training team (教導隊隊長) of Jiangmen Squadron of Jiangmen Armed Police Detachment (江門市武警支隊江門市中隊); from January 2011 to May 2016, he worked in An Jie Supply Chain Management Co., Ltd.; since May 2016, he has served as the director and general manager of An Jie Supply Chain Management Co., Ltd..

During the reporting period, there were no changes in the de facto controllers of the company.

The diagram of the property rights and controlling relationship between the company and the de facto controllers is as follows:

**IV. ISSUANCE OF ORDINARY SHARES AND USE OF FUND RAISED DURING THE REPORTING PERIOD****(I) Issuance of Ordinary Shares During the Reporting Period**

Applicable Not applicable

(II) Use of Fund Raised that Continued to Exist During the Reporting Period

Applicable Not applicable

V. INFORMATION OF PREFERRED SHARES THAT CONTINUED TO EXIST DURING THE CURRENT PERIOD

Applicable Not applicable

VI. BOND FINANCING THAT CONTINUED TO EXIST DURING THE CURRENT PERIOD

Applicable Not applicable

VII. CONVERTIBLE BOND THAT CONTINUED TO EXIST DURING THE CURRENT PERIOD

Applicable Not applicable

VIII. OCCURRENCE OF INDIRECT FINANCING OF BANK AND NON-BANK FINANCIAL INSTITUTIONS

Applicable Not applicable

Unit: RMB

No.	Form of loans	Loan provider	Type of loan provider	Size of loan	Duration		Interest rate
					Start Date	End Date	
1	Mortgages, guarantees	Bank of China (Jiangmen) Jiangsha Sci.& Tech Sub-Branch	Bank	2,180,000	01.04.2020	29.03.2023	4.40%
2	Mortgages, guarantees	Bank of China (Jiangmen) Jiangsha Sci.& Tech Sub-Branch	Bank	2,000,000	08.03.2021	07.03.2024	4.90%
3	Mortgages, guarantees	Bank of China (Jiangmen) Jiangsha Sci.& Tech Sub-Branch	Bank	4,000,000	24.06.2021	04.06.2022	4.20%
4	Mortgages, guarantees	Jiangmen Rural Commercial Bank Tangxia Sub-Branch	Bank	3,427,315	08.05.2021	20.04.2022	4.20%
5	Mortgages, guarantees	Jiangmen Rural Commercial Bank Tangxia Sub-Branch	Bank	1,572,685	08.05.2021	20.04.2026	4.70%
6	Mortgages, guarantees	Jiangmen Rural Commercial Bank Tangxia Sub-Branch	Bank	4,222,000	20.05.2021	20.04.2022	4.20%

7	Mortgages, guarantees	Jiangmen Rural Commercial Bank Tangxia Sub-Branch	Bank	655,000	19.05.2021	20.04.2026	4.70%
8	Mortgages, guarantees	Jiangmen Rural Commercial Bank Tangxia Sub-Branch	Bank	2,360,000	31.05.2021	20.05.2022	4.20%
9	Mortgages, guarantees	Jiangmen Rural Commercial Bank Tangxia Sub-Branch	Bank	2,800,804.04	01.07.2021	20.06.2022	4.20%
10	Mortgages, guarantees	Jiangmen Rural Commercial Bank Tangxia Sub-Branch	Bank	2,007,000	18.09.2021	20.08.2022	4.60%
11	Mortgages, guarantees	Jiangmen Rural Commercial Bank Tangxia Sub-Branch	Bank	793,600	18.09.2021	20.08.2026	4.70%
12	Mortgages, guarantees	Jiangmen Rural Commercial Bank Tangxia Sub-Branch	Bank	1,000,000	05.11.2021	20.10.2026	4.70%
13	Mortgages, guarantees	Jiangmen Rural Commercial Bank Tangxia Sub-Branch	Bank	1,000,000	01.12.2021	20.10.2026	4.70%
14	Mortgages, guarantees	Bank of China (Jiangmen) Jiangsha Sci.& Tech Sub-Branch	Bank	7,000,000	27.04.2022	27.04.2023	3.9%
15	Mortgages, guarantees	Bank of China (Jiangmen) Jiangsha Sci.& Tech Sub-Branch	Bank	4,000,000	22.06.2022	22.06.2023	3.9%
16	Mortgages, guarantees	Bank of China (Jiangmen) Jiangsha Sci.& Tech Sub-Branch	Bank	10,000,000	19.10.2022	19.10.2022	3.50%
17	Mortgages, guarantees	Bank of China (Jiangmen) Jiangsha Sci.& Tech Sub-Branch	Bank	10,000,000	01.12.2022	30.11.2022	3.50%

18	Mortgages, guarantees	Bank of China (Jiangmen) Jiangsha Sci.& Tech Sub-Branch	Bank	8,000,000	21.12.2022	21.12.2023	3.1%
19	Mortgages, guarantees	Bank of China (Jiangmen) Jiangsha Sci.& Tech Sub-Branch	Bank	2,360,000	19.05.2022	20.04.2023	4.67%
20	Mortgages, guarantees	Bank of China (Jiangmen) Jiangsha Sci.& Tech Sub-Branch	Bank	2,610,000	17.06.2022	20.05.2023	3.97%
21	Mortgages, guarantees	Bank of China (Jiangmen) Jiangsha Sci.& Tech Sub-Branch	Bank	4,500,000	01.07.2022	20.06.2023	3.97%
22	Mortgages, guarantees	Bank of China (Jiangmen) Jiangsha Sci.& Tech Sub-Branch	Bank	2,000,000	15.09.2022	10.08.2023	3.97%
23	Mortgages, guarantees	Bank of China (Jiangmen) Jiangsha Sci.& Tech Sub-Branch	Bank	5,000,000	26.12.2022	25.12.2023	3.1%
Total	-	-	-	83,488,404.04	-	-	-

IX · INTERESTS DISTRIBUTION

(I) Profit Distribution and Capitalization of Capital Reserve During the Reporting Period

Applicable Not applicable

Unit: RMB or shares

Date of consideration by the general meeting	Cash dividend for every 10 shares (tax inclusive)	Number of bonus shares for every 10 shares	Number of scrip shares for every 10 shares
25.05.2022	1.88		
Total	1.88		

The implementation of profit distribution and capitalization of capital reserve:

Applicable Not applicable

(II) Proposals for Interest Distribution

Applicable Not applicable

Unit: RMB or shares

Item	Cash dividend for every 10 shares (tax inclusive)	Number of bonus shares for every 10 shares	Number of scrip shares for every 10 shares
Annual distribution proposal	2.34		

X. ARRANGEMENTS FOR SPECIAL VOTING RIGHTS Applicable Not applicable

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND CORE STAFF

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Basic Information

Name	Position	Gender	Date of Birth	Tenure	
				Start Date	End Date
Zhang Yan(張艷)	Chairman	F	October 1976	25 May 2022	24 May 2025
Zhang Yan (張艷)	Director	F	October 1976	25 May 2022	24 May 2025
Yang Yongming (楊永明)	General Manager	M	August 1972	25 May 2022	24 May 2025
Yang Yongming (楊永明)	Director	M	August 1972	25 May 2022	24 May 2025
Wang Zhi (王智)	Board Secretary/ Deputy General Manager	M	August 1978	22 July 2022	24 May 2025
Wang Zhi (王智)	Director	M	August 1978	9 August 2022	24 May 2025
Shi Shengmei (石胜美)	Director	M	September 1983	25 May 2022	24 May 2025
Chen Haiquan (陳海權)	Director	M	February 1970	25 May 2022	24 May 2025
Chen Xueyao (陳雪瑤)	Chairman of the Supervisory Committee	F	July 1979	25 May 2022	24 May 2025
Chen Xueyao (陳雪瑤)	Supervisor	F	July 1979	25 May 2022	24 May 2025
Gu Xiaojun (古小軍)	Employees Representative Supervisor	M	February 1989	25 April 2022	24 May 2025
Yang Yibo (楊禕波)	Supervisor	F	June 1987	15 September 2022	24 May 2025
Zhao Shufen (趙淑芬)	Chief Financial Officer	F	April 1983	22 July 2022	24 May 2025
Number of Boardmembers:				5	
Number of members of Supervisory Committee:				3	
Number of senior management officers:				3	

The relationship between Directors, Supervisors, Senior Management officers and Shareholders:

Zhang Yan (張艷) and Yang Yongming (楊永明) are in a spousal relationship, and Shi Shengmei (石胜美) is the Deputy General Manager and Board Secretary of Shareholder Hanyu Group Co., LTD.. Apart from the above, there is no relationship between other Directors, Supervisors, Senior Management Officers or between the Shareholders.

(II) Details of Shareholding of the Company

Unit: shares

Name	Position	Number of ordinary shares held as at the beginning of the period	Change	Number of ordinary shares held as at the end of the period	Proportion of ordinary shares held at the end of the period %	Number of stock options held at the end of the Period	Number of Restricted shares granted at the end of the period
Zhang Yan (張艷)	Director/Chairman	26,856,000	0	26,856,000	63.04%	0	0
Yang Yongming (楊永明)	Director/General Manager	874,000	0	874,000	2.05%	0	0
Total	-	27,730,000	-	27,730,000	65.09%	0	0

(III) Details of Change

Changes of key positions

√ Applicable Not applicable

Position	Any change?	Times of change
Chairman	No	-
General Manager	No	-
Board Secretary	Yes	1
Chief Financial Officer	Yes	1

Change of directors, supervisors and senior management officers during the reporting period:

√ Applicable Not applicable

Name	Position at the beginning of the period	Type of change	Position at the end of the period	Reasons for change	Special illustration
Wang Zhi (王智)	-	New appointment	Director/Board Secretary/Deputy General Manager	Nomination and election	
Zhao Shufen (趙淑芬)	-	New appointment	Chief Financial Officer	Nomination and election	
Yang Yibo (楊禕波)	-	New appointment	Supervisor	Nomination and election	
Jia Liping (賈禮萍)	Director/Board Secretary/Chief Financial Officer	Resignation	None	Personal reasons	
Tan Peimin (譚佩敏)	Supervisor	Resignation	None	Personal reasons	

The Company completed the re-election of the third session of the board of directors, the supervisory committee and the senior management during the reporting period, and save as the persons in the table, there was no change in the personnel of the company from the previous session.

Professional background and major working experience of newly appointed directors, supervisors and senior management officers during the reporting period:

Wang Zhi (王智), male, born in 1978, Chinese, has no right of permanent overseas residence, and is an accountant and Certified Tax Agent (CTA) with bachelor's degree. From July 2003 to August 2017, he successively served as the finance manager, finance director of business department, assistant to the chief financial officer, etc. in Dongjiang Environmental Company Limited; and from August 2017 to June 2022, he served as the assistant to president in Shenzhen Star River Environment Co., Ltd. (深圳市星河環境股份有限公司). Mr. Wang Zhi (王智) meets the qualifications as set out in the Guidelines for Corporate Governance of Companies Listed on the National Equities Exchange and Quotations No. 1 - Secretary of the Board of Directors (《全國中小企業股份轉讓系統掛牌公司治理指引第1號—董事會秘書》).

Zhao Shufen (趙淑芬), female, born in 1983, Chinese nationality, has no right of permanent overseas residence, and is an accountant with bachelor's degree. From June 2010 to October 2012, she served as the general ledger accountant in Jiangmen Ecofrld Lighting Co., LTD (江門市飛科光電有限公司); from November 2012 to February 2016, she served as the controller of accounts in Tiandi Yihao Beverage Co., Ltd.; and since March 2016, she has served as the assistant to chief financial officer in An Jie Supply Chain Management Co., Ltd. (廣東安捷供應鏈管理股份有限公司).

Yang Yibo (楊禕波), female, born in 1987, Chinese nationality, has no right of permanent overseas residence, and is an accountant and tax accountant with bachelor's degree. From March 2014 to January 2019, she served as the general ledger accountant in Guangzhou Zhixin Logistics Company Limited (廣州浙信物流有限公司); from March 2019 to November 2021, she served as an auditor in Guangdong Wanlong Taxation Firm Company Limited (廣東萬隆稅務師事務所有限公司); and since December 2021, she served as the financial manager in An Jie Supply Chain Management Co., Ltd. (廣東安捷供應鏈管理股份有限公司).

(IV) Details of Equity Incentives of Directors and Senior Management Officers

Applicable Not applicable

II. EMPLOYEES

(I) Details of In-service Employees (the company and its holding subsidiaries)

Classified by nature of work	Number of personnel at the beginning of the period	Increase during the period	Decrease during the period	Number of personnel at the end of the period
Management	6	0	0	6
Administration	3	0	0	3
Finance	7	0	0	7
Sales	15	0	3	12
Research and development	56	0	0	56
Transportation	75	25	0	100
Warehousing	17	8	0	25
Temporary	0	0	0	0
Total	179	33	3	209

Education level	Number of personnel at the beginning of the period	Number of personnel at the end of the period
PhD	0	0
Master	0	1
Bachelor	10	17
College Diploma	38	61
Diploma Below	131	130
Total	179	209

Employee remuneration Policy, training programme and number of retired employees who need the Company to bear the cost

1. Remuneration Policy

During the reporting period, the company signed labour contracts with employees in accordance with the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), and the company's Remuneration Management System (《薪酬管理制度》), providing them with competitive compensation, handling social insurance for retirement, medical treatment, work-related injury, unemployment, and childbirth, handling housing provident fund, and paying and withholding personal income tax for employees.

2. Training

In order to ensure staff to adapt to the needs of rapid development of the company, during the reporting period, the company: 1) established a comprehensive training system (professional skills training and management skills training, internal training plus external training of the company); 2) formulated training programs at the company's level, enabling employees' ability to improve; 3) supplemented and improved training materials, employee training brochures; 4) attached great importance to the application of employee's professional titles and skill levels and provide help and platforms for various types of employees to apply for professional titles and skill levels.

During the reporting period, there were no retired employees who need the company to bear the cost.

(II) Basic Information and Changes of Core Employees (the company and its holding subsidiaries)

Applicable Not applicable

III. UPDATES AFTER THE REPORTING PERIOD

Applicable Not applicable

IV. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE TARGET COMPANY FOR THE SIX MONTHS ENDED 30 JUNE 2023**Section 2 ACCOUNTING DATA AND OPERATIONS****I. BUSINESS HIGHLIGHTS****(I) Business Model and Business Plan**

The company is a third-party logistics enterprise principally engaged in integrated supply chain logistics services, including integrated warehousing and logistics and transportation of hazardous chemicals. The company also has a road transportation license for ordinary goods and dangerous goods, and is the largest third-party dangerous goods transport enterprise in Jiangmen, and also ranks among the top in the province in terms of scale. With the Internet and the Internet of Things as technical means and with the support of the logistics information system, the company has established a 24-hour, all-round and full-process three-dimensional service system to help customers optimise supply chain management, reduce logistics costs and improve the overall operation and management level. The company is principally engaged in the provision of professional supply chain logistics services for manufacturing and retail circulation industries. The company's business mainly focuses on the provision of overall optimisation and solution of supply chain logistics for production customers. The company conducts business negotiations and enters into service contracts mainly through door-to-door visits, organising customers to participate in logistics information learning and exchange meetings, and tracks and gives feedback on the implementation of supply chain logistics services, so as to provide customers with comprehensive supply chain solutions and improve customer stickiness. By providing production customers with integrated supply chain logistics solutions, supporting logistics and distribution, warehousing, processing and loading, the company has integrated and coordinated customer needs and logistics resources of all parties to reduce overall operating costs of customers and improve operational efficiency of customer supply chain, so as to achieve profitability. The company's major customers involve various industries such as new energy batteries, industrial hazardous waste, chemicals, food, mechanical and electrical products and paper making. Among which, BYD, New Fortune, Dachangjiang Group, Vinda Group, Lee Kum Kee, Tiandi Yihao and Toyo Ink are all main strategic partners of the company.

During the reporting period and subsequent to the reporting period and up to the date of this report, the company's business development was healthy and orderly, and there was no significant change in the company's business model. New energy batteries, industrial hazardous waste, chemicals and other products belong to the category of dangerous goods. During the reporting period, the company's dangerous goods transportation business volume increased significantly compared with ordinary transportation business. The dangerous goods transportation business has accounted for more than 50% of the company's overall operating income.

In the first half of 2023, the company, in accordance with its established business strategy, endeavoured to build a one-stop supply chain service model and enhance the company's market influence in order to achieve the company's business objectives and achieved certain results. During the reporting period, the company achieved operating income of RMB144,591,700.40, representing an increase of 17.34% as compared with the same period of previous year; the operating costs amounted to RMB 120,694,961.96, representing an increase of 21.18% as compared with the same period of previous year; the gross profit margin on sales recorded a decrease of 2.64% as compared with the same period of previous year; the total assets amounted to RMB241,399,886.53, representing an increase of 5.33% as compared with the same period of previous year; the owners' equity amounted to RMB125,214,163.71, representing an increase of 3.36% as compared with the same period of previous year; total profit amounted to RMB15,906,622.69, representing a decrease of 0.22% as compared with the same period of previous year; net profit recorded a decrease of 0.85% as compared with the same period of previous year.

(II) Industry Situation

In the first half of 2023, the overall logistics demand showed a moderate recovery. In the second quarter, upstream production and sales recovered to some extent, social destocking continued to be optimized, the supply capacity of logistics services was improved, the circulation of all links of the supply chain was gradually smoothed, and social logistics costs were steadily reduced. In the first half of the year, the total amount of social logistics in the country was RMB160.6 trillion, representing a year-on-year increase of 4.8% at comparable price and an increase of 0.3 percentage points compared to that in January to May; and a quarterly increase of 1.6 percentage points in the second quarter; the cumulative growth of logistics demand during the year showed an overall upward trend. On the whole, the upstream and downstream of the supply chain have returned to the normal operation track, and the overall logistics operation has shown a stable and better development state.

From the perspective of the change in the total amount of social logistics, the recovery process of logistics demand still fluctuates as the growth trend was good in April due to the low base of the previous year, and the recovery momentum slowed down slightly in May, while the improvement in June was driven by new momentum, increasing by 6.3%, 4.8% and 5.9% year-on-year, respectively, which indicates that the momentum of sustained and stable recovery of total amount of social logistics is not yet solid. According to a key survey, nearly 60% of enterprises believe that the decrease in orders is the main reason for development plaguing of logistics enterprises; and the perception of insufficient market demand by logistics enterprises increased significantly in the second quarter, reflecting the significant increase in the proportion of enterprises with reduced demand, especially concentrated in traditional industries such as road transportation and warehousing loading and unloading.

In the first half of the year, the competition in the logistics market intensified, and the oversupply in most of the transportation segments continued, and prices were lower than the same period of previous year. In terms of shipping, the coastal bulk cargo and container markets slowed down steadily, transportation demand lacked growth momentum, and freight rates for most cargo types and routes declined. In June, the monthly average of the coastal (bulk) composite freight index released by the Shanghai Shipping Exchange was 960.49 points, representing a decrease of 4.3% from the previous month.

The monthly average of China's export container composite freight index was 918.89 points, representing a decrease of 3.5% from the previous month. In terms of highways, the traditional off-season combined with factors such as the concentrated release of demand in the early stage, freight rates continued to decline. China's road logistics freight index in June was 102.4 points, representing a decrease of 0.17% from the previous month. The prices may remain low during the year.

Throughout the year, there are still many favorable conditions to support the stable recovery of logistics, and logistics demand is expected to continue to expand. As the state proposed in the second half of this year to further expand domestic demand, boost automobiles, electronic products, household and other fields, rectify arbitrary charges, encourage the promotion of private economic development, build a modern industrial system and strengthen safeguard for the people's livelihood, and made clear positioning for other series of developments, combined with the logistics industry's great potential and good resilience, the long-term trend of social logistics demand will be more obvious.

(III) Recognition related to innovation attributes

Applicable Not applicable

“Specialised and New” recognition	<input type="checkbox"/> National <input checked="" type="checkbox"/> Provincial (municipal) level
“Single Champion” recognition	<input type="checkbox"/> National <input type="checkbox"/> Provincial (municipal) level
“High-tech Enterprise” recognition	<input checked="" type="checkbox"/> Yes
Details	<p>1. On 31 December 2021, the company received the High-tech Certificate (High-tech Enterprise Certificate No. GR202144012172) issued by the Department of Science and Technology of Guangdong Province, which is valid for three years.</p> <p>2. The company was recognised as a specialized and new small and medium-sized enterprise by the Department of Industry and Information Technology of Guangdong Province with a validity period from 20 December 2022 to 19 December 2025.</p> <p>3. The company was recognised as an innovative small and medium-sized enterprise by the Department of Industry and Information Technology of Guangdong Province with a validity period from 20 December 2022 to 19 December 2025.</p>

II. PRINCIPAL ACCOUNTING DATA AND FINANCIAL INDEX

Unit: RMB

Profitability	The period	Same period of last year	Increase/decrease (%)
Operating income	144,591,700.40	123,223,447.49	17.34%
Gross profit margin %	16.53%	19.17%	-
Net profit attributable to shareholders of the listed company	14,018,963.66	14,159,172.66	-0.99%
Net profit (excluding non-recurring gains and losses) attributable to shareholders of the listed company	13,420,317.55	12,788,031.30	4.94%
Weighted average return on net assets (%) (calculated based on net profit attributable to shareholders of the listed company)	11.06%	14.02%	-
Weighted average return on net assets (%) (calculated based on net profit (excluding non-recurring gains and losses) attributable to shareholders of the listed company)	10.59%	12.66%	-
Basic earnings per share	0.33	0.33	0.00%

Solvency	End of the period	End of last year	Increase/decrease (%)
Total assets	241,399,886.53	229,182,423.13	5.33%
Total liabilities	116,185,722.82	108,036,874.20	7.54%
Net assets attributable to shareholders of the listed company	123,818,216.43	119,767,911.30	3.38%
Net assets per share attributable to shareholders of the listed company	2.91	2.81	3.56%
Gearing ratio % (parent company)	48.55%	48.28%	-
Gearing ratio % (consolidation)	48.13%	47.14%	-
Current ratio	1.4177	1.5023	-
Interest coverage ratio	13.80	30.03	-
Operations	The period	Same period of last year	Increase/decrease (%)
Net cash flows from operating activities	13,163,471.70	12,545,380.32	4.93%
Accounts receivable turnover ratio	1.39	1.58	-
Inventory turnover	-	-	-
Growth	The period	Same period of last year	Increase/decrease (%)
Total assets growth rate %	5.33%	-3.50%	-
Operating income growth rate %	17.34%	35.98%	-
Net profit growth rate	-0.85%	185.90%	-

III. ANALYSIS ON FINANCIAL POSITION

(I) Analysis of Asset and Liability Position

Unit: RMB

Items	End of the period		End of last year		Change %
	Amount	As a percentage of total assets	Amount	As a percentage of total assets	
Monetary funds	21,436,649.39	8.88%	15,260,060.97	6.66%	40.48%
Notes receivable	27,014,453.01	11.19%	10,264,563.94	4.48%	163.18%
Accounts receivable	97,467,048.74	40.38%	110,662,395.35	48.29%	-11.92%
Prepayments	3,027,996.31	1.25%	3,129,356.47	1.37%	-3.24%
Other receivables	8,202,189.91	3.4%	6,960,902.64	3.04%	17.83%
Other current assets	980,351.92	0.41%	1,178,687.48	0.51%	-16.83%
Fixed assets	52,308,846.08	21.67%	55,115,441.13	24.05%	-5.09%
Construction in progress	1,020,715.92	0.42%	0	0.00%	-
Right-of-use assets	3,226,589.00	1.34%	3,764,353.84	1.64%	-14.29%
Intangible assets	20,257,100.76	8.39%	20,723,870.10	9.04%	-2.25%
Long-term deferred expenses	5,438,827.18	2.25%	975,264.79	0.43%	457.68%
Deferred tax assets	1,019,118.31	0.42%	972,526.42	0.42%	4.79%
Other non-current assets	0	0.00%	175,000.00	0.08%	-100%
Short-term borrowings	69,634,232.09	28.85%	55,531,229.64	24.23%	25.4%
Accounts payable	33,945,705.20	14.06%	35,384,063.11	15.44%	-4.06%

Contract liabilities	78,502.36	0.03%	53,229.48	0.02%	47.48%
Employee benefits payable	1,530,796.52	0.63%	1,902,126.18	0.83%	-19.52%
Taxes payable	2,501,864.13	1.04%	1,407,165.77	0.61%	77.79%
Other payables	2,790,181.70	1.16%	2,838,955.49	1.24%	-1.72%
Non-current liabilities due within one year	1,053,298.00	0.44%	1,032,111.55	0.45%	2.05%
Long-term borrowings	0	0.00%	4,011,838.18	1.75%	-100%
Rental liabilities	1,997,211.56	0.83%	2,647,637.96	1.12%	-24.57%
Deferred income	2,649,140.60	1.1%	3,223,726.18	1.4%	-17.82%

Reasons for major changes in the item:

- As at the end of the reporting period, monetary funds, which was a reserve fund for daily operations, increased by 40.48% as compared with the end of last year, mainly due to the increase in business volume in the current period, and increased bank loans as a result of business development;
- As at the end of the reporting period, notes receivable increased by 163.18% compared with the end of last year, mainly due to the decrease in the interest rate of bank loans during the reporting period compared with the same period of last year, in order to save financial costs, our company increased bank loans for daily operating capital turnover and reducing the discount of our customer BYD's commercial acceptance bills;
- As at the end of the reporting period, construction in progress increased by RMB1,020,715.92 compared with the end of last year, mainly due to the purchase of materials for plant construction;
- As at the end of the reporting period, long-term deferred expenses increased by 457.68% compared with the end of last year, mainly due to the warehouse renovation expenses;
- As at the end of the reporting period, other non-current assets decreased by 100% compared with the end of last year, mainly due to the completion of disposal of such assets during the reporting period;
- As at the end of the reporting period, contract liabilities increased by 47.48% compared with the end of last year, mainly due to the increase in freight received from customers in advance in the current period;
- As at the end of the reporting period, taxes payable increased by 77.79% compared with the end of last year, mainly due to the increase in value-added tax payable and enterprise income tax as a result of an increase in sales revenue in the current period;
- As at the end of the reporting period, long-term borrowings decreased by 100% compared with the end of last year, mainly due to the decrease in interest on short-term bank loans in the current period, resulting in an increase in short-term borrowings and a decrease in long-term borrowings.

(II) Analysis of Operations

1. Composition of profit

Unit: RMB

Items	The period		Same period of last year		Change %
	Amount	As a percentage of operating income	Amount	As a percentage of operating income	
Operating income	144,591,700.40	-	123,223,447.49	-	17.34%
Operating costs	120,694,961.96	83.47%	99,602,600.19	80.83%	21.18%
Gross profit margin	16.53%	-	19.17%	-	-
Taxes and surcharges	324,692.47	0.22%	192,836.88	0.16%	68.38%
Selling expenses	485,880.29	0.34%	455,247.70	0.37%	6.73%
Administrative expenses	3,053,063.88	2.11%	2,392,914.15	1.94%	27.59%
Research and development expenses	3,159,584.10	2.19%	5,520,776.14	4.48%	-42.77%
Finance costs	1,263,678.28	0.87%	965,451.28	0.78%	30.89%
Other income	574,585.58	0.4%	1,576,733.28	1.28%	-63.56%
Investment revenue	22,851.02	0.02%	12,069.19	0.01%	89.33%
Credit impairment losses	-200,932.25	-0.14%	235,020.61	0.19%	-185.5%

Gain or loss on disposal of assets	0	0.00%	7,632.50	0.01%	-100%
Operating profit	16,006,343.77	11.07%	15,925,076.73	12.92%	0.51%
Total profit	15,906,622.69	11%	15,941,738.33	12.94%	-0.22%
Income tax expenses	1,869,607.94	1.29%	1,783,978.60	1.45%	4.8%
Net profit	14,037,014.75	9.71%	14,157,759.73	11.49%	-0.85%

Reasons for major changes in the item:

1. Taxes and surcharges during the reporting period increased by 68.38% compared with the same period of last year, mainly due to the increase in business volume in the current period, resulting in the simultaneous increase in taxes and surcharges;
2. Research and development expenses during the reporting period decreased by 42.77% compared with the same period of last year, mainly due to the completion of amortization of the special software for the construction project of the agricultural product cold chain circulation center at the beginning of the current period, and the decrease in material and testing costs;
3. Finance costs during the reporting period increased by 30.89% compared with the same period of last year, mainly due to the increase in bank loans in the current period, resulting in the increase in loan interest expense;
4. Other income during the reporting period decreased by 63.56% compared with the same period of last year, mainly due to the decrease in amortization expenses of the construction project of the agricultural product cold chain circulation center in the current period, and the corresponding decrease in subsidy income;
5. The investment income during the reporting period increased by 89.33% compared with the same period of last year, mainly due to the increase in monetary funds in the current period compared with last year, and the purchase of bank wealth management;
6. Credit impairment losses during the reporting period decreased by 185.5% compared with the same period of last year, mainly due to the decrease in bad debts of accounts receivable in the current period;
7. Gain or loss on disposal of assets decreased by 100% during the reporting period compared with the same period of last year, mainly due to the absence of asset disposal during the reporting period.

2. Composition of revenue

Unit: RMB

Items	Amount for the period	Amount for the previous period	Percentage of change (%)
Revenue from principal operations	144,591,700.40	123,127,324.95	17.43%
Other operating income	0	96,122.54	-100.00%
Cost of principal operations	120,694,961.96	99,538,798.03	21.25%
Other operating costs	0	63,802.16	-100.00%

Analysed by product type:

 Applicable Not applicable

Unit: RMB

Category/item	Operating income	Operating cost	Gross profit margin %	Increase/ decrease in operating income as compared to the same period of last year	Increase/ decrease in operating cost as compared to the same period of last year	Increase/ decrease in gross profit margin as compared to the same period of last year
Transportation of dangerous goods	84,639,632.22	69,505,078.89	17.88%	34.46%	35.43%	-0.59%
General transportation	45,589,092.17	43,750,953.18	4.03%	8.23%	10.29%	-1.79%
Storage services	14,362,976.01	7,438,929.89	48.21%	-19.21%	-12.99%	3.70%
Other income	0	0	0.00%	-100.00%	-100.00%	-82.97%
Total	144,591,700.4	120,694,961.96	16.53%	17.34%	21.18%	-2.64%

Analysed by geographical sector:

Applicable Not applicable

Reasons for the change in revenue composition:

1. During the reporting period, the ratio of other business income to other business costs was -100%, mainly because no other business occurred in the current period.

(III) Cash Flows Position

Unit: RMB

Item	Amount of the period	Amount of the previous period	Change (%)
Net cash flows from operating activities	13,163,471.70	12,545,380.32	4.93%
Net cash flows from investing activities	-5,865,648.98	-8,137,888.38	27.92%
Net cash flows from financing activities	-1,121,234.30	-4,299,859.63	73.92%

Cash flows analysis:

As at the end of the reporting period, net cash flows from financing activities decreased by 73.92% as compared with the amount of the previous period, mainly due to the increase in cash received from borrowings during the reporting period.

IV. Analysis of Investment**(I) Major subsidiaries and investees**

Applicable Not applicable

Unit: RMB

Company name	Company type	Principal activities	Registered capital	Total assets	Net assets	Operating income	Net profit
Jiangmen Jiasijie Painting Engineering Co., Ltd.* (江門嘉思捷塗裝工程有限公司)	Subsidiary	Dangerous goods transportation, general freight; domestic land freight forwarding.	RMB 3 million	2,689,238.67	2,640,032.55	1,825,620.55	52,297.10
Jiangmen Ruiyuan Supply Chain Management Co., Ltd.* (江門市銳源供應鏈管理有限公司)	Subsidiary	Enterprise management consulting; supply chain management and related supporting services; computer software and hardware development; wholesale and sales of pre-packaged food.	RMB 10 million	0	-20,962.32	0	0

Sichuan Dingjie Supply Chain Management Co., Ltd.* (四川鼎捷供應鏈管理有限公司)	Subsidiary	General projects: supply chain management services; software development; software sales; domestic freight forwarding; general cargo warehousing services.	RMB 10 million	55,268.57	54,268.57	0	- 16,188.57
Guangdong Anyang Supply Chain Management Co., Ltd.* (廣東安揚供應鏈管理有限公司)	Subsidiary	Supply chain management services: general cargo storage services; domestic freight forwarders; road transport of dangerous goods.	RMB 5 million	14,546,487.85	4,388,907.14	7,008,639.03	85,800.79
Guangdong Jieyun Environmental Service Co., Ltd.* (廣東捷運環境服務有限公司)	Subsidiary	General projects: solid waste management; environmental consulting services; water pollution control; supply chain services: general cargo storage services; packaging services, etc.	RMB 5 million	674.91	-825.09	0	-825.09

Analysis of major investees' businessApplicable Not applicable**Details of acquisition and disposal of subsidiaries during the report period**Applicable Not applicable**(II) Details of Company-controlled Structured Entity**Applicable Not applicable**V. Description of key audit matters**Applicable Not applicable**VI. Corporate Social Responsibility**Applicable Not applicable

The company always adhered to the core values of health, people oriented and aggressiveness, served customers with professional and responsible attitude, and strived to perform its social responsibility as an enterprise. The company attached high importance to the return for shareholders and formulated interests distribution plan; cared the growth of employees and gave high importance to employee development, and constantly improved the labor employment system; conducted business with honesty and payed taxes according to regulations; and participated in philanthropic work. The company carried out every work beneficial to the society with serious attitude, and tried its best to be responsible to the society, all shareholders of the company and every employee.

VII.. Analysis of major risk involved with the company

Items of major risk events	A brief description of major risk events
1. Risk of increased competition	<p>The company is mainly engaged in third-party logistics services. From the competitive landscape, the state-owned, foreign-invested and other large logistics enterprises stand out in the market; small and medium private logistics enterprises have disadvantages such as small business radius and relatively backward technology, although they have absolute dominance in a particular region and sub-sector within the industry. However, with the stabilization of the market scale, the large-scale logistics enterprises are expanding into the sub-sector, the small and medium logistics enterprises will be faced with the risk of intensified competition.</p> <p>Counter measures: To address this risk, the company will further expand the market radius, gradually radiate from the Jiangmen to Guangdong and even all over the country, carry out market integration through the establishment of a logistics service platform, to expand the company's scale and improve its competitiveness.</p>
2. Risk of bad debts in the accounts receivable	<p>The company's principal business is to provide professional integrated logistics and warehousing services to customers in manufacturing, retail distribution and other industries. As at 1 January 2023 and 30 June 2023, the company's net accounts receivable were RMB110,662,395.35 and RMB97,467,048.74, respectively. The company's receivable balances are relatively large, mainly because transportation business in the new energy sector is significantly grow and the settlement period of customer (such as BYD) related to new energy business is longer compared to traditional customers, and the average settlement period of the company's customers is 1.39 months at present. With the expansion of the company's operation scale, the receivable balances may continue to increase. If the company fails to collect the accounts receivable or if there are any unfavorable changes in the creditworthiness and financial condition of the company's customers, the company may be exposed to the risk of bad debts, which may in turn affect the company's cash flows and profitability.</p> <p>Counter measures: To address this risk, the company will, on the one hand, strengthen the investigation and analysis of the credit status of its customers, formulate corresponding credit policies based on the actual operation of the company and the creditworthiness of its customers and control the amount of accounts receivable from a single customer; on the other hand, the company will intensify its efforts to collect its accounts receivable and analyze the year and amount of arrears respectively and take different measures to obtain the best collection results.</p>

3. Transportation safety risk	<p>The company is engaged in road freight transportation (including the qualification of dangerous goods transport). Although the company has formulated detailed and strict internal control management system in the various links such as warehousing, delivery, and purchased carrier's liability insurance for vehicles in transit, there are transportation safety risks due to weather, road conditions, vehicle malfunctions, drivers in accordance with the characteristics of the transportation industry. If there are accidents, it will cause adverse impacts to the company's operation.</p> <p>Counter measures: To address this risk, the company will comply strictly with the internal management system to minimize the artificial risk; and hedge the risk through purchasing insurance to minimize the losses.</p>
4. Supply chain management risk	<p>It is an inevitable trend for private logistics enterprises to develop from single function to comprehensiveness. The diversified demands of customers require logistics enterprises to provide integrated services from supplying place to place of consumption. It makes private logistics enterprises to face complexity and uncertainty of supply chain management during the transition process of providing supply chain management solution to customers, which leads to problems of supply chain management time risk, safety risk and cooperation risk.</p> <p>Counter measures: (1) establish strategic cooperation partnership. (2) conduct daily management of risks. (3)strengthen information sharing, and establish information technology exchange platform. (4) Optimize cooperation partners, realize cultural integration and strengthen trust and incentives.</p>
Whether the major risks have material changed during this reporting period:	The major risks have no material changed during this reporting period

Any risks of being ruled out innovation level

Yes No

SIGNIFICANT EVENTS

I. INDEX OF SIGNIFICANT EVENTS

Items	Yes or No	Index
Any lawsuits or arbitrations	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	III. II. (I)
Any matters of guarantees	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any loans provided to external parties	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any appropriation or transferring of the company's funds, assets and other resources by the shareholder(s) and its related parties	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	III. II. (II)
Any related party transactions	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	III. II. (III)
Any acquisitions, sales of assets, foreign investment matters that had been considered and approved by the shareholders' meeting and corporate mergers that occurred during the reporting period	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any share incentive scheme, employee stock ownership scheme or other employee incentive measures	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any share repurchases	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any disclosed commitments	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	III. II. (IV)
Any cases where assets were attached, seized, frozen or mortgaged or pledged	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any matters of being investigated and punished	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any situations of dishonesty	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
Any other significant events which shall be disclosed	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	

II. DETAILS OF SIGNIFICANT EVENTS

(I) Material litigations and arbitrations

1. Litigations and arbitrations arising during the reporting period

Applicable Not applicable

Unit: RMB

Nature	Cumulated amount		Total	Percentage of net assets at the end of the period %
	As plaintiff/ applicant	As defendant/respondent		
Litigations or arbitrations	2,414,014.92	0	2,414,014.92	1.95%

(2023) Yue 07 Min Zhong No. 1317, in the case of a dispute over lease contract between An Jie Supply Chain Management Co., Ltd. (廣東安捷供應鏈管理股份有限公司), the appellant, and Hangzhou Baijin Logistics Co., Ltd. (杭州百進物流有限公司), the appellee, according to a civil ruling issued by Intermediate People's Court of Jiangmen (廣東省江門市中級人民法院), the defendant has performed during the reporting period.

(2023) Yue 0704 Min Chu No. 1175, in relation to the case of the transportation contract dispute between Guangdong An Jie Supply Chain Management Co., Ltd. (廣東安捷供應鏈管理股份有限公司) as the plaintiff and Fang Mingjun (房明軍) and China Pacific Property Insurance Co., Ltd. Foshan Branch as the defendants, the lawsuit has been withdrawn.

(2022) Yue 0703 Min Chu No. 6350, in relation to the case of the private loan dispute between Guangdong An Jie Supply Chain Management Co., Ltd. (廣東安捷供應鏈管理股份有限公司) as the plaintiff and Li Yongtai (李永泰) as the defendant, according to the civil judgment of the People's Court of Pengjiang District, Jiangmen City, Guangdong Province, the defendant has fulfilled its obligations during the reporting period.

(2023) Yue 7101 Min Chu No. 1189, in relation to the case of the transportation contract dispute between Guangdong An Jie Supply Chain Management Co., Ltd. (廣東安捷供應鏈管理股份有限公司) as the plaintiff and Guangdong ETE Logistics Technology Co., Ltd. as the defendant, according to the civil mediation letter of the Railway Transportation Court of Guangzhou, the defendant failed to fulfill its obligations during the reporting period.

2. Major litigation and arbitration disclosed in the provisional announcements

Applicable Not applicable

(II) Appropriation or transferring of the company's funds, assets and other resources by the shareholder(s) and its related parties

There was no appropriation or transferring of the company's funds, assets and other resources by the shareholder(s) and its related parties during the reporting period.

(III) The related party transactions of the company during the reporting period

Unit: RMB

Daily related party transactions	Estimated amount	Amount incurred
Purchase of raw materials, fuel and power, receipt of labor services	-	-
Sales of products and goods, receipt of services	50,000,000	5,531,217.18
The types of daily related party transactions that are applicable to the company stipulated in the company's articles of association	-	-
Others	56,000	0
Other major related party transactions	Considered amount	Transaction amount
Acquisitions, disposals of assets or equity	-	-
Joint foreign investment with related party	-	-
Provision of financial assistance	-	-
Provision of guarantee	-	-
Entrustment of financial management	10,000,000	0
Related party transactions of financial companies of enterprise groups	Estimated amount	Amount incurred
Deposits	-	-
Loans	-	-

Necessity, continuity of major related party transactions and its impact on the production and operation of the company:

The related party transactions mentioned above are the company's normal business with normal transaction settlement and fund withdrawal, and are beneficial to the interests of the shareholder as a whole through the related party transactions' promotion to the company's business development.

Without affecting the daily use of the company's operating funds, the part of its own idle funds is utilized to purchase wealth management products within the authorized limit so as to improve the efficiency and effect of use for the company's idle funds, and to further improve the overall earnings of the company, which is in the interests of all shareholders.

(IV) Fulfillment of commitments

Subject of commitment	Commencement date of commitment	Ending date of commitment	Source of commitment	Type of commitment	Details of commitment	Fulfillment of commitment
De facto controllers or controlling shareholder	1 December 2016	-	Listing	Industry Competition commitment	The commitment of controlling shareholder and de facto controllers to avoid competition in the same industry. During the reporting period, the company's controlling shareholder Zhang Yan (張艷), de facto controllers Zhang Yan (張艷) and Yang Yongming (楊永明) strictly complied with the commitment.	In progress
The company	1 December 2016	-	Listing	Commitment to appropriate funds	The commitment of the company to the guarantees, appropriation of funds and measures taken during the reporting period. No circumstances occurred during the reporting period that triggered the need to fulfill the commitment.	In progress

De facto controllers or controlling shareholder	1 December 2016	-	Listing	Labour, social security contributions	For the company's labour and social security contributions, the company's controlling shareholder and de facto controllers have issued a written commitment to gradually standardize the social insurance and housing fund contributions and will assume full compensation obligations to the company if the company is held accountable for administrative or civil liability due to the labour contract, social insurance and housing fund contributions matters. During the reporting period, the controlling shareholder and de facto controllers of the company strictly complied with the commitment.	In progress
De facto controllers or controlling shareholder, directors, supervisors and senior management	1 December 2016	-	Issuance	Corporate governance	In order to further strengthen the corporate governance and improve the internal control, the company will prevent the recurrence of the above situation in the subsequent operation. The company and the de facto controllers made a commitment that from 19 October 2016, cash will no longer be used for receipt and payment in daily operations. The controlling shareholder, directors, supervisors and senior management strictly complied with the commitment during the reporting period.	In progress

De facto controllers or controlling shareholder, directors, supervisors and senior management	1 December 2016	-	Listing	Fund regulation	The company made a commitment to require all employees to apply for payroll cards in its future operations and will no longer use cash payment to pay wages to employees. The controlling shareholder, directors, supervisors and senior management strictly complied with the commitment during the reporting period.	In progress
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Details of overdue undertakings not yet performed:

The company has no overdue undertakings not yet performed during this reporting period

CHANGES IN SHARES AND SHAREHOLDERS

I. ORDINARY SHARES

(I) Share capital structure of ordinary shares

Unit: shares

Nature of shares		At the beginning of the period		Changed	At the end of the period		
		Number of shares	Proportion %		Number of shares	Proportion %	
Selling unrestricted shares	Total number of selling unrestricted shares	20,368,500	47.81%	1,434,000	21,802,500	51.18%	
	Of which: controlling shareholder, de facto controllers	6,932,500	16.27%	0	6,932,500	16.27%	
	Directors, supervisors and senior management officers	0	0.00%	0	0	0.00%	
	Core staff						
Selling restricted shares	Total number of selling restricted shares	22,231,500	52.19%	-1,434,000	20,797,500	48.82%	
	Of which: controlling shareholder, de facto controllers	20,797,500	48.82%	0	20,797,500	48.82%	
	Directors, supervisors and senior management officers	0	0.00%	0	0	0.00%	
	Core staff						
Total share capital		42,600,000	-	0	42,600,000	-	
Total number of shareholders with ordinary shares							75

Changes in share capital structure:

□Applicable ✓Not applicable

(II) Top ten holders of ordinary shares

Unit: shares

No.	Name of shareholders	Total number of shares held at the beginning of the period	Change of shareholdings	Total number of shares held at the end of the period	Proportion of shareholdings at the end of the period %	Total number of selling restricted shares held at the end of the period	Total number of selling unrestricted shares held at the end of the period	Total number of pledged shares held at the end of the period	Total number of judicially frozen shares held at the end of the period
1	Zhang Yan (張艷)	26,856,000	0	26,856,000	63.04%	20,142,000	6,714,000	0	0
2	Ningbo Ruijie Investment Management Partnership (Limited Partnership) (寧波銳捷投資管理合夥企業(有限合夥))	3,372,800	- 770,000	2,602,800	6.11%	0	2,602,800	0	0

3	Hanyu Group Co., LTD.	2,600,000	0	2,600,000	6.10%	0	2,600,000	0	0
4	Jia Liping (賈禮萍)	1,434,000	-163,898	1,270,102	2.98%	0	1,270,102	0	0
5	Liang Yuzhan (梁宇戰)	1,160,797	-31,400	1,192,197	2.80%	0	1,192,197	0	0
6	Ma Shaoshu (馬少舒)	1,144,000	0	1,144,000	2.69%	0	1,144,000	0	0
7	Jiangmen Jinhai No.1 Investment Fund Partnership (Limited Partnership) (江門市金海一號投資基金合夥企業(有限合伙))	1,014,200	0	1,014,200	2.38%	0	1,014,200	0	0
8	Heshan Lianzhi Investment Co., Ltd. (鶴山市聯智投資有限公司)	970,000	0	970,000	2.28%	0	970,000	0	0
9	Yang Yongming (楊永明)	874,000	0	874,000	2.05%	655,500	218,500	0	0
10	Wu Yongxiong (吳永雄)	951,500	-173,401	778,099	1.83%	0	778,099	0	0
Total		40,377,297	-	39,301,398	92.26%	20,797,500	18,503,898	0	0

Explanation of the connected relationship among the top ten holders of ordinary shares: Zhang Yan (張艷) and Yang Yongming (楊永明) who are in a spousal relationship hold 63.04% and 2.05% of the shares of the company, respectively.

II. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLERS

During the reporting period, there were no changes in the controlling shareholder and de facto controllers.

III. ARRANGEMENTS FOR SPECIAL VOTING RIGHTS

Applicable Not applicable

CHANGES IN DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND CORE STAFF

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Basic Information

Name	Position	Gender	Date of Birth	Tenure	
				Start Date	End Date
Zhang Yan(張艷)	Chairman	F	October 1976	25 May 2022	24 May 2025
Zhang Yan (張艷)	Director	F	October 1976	25 May 2022	24 May 2025
Yang Yongming (楊永明)	General Manager	M	August 1972	25 May 2022	24 May 2025
Yang Yongming (楊永明)	Director	M	August 1972	25 May 2022	24 May 2025
Wang Zhi (王智)	Board Secretary, Deputy General Manager	M	August 1978	22 July 2022	24 May 2025
Wang Zhi (王智)	Director	M	August 1978	9 August 2022	24 May 2025
Shi Shengmei (石胜美)	Director	M	September 1983	25 May 2022	24 May 2025
Chen Haiquan (陳海權)	Director	M	February 1970	25 May 2022	24 May 2025
Chen Xueyao (陳雪瑤)	Chairman of the Supervisory Committee	F	July 1979	25 May 2022	24 May 2025
Chen Xueyao (陳雪瑤)	Supervisor	F	July 1979	25 May 2022	24 May 2025
Gu Xiaojun (古小軍)	Employees Representative Supervisor	M	February 1989	25 April 2022	24 May 2025
Yang Yibo (楊禕波)	Supervisor	F	June 1987	15 September 2022	24 May 2025
Zhao Shufen (趙淑芬)	Chief Financial Officer	F	April 1983	22 July 2022	24 May 2025

The relationship between Directors, Supervisors, Senior Management officers and Shareholders:

Zhang Yan (張艷) and Yang Yongming (楊永明) are in a spousal relationship, and Shi Shengmei (石胜美) works for Shenzhen Tongchuan Technology Co., Ltd. (深圳市同川科技有限公司), a shareholding subsidiary of Shareholder Hanyu Group Co., LTD. which holds 20% shares of Shenzhen Tongchuan Technology Co., Ltd.. Apart from the above, there is no relationship between other Directors, Supervisors, Senior Management Officers or between the Shareholders.

(II) Details of Shareholding of the company

√ Applicable □ Not applicable

Unit: Share

Name	Number of ordinary shares held as at the beginning of the period	Change	Number of ordinary shares held as at the end of the period	Proportion of ordinary shares held at the end of the period %	Number of stock options held at the end of the period	Number of Restricted shares granted at the end of the period
Zhang Yan (張艷)	26,856,000	0	26,856,000	63.04%	0	0
Yang Yongming (楊永明)	874,000	0	874,000	2.05%	0	0
Total	27,730,000	-	27,730,000	65.09%	0	0

(III) Details of Change Applicable Not applicable**Professional background and major working experience of newly appointed directors, supervisors and senior management officers during the reporting period:** Applicable Not applicable**(IV) Details of Equity Incentives of Directors and Senior Management Officers** Applicable Not applicable**II. EMPLOYEES****(I) Details of In-service Employees (the company and its holding subsidiaries)**

Classified by nature of work	Number of personnel at the beginning of the period	Increase during the period	Decrease during the period	Number of personnel at the end of the period
Management	6	0	0	6
Administration	3	4	0	7
Finance	7	0	0	7
Sales	12	0	3	9
R&D	56	0	20	36
Transportation	100	0	16	84
Warehousing	25	0	5	20
Total	209	4	44	169

(II) Basic Information and Changes of Core Employees (the company and its holding subsidiaries) Applicable Not applicable

APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

INTRODUCTION

The accompanying unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 March 2023, the unaudited pro forma consolidated statement of profit or loss, and the unaudited pro forma consolidated statement of cash flows for the year then ended (collectively known as the “**Unaudited Pro Forma Financial Information**”) has been prepared by the directors of the Company (the “**Directors**”) in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the major transactions in relation to the Acquisition, on the consolidated financial position of the Group. Details of the Acquisition are set out in the section entitled “Letter from the Board” contained in this circular.

The Unaudited Pro Forma Financial Information of the Enlarged Group is based on the audited consolidated statement of financial position of the Group as at 31 March 2023, and the audited consolidated statement of profit or loss and the audited consolidated statement of cash flows for the year then ended as extracted from the Company’s annual report for the year ended 31 March 2023, after making unaudited proforma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition and not relating to other future events or decisions; and (ii) factually supportable as if the Acquisition had been undertaken as at 31 March 2023 and 1 April 2022, respectively.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the Acquisition. Because of its hypothetical nature, such Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as of the specified date or any future dates.

In addition, for the purpose of the Unaudited Pro Forma Financial Information of the Enlarged Group, the Directors considered that the fair value of the identifiable net assets of the Target Group may change after the date of this circular as the fair value of identifiable net assets of the Target Group to be incorporated in the Enlarged Group’s consolidated financial statements using the equity method of accounting will be assessed on the completion date of the Acquisition. As the Unaudited Pro Forma Financial Information of the Enlarged Group is prepared for illustrative purposes only, the Directors have assumed that the fair value of the identifiable net assets of the Target Group as at 30 June 2023 was their respective carrying amounts. The possible change in fair value of identifiable net assets of the Target Group is not reflected in the Unaudited Pro Forma Financial Information of the Enlarged Group.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the historical financial information of the Group set out in the annual report of the Company for the year ended 31 March 2023 and with other financial information included elsewhere in this circular.

**APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES
OF THE ENLARGED GROUP**

	Audited consolidated statement of assets and liabilities of the Group as at 31 March 2023 <i>(Note 1)</i> <i>HK\$'000</i>	Unaudited pro forma adjustments in respect of the Acquisition <i>(Notes 2 and 3)</i> <i>HK\$'000</i>	Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 March 2023 <i>HK\$'000</i>
Assets			
Non-current assets			
Property, plant and equipment and Right-of-use assets	561,783	—	561,783
Interests in an associate	84,976	56,684	141,660
Interests in joint ventures	12,797	—	12,797
Deposits and prepayments	12	—	12
	659,568	56,684	716,252
Current assets			
Inventories	359	—	359
Trade receivables	3,158	—	3,158
Other receivables, deposits and prepayments	14,385	1,816	16,201
Amount due from an associate	18,639	—	18,639
Amounts due from joint ventures	20,170	—	20,170
Amount due from a related company	12	—	12
Bank deposits and cash	74,399	(8,500)	65,899
	131,122	(6,684)	124,438
Total assets	790,690	50,000	840,690
Liabilities			
Current liabilities			
Trade payables	635	—	635
Other payables and accruals	12,924	—	12,924
Amount due to a related company	10	—	10
	13,569	—	13,569
Non-current liability			
Loan from a shareholder	—	50,000	50,000
	—	50,000	50,000
Total liabilities	13,569	50,000	63,569
Net assets	777,121	—	777,121

**APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE
ENLARGED GROUP FOR THE YEAR ENDED 31 MARCH 2023**

	The Group for the year ended 31 March 2023 (Audited) <i>HK\$'000</i> <i>Note 1</i>	Unaudited pro forma adjustments in respect of the Acquisition <i>HK\$'000</i> <i>Notes 2 and 6</i>	The Enlarged Group <i>HK\$'000</i>
Revenue	42,338		42,338
Cost of sales and services	(17,340)		(17,340)
Gross profit	24,998		24,998
Other revenue	9,543		9,543
Other net loss	(4,021)		(4,021)
Sales and distribution costs	(11,888)		(11,888)
Administrative and other operating expenses	(61,144)		(61,144)
Operating loss	(42,512)		(42,512)
Finance income	4,539		4,539
Finance costs — net	(11)	(3,930)	(3,941)
Share of results of associates	(2,111)	4,778	2,667
Share of loss of joint ventures	(532)		(532)
Loss before taxation	(40,627)	848	(39,779)
Income tax	—		—
Loss for the year	(40,627)	848	(39,779)
Loss attributable to:			
Equity shareholders of the Company	(39,800)		(38,952)
Non-controlling interest	(827)		(827)
	<u>(40,627)</u>		<u>(39,779)</u>

**APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE
ENLARGED GROUP FOR THE YEAR ENDED 31 MARCH 2023**

	The Group for the year ended 31 March 2023 (Audited) <i>HK\$'000</i> <i>Note 1</i>	Unaudited pro forma adjustments in respect of the Acquisition <i>HK\$'000</i> <i>Note 2</i>	The Enlarged Group <i>HK\$'000</i>
Net cash used in operating activities	<u>(13,604)</u>		<u>(13,604)</u>
Cash flows from investing activities			
Payment from purchase of of property, plant and equipment	(232)		(232)
Proceeds from disposal of property, plant and equipment	168		168
Advances to joint ventures	(8,168)		(8,168)
Advances from an associate	978		978
Interest received	4,539		4,539
Dividend received from joint ventures	13,875		13,875
Payment for acquisition of an associate	<u>—</u>	<u>(54,000)</u>	<u>(54,000)</u>
Net cash generated from investing activities	<u>11,160</u>	<u>(54,000)</u>	<u>(42,840)</u>
Financing activities			
Loan from non-controlling interests shareholder	392		392
Interest paid on loan from non-controlling interests shareholder	(11)		(11)
Loan from a shareholder	—	50,000	50,000
Interest paid on a loan from a shareholder	<u>—</u>	<u>(3,930)</u>	<u>(3,930)</u>
Net cash generated from financing activities	<u>381</u>	<u>46,070</u>	<u>46,451</u>
Net decrease in cash and cash equivalents	(2,063)	(7,930)	(9,993)
Cash and cash equivalents at the beginning of the year	<u>76,462</u>	<u>—</u>	<u>76,462</u>
Cash and cash equivalents at the end of the year	<u><u>74,399</u></u>	<u><u>(7,930)</u></u>	<u><u>66,469</u></u>

**APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

**NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE
ENLARGED GROUP**

1. The balances are extracted from the consolidated statement of financial position of the Group as at 31 March 2023 as set out in the Company's annual report for the year ended 31 March 2023.
2. On 5 October 2023, a wholly owned subsidiary of the Company, IWS Services entered into the Agreement with the Vendor, pursuant to which the Vendor has conditionally agreed to sell, and IWS Services has conditionally agreed to purchase, the Sale Shares representing approximately 13.16% of the total number of shares of the Target Company at the Consideration of RMB50,000,000 (equivalent to approximately HK\$54,000,000) in accordance with the terms and conditions of the Agreement.

The Consideration will be funded partly by an unsecured, interest-bearing loan in the principal amount of HK\$50,000,000 (equivalent to approximately RMB46,296,000) carrying interest at 3-month HIBOR + 2.5% p.a. to be advanced to the Group by Chow Tai Fook Nominee Limited, being a controlling shareholder of the Company, and partly by internal resources of the Group.

For illustrative purposes, proforma adjustment was made in the unaudited consolidated statement of cash flows to reflect the interest-bearing loan of HK\$50,000,000 received and consideration of HK\$54,000,000 paid on 1 April 2022, assuming the Acquisition had been completed on the same date.

For illustrative purpose, pro forma adjustments were made in the unaudited pro forma consolidated statement of profit or loss to reflect the interest expense of HK\$3,930,000 for the shareholder's loan and in the unaudited consolidated statement of cash flows to reflect its full payment during the year ended 31 March 2023, respectively, assuming the Acquisition had been completed on 1 April 2022.

3. Upon the completion of the Acquisition, the Target Company will become a 13.16% owned associate of the Company, on the ground that the Group is able to exercise significant influence over the Target Company, including participating in its financial and operating policy decisions following the appointment of a director in its board of directors after the completion of the Acquisition and is accounted for in the consolidated financial statements of the Group using equity method under the line of "Investments accounted for using the equity method" in accordance with IAS 28 "Investments in Associates and Joint Ventures".

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. For the purpose of this Unaudited Pro Forma Financial Information, the investment is recorded at RMB50,000,000 (equivalent to approximately HK\$54,000,000), being the total consideration paid/payable by the Company, which is not directly related to the financial information of the Target Group as presented in Appendix II to this circular.

The Group will estimate its share of the fair value of the net identifiable assets of the Target Group as of the date of completion. The excess of the consideration over the Group's share of the fair value of the Target Group's net identifiable assets will be accounted for as goodwill and recorded in the carrying value of the investment in the Target Group. In the opinion of the Directors, the fair values of the net identifiable assets of the Target Group are subject to change upon completion of the Acquisition, as the fair values of the assets and liabilities being acquired shall be assessed on the date of completion.

**APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

For illustrative purpose, should the Acquisition had been completed on 31 March 2023 and the carrying amounts of the Target Group’s net assets as of 30 June 2023 based on the Adjusted Financial Information under the Company’s Policies in Appendix II to this circular approximate to the fair value of the Target Group’s net identifiable assets on 31 March 2023, the pro forma goodwill will be as follows:

	<i>Notes</i>	<i>RMB'000</i>	<i>HK\$'000</i> <i>(Note 7)</i>	<i>HK\$'000</i>
Total consideration	2			54,000
Add: Transaction costs	4			4,500
Less: Contingent consideration	5			<u>(1,816)</u>
				56,684
Carrying amounts of the Target Group’s net assets based on the Adjusted Financial Information under the Company’s Policies as at 30 June 2023		125,214	135,231	
Share of 13.16% of the Target Group’s net assets	3			<u>17,794</u>
Pro forma goodwill arising from the Acquisition				<u><u>38,890</u></u>

Accordingly, pro forma adjustments were made in the unaudited consolidated statement of assets and liabilities to reflect the recognition of interest in associate of HK\$56,684,000, contingent receivable of HK\$1,816,000, shareholder’s loan of HK\$50,000,000 and cash payment of HK\$8,500,000 (including self funding of HK\$4,000,000 and transaction cost of HK\$4,500,000) on 31 March 2023.

With reference to paragraph 42 of the International Accounting Standard (IAS) 28 “Investments in Associates and Joint Ventures”, goodwill that forms part of the carrying amount of the net investment in an associate is not separately recognised, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets. Instead, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 as a single asset, by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount whenever application of paragraphs 41A-41C indicates that the net investment may be impaired.

For illustrative purpose, the directors of the Company considered if there is an indicator that the recoverable amount (i.e. higher of value in use and fair value less costs of disposal) is less than the carrying amount of the investment. With reference to the valuation result of the Target Company as set out in Appendix V of the Circular, being RMB57,753,000, the fair value of the Target Company is higher than the carrying amount of the interest in Target Company of HK\$56,684,000, no impairment is considered necessary.

The Directors will adopt the same key assumptions, accounting policies and/or valuation method in assessing the impairment of goodwill in future financial periods.

4. This represents the estimated transaction cost, such as professional fees, of approximately HK\$4,500,000 incurred which are directly attributable to the Acquisition and forms part of the cost of investment in Target Group.

**APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

5. Representing the fair value of financial guarantee undertaken by the vendor in relation to the Acquisition which is estimated by the management of the Company with assistance of external valuers. Pursuant to which, the vendor shall compensate the Company by paying a sum of RMB5,000,000 should the valuation of the Target Company after the completion of the proposed new issue of the Target Company be less than RMB450,000,000.
6. For illustrative purpose, pro forma adjustment was made in the unaudited consolidated statement of profit or loss to reflect the post-acquisition share of the Target Group's profit since 1 April 2022, assuming the Acquisition had been completed on the same date. Share of profit of HK\$4,778,000 (equivalent to approximately RMB4,425,000) is based on 13.16% of the net profit amounted to RMB33,623,000, of the Target Group for the year ended 31 December 2022 according to the Adjusted Financial Information under the Company's Policies in Appendix II to this circular.
7. For the purpose of preparation of this Unaudited Pro Forma Financial Information, the exchange rate as at 30 June 2023 adopted by the Directors is RMB1.0000 to HK\$1.08.

APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report on the Unaudited Pro Forma Financial Information of the Target Group received from PKF Hong Kong Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

大信梁學濂(香港)會計師事務所有限公司

香港
銅鑼灣
威非路道18號
萬國寶通中心26樓

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Integrated Waste Solutions Group Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Integrated Waste Solutions Group Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 March 2023, the unaudited pro forma consolidated statement of profit or loss, and the unaudited pro forma consolidated statement of cash flows for the year then ended and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages IV-2 to IV-7 of Appendix IV of the circular issued by the Company dated 27 November 2023. The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on page IV-1 of Appendix IV of the circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors of the Company to illustrate the impact of the acquisition of an aggregation of 13.16% share capital of An Jie Supply Chain Management Co., Limited (hereinafter collectively referred to as the “**Acquisition**”) on the Group’s financial position as at 31 March 2023 and the Group’s financial performance and cash flows for the year then ended as if the Acquisition had been taken place at 31 March 2023 and 1 April 2022, respectively. As part of this process, information about the Group’s financial position has been extracted by the directors of the Company from the Group’s financial statements for the year ended 31 March 2023, on which an audit report has been published.

Directors’ Responsibilities for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Our firm applies International Standard on Quality Management 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the International Auditing and Assurance Standards Board (“IAASB”) which requires the firm to design, implement and operate system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the IAASB. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition at 31 March 2023 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgment, having regard to the reporting accountants’ understanding of the nature of Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**APPENDIX IV UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE ENLARGED GROUP**

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PKF Hong Kong Limited
Certified Public Accountants
Hong Kong
27 November 2023

The following is the text of a report received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation as at 31 August 2023 of the fair value of the 13.16% equity interest of the Target Company, for inclusion in this circular.

The Board of Directors

27 November 2023

Integrated Waste Solutions Group Holdings Limited

Integrated Waste Solutions Building,
8 Chun Cheong Street,
Tseung Kwan O Industrial Estate,
New Territories, Hong Kong

Dear Sirs / Madams,

Re: Valuation of the 13.16% Equity Interest in An Jie Supply Chain Management Co., Ltd.

In accordance with your instructions, AVISTA Valuation Advisory Limited (“**AVISTA**” or “**we**”) has conducted fair value valuation in connection with the fair value of the 13.16% equity interest in An Jie Supply Chain Management Co., Ltd. (“**An Jie**” or the “**Target Company**”) for Integrated Waste Solutions Group Holdings Limited (the “**Company**”, “**IWS**” or “**you**”) as of 31 August 2023 (the “**Valuation Date**”). We understand that the Company intends to enter into an agreement, which involves the acquisition of approximately 13.16% equity interest in An Jie (the “**Proposed Acquisition**”).

It is our understanding that this appraisal is strictly addressed to the directors of the Company (the “**Directors**”) and used for the Proposed Acquisition solely for your internal reference purpose. In addition, we acknowledge that this report may be made available to the Company for public documentation purpose and used as reference on the Company’s circular dated 27 November 2023 (the “**Circular**”). This report (the “**Report**”) does not constitute an opinion on the commercial merits and structure of the Proposed Acquisition. We are not responsible for unauthorised use of the Report.

We accept no responsibility for the realisation and completeness of any estimated data, or estimates furnished by or sourced from any third parties which we have used in connection with this Report. We assumed that financial and other information provided to us are accurate and complete.

This Report presents the summary of the business appraised, describes the basis of analysis and assumptions and explains the analysis methodology adopted in this appraisal process to calculate the value.

BASIS OF ANALYSIS

We have appraised the fair value of the 13.16% equity interest in the Target Company.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

COMPANY AND ACQUISITION BACKGROUND

IWS (stock code: 923.hk) mainly engages in the provision of waste management services, including treatment and recycling, and confidential materials destruction services. IWS mainly operates in Hong Kong and the People’s Republic of China (the “**PRC**”).

An Jie mainly engages in the provision of freight logistics and related services in the PRC. Core businesses of the Target Company include comprehensive logistics and warehousing services, as well as chemicals and hazardous materials transportation. With technology-enabled solutions, the Target Company mainly serves clients related to the sectors of new energy, industrial hazardous waste, chemicals, and consumer staples.

We understand that the Company intends to acquire 5,605,263 shares of the Target Company, which represents approximately 13.16% equity interest in the Target Company as previously defined as the Proposed Acquisition.

The Proposed Acquisition, constitutes a very substantial acquisition for the Company and is, therefore, subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

As such, the Company engaged us as an independent valuer to assess the fair value of the 13.16% equity interest in the Target Company as of the Valuation Date.

SCOPE OF WORK

In conducting this valuation exercise, we have

- Co-ordinated with the Company's representatives to obtain the required information and documents for our valuation;
- Gathered the relevant information of the Target Company, including the legal documents, financial statements, etc. made available to us;
- Discussed with the Company and the Target Company to understand the history, business model, operations, business development plan, etc. of the Target Company for valuation purpose;
- Carried out research in the sectors concerned and collected relevant market data from reliable sources for analysis;
- Studied the information of the Target Company made available to us and considered the bases and assumptions of our conclusion of value;
- Selected an appropriate valuation method to analyse the market data and derived the estimated fair value of the Target Company; and
- Compiled this Report on the valuation, which outlines our findings, valuation methodologies and assumptions, and conclusion of value.

When performing our valuation, all relevant information, documents, and other pertinent data concerning the assets, liabilities and contingent liabilities should have been provided to us. We relied on such data, records and documents in arriving at our opinion of value and had no reason to doubt the truth and accuracy of the information provided to us by the Company, the Target Company and their authorised representatives.

ECONOMIC OVERVIEW

Macroeconomic Overview of the PRC

During 2023H1, the Chinese economy exhibited a comprehensive recovery and improvement. As economic and societal activities resumed normalcy, there was a gradual restoration of production demand, with notable emphasis on the consumption and service sectors that had been significantly affected by the preceding pandemic situation. This resurgence has played a pivotal role in driving the overall economic growth.

According to the National Bureau of Statistics (“NBS”), the PRC’s gross domestic product (“GDP”) reached RMB59,303 billion in 2023H1, reflecting a year-on-year (“y-o-y”) growth of 5.5%, which was 1% higher than the growth in 2023Q1. Notably, the GDP growth rate increased from 4.5% in 2023Q1 to 6.3% in 2023Q2.

During this period, local consumption and fixed asset investment demonstrated robust expansion. Total retail sales of consumer goods amounted to RMB22,759 billion, registering a y-o-y growth of 8.2%, which was 2.4% higher than the growth rate in 2023Q1. Fixed asset investment reached RMB24,311 billion, with a y-o-y growth of 3.8%.

Despite the complex and challenging global trade and investment environment characterised by a slowdown, the PRC’s foreign trade achieved a remarkable growth of 2.1% in 2023H1, reaching a historic high of RMB20.1 trillion. This achievement reflects the PRC’s ability to maintain a stable and high-quality development trajectory. Specifically, exports increased by 3.7% to RMB11,459 billion, while imports experienced a slight decline of 0.1% to RMB8,643 billion. As a result, the trade surplus amounted to RMB2,816 billion.

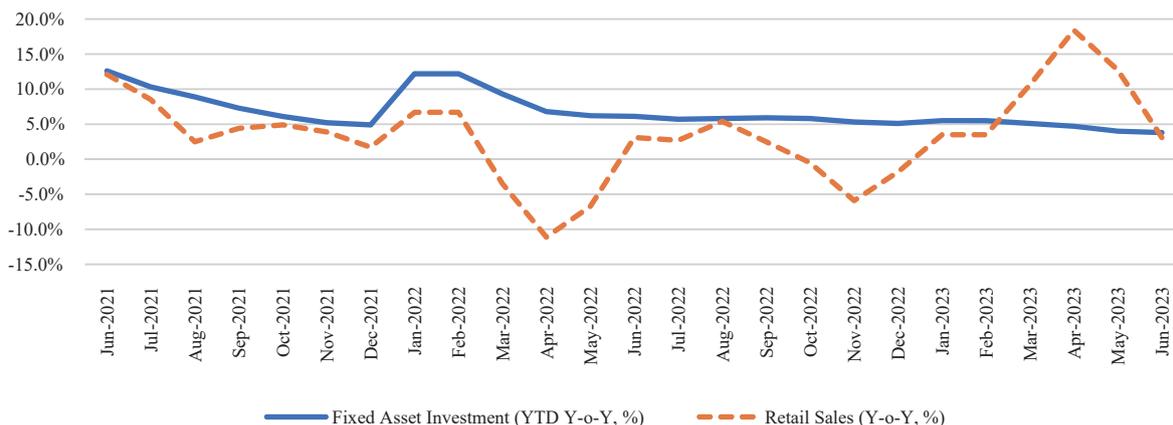
In terms of inflation, the consumer price index (“CPI”) remained unchanged y-o-y in June. The flat CPI can be attributed to the decline in pork and refined oil prices, which offset the impact of rising vegetable prices. Meanwhile, the producer price index (“PPI”) experienced a decline of 5.4%. This decline in the PPI can be attributed to factors such as the continued fall in prices of commodities like petroleum and coal and high base effect from same period last year.

In June, the People’s Bank of China (the “PBoC”) conducted a RMB237 billion medium-term lending facility (“MLF”) operation with an interest rate of 2.65%, which was 10 basis points lower than the previous rate of 2.75%. Prior to the MLF rate cut, the PBoC had already lowered the 7-day reverse repo rate by 10 basis points, marking the first rate cut since August last year. The rate cuts send a strong signal of stabilizing economic growth and help boosting market optimism about the prospects of economic recovery.

According to the PBoC, the money supply (“M2”) at the end of June was RMB287.3 trillion, with a y-o-y growth of 11.3%, slightly slower than the growth by the end of 2023Q1. The decline in M2 growth was mainly due to the slowdown in bank credit expansion which led to a decrease in the deposit scale, and the enhanced willingness to consume resulting in a decrease in savings.

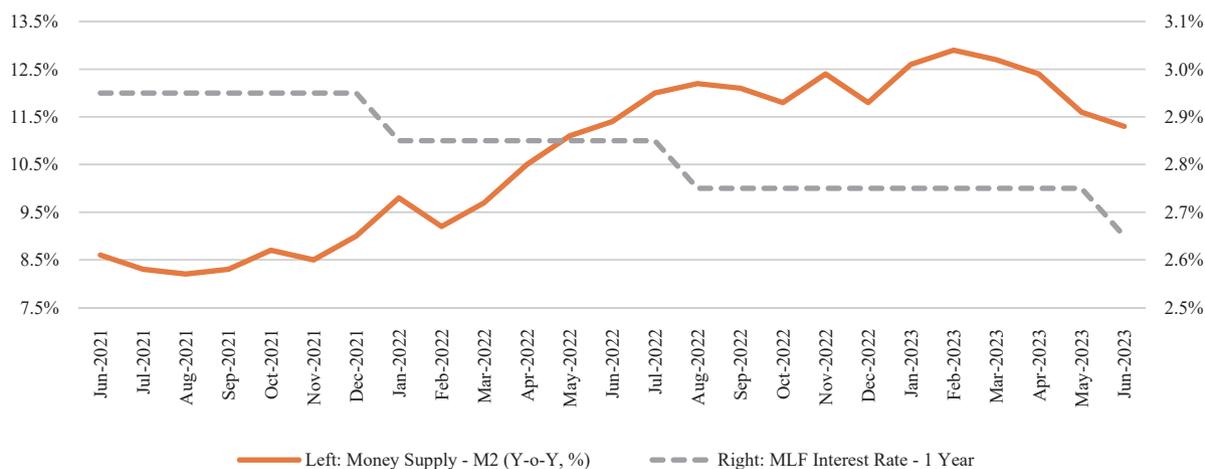
Looking forward, it is anticipated that the market’s optimistic outlook will serve as a catalyst for the revival of the Chinese economy, particularly in sectors such as manufacturing, real estate, and consumption, which expected to generate favorable conditions for the potential economic growth. The International Monetary Fund (“IMF”) forecasted the GDP per capita in the PRC to continue its upward trend and reach USD19,623 in 2028.

Y-o-Y Growth in YTD Fixed Asset Investment and Monthly Retail Sales



(Source: NBS)

Y-o-Y Growth in M2 and 1-Year MLF Interest Rate in China



(Source: NBS, PBoC)

GDP per Capita of China



(Source: IMF)

INDUSTRY OVERVIEW

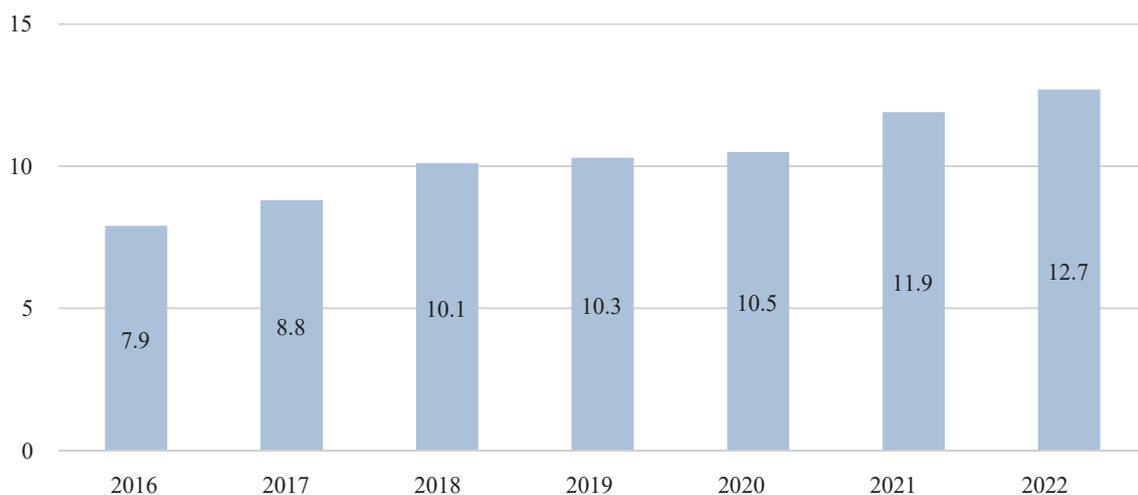
Overview of the Logistics Industry in the PRC

Despite the global economic slowdown since the outbreak of the Coronavirus Disease (“COVID-19”) pandemic, the logistics industry in the PRC has seen consistent growth in terms of market revenue, which is partly driven by rapid developments in service integrations and technology-enabled solutions. According to the China Federation of Logistics and Purchasing (“CFLP”), total market revenue of the logistics industry in the PRC reached RMB12.7 trillion in 2022, representing a 3-year compound annual growth rate (“CAGR”) of 7.2% from RMB10.3 trillion in 2019.

Among the modes of freight logistics, road transportation stays as the pillar of the freight logistics industry in the PRC which processed more than 70% of annual freight volume in the PRC from 2016 to 2022, according to NBS. NBS also indicated a road freight transport volume of 22.5 billion tons in the year-to-date (“YTD”) period ended 31 July 2023, representing y-o-y growth of 7.4%. CFLP suggested that the recovery in the retail market may have supported the growth in the domestic logistics industry in the PRC, in particular, food-and-beverage-related logistics volume has surged by more than 20% in the YTD period ended 31 July 2023.

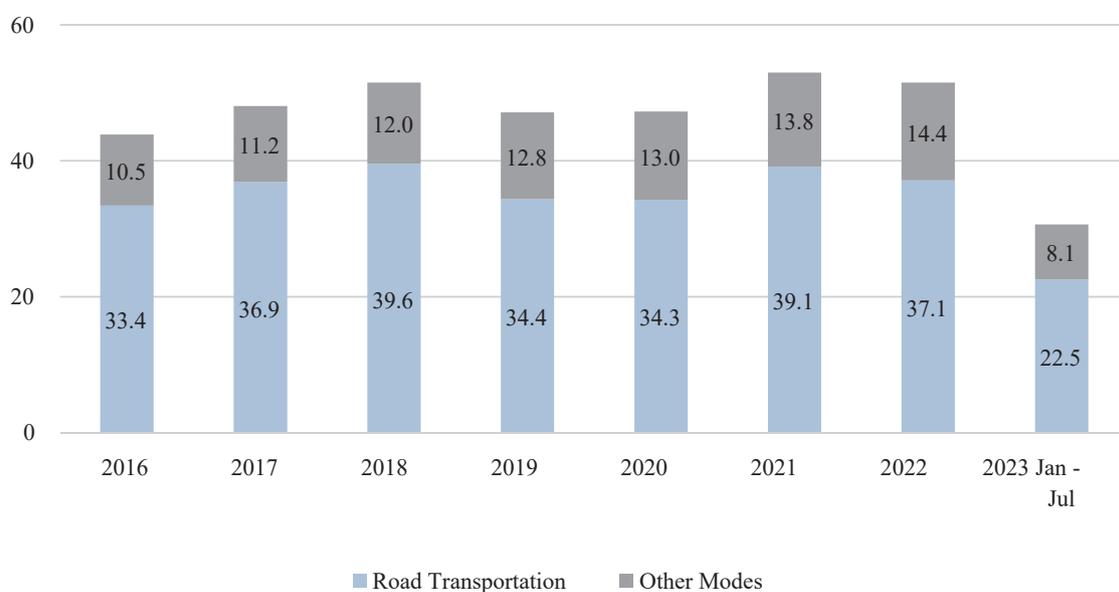
Furthermore, CFLP reported that Chinese logistics companies are spending more of their budget on digital transformation. In 2022, almost 60% of interviewed enterprises have a double-digit increase in expenses spent on digitalisation which may enhance the efficiency of the industry. On the other hand, the Chinese government has emphasised in the Fourteenth Five-year Plan regarding the environmentally friendly development in the logistics industry. To promote national awareness of sustainable development, the authority encourages the adoption of electric and alternative-fuel vehicles, along with eco-friendly warehousing and distribution practices.

Total Revenue of Logistics Industry in China (in RMB'trillion)



(Source: CFLP)

Freight Transportation Volume in China (in billion tons)



(Source: NBS)

LIMITATIONS OF THE REPORT

The Report is addressed strictly to the Directors for their internal reference only. Accordingly, the Report may not be used nor relied upon in any other connection by, and are not intended to confer any benefit on, any person (including without limitation the respective shareholders of the Company and the Target Company).

The Report does not constitute an opinion on the commercial merits and structure of the Proposed Acquisition. The Report does not purport to contain all the information that may be necessary or desirable to fully evaluate the Proposed Acquisition. We are not required to and have not conducted a comprehensive review of the business, technical, operational, strategic or other commercial risks and merits of the Proposed Acquisition and such remain the sole responsibility of the Directors and the management of the Company (the “**Management**”).

We have assumed and relied upon, and have not independently verified the accuracy, completeness and adequacy of the information provided or otherwise made available to us or relied upon by us in the Report, especially for the historical financial information of the Target Company of the trailing 12-months (“**LTM**”) period ended 30 June 2023 provided by the Management, whether written or verbal, and no representation or warrant, expressed or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of all such information.

Moreover, our valuation has also relied upon other information obtained from public sources which we believe to be reliable. We accept no responsibility for accuracy and reliability of any information obtained from public sources.

The outbreak of COVID-19, as declared by the World Health Organization as a global pandemic on 11 March 2020, has been adversely affecting the global economy as well as the financial markets. As such, the subsequent impact due to COVID-19 has imposed an unprecedented set of circumstances on which to base a valuation judgement as of the Valuation Date. In particular, the increased volatilities in political, legal, fiscal, economic conditions and/or other market situations as a result of COVID-19 would bring higher uncertainties to the underlying assumptions. Consequently, higher degree of caution should be attached to our valuation than would normally be the case.

VALUATION ASSUMPTIONS OF BUSINESS ENTERPRISE VALUE ANALYSIS

In arriving at our opinion of value, we have considered the following principal factors:

- the economic outlook for the region operated by the Target Company and specific competitive environments affecting the industry;
- the business risks of the Target Company;
- the selected comparable companies are engaging in business operations similar to the Target Company;
- the experience of the management team of the Target Company and support from its shareholders; and
- the legal and regulatory issues of the industry in general.

A number of general assumptions have to be made in arriving at our value conclusion. The key assumptions adopted in this valuation include:

- There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Company; and
- We have assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

VALUATION APPROACH

General Valuation Approaches

There are three generally accepted approaches to appraise the fair value of the equity interest in the Target Company, namely Income Approach, Cost Approach and Market Approach. All three of them have been considered regarding the valuation of the Target Company.

Income Approach

The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset.

The fundamental method for income approach is the discounted cash flow (“DCF”) method. Under the DCF method, the value depends on the present value of future economic benefits to be derived from ownership of the enterprise. Thus, an indication of the equity value is calculated as the present value of the future free cash flow of a company less outstanding interest-bearing debt, if any. The future cash flow is discounted at the market-derived rate of return appropriate for the risks and hazards of investing in a similar business.

Cost Approach

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history.

Market Approach

The market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset.

Under the market approach, the guideline public company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. The comparable transaction method computes a price multiple using recent sales and purchase transactions of assets that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset.

Selected Valuation Approach

Each of the abovementioned approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature. In this appraisal regarding the fair value of the equity interest in the Target Company, we applied the Market Approach due to the following reasons:

- Cost Approach is not appropriate in current appraisal as it assumed the assets and liabilities of the Target Company are separable and can be sold separately. This methodology is more appropriate for the industries that its assets are highly liquid, such as property development and financial institution. Also, the net asset value of the Target company may not fairly represent the corresponding equity value as it fails to consider the additional future economic benefits derived from business operation and therefore the incremental value attributable to the Target Company's intangible competencies and advantages which are not reflected in its book value. Hence, Cost Approach is not adopted in this valuation.
- Income Approach is also considered inappropriate as plenty of assumptions were involved in formulating the financial projections of the Target Company, and the assumptions might not be able to reflect the uncertainties in the future performance of the Target Company. Given that improper assumptions will impose significant impact on the fair value, Income Approach is not adopted in this valuation.
- Fair value arrived from Market Approach reflects the market expectations over the corresponding industry as the price multiples of the comparable companies were arrived from market consensus. Since there are sufficient public companies in similar nature and business to that of the Target Company, their market values are good indicators of the industry of the Target Company. Therefore, Market Approach has been adopted in this valuation.

There are two methods commonly used in performing market approach, namely comparable transaction method and guideline public company method.

Comparable Transaction Method

The comparable transactions are selected for the Target Company with reference to the following selection criteria:

- The primary industry of the acquiree is being in industry of Air Freight and Logistics or Ground Transportation, under Global Industry Classification Standard, as extracted from S&P Capital IQ;
- The principal business of the acquiree is provision of freight logistics and related services;
- The principal business of the acquiree is based in the PRC;
- The transaction was completed and announced between September 2022 and August 2023;
- The acquiree is profit-making in the LTM period as of the completion date of the corresponding transaction;
- 100% equity value of the acquiree implied from the transaction shall not exceed RMB10 billion; and
- The financial information of the acquiree is available to the public.

Based on the above selection criteria, there was no comparable transaction with the acquiree engaging in similar businesses as the Target Company during the selected period. Given the fact that no recent comparable transaction can be identified, we consider that the comparable transaction method is not appropriate for the valuation of the equity interest in the Target Company.

Guideline Public Company Method

Guideline public company method is therefore selected as the primary method for the valuation of the equity interest in the Target Company. By adopting guideline public company method, we have to select the appropriate comparable public companies. The selection of the comparable companies was based on the comparability of the overall industry sector. Although no two companies are ever exactly alike, behind the differences there are certain business universals such as required capital investment and overall perceived risks and uncertainties that guided the market in reaching the expected returns for companies with certain similar attributes.

The comparable public companies are selected with reference to the following selection criteria:

- The primary industry of the companies is being in industry of Air Freight and Logistics or Ground Transportation, under Global Industry Classification Standard, as extracted from S&P Capital IQ;
- The principal business of the companies is provision of freight logistics and related services;
- The principal business of the companies is based in the PRC;
- The companies are listed in major exchange markets in Hong Kong and the PRC including Stock Exchange of Hong Kong, Shanghai Stock Exchange or Shenzhen Stock Exchange;
- The companies are profit-making in the LTM period as of the Valuation Date;
- Market capitalization of the companies shall not exceed RMB10 billion as of the Valuation Date; and
- The financial information of the companies is available to the public.

During our research process, as obtained on the best effort basis, we have identified an exhaustive list of twelve comparable companies that engaged in the provision of freight logistics and related services based in the PRC, and each of these comparable companies had a market capitalization of below RMB10 billion as of the Valuation Date which shall be reasonably comparable in terms of scale with the market capitalization of Target Company of approximately RMB396 million based on the latest quote price of its share traded in the National Equities Exchange and Quotations (“NEEQ”), which is an over-the-counter trading platform in the PRC, as of the Valuation Date. As mentioned above, since no two companies are ever exactly alike, the differences should not overshadow the similarities of the business nature of the companies. We consider these companies are comparable to the Target Company.

Details of the selected comparable companies are listed as follows:

#	Company Name	Stock Code	Business Description	Revenue Contribution from Business Segment(s) ⁽¹⁾
1)	Shanghai Shine-Link International Logistics Co., Ltd. (“Shine-Link”)	SHSE:603648	Shanghai Shine-Link International Logistics Co., Ltd. provides logistics services to Fortune 500 companies in China and internationally. It offers same warehouse online and offline; consignment maintenance; E-commerce platform management and peak solutions; freight forwarding and special transportation; consumer products; special vehicle imports and export trade solutions; line side ingredient inbound logistics; medical client advisory services; bonded and non-guaranteed two warehouses integrated model; global circulation of large mechanical remanufacturing parts; and online ingredients and admission logistics. It serves information electronics, automobile manufacturing, medical equipment, medical consumables, mechanical equipment, consumer goods and e-commerce, aviation manufacturing, aviation materials management, and artwork and important copywriting certificate management markets. Shanghai Shine-Link International Logistics Co., Ltd. was founded in 2001 and is headquartered in Shanghai, China.	Relevant to the business of the Target Company: Supply Chain Management (100.0%)

Source: S&P Capital IQ

(1) Based on the latest annual financial data as of the Valuation Date from S&P Capital IQ.

#	Company Name	Stock Code	Business Description	Revenue Contribution from Business Segment(s) ⁽¹⁾
2)	CTS International Logistics Corporation Limited (“CTS”)	SHSE:603128	CTS International Logistics Corporation Limited, a freight forwarding company, engages in the provision of logistics and supply chain trade services in China and internationally. It provides air, sea and rail integrated logistics services; aviation parts logistics; customs declaration and inspection agency business; customs clearance business comprising general trade, processing trade, customs transfer and return, exhibition business, personal belongings, special supervision area, pre-classification and other services; and packaging, warehousing, trailers, and other one-stop quality services; and custom brokerage services, as well as cross-border e-commerce logistics, international engineering integrated logistics, international warehousing logistics, other international integrated logistics services. The company was founded in 1984 and is headquartered in Shanghai, China. CTS International Logistics Corporation Limited operates as a subsidiary of China Chengtong Hong Kong Co., Ltd.	Relevant to the business of the Target Company: Cross-Border Integrated Logistics (97.2%); and Special Logistics (2.8%)
3)	China Master Logistics Co., Ltd. (“China Master”)	SHSE:603967	China Master Logistics Co., Ltd. operates as an integrated logistics company in China. The company offers logistics consulting services, such as marketing, inquiry and quotation, program design, cost accounting, container management, auxiliary stocking, booking agency, document operation, and other logistics process services, as well as coastal transportation, engineering logistics, transportation, and other logistics transportation services. It also freight forwarding, shipping agency, customs clearance, and depot services; project logistics; and bulk logistics. The company was founded in 2006 and is headquartered in Qingdao, China. China Master Logistics Co., Ltd. is a subsidiary of Qingdao Zhongchuang United Investment Development Co. Ltd.	Relevant to the business of the Target Company: Cross-Border Container Logistics (95.8%); New Energy Engineering Logistics (3.8%); and Smart Cold Chain Logistics (0.4%)

Source: S&P Capital IQ

(1) Based on the latest annual financial data as of the Valuation Date from S&P Capital IQ.

#	Company Name	Stock Code	Business Description	Revenue Contribution from Business Segment(s) ⁽¹⁾
4)	Bondex Supply Chain Management Co., Ltd. ("Bondex")	SHSE:603836	Bondex Supply Chain Management Co., Ltd. provides supply chain logistics services in China. The company offers basic segmented logistics services, one-stop contract logistics services, lean supply chain logistics services, and supply chain trade services. It also provides sea freight services, land transport services, air freight services, railway transport services, customs affairs services, and warehouse services; and client-oriented logistics services, including door-door delivery, customs affairs management, and warehousing and distribution. The company was founded in 1996 and is headquartered in Qingdao, China.	Relevant to the business of the Target Company: Basic Segmented Logistics (67.2%); One-Stop Contract Logistics (18.8%); and Lean Supply Chain Logistics (13.5%)
5)	Beijing Changjiu Logistics Co.,Ltd ("Changjiu")	SHSE:603569	Beijing Changjiu Logistics Co.,Ltd engages in the provision of logistics solutions for the automotive industry in China. The company's vehicle business offers vehicle transportation, vehicle storage, parts logistics, social vehicle logistics, and network platform road cargo transportation. Its international business provides international cargo FCL and LCL transportation, cargo collection, distribution, warehousing, trade, bonded, customs declaration, and inspection and other services. The company's new energy business provides logistics, warehousing, and other traditional services, such as experience, delivery, power battery recycling and comprehensive utilization, reverse logistics, etc., as well as construction of power battery recycling channels, and utilization technology research and development services. It also provides energy information consulting and boat charter services. The company offers its services to OEMs, power battery manufacturers, power battery raw materials, and related chemical manufacturers. Beijing Changjiu Logistics Co.,Ltd was founded in 1992 and is based in Beijing, China. Beijing Changjiu Logistics Co.,Ltd is a subsidiary of Jilin Changjiu Industry Group Co., Ltd.	Relevant to the business of the Target Company: Vehicle Transportation Business (77.4%); International Business (17.0%); Complete Vehicle Supporting Business (4.4%); and New Energy Business (0.3%)

Source: S&P Capital IQ

(1) Based on the latest annual financial data as of the Valuation Date from S&P Capital IQ.

#	Company Name	Stock Code	Business Description	Revenue Contribution from Business Segment(s) ⁽¹⁾
6)	GuangDong GenSho Logistics Co.,LTD (“GenSho”)	SHSE:603813	GuangDong GenSho Logistics Co.,LTD engages in the integrated logistics of auto parts supply chain business in China. The company provides transportation, distribution processing, loading and unloading, warehousing, and other value-added services, as well as quality inspection and packing services. The company also engages in the production and sales of logistics equipment; and insurance agency business. It primarily serves automobile manufacturers and related parts suppliers. GuangDong GenSho Logistics Co.,LTD was founded in 2005 and is headquartered in Guangzhou, China.	Relevant to the business of the Target Company: Comprehensive Logistics Services (91.4%)
7)	Jiangsu Feiliks International Logistics Inc. (“Feiliks”)	SZSE:300240	Jiangsu Feiliks International Logistics Inc. offers logistics services in China and internationally. It provides integrated supply chain services; freight forwarding solutions by air, sea, and on land; multimodal services; warehousing services; supply chain solutions, including inbound, production, finished, and after sales logistics solutions; and supply chain finance services. The company was founded in 1993 and is based in Kunshan, China.	Relevant to the business of the Target Company: Service Industry (100.0%)
8)	San Yang Ma (Chongqing) Logistics Co.,Ltd. (“San Yang Ma”)	SZSE:001317	San Yang Ma (Chongqing) Logistics Co.,Ltd. provides logistics services and warehousing services in China. The company offers rail and road transport, commodity vehicle logistics, in-use vehicle logistics, real estate logistics, logistics solution design, cargo transportation, loading and unloading, handling, and other one-stop comprehensive logistics services. It also provides warehouse management services, such as goods storage, custody, loading, unloading, handling, and distribution services. The company was formerly known as Chongqing set Automotive Logistics Co., Ltd. San Yang Ma (Chongqing) Logistics Co.,Ltd. was founded in 2005 and is headquartered in Chongqing, China.	Relevant to the business of the Target Company: Transportation - Railroads (100.0%)

Source: S&P Capital IQ

(1) Based on the latest annual financial data as of the Valuation Date from S&P Capital IQ.

#	Company Name	Stock Code	Business Description	Revenue Contribution from Business Segment(s) ⁽¹⁾
9)	Xinjiang Tianshun Supply Chain Co., Ltd. (“Tianshun”)	SZSE:002800	Xinjiang Tianshun Supply Chain Co., Ltd. provides logistic services in China. The company offers supply chain management, third party logistics, international air cargo and logistics, and logistics park operation services. Xinjiang Tianshun Supply Chain Co., Ltd. was founded in 2008 and is based in Ürümqi, China.	Relevant to the business of the Target Company: Third Party Logistics Business (63.4%); Supply Chain Management Business (32.1%); International Railway Logistics Service (3.0%); International Air Logistics Service (0.7%); and Logistics Park Management Business (0.6%)
10)	Hichain Logistics Co.,Ltd. (“Hichain”)	SZSE:300873	Hichain Logistics Co.,Ltd. provides integrated logistics services in China and internationally. The company offers road transportation services comprising cross-border, route planning, visible tracking, and online booking related services. It also provides warehousing services, including material, kitting, equipment, quality test/repair, and after-sales services. In addition, the company offers customs/quarantine, tariff classification, path designing, import/export agency, and customs consulting services. Further, it engages in logistics, platform, and station management activities, as well as offers zone planning and business support services. Additionally, the company provides system customization, ocean/air agency, multimodal freight, data management, and certificate brokerage services. The company was founded in 2011 and is based in Suzhou, China.	Relevant to the business of the Target Company: Freight Forwarding Service (54.2%); and Warehousing Services (45.7%)

Source: S&P Capital IQ

(1) Based on the latest annual financial data as of the Valuation Date from S&P Capital IQ.

#	Company Name	Stock Code	Business Description	Revenue Contribution from Business Segment(s) ⁽¹⁾
11)	Yongtaiyun Chemical Logistics Co.,Ltd (“Yongtaiyun”)	SZSE:001228	Yongtaiyun Chemical Logistics Co., Ltd engages in the transportation of hazardous chemicals in China. It also provides international freight forwarding for chemicals, dangerous goods storage bonded, and domestic chemical transportation and distribution. The company was founded in 1998 and is based in Ningbo, China.	Relevant to the business of the Target Company: Cross-Border Chemical Logistics Supply Chain Services (89.6%); and Warehousing and Storage Services (3.9%)
12)	Guangdong Jushen Logistics Co., Ltd. (“Jushen”)	SZSE:001202	Guangdong Jushen Logistics Co., Ltd. provides integrated supply chain logistics services. It offers warehousing, transportation, distribution, freight forwarding, and cargo handling services. The company was founded in 2011 and is based in Foshan, China.	Relevant to the business of the Target Company: Logistics and Warehousing (100.0%)

Source: S&P Capital IQ

(1) Based on the latest annual financial data as of the Valuation Date from S&P Capital IQ.

As over 75% of revenue of the above comparable companies are generated from the provision of freight logistics and related services based in the PRC, these comparable companies, together with the Target Company, are considered to be similarly subject to fluctuations in the economy and performance of the freight logistics industry, among other factors. Thus, we consider they are confronted with similar industry risks and rewards.

Adopted Valuation Multiples

After selecting the abovementioned comparable companies, we have to determine the appropriate valuation multiples for the valuation of Target Company, in which we have considered price-to-book (“P/B”), price-to-sales (“P/S”), price-to-earnings (“P/E”), enterprise value/sales (“EV/S”) and enterprise value/earnings before interests, taxes, depreciation and amortization (“EV/EBITDA”) multiples.

P/B multiple is considered not appropriate for the valuation of the Target Company because book value captures only the tangible assets of a company which, if a company creates any added market value (as reflected by a P/B multiple of larger than one), should have its own intangible competencies and advantages. These intangible company-specific competencies and advantages are not captured in the P/B multiple and so in general, the equity’s book value has little bearing with its fair value. Thus, the P/B multiple is not a good measurement of the fair value of a company.

P/S and EV/S multiples are considered not appropriate for the valuation of the Target Company because they do not consider the profitability of the Target Company nor that of the comparable companies. As both P/S and EV/S multiples only focus on the sales amounts but not the margins, the result will be easily distorted if the cost structure is not being taken into account. Thus, P/S and EV/S multiples are not adopted in the valuation of the Target Company.

EV/EBITDA multiple use the market capitalization of a company as the starting point, considering the inclusion of the value of debt, minority interest, preferred shares and the exclusion of any cash and cash equivalents to represent enterprise value, which is then divided by EBITDA amount. Since EV/EBITDA multiple excludes depreciation and amortisation expenses, and therefore does not take into account the needs of capital expenditures required to maintain the business growth, it is not adopted in the valuation of the Target Company.

P/E multiple is one of the most commonly used valuation multiples. It relates the market value of the equity interest in the Target Company to its earnings, an important driver of shareholders' value. We consider that it is fair and reasonable to use the P/E multiple for assessing the value of the Target Company because net income is a more direct economic measurement of earning attributable to the equity value of the Target Company. In addition, the Target Company has been profit-making in the latest financial year. Hence, the P/E multiple is adopted in the valuation of the Target Company. The P/E multiples of comparable companies of the Target Company are as follows:

No.	Company Name	Reporting Currency (in million)	Market Capitalization as of 31 August 2023	LTM Net Profit ⁽¹⁾	P/E Multiple Before LOMD	P/E Multiple Before LOMD (excluding outliers) ⁽²⁾
1	Shine-Link	RMB	3,312	171	19.4x	19.4x
2	CTS	RMB	9,821	759	12.9x	12.9x
3	China Master	RMB	3,210	248	13.0x	13.0x
4	Bondex	RMB	2,937	163	18.0x	18.0x
5	Changjiu	RMB	8,109	62	130.0x	N/A
6	GenSho	RMB	1,618	8	215.6x	N/A
7	Feiliks	RMB	2,317	65	35.8x	35.8x
8	San Yang Ma	RMB	2,872	13	218.6x	N/A
9	Tianshun	RMB	1,734	5	331.1x	N/A
10	Hichain	RMB	4,335	298	14.6x	14.6x
11	Yongtaiyun	RMB	3,825	259	14.8x	14.8x
12	Jushen	RMB	2,128	48	44.7x	44.7x
					Maximum	44.7x
					Minimum	12.9x
					Median ⁽²⁾	16.4x
					Lack of Marketability Discount ("LOMD") ⁽³⁾	20.5%

Notes:

- (1) Data sourced from Bloomberg and the financial statements of the comparable companies. The equity values of the comparable companies are computed based on the market capitalisation of the companies as of 31 August 2023. LTM net profit data are based on the latest financial data of the comparable companies available as of the Valuation Date.
- (2) To avoid distortion of selected multiples by abnormal data, P/E multiples of Changjiu (130.0x), GenSho (215.6x), San Yang Ma (218.6x) and Tianshun (331.1x) are considered as outliers and have been excluded for analysis purpose. Thereafter, we consider taking median of the available multiples is a fair and reasonable estimate of the P/E multiple for the valuation of the Target Company.

- (3) LOMD reflects the fact that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company.

The P/E multiples adopted in the valuation were calculated from public listed companies, which represent marketable ownership interest. Fair value calculated using such P/E multiple, therefore, represents the marketable interest. Thus, LOMD was adopted to adjust such marketable interest fair value to non-marketable interest fair value.

The report “Stout Restricted Stock Study Companion Guide (2022 edition)” by Stout Risius Ross, LLC, a reputable research company, suggested an average marketability discount of 20.5% which is based on 772 private placement transactions of unregistered common shares issued by publicly traded companies from July 1980 through March 2022.

We understand that the Target Company is an entity with its equity shares publicly traded in the NEEQ, which is an over-the-counter trading platform in the PRC. Based on the information obtained from NEEQ, equity shares of the Target Company are not traded on daily basis, and the average daily transaction volume is negligible. Hence, we consider that the listing status of the Target Company on NEEQ may not provide sufficient liquidity for immediate transaction of equity interest in the Target Company and thus a marketability discount of 20.5% is considered appropriate and suitable for this valuation.

The value of non-marketable interest can be calculated from marketable interest using the following formula:

$$\text{Fair Value of Non-Marketable Interest} = \text{Fair Value of Marketable Interest} \times (1 - \text{LOMD})$$

Valuation Result

	RMB'000
LTM Consolidated Net Profit of the Target Company ⁽¹⁾	33,711
Median of P/E Multiple	<u>16.4x</u>
Estimated 100% Equity Value of the Target Company (Marketable and Minority Basis) ⁽²⁾	552,107
Less: LOMD (20.5%)	<u>(113,182)</u>
Estimated 100% Equity Value of the Target Company (Non-marketable and Minority Basis)	438,925
Shareholding % of the Target Company to be Acquired ⁽³⁾	<u>13.16%</u>
Estimated 13.16% Equity Interest in the Target Company (Non-marketable and Minority Basis) ⁽⁴⁾	57,753

Notes:

- (1) As of the Valuation Date, the best available LTM financial information of the Target Company covered up to 30 June 2023 according to the Management. These have therefore been adopted for the valuation. The consolidated net profit data is based on the consolidated financial statements of the Target Company for the year ended 31 December 2022, and the 6-month periods ended 30 June 2022 and 30 June 2023, provided by the Company.
- (2) The amount does not equal to the multiple of LTM consolidated net profit of the Target Company and the adopted multiple illustrated above due to rounding.
- (3) Based on the Target Company's total number of shares of 42,600,000 and 5,605,263 shares of the Target Company to be acquired by the Company, information provided by the Management.
- (4) The amount does not equal to the multiple of estimated 100% equity value of the Target Company and the shareholding % of the Target Company to be acquired illustrated above due to rounding.

CONCLUSION OF VALUE

Based on our investigation and analysis method employed, it is our opinion that as of the Valuation Date, the fair value of the 13.16% equity interest in An Jie Supply Chain Management Co., Ltd. is RMB57,753 thousand.

The conclusion of the fair value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in Integrated Waste Solutions Group Holdings Limited nor the value reported.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited
Vincent C B Pang
CFA, FCPA(HK), FCPA (Aus.), MRICS, RICS Registered Valuer
Managing Partner

Analysed and Reported by:

Mandy H C Cheung

CFA, CPA(HK)

Associate Director

Mankry Y L Cheung

CFA

Assistant Manager

Justin M F Woo

Senior Analyst

Note: Mr. Vincent Pang is a member of CFA Institute and CPA Australia, a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of Royal Institution of Chartered Surveyors (RICS) and a registered valuer of RICS. Mr. Vincent Pang has over 20-year experience in financial valuation and business consulting in Hong Kong and the PRC.

APPENDIX — GENERAL LIMITATIONS AND CONDITIONS

This Report was prepared based on the following general assumptions and limiting conditions:

- All data, including historical financial data, which we relied upon in reaching opinions and conclusions or set forth in the Report are true and accurate to our best knowledge. Whilst reasonable care has been taken to ensure that the information contained in the Report is accurate, we cannot guarantee its accuracy and we assume no liability for the truth or accuracy of any data, opinions, or estimates furnished by or sourced from any third parties which we have used in connection with the Report.
- We also assume no responsibilities in the accuracy of any legal matters. In particular, we have not carried out any investigation on the title of or any encumbrances or any interest claimed or claimable against the equity interest in the Target Company appraised. Unless otherwise stated in the Report, we have assumed that the owner's interest is valid, the titles are good and marketable, and there are no encumbrances that cannot be identified through normal processes.
- The value opinion presented in this Report is based on the prevailing or then prevailing economic conditions and on the purchasing power of the currency stated in the Report as of the date of analysis. The date of value on which the conclusions and opinions expressed apply is stated in this Report.
- This Report has been prepared solely for the use or uses stated. Except for extraction of or reference to the Report by the Company, its financial advisor and/or its independent financial advisor for their respective work in relation to the Proposed Acquisition, it is not intended for any other use or purpose or use by any third parties. We hereby disclaim that we are not liable for any damages and/or loss arisen in connection with any such unintended use.
- Prior written consent must be obtained from AVISTA Valuation Advisory Limited for publication of this Report. Except for disclosure in the announcement and/or the Circular in relation to the Proposed Acquisition, no part of this Report (including without limitation any conclusion, the identity of any individuals signing or associated with this Report or the firms/companies with which they are connected, or any reference to the professional associations or organisations with which they are affiliated or the designations awarded by those organisations) shall be disclosed, disseminated or divulged to third parties by any means of publications such as prospectus, advertising materials, public relations, news.
- We assume all applicable laws and governmental regulations are being complied with unless otherwise stated in this Report. We have also assumed responsible ownership and that all necessary licenses, consents, or other approval from the relevant authority or private organisations have been or to be obtained or renewed for any use that is relevant to value analysis in this Report.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(i) Interests of Directors

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

(ii) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors, the following persons, other than the Directors or chief executives of the Company, had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of shareholding
Cheng Yu Tung Family (Holdings) Limited (Note 1)	Interest in controlled corporations	2,742,514,028	56.86%
Cheng Yu Tung Family (Holdings II) Limited (Note 1)	Interest in controlled corporations	2,742,514,028	56.86%
Chow Tai Fook Capital Limited (Note 1)	Interest in controlled corporations	2,742,514,028	56.86%
Chow Tai Fook (Holding) Limited (Note 2)	Interest in controlled corporations	2,742,514,028	56.86%
Chow Tai Fook Nominee Limited (Note 3)	(1) Beneficial owner (2) Interest in controlled corporations	(1) 1,530,601,835 (2) 732,550,000	(1) 31.74% (2) 15.19%
Victory Day Investments Limited (Note 3)	Interest in controlled corporation	732,550,000	15.19%
Smart On Resources Ltd. (Note 3)	Beneficial owner	732,550,000	15.19%
Prestige Safe Limited (Note 2)	Beneficial owner	479,362,193	9.94%

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of shareholding
Firstrate Enterprises Limited (<i>Note 4</i>)	Beneficial owner	780,000,000	16.17%
Mr. Wong Kim Pun (<i>Note 4</i>)	Interest in a controlled corporation	780,000,000	16.17%

Notes:

- 1 As at the Latest Practicable Date, Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited held approximately 48.98% and 46.65% interest in Chow Tai Fook Capital Limited respectively, which in turn held an approximately 81.03% interest in Chow Tai Fook (Holding) Limited. As such, each of Cheng Yu Tung Family (Holdings) Limited, Cheng Yu Tung Family (Holdings II) Limited and Chow Tai Fook Capital Limited is deemed to be interested in the 2,742,514,028 Shares.
- 2 Chow Tai Fook (Holding) Limited is the controlling shareholder of Chow Tai Fook Nominee Limited and the 100% holding company of Prestige Safe Limited, and accordingly Chow Tai Fook (Holding) Limited is deemed to be interested in an aggregate of 2,742,514,028 Shares.
- 3 Chow Tai Fook Nominee Limited is the beneficial owner of 1,530,601,835 Shares and is interested in 732,550,000 Shares through its interest in a wholly-owned subsidiary, Victory Day Investments Limited, which in turn wholly-owns Smart On Resources Ltd.
- 4 Pursuant to the disclosure of interests notification received by the Company, Mr. Wong Kim Pun controls 100% interest in Firstrate Enterprises Limited and hence is deemed to be interested in 780,000,000 Shares held by Firstrate Enterprises Limited.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, there was no other person who had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) had been entered into by the members of the Group within two years preceding the Latest Practicable Date and are, or may be, material:

- (a) the supplemental agreement dated 17 March 2023 between Dugong IWS HAZ Limited (the “**Borrower**”) and IWS Engineering Company Limited to the loan agreement dated 11 September 2019 between Intelligent Goal Holdings Limited (whose rights, interests, title, claims and benefits thereunder were subsequently assigned to IWS Engineering Company Limited) as lender and the Borrower as borrower in relation to the provision of a shareholder’s loan (the “**Loan**”) in the maximum principal amount of RMB28,800,000, for, among others, extension of the maturity dates of Tranche One and Tranche Two of the Loan by one year;
- (b) the Agreement;
- (c) the First Supplemental Agreement; and
- (d) the Second Supplemental Agreement.

4. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

5. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have been named in this circular or have given opinions, letters or advice contained in this circular:

Name	Qualifications
PKF Hong Kong Limited	Certified Public Accountants
AVISTA Valuation Advisory Limited	Independent professional valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with inclusion herein of its letter or report and/or reference to its name, in the form and context in which they appear.

As at the Latest Practicable Date, each of the above experts did not have any interest in the share capital of any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the above experts did not have any interest, direct or indirect, in any assets which have been, since 31 March 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of or leased to any member of the Group.

6. LITIGATION

Save as disclosed below, so far as is known to the Directors, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance was pending or threatened against any member of the Group as at the Latest Practicable Date:

(a) High Court Action 1764 of 2013

On 17 September 2013, the Company commenced legal proceedings against: (i) Leung Kai Kuen (梁契權), (ii) Leung Tat Piu (梁達標), (iii) Cheng Chun Keung, Thomas (鄭振強), (iv) Ing Alan (吳初浩), (v) Mak Sau Ling and (vi) Wong Sze Chung Armstrong (together, the “**HCA1764/2013 Defendants**”) in the Court of First Instance of the High Court of Hong Kong, claiming the sum of HK\$30,712,531, alleging that the HCA1764/2013 Defendants were negligent and failed to perform their respective duties to inform, advise, remind and protect the Company to set up an affective financial monitoring system, causing loss and damages to the Company in the course of transferring monies to 惠州福和紙業有限公司 (“**Huizhou Fook Woo**”), an indirect wholly-owned subsidiary of the Company at the material time, through two new agents which did not have any business connections with the Company or Huizhou Fook Woo. The Company has filed an amended-statement of claim on 7 July 2014. As at the Latest Practicable Date, (i) an interlocutory judgment had been entered against Leung Kai Kuen (梁契權) and under a separate claim made by the Company a bankruptcy order had been issued against him, which was subsequently extended by the Court of First Instance of the High Court of Hong Kong on 1 December 2020 pursuant to section 30A(3) of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong); (ii) the claim against each of Leung Tat Piu (梁達標), Wong Sze Chung Armstrong and Mak Sau Ling, respectively, had been settled and the action against each of them had been discontinued; and (iii) the action against each of Cheng Chun Keung, Thomas (鄭振強) and Ing Alan (吳初浩), respectively, was still pending.

(b) High Court Action 2377 of 2013

On 6 December 2013, the Company commenced legal proceedings against: (i) Leung Kai Kuen (梁契權), (ii) Liang Huizhen (梁惠珍), (iii) Wong Sze Chung Armstrong, (iv) Tam Wai Ming (譚偉明) (together, the “1st to 4th HCA2377/2013 Defendants”) and (v) Roma Appraisals Limited (羅馬國際評估有限公司) (the “5th HCA2377/2013 Defendant”) in the Court of First Instance of the High Court of Hong Kong, claiming the sum of (i) HK\$18,625,222 (against the 1st to 4th HCA2377/2013 Defendants); and (ii) HK\$40,000 (against the 5th HCA2377/2013 Defendant). As stated in the writ issued by the Company, it was alleged that the 1st to 4th HCA2377/2013 Defendants were in breach of their respective duties and conspired to commit fraudulent acts leading to the suspension of trading of Shares causing loss and damages to the Company. As at the Latest Practicable Date, (i) an interlocutory judgment had been entered against Leung Kai Kuen (梁契權) and under a separate claim made by the Company a bankruptcy order had been issued against him, which was subsequently extended by the Court of First Instance of the High Court of Hong Kong on 1 December 2020 pursuant to section 30A(3) of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong); (ii) the action against Liang Huizhen (梁惠珍) was still pending; and (iii) the claim against each of Wong Sze Chung Armstrong, Tam Wai Ming (譚偉明) and the 5th HCA2377/2013 Defendant, respectively, had been settled and the action against each of them had been discontinued.

(c) High Court Action 1465 of 2014

On 31 July 2014, the Company commenced legal proceedings against: (i) Leung Kai Kuen (梁契權), (ii) Cheng Chun Keung, Thomas (鄭振強), (iii) Shiu Wai Chung (蕭偉忠), (iv) Suntex Paper Machinery Import & Export Company Limited (順昌紙製品設備進出口有限公司) and (v) Leung Tat Piu (梁達標) (together, the “HCA1465/2014 Defendants”) in the Court of First Instance of the High Court of Hong Kong, claiming the sum of HK\$104,704,232. As stated in the writ issued by the Company, it was alleged that the HCA1465/2014 Defendants conspired to commit fraudulent acts defrauding and injuring the Company and were in breach of their respective duties leading the Company to transfer monies to its subsidiaries for the purchase of machinery from an Italian company specializing in the manufacture of machineries for processing/handling papers at an inflated price causing loss and damages to the Company. As at the Latest Practicable Date, (i) an interlocutory judgment had been entered against Leung Kai Kuen (梁契權) and under a separate claim made by the Company a bankruptcy order had been issued against him, which was subsequently extended by the Court of First Instance of the High Court of Hong Kong on 1 December 2020 pursuant to section 30A(3) of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong); (ii) the action against each of Cheng Chun Keung, Thomas (鄭振強) and Suntex Paper Machinery Import & Export Company Limited (順昌紙製品設備進出口有限公司), respectively, was still pending; and (iii) the claim against each of Leung Tat Piu (梁達標) and Shiu Wai Chung (蕭偉忠) had been settled and the action against him had been discontinued.

(d) High Court Action 2884 of 2015

On 5 December 2015, the Company as 1st Plaintiff together with Huizhou Fook Woo Paper Company Limited as 2nd Plaintiff commenced legal proceedings against Leung Kai Kuen (梁契權) (the “HCA2884/2015 Defendant”) in the Court of First Instance of the High Court of Hong Kong, claiming the sum of US\$17,883,920.00 (or its equivalent at around HK\$138,600,381.00 @HK\$7.75 to US\$1.00). As stated in the writ issued by the Company and Huizhou Fook Woo Paper Company Limited, it was alleged that the HCA2884/2015 Defendant under the Contract No.20110527001 entered between the 2nd Plaintiff and Burgeon Limited dated 27 May 2011 for the sale and purchase of a Waste Paper Sorting Machine procured the said sum to be paid by the Plaintiffs as a result of the HCA2884/2015 Defendant’s negligence, breach of his director/ fiduciary/employee’s duties and/or equitable duty of fidelity. As at the Latest Practicable Date, an interlocutory judgment had been entered against the HCA2884/2015 Defendant and under a separate claim made by the Company a bankruptcy order had been issued against him, which was subsequently extended by the Court of First Instance of the High Court of Hong Kong on 1 December 2020 pursuant to section 30A(3) of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong).

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any proposed Director nor their respective close associates had any interests in a business, which competed or was likely to compete, either directly or indirectly, with the business of the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

8. INTERESTS IN CONTRACTS OR ARRANGEMENTS

So far as is known to the Directors, as at the Latest Practicable Date, none of the Directors or proposed Directors had any interest, direct or indirect, in any assets which have been, since 31 March 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of or leased to any member of the Group.

None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

9. GENERAL

- (a) The registered office of the Company is at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.
- (b) The principal place of business of the Company in Hong Kong is at Integrated Waste Solutions Building, 8 Chun Cheong Street, Tseung Kwan O Industrial Estate, New Territories, Hong Kong.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (d) The company secretary of the Company is Ms. Ng Sum Yu, Phyllis, who is a fellow member of the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries, and a lawyer of the Supreme Court of New South Wales, Australia.
- (e) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be on display on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.iwsg.com) from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual report of the Company for the year ended 31 March 2023;
- (c) the accountants' report on the Target Group as set out in Appendix II to this circular;
- (d) the line-by-line information of the financial information of the Target Group as set out in Appendix II to this circular;
- (e) the report on the unaudited pro forma financial information of the Enlarged Group issued by PKF Hong Kong Limited as set out in Appendix IV to this circular;

- (f) the valuation report on the Target Company issued by AVISTA Valuation Advisory Limited as set out in Appendix V to this circular;
- (g) the written consents referred to in the section headed “Qualifications and consents of experts” in this appendix;
- (h) the material contracts referred to in the section headed “Material Contracts” in this appendix; and
- (i) this circular.

NOTICE OF EGM



Integrated Waste Solutions Group Holdings Limited

綜合環保集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 923)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Integrated Waste Solutions Group Holdings Limited (the “**Company**”) will be held as an electronic meeting on Thursday, 14 December 2023 at 2:00 p.m., for the purposes of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the share transfer agreement (股份買賣協議) (the “**Original Agreement**”) (a copy of which has been produced to this meeting marked “A” and initialled by the chairman of this meeting for the purpose of identification) dated 5 October 2023 and entered into between Zhang Yan (張艷) (the “**Vendor**”) as vendor and Integrated Waste Solutions Services Limited (“**IWS Services**”) (an indirect wholly-owned subsidiary of the Company) as purchaser (as supplemented and revised from time to time (including, but not limited to, under (i) a supplemental agreement (the “**First Supplemental Agreement**”) (a copy of which has been produced to this meeting marked “B” and initialled by the chairman of this meeting for the purpose of identification) dated 24 October 2023 and entered into between the Vendor, IWS Services and 綜環投資(珠海橫琴)有限公司 (IWS Investment (Zhuhai Hengqin) Company Limited) (“**IWS Investment**”) (an indirect wholly-owned subsidiary of the Company) and (ii) a second supplemental agreement (together with the Original Agreement and the First Supplemental Agreement, the “**SP Agreement**”) (a copy of which has been produced to this meeting marked “C” and initialled by the chairman of this meeting for the purpose of identification) dated 13 November 2023 and entered into between the Vendor and IWS Investment) in relation to, among others, the acquisition by IWS Investment from the Vendor of 5,605,263 shares of An Jie Supply Chain Management Co., Ltd. (廣東安捷供應鏈管理股份有限公司) (the “**Target Company**”), a company established in the People’s Republic of China as a joint stock company with limited liability and the shares of which are listed on the National Equities Exchange And Quotations (全國中小企業股份轉讓系統), together with the transactions contemplated thereunder (including but not limited to the rights of first refusal in respect of shares of the Target Company granted thereunder), be and are hereby approved; and

NOTICE OF EGM

- (b) any director of the Company (the “**Director**”) be and are hereby authorised, for and on behalf of the Company, to do all such things and exercise all powers which he considers necessary or desirable or expedient in connection with the SP Agreement or otherwise in connection with the implementation of the transactions contemplated thereunder, including without limitation the execution, amendment, supplement, delivery, waiver, submission and implementation of the SP Agreement and any further documents or agreements, and any Director and the company secretary of the Company or two Directors be authorised to affix the common seal of the Company (if required) on any document or deed as they consider appropriate.”

By order of the board of directors
Integrated Waste Solutions Group Holdings Limited
Cheng Chi Ming, Brian
Chairman

Hong Kong, 27 November 2023

Registered Office:

Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Head office and principal place of business:

Integrated Waste Solutions Building
8 Chun Cheong Street
Tseung Kwan O Industrial Estate
New Territories
Hong Kong

Notes:

- (a) Registered shareholders will be able to attend this meeting, vote and submit questions online in written form or call to raise questions via the designated website (<https://spot-emeeting.tricor.hk>) by using the username and password provided on the Notification Letter sent by the Company. Registered shareholders are requested to provide a valid email address of himself/herself/itself or his/her/its proxy (except for the appointment of the chairman of the meeting) for the proxy to receive the login access code to participate online in the e-Meeting System. Non-registered shareholders whose Shares are held in the Central Clearing and Settlement System through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited may also be able to attend this meeting, vote and submit questions online in written form or call to raise questions. In this regard, they should consult directly with their banks, brokers or custodians (as the case may be) for the necessary arrangements.
- (b) Any member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of him/her/it. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her/it to attend and vote on his/her/its behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (c) In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or submitted electronically through the Tricor e-Meeting System (<https://spot-emeeting.tricor.hk>) as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Return of the completed form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting and, in such event, the form of proxy shall be deemed to be revoked.

NOTICE OF EGM

- (d) The register of members of the Company will be closed from Monday, 11 December 2023 to Thursday, 14 December 2023 both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible for attending and voting at this meeting, unregistered holders of shares of the Company should ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 8 December 2023.
- (e) Unless announced otherwise, the meeting will be postponed if typhoon signal No. 8 or above, or a black rainstorm warning is in effect at 7:30 a.m. on the date of this meeting. The Company will post an announcement on its website (www.iwsggh.com) and the designated website of the Stock Exchange (www.hkexnews.hk) to notify shareholders of the Company of the date, time and place of the rescheduled meeting.
- (f) As at the date of this notice, the board of directors of the Company comprises two executive Directors, namely, Messrs. Lam King Sang and Tam Sui Kin, Chris; two non-executive Directors, namely, Messrs. Cheng Chi Ming, Brian (Chairman) and Lee Chi Hin, Jacob; and three independent non-executive Directors, namely, Messrs. Chow Shiu Wing, Joseph, Wong Man Chung, Francis, and Chan Ting Bond, Michael.